

OFFICE OF LEGISLATIVE RESEARCH  
PUBLIC ACT SUMMARY



**PA 21-101**—sHB 6494

*Banking Committee*

*Housing Committee*

**AN ACT CONCERNING THE DOWN PAYMENT ASSISTANCE PROGRAM, AFFORDABILITY INCENTIVE ZONES AND BONDS OF BOARD MEMBERS AND OTHER EMPLOYEES OF THE CONNECTICUT HOUSING FINANCE AUTHORITY**

**SUMMARY:** This act (1) requires the Connecticut Housing Finance Authority (CHFA), by October 1, 2021, to establish certain guidelines for issuing loans under its homeownership loan program (also called the “Downpayment Assistance Program”) and (2) allows CHFA to establish affordability incentive zones under the program to incentivize home purchases in municipalities that are subject to the affordable housing appeals procedure (see BACKGROUND).

The act requires the guidelines to allow CHFA, subject to existing limitations, to provide loans to borrowers with a debt-to-income ratio up to the highest ratio allowed for residential mortgage loans by the Federal Housing Administration, Federal National Mortgage Association (Fannie Mae), and Federal Home Loan Mortgage Corporation (Freddie Mac). The guidelines must also allow CHFA to consider (1) an application regardless of the borrower’s credit score and (2) nontraditional credit references, such as proof of employment or rental and utility payments.

The act requires loans under the program to include customary and reasonable closing costs if the (1) borrower requests it and (2) loan amount, including the closing costs, does not exceed the maximum allowed loan amount under CHFA’s procedures and guidelines. By law and excluding loans for condominium conversions, the total loan amount generally cannot exceed 25% of the home’s acquisition cost, or value after rehabilitation if that is greater.

The act also allows the chairperson of CHFA’s board of directors to procure an insurance product in lieu of a blanket bond to cover CHFA’s executive director, employees, and board members.

Lastly, the act makes technical and conforming changes.

**EFFECTIVE DATE:** Upon passage, except the provision on insurance product coverage is effective July 1, 2021.

**AFFORDABILITY INCENTIVE ZONES**

The act authorizes CHFA to expand access to the homeownership loan program in affordability incentive zones by using different lending guidelines than those used for buying homes in other areas. These may include (1) increasing eligibility limits for a home’s purchase price or the maximum loan amount or (2) decreasing the loan’s interest rate.

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If CHFA decides to establish zones, the act allows a municipality that is subject to the affordable housing appeals procedure and not already designated as an affordability incentive zone to ask CHFA, in writing, to be considered one. At its discretion, CHFA may grant a request after considering available program funding.

### CHFA INSURANCE PRODUCT COVERAGE

Prior law required each CHFA board member to execute an individual surety bond for at least \$50,000, and the executive director to execute one for \$100,000, unless the board's chair executes a blanket bond covering all CHFA employees, board members, and the executive director. The act allows the chair to procure an equivalent insurance product in lieu of a blanket bond.

Similar to the surety bonds, the insurance product must be (1) conditioned upon the faithful performance of the duties of the offices covered, (2) issued by a company (in this case, an insurer) authorized to do business in Connecticut, (3) paid for by CHFA, and (4) filed with the office of the Secretary of the State. The act also eliminates a requirement that the attorney general approve the bonds.

### BACKGROUND

#### *Affordable Housing*

By law, the Department of Housing (DOH) annually publishes a list of housing stock in each municipality that qualifies as affordable housing under the Affordable Housing Land Use Appeals Procedure (CGS §§ 8-30g(k) & 8-37qqq(a)(2)(D)). Under CGS § 8-30g, municipalities where at least 10% of housing is deemed affordable are generally exempt from the law's appeals procedure.

Affordable housing stock that counts toward the 10% includes: (1) certain types of government-assisted housing, (2) housing financed by CHFA mortgages, (3) housing subject to deeds and conditions restricting its sale or rental to low- and moderate-income people, and (4) mobile homes or accessory apartments subject to certain deed restrictions.

#### *Homeownership Loan Program*

This CHFA-administered program provides, based on financial need, a low-interest loan or deferred loan to help purchase a home or rehabilitate a one-to-four-family home, so long as the loan recipient lives in one of the units. The program uses resources allocated by the State Bond Commission to DOH.