

**Proposed Substitute
Bill No. 6494**

LCO No. 5552

**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 Section 8-286 of the general statutes is repealed and the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 permit the authority to (1) provide loans to borrowers with a debt-to-

18 income ratio equal to the highest debt-to-income permitted by the
19 Federal Housing Administration, the Federal National Mortgage
20 Association and the Federal Home Loan Mortgage Corporation for
21 residential mortgage loans, as applicable, subject to any other
22 limitations of this chapter, and (2) consider (A) the application of a
23 prospective borrower, regardless of the prospective borrower's credit
24 score, and (B) nontraditional credit references submitted by the
25 prospective borrower including, but not limited to, proof of
26 employment or proof of rental and utility payments.

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

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

49 [(d)] (e) The commissioner shall establish and administer within

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

54 Sec. 2. (NEW) (*Effective from passage*) The authority may establish
55 affordability incentive zones under the homeownership loan program
56 established by sections 8-283 to 8-289, inclusive, of the general statutes
57 to incentivize the purchase of dwellings situated in municipalities not
58 exempt from the affordable housing appeals procedure under
59 subsection (k) of section 8-30g of the general statutes. The authority may
60 expand access to the program in such zones by utilizing lending
61 guidelines that are different from the guidelines for the purchase of a
62 dwelling not situated in such zones, which may include increasing
63 eligibility limits with respect to the purchase price of the dwelling or the
64 maximum loan amount, or by reducing the rate of interest of the loan. If
65 the authority establishes an affordability incentive zone under this
66 section, any municipality that is not (1) exempt from the affordable
67 housing appeals procedure under subsection (k) of section 8-30g of the
68 general statutes, and (2) designated as an affordability incentive zone
69 may make a request to the authority, in writing, to be considered an
70 affordability incentive zone. The authority may, in its discretion, grant
71 such requests after considering available funding for the program.

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

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

82 any regulations adopted by the commissioner pursuant to section 8-289.

83 (b) Any mortgagee seeking a loan guarantee and any mortgagor
84 seeking to have a loan guaranteed shall provide such information to the
85 commissioner as the commissioner deems necessary. The information
86 shall be provided on a form prescribed by the commissioner. Any
87 information required by the commissioner in connection with an
88 application for a mortgage loan guarantee shall be provided subject to
89 the penalty for false statement under section 53a-157b. No guarantee
90 shall be valid until approved by the commissioner.

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

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

97 (a) The maximum amount of any guarantee issued by the
98 commissioner under the provisions of subsection [(d)] (e) of section 8-
99 286, as amended by this act, section 8-289 and sections 8-286b to 8-286d,
100 inclusive, as amended by this act, shall be in an amount equal to twenty
101 per cent of the mortgage on the real property.

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

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

This act shall take effect as follows and shall amend the following sections:

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| 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 |