



General Assembly

January Session, 2021

Raised Bill No. 6494

LCO No. 3891



Referred to Committee on BANKING

Introduced by:
(BA)

AN ACT CONCERNING THE DOWN PAYMENT ASSISTANCE PROGRAM AND AFFORDABILITY INCENTIVE ZONES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 8-286 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective from passage*):

3 (a) The authority shall administer, within the resources allocated by
4 the State Bond Commission to the Department of Housing for the
5 purposes of sections 8-283 to 8-289, inclusive, the homeownership loan
6 program established by said sections 8-283 to 8-289. The purpose of the
7 program shall be to provide, through a contract, an eligible family or
8 person based on the financial needs of such family or person, a loan or
9 deferred loan to assist in the purchase of a dwelling or the purchase and
10 rehabilitation of a dwelling containing up to four residential units,
11 provided such family or person shall reside in at least one of such units.
12 [In the case of a deferred loan, the contract shall require that payments
13 on interest are due currently but that payments on principal may be
14 made at a later time.]

15 (b) Not later than October 1, 2021, the authority shall establish

16 guidelines for issuing loans under the program. Such guidelines shall
17 (1) be substantially similar to the lending guidelines used by the Federal
18 Housing Administration for residential mortgage loans with respect to
19 the debt-to-income ratio of a prospective borrower, (2) prohibit the
20 authority from refusing to accept an application for a loan based upon
21 the credit score of the prospective borrower, and (3) permit the authority
22 to consider nontraditional credit references submitted by the
23 prospective borrower including, but not limited to, proof of
24 employment or proof of rental and utility payments.

25 [(b) Such] (c) A loan or deferred loan issued under the program shall
26 include the reasonable closing costs of the purchase of the dwelling, if
27 so requested by the borrower, and shall not exceed twenty-five per cent
28 of the cost of acquiring such dwelling or twenty-five per cent of the
29 value of such dwelling after rehabilitation, if greater; except that no such
30 limitation may apply to any loan made to a tenant whose dwelling unit
31 is being converted to a condominium and who is able to obtain a
32 mortgage for the purchase of such dwelling unit. Such value shall be
33 determined from the appraisal, if any, required by the lending
34 institution granting the first mortgage loan on such dwelling, and if no
35 such appraisal has been made at the time that a contract for loan is
36 entered into pursuant to this chapter, the authority shall cause such
37 appraisal to be made. In the case of a deferred loan, the contract for the
38 loan may defer payments on interest, but shall not defer payments on
39 the principal amount of the loan.

40 [(c)] (d) Commencing October 1, 1995, the proceeds of the sale of any
41 bonds of the state authorized by any public or special act effective on or
42 after July 1, 1995, that are to be used for the purpose of making loans or
43 deferred loans pursuant to this chapter shall be used by the department
44 to make grants-in-aid to the authority and used by the authority, subject
45 to the purposes and conditions of this chapter, for the purpose of
46 making loans or deferred loans pursuant to this chapter.

47 [(d)] (e) The commissioner shall establish and administer within
48 available funds a residential mortgage guarantee program for eligible

49 persons purchasing a home for owner occupancy. Real property eligible
50 for the program shall be located in public investment communities, as
51 defined in section 7-545, and may contain one to three dwelling units.

52 Sec. 2. (NEW) (*Effective from passage*) The authority may establish
53 affordability incentive zones under the homeownership loan program
54 established by sections 8-283 to 8-289 of the general statutes to
55 incentivize the purchase of dwellings situated in municipalities not
56 exempt from the affordable housing appeals procedure under
57 subsection (k) of section 8-30g of the general statutes. The authority may
58 expand access to the program in such zones by utilizing lending
59 guidelines that are different from the guidelines for the purchase of a
60 dwelling not situated in such zones, including, but not limited to,
61 increasing any eligibility limits with respect to the borrower's income or
62 the purchase price of the dwelling. If the authority establishes an
63 affordability incentive zone under this section, any municipality not
64 designated as an affordability incentive zone may elect to be considered
65 an affordability incentive zone by providing written notice to the
66 authority.

67 Sec. 3. Section 8-286b of the general statutes is repealed and the
68 following is substituted in lieu thereof (*Effective from passage*):

69 (a) Mortgage loan guarantees issued by the commissioner under
70 subsection [(d)] (e) of section 8-286, as amended by this act, shall be in
71 the form of a guarantee from the commissioner to an approved
72 mortgagee. Mortgagees may participate in the program by entering into
73 a mortgage guarantee agreement with the commissioner. Mortgagees
74 participating in the program shall process and underwrite loan
75 guarantees in accordance with the provisions of said subsection [(d)] (e),
76 this section and sections 8-286c, as amended by this act, and 8-286d and
77 any regulations adopted by the commissioner pursuant to section 8-289.

78 (b) Any mortgagee seeking a loan guarantee and any mortgagor
79 seeking to have a loan guaranteed shall provide such information to the
80 commissioner as the commissioner deems necessary. The information

81 shall be provided on a form prescribed by the commissioner. Any
82 information required by the commissioner in connection with an
83 application for a mortgage loan guarantee shall be provided subject to
84 the penalty for false statement under section 53a-157b. No guarantee
85 shall be valid until approved by the commissioner.

86 (c) No loan shall be eligible for a guarantee under the program
87 established pursuant to section 8-286, as amended by this act, unless the
88 commissioner determines that the terms and conditions of the loan are
89 acceptable to the commissioner.

90 Sec. 4. Section 8-286c of the general statutes is repealed and the
91 following is substituted in lieu thereof (*Effective from passage*):

92 (a) The maximum amount of any guarantee issued by the
93 commissioner under the provisions of subsection [(d)] (e) of section 8-
94 286, as amended by this act, section 8-289 and sections 8-286b to 8-286d,
95 inclusive, as amended by this act, shall be in an amount equal to twenty
96 per cent of the mortgage on the real property.

97 (b) The guarantee shall secure the mortgagee up to the amount of the
98 guarantee for any loss incurred by the mortgagee because of default of
99 the mortgagor, including losses in principal balance, interest and fees
100 and expenses due to foreclosure.

101 (c) The commissioner shall maintain a record of payments made to
102 honor loan guarantees issued under the provisions of sections 8-286, as
103 amended by this act, 8-289 and 8-286b to 8-286d, inclusive, as amended
104 by this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	8-286
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>from passage</i>	8-286b
Sec. 4	<i>from passage</i>	8-286c

Statement of Purpose:

To (1) require the Connecticut Housing Finance Authority to establish certain guidelines under the down payment assistance program, (2) allow the Connecticut Housing Finance Authority to establish affordability incentive zones under the down payment assistance program, and (3) clarify that loans issued under the down payment assistance program may include the reasonable closing costs of the purchase of a dwelling.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]