



# House of Representatives

## File No. 752

General Assembly

January Session, 2023

**(Reprint of File No. 184)**

Substitute House Bill No. 6688  
As Amended by House Amendment  
Schedule "A"

Approved by the Legislative Commissioner  
May 8, 2023

**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 Section 49-31o of the general statutes is repealed and the  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 send such modification to the  
9 mortgagor for execution at least fifteen business days prior to the first  
10 modified payment due date under such modification. The mortgagee or  
11 the mortgagee's attorney may satisfy the requirements of this

12 subdivision by sending the modification to (A) the mortgagor, or (B) if  
13 the mortgagor is represented by an attorney, the mortgagor and the  
14 mortgagor's attorney.

15 (2) Any failure by a mortgagee to timely send a modification  
16 pursuant to subdivision (1) of this subsection shall constitute grounds  
17 for a court to, in a pending foreclosure action, after notice and a hearing,  
18 issue an order requiring the mortgagee to send such modification in  
19 accordance with the requirements of subdivision (1) of this subsection.

20 (3) Any failure by a mortgagee to send a modification in accordance  
21 with the requirements of subdivision (2) of this subsection shall  
22 constitute conduct contrary to the objectives of the mediation program  
23 for the purpose of imposing sanctions under subsection (b) of section  
24 49-31n.

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

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 Subsection (a) of section 49-8 of the general statutes is repealed  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

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

44 execution of such partial release.

45 (2) If a release is not delivered to the mortgagor or a designated  
46 representative of the mortgagor in accordance with subdivision (1) of  
47 this subsection, the mortgagee or a person authorized by law to release  
48 the mortgage shall deliver a copy of such release to the mortgagor  
49 concurrently with the delivery of such release to the town clerk.

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

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

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

57 (2) "Person" means an individual, corporation, limited liability  
58 company, business trust, estate, trust, partnership, association, joint  
59 venture, government, governmental subdivision or agency, or other  
60 legal or commercial entity.

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

62 (4) "Mortgagee" means the grantee of a mortgage; provided, if the  
63 mortgage has been assigned of record, "mortgagee" means the last  
64 person to whom the mortgage has been assigned of record; and  
65 provided further, if the mortgage has been serviced by a mortgage  
66 servicer, "mortgagee" means the mortgage servicer.

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

72 (6) "Attorney-at-law" means any person admitted to practice law in

73 this state and in good standing.

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

77 (8) "Institutional payor" means any bank or lending institution that,  
78 as part of making a new mortgage loan, pays off the previous mortgage  
79 loan.

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

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

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

102 (1) The affiant is an attorney-at-law or the authorized officer of a title  
103 insurance company, and that the affidavit is made on behalf of and at

104 the request of the mortgagor or the current owner of the interest  
105 encumbered by the mortgage;

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

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

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

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

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

135 (e) The affiant shall attach to the affidavit (1) photostatic copies of the  
136 documentary evidence that payment has been received by the  
137 mortgagee, including the mortgagee's endorsement of any bank check,  
138 certified check, attorney's clients' funds account check, title insurance  
139 company check, or confirmation of a wire transfer, and (2) (A) a  
140 photostatic copy of the payoff statement, or (B) in the absence of a payoff  
141 statement requested pursuant to section 49-10a, a copy of a statement  
142 from the mortgagee that is in the possession of the mortgagor indicating  
143 the outstanding balance due on the mortgage loan as of a date certain  
144 and a statement setting out the mortgagor's basis for the estimate of the  
145 amount due, and shall certify on each that it is a true copy of the original  
146 document.

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

149 (g) The town clerk shall index the affidavit in the name of the original  
150 mortgagee and the last assignee of the mortgage appearing of record as  
151 the grantors, and in the name of the mortgagors and the current record  
152 owner of the property as grantees.

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

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

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

165 (a) On or before October 1, 2011, the Department of Energy and

166 Environmental Protection shall establish a residential heating  
167 equipment financing program. Such program shall allow residential  
168 customers to finance, through on-bill financing or [other] another  
169 mechanism, the installation of energy efficient (1) natural gas or heating  
170 oil burners, boilers and furnaces, [or] ductless heat pumps or  
171 geothermal heating and cooling systems to replace [(1)] (A) burners,  
172 boilers and furnaces that are not less than seven years old with an  
173 efficiency rating of not more than seventy-five per cent, or [(2)] (B)  
174 electric heating systems, or (2) heat pump dryers to replace less efficient  
175 dryers. Eligible fuel oil furnaces shall have an efficiency rating of not  
176 less than eighty-six per cent. An eligible fuel oil burner shall have an  
177 efficiency rating of not less than eighty-six per cent with temperature  
178 reset controls. An eligible natural gas boiler shall have an annual fuel  
179 utilization efficiency rating of not less than ninety per cent and an  
180 eligible natural gas furnace shall have an annual fuel utilization  
181 efficiency rating of not less than ninety-five per cent. To participate in  
182 the program established pursuant to this subsection, a customer shall  
183 first have a home energy audit, the cost of which may be financed  
184 pursuant to subsection (b) of this section.

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

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

198 (d) "Energy savings infrastructure" means tangible equipment,

199 installation, labor, cost of engineering, permits, application fees and  
200 other reasonable costs incurred by eligible entities for operating eligible  
201 in-state energy savings technologies designed to reduce electricity  
202 consumption, natural gas consumption, heating oil consumption or  
203 promote combined heat and power systems.

204 (e) The Department of Energy and Environmental Protection shall  
205 [establish] maintain an energy savings infrastructure [pilot] program  
206 consisting of financial incentives for the installation of combined heat  
207 and power systems, energy efficient heating oil burners, boilers and  
208 furnaces, [and] natural gas boilers and furnaces, geothermal heating and  
209 cooling systems and heat pump dryers by eligible entities. [On or before  
210 June 30, 2014, the department shall evaluate the efficacy of the program  
211 established pursuant to this section.]

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

231 (g) [On or before December 31, 2011, the] The department shall [begin



232 accepting] accept applications for financial incentives for the installation  
233 of more efficient (1) fuel oil and natural gas boilers and furnaces, and  
234 geothermal heating and cooling systems, that replace existing boilers or  
235 furnaces that are not less than seven years old with an efficiency rating  
236 of not more than seventy-five per cent, or (2) heat pump dryers to  
237 replace less efficient dryers. A qualifying fuel oil furnace shall have an  
238 efficiency rating of not less than eighty-six per cent. A qualifying fuel oil  
239 boiler shall have an efficiency rating of not less than eighty-six per cent  
240 with temperature reset controls. A qualifying natural gas boiler shall  
241 have an annual fuel utilization efficiency rating of not less than ninety  
242 per cent and a qualifying natural gas furnace shall have an annual fuel  
243 utilization efficiency rating of not less than ninety-five per cent. The  
244 department shall review the current market conditions for such systems  
245 and equipment upgrades, including, but not limited to, any existing  
246 federal or state financial incentives, and establish the appropriate  
247 financial incentives under this program necessary to encourage such  
248 upgrades. Financial incentives shall provide private financial  
249 institutions with loan loss protection or grants to lower borrowing costs  
250 and, if the department deems it necessary, grants to the lending financial  
251 institution to lower borrowing costs and allow for a ten-year loan. Such  
252 financial incentive package shall ensure that the annual loan payment  
253 by the applicant shall be at not more than the projected annual energy  
254 savings less one hundred dollars. Any loan provided as a financial  
255 incentive pursuant to this subsection shall include the cost of any related  
256 incentives, as determined by the department. The department shall  
257 arrange with an electric distribution or gas company to provide for  
258 payment of any loan made as financial assistance under this subsection  
259 through the loan recipient's monthly electric or gas bill, as applicable.

260 Sec. 5. Section 8-286 of the general statutes is repealed and the  
261 following is substituted in lieu thereof (*Effective October 1, 2023*):

262 (a) The authority shall administer, within the resources allocated by  
263 the State Bond Commission to the Department of Housing for the  
264 purposes of sections 8-283 to 8-289, inclusive, as amended by this act,  
265 the homeownership loan program established by said sections 8-283 to

266 8-289. The purpose of the program shall be to provide, through a  
267 contract, an eligible family or person based on the financial needs of  
268 such family or person, a loan, [or deferred loan] which loan may be  
269 amortizing, deferred or forgivable as to principal or interest, to assist in  
270 the purchase of a dwelling or the purchase and rehabilitation of a  
271 dwelling containing up to four residential units, provided such family  
272 or person shall reside in at least one of such units. [In the case of a  
273 deferred loan, the contract shall require that payments on interest are  
274 due currently but that payments on principal may be made at a later  
275 time.]

276 (b) (1) Not later than October 1, 2021, the authority shall establish  
277 guidelines for issuing loans under the program. Such guidelines shall  
278 permit the authority to [(1)] (A) provide loans to borrowers with a debt-  
279 to-income ratio equal to the highest debt-to-income ratio permitted by  
280 the Federal Housing Administration, the Federal National Mortgage  
281 Association and the Federal Home Loan Mortgage Corporation for  
282 residential mortgage loans, as applicable, subject to any other  
283 limitations of this chapter, and [(2)] (B) consider [(A)] (i) the application  
284 of a prospective borrower, regardless of the prospective borrower's  
285 credit score, and [(B)] (ii) nontraditional credit references submitted by  
286 the prospective borrower including, but not limited to, proof of  
287 employment or proof of rental and utility payments.

288 (2) If the dwelling being purchased by an eligible applicant under the  
289 program is situated within an affordability incentive zone, established  
290 pursuant to section 8-286e, the authority may utilize lending guidelines  
291 that are different from the guidelines utilized for the purchase of a  
292 dwelling that is not situated within an affordability incentive zone,  
293 which alternative lending guidelines may include, but need not be  
294 limited to, increased eligibility limits with respect to the purchase price  
295 of the dwelling or the maximum loan amount or a reduced interest rate  
296 for such loan.

297 (c) [A] Any loan [or deferred loan] issued under the program shall  
298 include the customary and reasonable closing costs of the purchase of

299 the dwelling, if so requested by the borrower, and to the extent the loan  
300 amount inclusive of such closing costs does not exceed the maximum  
301 loan amount under the authority's procedures and guidelines, and shall  
302 not exceed twenty-five per cent of the cost of acquiring such dwelling or  
303 twenty-five per cent of the value of such dwelling after rehabilitation, if  
304 greater; except that no such limitation may apply to any loan made to a  
305 tenant whose dwelling unit is being converted to a condominium and  
306 who is able to obtain a mortgage for the purchase of such dwelling unit.  
307 Such value shall be determined from the appraisal, if any, required by  
308 the lending institution granting the first mortgage loan on such  
309 dwelling, and if no such appraisal has been made at the time that a  
310 contract for loan is entered into pursuant to this chapter, the authority  
311 shall cause such appraisal to be made.

312 (d) Commencing October 1, 1995, the proceeds of the sale of any  
313 bonds of the state authorized by any public or special act effective on or  
314 after July 1, 1995, that are to be used for the purpose of making loans [or  
315 deferred loans] pursuant to this chapter shall be used by the department  
316 to make grants-in-aid to the authority and used by the authority, subject  
317 to the purposes and conditions of this chapter, for the purpose of  
318 making loans [or deferred loans] pursuant to this chapter.

319 (e) The commissioner shall establish and administer within available  
320 funds a residential mortgage guarantee program for eligible persons  
321 purchasing a home for owner occupancy. Real property eligible for the  
322 program shall be located in public investment communities, as defined  
323 in section 7-545, and may contain one to three dwelling units.

324 Sec. 6. Section 8-286a of the general statutes is repealed and the  
325 following is substituted in lieu thereof (*Effective October 1, 2023*):

326 Any contract for a loan to purchase a dwelling under section 8-286,  
327 as amended by this act, may require that the state or the authority shall  
328 receive, in exchange for any such loan, a share in the appreciation of the  
329 dwelling or any interest therein upon its sale. Such share shall be in an  
330 amount determined by the [the] authority.

331 Sec. 7. Section 8-287 of the general statutes is repealed and the  
332 following is substituted in lieu thereof (*Effective October 1, 2023*):

333 (a) Any loan [or deferred loan] contracted for pursuant to this chapter  
334 shall be secured by a [second] subordinate mortgage on the dwelling  
335 purchased by the recipient of such loan. [or deferred loan.] If the  
336 recipient of such loan [or deferred loan] assigns, transfers or otherwise  
337 conveys his interest in such dwelling or ceases to occupy such dwelling,  
338 the unpaid principal balance of said [second] mortgage, together with  
339 interest thereon, shall become due and payable. If the recipient of any  
340 loan [or deferred loan] is unable to repay the loan, [or deferred loan,]  
341 the authority or the commissioner, for loans [or deferred loans] made  
342 under this chapter prior to October 1, 1995, and the authority for loans  
343 [or deferred loans] acquired from the state or made after October 1, 1995,  
344 at [his or its] the discretion of the authority or the commissioner, as the  
345 case may be, may adjust the interest rate, terms and conditions of the  
346 loan [or deferred loan] to facilitate repayment.

347 (b) Repayment of any loan [or deferred loan] provided in accordance  
348 with this chapter shall be subject to an interest rate to be determined in  
349 accordance with subsection (t) of section 3-20 and such terms and  
350 conditions as the commissioner or the authority may establish,  
351 including, but not limited to, any interest rate, terms of repayment or  
352 conditions for forgiveness of the principal or interest of any such loan.  
353 The authority, in its discretion, (1) may approve repayment of a loan for  
354 a term [that is concurrent with the first mortgage] to be established by  
355 the authority in its discretion or, in the case of a first mortgage that is a  
356 graduated payment mortgage, for a term of no more than thirty years  
357 or (2) may require the loan be due and payable upon assignment,  
358 transfer, sale or other conveyance of the property. Payments by  
359 homeowners who have received financial assistance under this chapter  
360 prior to October 1, 1995, shall be paid to the State Treasurer and  
361 deposited in the General Fund of the state. Payments by homeowners  
362 who have received financial assistance under this chapter after October  
363 1, 1995, shall be paid to the authority, deposited in such funds or  
364 accounts as the authority may establish from time to time for such

365 purpose and [paid by the authority to the State Treasurer and deposited  
366 in the General Fund, except that with the approval of] used by the  
367 authority to make additional loans pursuant to this chapter unless the  
368 Secretary of the Office of Policy and Management [and] directs such  
369 payments to be paid to the State Treasurer [payments received by the  
370 authority may be used by the authority to make additional loans  
371 pursuant to this chapter] and deposited in the General Fund.

372 Sec. 8. Section 8-289 of the general statutes is repealed and the  
373 following is substituted in lieu thereof (*Effective October 1, 2023*):

374 The commissioner [shall] may adopt regulations providing for  
375 financial qualifications of eligible families or persons, requirements and  
376 limitations as to adjustments of terms and conditions of repayment,  
377 funding priorities, guarantee conditions and any additional  
378 requirements as [he] the commissioner deems necessary to carry out the  
379 purposes of this chapter for loans [or deferred loans] made under this  
380 chapter prior to October 1, 1995. The authority shall adopt written  
381 procedures under section 1-121 for such purposes for loans [or deferred  
382 loans] made after October 1, 1995.

383 Sec. 9. (NEW) (*Effective July 1, 2023*) (a) Notwithstanding any  
384 provision of chapter 134 of the general statutes, the Connecticut  
385 Housing Finance Authority shall, within the resources allocated by the  
386 State Bond Commission to the Department of Housing, establish a small  
387 multifamily lending program to provide a revolving loan fund, which  
388 fund shall be available to community development financial institutions  
389 established under 12 CFR Part 1805, as amended from time to time, and  
390 other comparable institutions deemed eligible by the authority, to  
391 provide acquisition, construction, rehabilitation and permanent  
392 financing for small multifamily properties with not fewer than two and  
393 not more than twenty units, except that properties with more than  
394 twenty units may be deemed eligible by the authority in order to  
395 accomplish the objectives of the program.

396 (b) Not later than January 1, 2024, the Connecticut Housing Finance

397 Authority shall establish guidelines for issuing loans under the program  
398 established pursuant to subsection (a) of this section. Such guidelines  
399 shall provide that:

400 (1) Loans issued under such program shall be utilized to provide  
401 acquisition, construction, rehabilitation or permanent financing to (A)  
402 increase the affordable housing stock in higher income communities,  
403 including housing which would qualify for housing unit equivalent  
404 points pursuant to section 8-30g of the general statutes, (B) restore  
405 vacant and blighted properties or properties in need of rehabilitation to  
406 performing properties, or (C) assist revitalization efforts in low and  
407 moderate-income communities; and

408 (2) If the property being purchased by an eligible applicant under  
409 such program is situated within an affordability incentive zone  
410 established pursuant to section 8-286e of the general statutes, the  
411 authority may utilize lending guidelines that are different from the  
412 guidelines utilized for the financing of a property that is not situated  
413 within an affordability incentive zone, which alternative lending  
414 guidelines may include, but need not be limited to, increased eligibility  
415 limits with respect to the purchase price of the property or the maximum  
416 loan amount or a reduced interest rate for such loan.

417 Sec. 10. (*Effective from passage*) (a) There is established a working  
418 group to study ways to provide greater access to loans used by  
419 individuals to purchase mobile manufactured homes for the purpose of  
420 promoting homeownership.

421 (b) The working group shall consist of the following members:

422 (1) The chairpersons and ranking members of the joint standing  
423 committee of the General Assembly having cognizance of matters  
424 relating to banking, or their designees;

425 (2) The Commissioner of Housing, or the commissioner's designee;

426 (3) The Banking Commissioner, or the commissioner's designee;

427 (4) The executive director of the Connecticut Housing Finance  
428 Authority, or the executive director's designee;

429 (5) A representative of an association that represents financial  
430 institutions in the state, who shall be appointed by the chairpersons of  
431 the joint standing committee of the General Assembly having  
432 cognizance of matters relating to banking; and

433 (6) A representative of an organization that represents credit unions  
434 in the state, who shall be appointed by the chairpersons of the joint  
435 standing committee of the General Assembly having cognizance of  
436 matters relating to banking.

437 (c) Any member of the working group appointed under subdivision  
438 (5) or (6) of subsection (b) of this section may be a member of the General  
439 Assembly.

440 (d) All initial appointments to the working group shall be made not  
441 later than thirty days after the effective date of this section. Any vacancy  
442 shall be filled by the appointing authority.

443 (e) The chairpersons of the joint standing committee of the General  
444 Assembly having cognizance of matters relating to banking shall be the  
445 chairpersons of the working group. Such chairpersons shall schedule  
446 the first meeting of the working group, which shall be held not later than  
447 sixty days after the effective date of this section.

448 (f) The administrative staff of the joint standing committee of the  
449 General Assembly having cognizance of matters relating to banking  
450 shall serve as administrative staff of the working group.

451 (g) Not later than January 1, 2024, the working group shall submit a  
452 report on its findings and recommendations to the joint standing  
453 committees of the General Assembly having cognizance of matters  
454 relating to banking and housing, in accordance with the provisions of  
455 section 11-4a of the general statutes. The working group shall terminate  
456 on the date that it submits such report or January 1, 2024, whichever is

457 later.

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-401(a) to (g)
Sec. 5	<i>October 1, 2023</i>	8-286
Sec. 6	<i>October 1, 2023</i>	8-286a
Sec. 7	<i>October 1, 2023</i>	8-287
Sec. 8	<i>October 1, 2023</i>	8-289
Sec. 9	<i>July 1, 2023</i>	New section
Sec. 10	<i>from passage</i>	New section



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 \$
CHFA	Resources of CHFA - Potential Cost	See Below	See Below
Treasurer, Debt Serv.	GF - Potential Cost	See Below	See Below

Note: GF=General Fund

**Municipal Impact:** None

**Explanation**

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

**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 5-9** make changes to the Down Payment Assistance Program (DAP) and establish a small multifamily lending program, both administered by the Connecticut Housing Finance Authority (CHFA). These sections could result in increased or more rapid use of previously-authorized bond funds. DAP is funded through CHFA's 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 for DAP. The bill does not change any GO bond authorizations.

These sections also result in potential administrative costs to CHFA associated with operating the small multifamily lending program.<sup>1</sup>

**Section 10** establishes a working group to study ways to provide greater access to loans for homeownership of mobile manufactured homes. This has no fiscal impact as the working group is anticipated to have sufficient expertise to meet the bill's requirements.

House "A" replaces provisions requiring the Departments of Banking and Housing to conduct a study with new provisions establishing a working group, which removes a cost of less than \$30,000 in FY 24 to the Department of Banking. The amendment also makes various other changes by striking the underlying bill, resulting in the fiscal impact above.

### ***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.

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<sup>1</sup> 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.

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**OLR Bill Analysis****sHB 6688 (as amended by House "A")\******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 a small multifamily lending program generally for properties of two to 20 units and makes various revisions to CHFA's existing homeownership loan program (§§ 5-9);
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 send the modification to the mortgagor (borrower) for execution at least 15 business days before the first modified 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. establishes a working group to (a) study ways to increase access to loans for individuals to buy mobile manufactured homes and (b) submit a report to the Banking and Housing committees by January 1, 2024 (§ 10).

The bill also makes many technical and conforming changes.

\*House Amendment "A" principally does the following: (1) makes failure to abide by a court's order to send a mortgage modification under the FPM subject to sanctions, rather than potentially making it an unfair trade practice; (2) eliminates the underlying bill's new down payment assistance loan program and rehabilitation loan pilot program and instead revises CHFA's existing homeownership loan program; (3) generally restricts the new small multifamily lending loan program to properties of two to 20 units, and delays, from October 1, 2023, to January 1, 2024, the deadline for CHFA to establish program guidelines; and (4) establishes a working group to study loan access to buy mobile manufactured homes, rather than requiring the departments of banking and housing to study this.

EFFECTIVE DATE: October 1, 2023, except the CHFA multifamily lending program provisions take effect July 1, 2023, and the working group provision takes effect upon passage.

## **§§ 5-9 — CHFA LOAN PROGRAMS**

### ***New Small Multifamily Lending Program (§ 9)***

The bill requires CHFA, within resources allocated by the State Bond Commission to the Department of Housing (DOH), to establish a small multifamily lending program. The program must have a revolving loan fund for community development financial institutions and other comparable institutions CHFA deems eligible to provide acquisition, construction, rehabilitation, and permanent financing for small multifamily properties. Properties eligible for the program are those with between two and 20 units, but CHFA may allow properties with more units to participate if they accomplish the program's objectives.

Under the bill, CHFA must establish program guidelines for issuing these loans by January 1, 2024. The guidelines must require that loan funds be used to acquire, construct, rehabilitate, or have permanent financing to (1) increase affordable housing in higher income communities, including housing that would qualify for housing unit equivalent points under the Affordable Housing Land Use Appeals Procedure law (CGS § 8-30g); (2) restore vacant and blighted properties or properties needing rehabilitation to performing properties; and (3) help revitalization efforts in low- and moderate-income communities.

If the home being purchased is in an affordability incentive zone, the bill allows CHFA to use different lending guidelines than those that apply to home purchases outside a zone, such as increased eligibility limits concerning the home purchase price or 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 (CGS § 8-286e).

#### ***Existing Homeownership Loan Program (§§ 5-8)***

The bill makes several minor, technical, and conforming changes to the existing homeownership loan program that CHFA administers, including allowing, rather than requiring, the DOH commissioner to adopt regulations with requirements for associated loans before October 1, 1995 (it does not appear they were adopted).

The bill specifies that a loan issued under the program may be amortizing, deferred, or forgivable as to principal or interest. It eliminates the current requirement that a contract for a deferred loan only allow deferment of principal (i.e., interest payments must be made), thus allowing these loans to defer both principal and interest payments.

If the home being purchased under the program is in an affordability incentive zone (see above), the bill explicitly allows CHFA to use

different lending guidelines than those that apply to home purchases outside a zone, such as increased eligibility limits concerning the home purchase price or maximum loan amount, or a reduced interest rate.

Current law requires loans issued under the program to be secured by a second mortgage on the property that is purchased by the loan recipient. The bill requires the mortgage to be subordinate, rather than second, thereby increasing program eligibility by allowing properties with additional priority mortgagees to participate.

Currently, CHFA is authorized to establish loan repayment terms and conditions but sets the interest rate at the State Bond Commission-established rate. The bill allows CHFA, in its terms and conditions, to establish interest rates, repayment terms, or loan forgiveness terms. It also allows CHFA to approve the length of a loan's repayment, in its discretion, rather than only allowing it to approve a repayment term that is concurrent with the first mortgage.

Lastly, the bill requires homeowners' payments made to CHFA under these laws to be used by the authority for making additional loans unless the Office of Policy and Management (OPM) secretary directs them to be deposited into the General Fund. Current law requires the reverse: the payments paid to CHFA must be deposited into the General Fund unless the OPM secretary and state treasurer approve of them being used to make additional loans.

#### **§ 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 burners, boilers, and furnaces that are at least seven years old and have an energy efficiency rating of 75% or less or electric heating systems 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 requires the Department of Energy and Environmental Protection to maintain an energy savings infrastructure program that offers financial incentives for installing combined heat and power systems; energy efficient heating oil burners, boilers, and furnaces; natural gas boilers and furnaces; and geothermal heating and cooling systems and heat pump dryers. The legislature created a pilot program for this purpose in 2011 (PA 11-80, § 116), but it did not apply to geothermal systems and heat pump dryers.

### **§ 1 — FMP PAYMENTS**

The bill requires a mortgagee that agrees to modify a mortgage under the state's FMP to send the modification to the mortgagor for execution at least 15 business days before the first modified payment is due. It allows the mortgagee or the mortgagee's attorney to fulfill this requirement by sending the modification either to the mortgagor or both the mortgagor and the mortgagor's attorney.

The bill makes a failure to timely send the modification grounds for a court, in a pending foreclosure action and after notice and a hearing, to order the mortgagee to send it. It also makes failure to comply with the court order conduct that is contrary to the FMP's objectives and thus subject to sanctions authorized under the program. By law, the court may impose sanctions for intentional conduct, or a pattern of conduct, that is contrary to the program's objectives. These sanctions must be proportional to the conduct and consistent with FMP objectives. Among other things, they may include ending mediation, prohibiting the mortgagee from charging the mortgagor for attorney's fees, or fines (CGS § 49-31n(b)).

### **§ 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 requests it in writing. 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.

#### **§ 10 — MOBILE MANUFACTURED HOME WORKING GROUP**

The bill creates a 9-member working group to study ways to increase access to loans for purchasing mobile manufactured homes. Working group members include the following:

1. the Banking Committee's chairpersons and ranking members, or their designees;
2. the commissioners of the banking and housing departments and the CHFA executive director, or their designees;
3. a representative from an association that represents financial institutions in the state; and
4. a representative of an organization that represents credit unions in the state.

Under the bill, the Banking Committee chairpersons appoint the working group's two appointed members, who may be Connecticut state legislators, and fill vacancies in these positions. Initial appointments must be made within 30 days after the bill passes.



The bill designates the Banking Committee chairpersons as the working group’s chairpersons. They must schedule and hold the first meeting within 60 days after the bill passes. The Banking Committee’s administrative staff serves as the working group’s administrative staff.

Under the bill, the working group must submit a report with its findings and recommendations to the Banking and Housing committees by January 1, 2024. The group terminates on this day or when it submits the report, whichever is later.

**BACKGROUND**

***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)