



House of Representatives

General Assembly

File No. 184

January Session, 2023

Substitute House Bill No. 6688

House of Representatives, March 23, 2023

The Committee on Banking reported through REP. DOUCETTE of the 13th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING MORTGAGES, THE RESIDENTIAL HEATING EQUIPMENT FINANCING PROGRAM, THE CONNECTICUT HOUSING FINANCE AUTHORITY AND MOBILE MANUFACTURED HOMES.

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

1 Section 1. Section 49-31o of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2023*):

3 (a) Nothing in sections 49-31k to 49-31n, inclusive, shall require a
4 mortgagee to modify a mortgage or change the terms of payment of a
5 mortgage without its consent.

6 (b) (1) A mortgagee that agrees to modify a mortgage pursuant to the
7 Ezequiel Santiago Foreclosure Mediation Program, established
8 pursuant to section 49-31m, shall deliver such modification to the
9 mortgagor for execution at least fifteen business days prior to the first
10 payment due date under such modification.

11 (2) Any failure by a mortgagee to timely deliver a modification
12 pursuant to subdivision (1) of this subsection shall constitute grounds

13 for a court to, in a pending foreclosure action, after notice and a hearing,
14 issue an order (A) requiring the mortgagee to deliver such modification
15 in accordance with the requirements of subdivision (1) of this
16 subsection, and (B) for such other relief as may be appropriate.

17 (3) Any failure by a mortgagee to deliver or otherwise correct a
18 modification in accordance with the requirements of subdivision (1) or
19 (2) of this subsection may constitute (A) a defense to a foreclosure action,
20 and (B) an unfair trade practice under chapter 735a.

21 [(b)] (c) Information submitted by the mortgagor to a mediator, either
22 orally or in writing, including financial documents, shall not be subject
23 to disclosure by the Judicial Branch.

24 Sec. 2. Subsection (a) of section 49-8 of the general statutes is repealed
25 and the following is substituted in lieu thereof (*Effective October 1, 2023*):

26 (a) (1) The mortgagee or a person authorized by law to release the
27 mortgage shall execute and deliver, or cause to be delivered, to the town
28 clerk of the town in which the real estate is situated or, if so requested
29 in writing by the mortgagor or a designated representative of the
30 mortgagor, to the mortgagor or the designated representative of the
31 mortgagor, a release to the extent of the satisfaction tendered before or
32 against receipt of the release: [(1)] (A) Upon the satisfaction of the
33 mortgage; [(2)] (B) upon a bona fide offer to satisfy the mortgage in
34 accordance with the terms of the mortgage deed upon the execution of
35 a release; [(3)] (C) when the parties in interest have agreed in writing to
36 a partial release of the mortgage where that part of the property securing
37 the partially satisfied mortgage is sufficiently definite and certain; or
38 [(4)] (D) when the mortgagor has made a bona fide offer in accordance
39 with the terms of the mortgage deed for such partial satisfaction on the
40 execution of such partial release.

41 (2) If a release is not delivered to the mortgagor or a designated
42 representative of the mortgagor in accordance with subdivision (1) of
43 this subsection, the mortgagee or a person authorized by law to release
44 the mortgage shall deliver a copy of such release to the mortgagor

45 concurrently with the delivery of such release to the town clerk.

46 Sec. 3. Section 49-8a of the general statutes is repealed and the
47 following is substituted in lieu thereof (*Effective October 1, 2023*):

48 (a) For the purposes of this section and section 49-10a:

49 (1) "Mortgage loan" means a loan secured by a mortgage on one, two,
50 three or four family residential real property located in this state,
51 including, but not limited to, a residential unit in any common interest
52 community, as defined in section 47-202.

53 (2) "Person" means an individual, corporation, limited liability
54 company, business trust, estate, trust, partnership, association, joint
55 venture, government, governmental subdivision or agency, or other
56 legal or commercial entity.

57 (3) "Mortgagor" means the grantor of a mortgage.

58 (4) "Mortgagee" means the grantee of a mortgage; provided, if the
59 mortgage has been assigned of record, "mortgagee" means the last
60 person to whom the mortgage has been assigned of record; and
61 provided further, if the mortgage has been serviced by a mortgage
62 servicer, "mortgagee" means the mortgage servicer.

63 (5) "Mortgage servicer" means the last person to whom the mortgagor
64 has been instructed by the mortgagee to send payments of the mortgage
65 loan. The person who has transmitted a payoff statement shall be
66 deemed to be the mortgage servicer with respect to the mortgage loan
67 described in that payoff statement.

68 (6) "Attorney-at-law" means any person admitted to practice law in
69 this state and in good standing.

70 (7) "Title insurance company" means any corporation or other
71 business entity authorized and licensed to transact the business of
72 insuring titles to interests in real property in this state.

73 (8) "Institutional payor" means any bank or lending institution that,

74 as part of making a new mortgage loan, pays off the previous mortgage
75 loan.

76 (9) "Payoff statement" means a statement of the amount of the unpaid
77 balance on a mortgage loan, including principal, interest and other
78 charges properly assessed pursuant to the loan documentation of such
79 mortgage and a statement of the interest on a per diem basis with
80 respect to the unpaid principal balance of the mortgage loan.

81 (b) If a mortgagee fails to execute and deliver a release of mortgage
82 to the mortgagor or to the mortgagor's designated agent within sixty
83 days from receipt by the mortgagee of payment of the mortgage loan (1)
84 in accordance with the payoff statement furnished by the mortgagee, or
85 (2) if no payoff statement was provided pursuant to a request made
86 under section 49-10a, in accordance with a good faith estimate by the
87 mortgagor of the amount of the unpaid balance on the mortgage loan
88 using (A) a statement from the mortgagee indicating the outstanding
89 balance due as of a date certain, and (B) a reasonable estimate of the per
90 diem interest and other charges due, any attorney-at-law or duly
91 authorized officer of either a title insurance company or an institutional
92 payor may, on behalf of the mortgagor or any successor in interest to the
93 mortgagor who has acquired title to the premises described in the
94 mortgage or any portion thereof, execute and cause to be recorded in
95 the land records of each town where the mortgage was recorded, an
96 affidavit which complies with the requirements of this section.

97 (c) An affidavit pursuant to this section shall state that:

98 (1) The affiant is an attorney-at-law or the authorized officer of a title
99 insurance company, and that the affidavit is made on behalf of and at
100 the request of the mortgagor or the current owner of the interest
101 encumbered by the mortgage;

102 (2) The mortgagee has provided a payoff statement with respect to
103 the mortgage loan or the mortgagee has failed to provide a payoff
104 statement requested pursuant to section 49-10a;

105 (3) The affiant has ascertained that the mortgagee has received
106 payment of the mortgage loan (A) in accordance with the payoff
107 statement, or (B) in the absence of a payoff statement requested
108 pursuant to section 49-10a, in accordance with a good faith estimate by
109 the mortgagor of the amount of the unpaid balance on the mortgage
110 loan calculated in accordance with subdivision (2) of subsection (b) of
111 this section, as evidenced by a bank check, certified check, attorney's
112 clients' funds account check or title insurance company check, which has
113 been negotiated by the mortgagee or by other documentary evidence of
114 such receipt of payment by the mortgagee, including a confirmation of
115 a wire transfer;

116 (4) More than sixty days have elapsed since payment was received by
117 the mortgagee; and

118 (5) At least fifteen days prior to the date of the affidavit, the affiant
119 has given the mortgagee written notice by registered or certified mail,
120 postage prepaid, return receipt requested, of intention to execute and
121 cause to be recorded an affidavit in accordance with this section, with a
122 copy of the proposed affidavit attached to such written notice; and that
123 the mortgagee has not responded in writing to such notification, or that
124 any request for additional payment made by the mortgagee has been
125 complied with at least fifteen days prior to the date of the affidavit.

126 (d) Such affidavit shall state the names of the mortgagor and the
127 mortgagee, the date of the mortgage, and the volume and page of the
128 land records where the mortgage is recorded. The affidavit shall provide
129 similar information with respect to every recorded assignment of the
130 mortgage.

131 (e) The affiant shall attach to the affidavit (1) photostatic copies of the
132 documentary evidence that payment has been received by the
133 mortgagee, including the mortgagee's endorsement of any bank check,
134 certified check, attorney's clients' funds account check, title insurance
135 company check, or confirmation of a wire transfer, and (2) (A) a
136 photostatic copy of the payoff statement, or (B) in the absence of a payoff
137 statement requested pursuant to section 49-10a, a copy of a statement

138 from the mortgagee that is in the possession of the mortgagor indicating
139 the outstanding balance due on the mortgage loan as of a date certain
140 and a statement setting out the mortgagor's basis for the estimate of the
141 amount due, and shall certify on each that it is a true copy of the original
142 document.

143 (f) Such affidavit, when recorded, shall constitute a release of the lien
144 of such mortgage or the property described therein.

145 (g) The town clerk shall index the affidavit in the name of the original
146 mortgagee and the last assignee of the mortgage appearing of record as
147 the grantors, and in the name of the mortgagors and the current record
148 owner of the property as grantees.

149 (h) Any person who causes an affidavit to be recorded in the land
150 records of any town in accordance with this section having actual
151 knowledge that the information and statements therein contained are
152 false shall be guilty of a class D felony.

153 (i) A mortgagee shall accept, as payment tendered for satisfaction or
154 partial satisfaction of a mortgage loan, a bank check, certified check,
155 attorney's clients' funds account check, title insurance company check,
156 wire transfer or any other form of payment authorized under federal
157 law.

158 Sec. 4. Subsections (a) to (g), inclusive, of section 16a-40l of the general
159 statutes are repealed and the following is substituted in lieu thereof
160 (*Effective October 1, 2023*):

161 (a) On or before October 1, 2011, the Department of Energy and
162 Environmental Protection shall establish a residential heating
163 equipment financing program. Such program shall allow residential
164 customers to finance, through on-bill financing or [other] another
165 mechanism, the installation of energy efficient (1) natural gas or heating
166 oil burners, boilers and furnaces, [or] ductless heat pumps or
167 geothermal heating and cooling systems to replace [(1)] (A) burners,
168 boilers and furnaces that are not less than seven years old with an

169 efficiency rating of not more than seventy-five per cent, or [(2)] (B)
170 electric heating systems, or (2) heat pump dryers to replace less efficient
171 dryers. Eligible fuel oil furnaces shall have an efficiency rating of not
172 less than eighty-six per cent. An eligible fuel oil burner shall have an
173 efficiency rating of not less than eighty-six per cent with temperature
174 reset controls. An eligible natural gas boiler shall have an annual fuel
175 utilization efficiency rating of not less than ninety per cent and an
176 eligible natural gas furnace shall have an annual fuel utilization
177 efficiency rating of not less than ninety-five per cent. To participate in
178 the program established pursuant to this subsection, a customer shall
179 first have a home energy audit, the cost of which may be financed
180 pursuant to subsection (b) of this section.

181 (b) Any customer who participates in the financing program
182 established pursuant to this section may repay such financing as part of
183 such customer's monthly gas or electric distribution company bill. Said
184 program may be funded by the residential financing program offered
185 by the Energy Efficiency Fund or the Clean Energy Fund established
186 pursuant to section 16-245n.

187 (c) "Eligible entity" means (1) any residential, commercial,
188 institutional or industrial customer of an electric distribution company
189 or natural gas company, as defined in section 16-1, who employs or
190 installs an eligible in-state energy savings technology, (2) an energy
191 service company certified as a Connecticut electric efficiency partner by
192 the Department of Energy and Environmental Protection, or (3) an
193 installer certified by the Connecticut Green Bank.

194 (d) "Energy savings infrastructure" means tangible equipment,
195 installation, labor, cost of engineering, permits, application fees and
196 other reasonable costs incurred by eligible entities for operating eligible
197 in-state energy savings technologies designed to reduce electricity
198 consumption, natural gas consumption, heating oil consumption or
199 promote combined heat and power systems.

200 (e) The Department of Energy and Environmental Protection shall
201 establish an energy savings infrastructure pilot program consisting of

202 financial incentives for the installation of combined heat and power
203 systems, energy efficient heating oil burners, boilers and furnaces, [and]
204 natural gas boilers and furnaces, geothermal heating and cooling
205 systems and heat pump dryers by eligible entities. [On or before June
206 30, 2014, the department shall evaluate the efficacy of the program
207 established pursuant to this section.]

208 (f) On or before October 1, 2011, the department shall begin accepting
209 applications for financial incentives for combined heat and power
210 systems of not more than one megawatt of power. To qualify for such
211 financial incentives, such combined heat and power system shall reduce
212 energy costs at an amount equal to or greater than the amount of the
213 installation cost of the system within ten years of the installation. The
214 department shall review the current market conditions for such systems,
215 including any existing federal or state financial incentives, and
216 determine the appropriate financial incentives under this program
217 necessary to encourage installation of such systems. Such financial
218 incentives may include providing private financial institutions with
219 loan loss protection or grants to lower borrowing costs. Financial
220 incentives pursuant to this subdivision shall not exceed two hundred
221 dollars per kilowatt. A project accepted for such incentives shall qualify
222 for a waiver of (1) the backup power rate under section 16-243o, and (2)
223 the requirement to provide baseload electricity under section 16-243i.
224 Any purchase of natural gas for any combined heat and power system
225 installed pursuant to this subdivision shall not include a distribution
226 charge pursuant to section 16-243l.

227 (g) [On or before December 31, 2011, the] The department shall [begin
228 accepting] accept applications for financial incentives for the installation
229 of more efficient (1) fuel oil and natural gas boilers and furnaces, and
230 geothermal heating and cooling systems, that replace existing boilers or
231 furnaces that are not less than seven years old with an efficiency rating
232 of not more than seventy-five per cent, or (2) heat pump dryers to
233 replace less efficient dryers. A qualifying fuel oil furnace shall have an
234 efficiency rating of not less than eighty-six per cent. A qualifying fuel oil
235 boiler shall have an efficiency rating of not less than eighty-six per cent

236 with temperature reset controls. A qualifying natural gas boiler shall
237 have an annual fuel utilization efficiency rating of not less than ninety
238 per cent and a qualifying natural gas furnace shall have an annual fuel
239 utilization efficiency rating of not less than ninety-five per cent. The
240 department shall review the current market conditions for such systems
241 and equipment upgrades, including, but not limited to, any existing
242 federal or state financial incentives, and establish the appropriate
243 financial incentives under this program necessary to encourage such
244 upgrades. Financial incentives shall provide private financial
245 institutions with loan loss protection or grants to lower borrowing costs
246 and, if the department deems it necessary, grants to the lending financial
247 institution to lower borrowing costs and allow for a ten-year loan. Such
248 financial incentive package shall ensure that the annual loan payment
249 by the applicant shall be at not more than the projected annual energy
250 savings less one hundred dollars. Any loan provided as a financial
251 incentive pursuant to this subsection shall include the cost of any related
252 incentives, as determined by the department. The department shall
253 arrange with an electric distribution or gas company to provide for
254 payment of any loan made as financial assistance under this subsection
255 through the loan recipient's monthly electric or gas bill, as applicable.

256 Sec. 5. (NEW) (*Effective July 1, 2023*) (a) The Connecticut Housing
257 Finance Authority shall, as part of the homeownership loan program
258 established pursuant to sections 8-283 to 8-289, inclusive, of the general
259 statutes, and within the resources allocated by the State Bond
260 Commission to the Department of Housing for the purposes of said
261 program, establish a time to own down payment assistance loan
262 program to assist eligible applicants to purchase a first home by issuing
263 down payment assistance loans in the manner set forth in said sections,
264 but subject to the guidelines established pursuant to subsection (b) of
265 this section.

266 (b) Not later than July 1, 2023, the Connecticut Housing Finance
267 Authority shall establish guidelines for issuing down payment
268 assistance loans under the program established pursuant to subsection
269 (a) of this section. Such guidelines shall enable the authority to:

270 (1) Provide down payment assistance loans, each of which shall be
271 structured as a zero per cent, nonamortizing loan, of which a portion of
272 the principal amount shall be forgiven annually on the anniversary of
273 the loan closing date until such loan is forgiven; and

274 (2) If the dwelling being purchased by an eligible applicant under
275 such program is situated within an affordability incentive zone,
276 established pursuant to section 8-286e of the general statutes, utilize
277 lending guidelines that are different from the guidelines utilized for the
278 purchase of a dwelling that is not situated within an affordability
279 incentive zone, which alternative lending guidelines may include, but
280 need not be limited to, increased eligibility limits with respect to the
281 purchase price of the dwelling or the maximum loan amount or a
282 reduced interest rate for such loan.

283 Sec. 6. (NEW) (*Effective July 1, 2023*) (a) The Connecticut Housing
284 Finance Authority shall, as part of the homeownership loan program
285 established pursuant to sections 8-283 to 8-289, inclusive, of the general
286 statutes, and within the resources allocated by the State Bond
287 Commission to the Department of Housing for the purposes of said
288 program, establish a rehabilitation loan pilot program to foster the
289 rehabilitation of housing by facilitating the acquisition and renovation
290 of one-to-four family owner-occupied homes.

291 (b) Not later than October 1, 2023, the Connecticut Housing Finance
292 Authority shall establish guidelines for issuing down payment
293 assistance and rehabilitation loans under the pilot program established
294 pursuant to subsection (a) of this section. Such guidelines shall enable
295 the authority to:

296 (1) Provide down payment assistance and rehabilitation loans, each
297 of which shall be used to purchase a one-to-four family owner-occupied
298 home to support rehabilitation, construction, demolition, energy
299 efficiency or aesthetic improvements;

300 (2) Provide rehabilitation loans, each of which shall be structured as
301 a zero per cent, nonamortizing loan, of which a portion of the principal

302 amount shall be forgiven annually on the anniversary of the loan closing
303 date until such loan is forgiven; and

304 (3) If the dwelling being purchased by an eligible applicant under
305 such program is situated within an affordability incentive zone
306 established pursuant to section 8-286e of the general statutes, utilize
307 lending guidelines that are different from the guidelines utilized for the
308 purchase of a dwelling that is not situated within an affordability
309 incentive zone, which alternative lending guidelines may include, but
310 need not be limited to, increased eligibility limits with respect to the
311 purchase price of the dwelling or the maximum loan amount or a
312 reduced interest rate for such loan.

313 Sec. 7. (NEW) (*Effective July 1, 2023*) (a) The Connecticut Housing
314 Finance Authority shall, within the resources allocated by the State
315 Bond Commission to the Department of Housing, establish a small
316 multifamily lending program to provide a revolving loan fund, which
317 fund shall be available to community development financial institutions
318 established under 12 CFR Part 1805, as amended from time to time, to
319 provide acquisition, construction, rehabilitation and permanent
320 financing for small multifamily properties with not fewer than three and
321 not more than thirty units.

322 (b) Not later than October 1, 2023, the Connecticut Housing Finance
323 Authority shall establish guidelines for issuing loans under the program
324 established pursuant to subsection (a) of this section. Such guidelines
325 shall provide that:

326 (1) Loans issued under such program shall be utilized to (A) provide
327 investors with acquisition, construction, rehabilitation or permanent
328 financing for vacant or blighted properties, (B) increase the affordable
329 housing stock in higher income communities, (C) restore vacant and
330 blighted properties to performing properties, and (D) assist
331 revitalization efforts in low and moderate income communities; and

332 (2) If the property being purchased by an eligible applicant under
333 such program is situated within an affordability incentive zone

334 established pursuant to section 8-286e of the general statutes, utilize
 335 lending guidelines that are different from the guidelines utilized for the
 336 financing of a property that is not situated within an affordability
 337 incentive zone, which alternative lending guidelines may include, but
 338 need not be limited to, increased eligibility limits with respect to the
 339 purchase price of the property or the maximum loan amount or a
 340 reduced interest rate for such loan.

341 Sec. 8. (*Effective from passage*) The Departments of Banking and
 342 Housing shall jointly conduct a study concerning ways to provide
 343 greater access to loans used by individuals to purchase mobile
 344 manufactured homes, and decrease the denial rate for such loans, for
 345 the purpose of promoting homeownership. Not later than January 15,
 346 2024, said departments shall jointly submit a report, in accordance with
 347 the provisions of section 11-4a of the general statutes, disclosing the
 348 results of such study to the joint standing committees of the General
 349 Assembly having cognizance of matters relating to banking and
 350 housing.

| | | |
|---|------------------------|-------------------|
| This act shall take effect as follows and shall amend the following sections: | | |
| Section 1 | <i>October 1, 2023</i> | 49-31o |
| Sec. 2 | <i>October 1, 2023</i> | 49-8(a) |
| Sec. 3 | <i>October 1, 2023</i> | 49-8a |
| Sec. 4 | <i>October 1, 2023</i> | 16a-40l(a) to (g) |
| Sec. 5 | <i>July 1, 2023</i> | New section |
| Sec. 6 | <i>July 1, 2023</i> | New section |
| Sec. 7 | <i>July 1, 2023</i> | New section |
| Sec. 8 | <i>from passage</i> | New section |

Statement of Legislative Commissioners:

In Section 1(b)(2)(A) and (b)(3), "reissue" was changed to "deliver" for internal consistency.

BA *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

| Agency Affected | Fund-Effect | FY 24 \$ | FY 25 \$ |
|-----------------------|------------------------------------|--------------------|-----------|
| Banking Dept. | BF - Cost | Less than \$30,000 | None |
| CHFA | Resources of CHFA - Potential Cost | See Below | See Below |
| Treasurer, Debt Serv. | GF - Potential Cost | See Below | See Below |

Note: BF=Banking Fund; GF=General Fund

Municipal Impact: None

Explanation

The bill makes changes pertaining to housing-related financing that result in the fiscal impacts described by the section below.

Sections 1-3 make certain requirements of mortgagees, not anticipated to result in a fiscal impact to the state or municipalities.

Section 4 has no fiscal impact as it expands the types of devices that can be used within the existing energy savings infrastructure program to include geothermal heating and cooling systems and heat pump dryers.

Sections 5-7 make changes to the Down Payment Assistance Program and related programs that could result in increased or more rapid use of previously-authorized bond funds.¹ DAP is funded through

¹Section 5 requires CHFA to establish a "time to own" down payment assistance program. While CHFA currently operates a very similar program, the bill's program

the Connecticut Housing Finance Authority's (CHFA) resources and may be recapitalized through General Obligation (GO) bond funds. Future General Fund debt service costs may be incurred sooner under the bill to the degree that it causes authorized GO bond funds to be expended or to be expended more rapidly than they otherwise would have been.

As of March 1, 2023, there is an unallocated bond balance of \$9 million available under the relevant authorization. The bill does not change GO bond authorizations relevant to the program.

These sections also result in potential administrative costs to CHFA associated with (1) operating the rehabilitation loan pilot program for one-to-four family owner-occupied homes, which would require contracting with a vendor, and (2) operating the small multifamily lending program.²

Section 8 requires a joint study by the Departments of Banking and Housing, for which the Department of Banking would need to hire a consultant. This results in a one-time cost of less than \$30,000 in FY 24.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the use of previously-authorized bond funds for the bill's new provisions.

would be different because the current program operates under the laws governing the Housing Trust Fund.

² CHFA is a quasi-public authority that issues its own federally tax-exempt and taxable mortgage revenue bonds. The authority pays its operating expenses using funds derived from the excess of interest income from loans over bond interest expenses.

OLR Bill Analysis

sHB 6688

AN ACT CONCERNING MORTGAGES, THE RESIDENTIAL HEATING EQUIPMENT FINANCING PROGRAM, THE CONNECTICUT HOUSING FINANCE AUTHORITY AND MOBILE MANUFACTURED HOMES.

SUMMARY

This bill does the following:

1. requires the Connecticut Housing Finance Authority (CHFA) to establish three loan programs for first-time homeownership, home rehabilitation, and small multifamily properties (i.e., three to 30 units) (§§ 5-7);
2. expands the residential heating equipment financing program to include geothermal heating and cooling systems and heat pump dryers (§ 4);
3. requires a mortgagee (lender) that agrees to modify a mortgage through the state's foreclosure mediation program (FMP) to deliver the modification to the mortgagor (borrower) for execution at least 15 business days before the first payment is due under it (§ 1);
4. specifies to whom a mortgage release must be delivered by a mortgagee or by a person authorized to release a mortgage in certain situations (§ 2);
5. requires a mortgagee to accept, as payment or partial payment to satisfy a mortgage, a bank or certified check, an attorney's clients' funds check, a title insurance company check, a wire transfer, or any other payment federal law authorizes (§ 3); and

6. requires the banking and housing departments to (a) jointly study ways to increase access to loans for individuals to buy mobile manufactured homes and decrease the denial rate for these loans and (b) submit a report to the banking and housing committees by January 15, 2024 (§ 8).

The bill also makes many technical and conforming changes.

EFFECTIVE DATE: October 1, 2023, except the CHFA loan program provisions take effect July 1, 2023, and the mobile manufactured home study provision is effective upon passage.

§§ 5-7 — CHFA LOAN PROGRAMS

The bill requires CHFA to establish the following three loan programs:

1. a “time to own” down payment assistance loan program to help eligible applicants purchase a first home;
2. a rehabilitation loan pilot program to encourage housing rehabilitation by helping acquire and renovate one- to -four family owner-occupied homes; and
3. a small multifamily lending program to provide acquisition, construction, rehabilitation, and permanent financing for small multifamily properties with between three and 30 units.

The bill requires CHFA to establish guidelines for issuing the loans under each program. It must do so by July 1, 2023, for the down payment assistance loan program and by October 1, 2023, for the other programs.

Time to Own Down Payment Assistance

Under the bill, the new down payment assistance loan program must be (1) part of CHFA’s existing homeownership loan program and (2) funded within the resources the State Bond Commission allocates to the Department of Housing (DOH) for that program.

CHFA's guidelines for the down payment assistance loans must enable it to:

1. provide them as zero percent and non-amortized loans, with part of the principal amount forgiven each year on the anniversary of the loan's closing date until the loan is forgiven, and
2. if the home being purchased is in an affordability incentive zone, use different lending guidelines than those that apply to home purchases outside a zone, such as increased eligibility limits concerning the home purchase price, the maximum loan amount, or a reduced interest rate.

Generally, an affordability incentive zone is a zone CHFA establishes to incentivize home purchases in municipalities that are not exempt from the state's affordable housing appeals procedure.

Rehabilitation Loan Pilot Program

The bill requires CHFA to establish the rehabilitation loan pilot program as part of its existing homeownership loan program and within the resources allocated for that program by the State Bond Commission to DOH.

It requires CHFA's pilot program guidelines to enable it to do the following:

1. provide down payment assistance and rehabilitation loans, both to be used to support rehabilitation, construction, demolition, energy efficiency, or aesthetic improvements;
2. provide rehabilitation loans that must be structured as zero percent and non-amortized, with part of the principal amount forgiven each year on the anniversary of the loan's closing until the loan is forgiven; and
3. if the home being purchased is in an affordability incentive zone (see above), use different lending guidelines than those that apply to home purchases outside a zone, such as increased

eligibility limits concerning the home purchase price, the maximum loan amount, or a reduced interest rate.

Small Multifamily Lending Program

The bill's new small multifamily lending program must be established by CHFA within resources allocated by the State Bond Commission to DOH. The program must have a revolving loan fund for community development financial institutions to provide acquisition, construction, rehabilitation, and permanent financing for small multifamily properties.

Under the bill, CHFA's program guidelines must allow loan funds to be used (1) by investors to acquire, construct, rehabilitate, or have permanent financing for vacant or blighted properties and (2) to increase affordable housing in higher income communities, restore vacant and blighted properties to performing properties, and help revitalization efforts in low- and moderate-income communities. If the home being purchased is in an affordability incentive zone (see above), the bill requires the guidelines to allow for different lending guidelines than those that apply to home purchases outside a zone, such as increased eligibility limits concerning the home purchase price, the maximum loan amount, or a reduced interest rate.

§ 4 — HOME EQUIPMENT FINANCING PROGRAMS

The bill expands the residential heating equipment financing program to include energy efficient (1) geothermal heating and cooling systems to replace electric heating systems or burners, boilers, and furnaces that are at least seven years old and have an energy efficiency rating of 75% or less and (2) heat pump dryers to replace less efficient dryers. Currently the program applies to energy efficient (1) natural gas or heating oil burners, boilers, and furnaces and (2) ductless heat pumps.

By law, the program allows residential customers to pay for the installation of this equipment through on-bill or another type of financing. To participate, a customer must first have a home energy

audit.

The bill also appears to (1) reestablish a Department of Energy and Environmental Protection energy savings infrastructure pilot program created in 2011 (PA 11-80, § 116) and (2) expand it to include geothermal heating and cooling systems and heat pump dryers. The prior pilot program consisted of financial incentives to install combined heat and power systems; energy efficient heating oil burners, boilers, and furnaces; and natural gas boilers and furnaces.

§ 1 — FMP PAYMENTS

The bill requires a mortgagee that agrees to modify a mortgage under the state's FMP to deliver the modification to the mortgagor for execution at least 15 business days before its first payment is due. The bill makes a failure to timely deliver the modification grounds for a court, in a pending foreclosure action and after notice and a hearing, to order redelivery of the modification and other appropriate relief.

Additionally, under the bill, a mortgagee's failure to deliver or correct a modification as the court required may be a defense in a foreclosure action and an unfair trade practice (see BACKGROUND).

§ 2 — MORTGAGE RELEASES

The bill specifies to whom a mortgage release must be delivered by a mortgagee, or by a person authorized to release a mortgage, when:

1. the mortgage is paid off;
2. a bona fide offer exists to pay off the mortgage or part of the mortgage, in accordance with its terms upon a release; or
3. the interested parties have a written agreement to partially release the mortgage.

It requires the release to be sent to the mortgagor or mortgagor's designated representative if either makes a written request for it. Otherwise, the release must be delivered to the town clerk of the town where the property is situated, and a copy must be sent to the mortgagor

at or about the same time as the delivery to the town clerk.

BACKGROUND

Connecticut Unfair Trade Practices Act (CUTPA)

The law prohibits businesses from engaging in unfair and deceptive acts or practices. CUTPA allows the consumer protection commissioner to issue regulations defining what constitutes an unfair trade practice, investigate complaints, issue cease and desist orders, order restitution in cases involving less than \$10,000, enter into consent agreements, ask the attorney general to seek injunctive relief, and accept voluntary statements of compliance. It also allows individuals to sue. Courts may issue restraining orders; award actual and punitive damages, costs, and reasonable attorney’s fees; and impose civil penalties of up to \$5,000 for willful violations and \$25,000 for violation of a restraining order.

Ezequiel Santiago Foreclosure Mediation Program

By law, this program brings together judicial branch mediators; lenders; and borrowers or owner-occupants, as applicable. If an eligible borrower or owner-occupant files an appearance and requests mediation, the lender must participate.

The program is available to (1) owner-occupants of one- to four-family residential real property who use it as their primary residence and (2) religious organizations. The property must be in Connecticut, and the owner-occupant must be either the borrower under a mortgage on the property or a permitted successor-in-interest (i.e., someone who, among other things, has title to the property due to certain events such as divorce or the borrower’s death) (CGS § 49-31k et seq.).

COMMITTEE ACTION

Banking Committee

Joint Favorable Substitute
Yea 12 Nay 0 (03/07/2023)