
OLR Bill Analysis

sHB 6992

AN ACT ESTABLISHING THE HOMES FOR CT LOAN PROGRAM.

SUMMARY

This bill requires the Connecticut Housing Finance Authority (CHFA) to administer a loan program that helps owners or developers get funding to build new residential buildings (i.e. single- or multi-family residential units, including condominiums or units in common interest communities, or buildings with one or more of these units). CHFA must do this by (1) guaranteeing loan repayment, up to certain thresholds, for participating banks and credit unions that give loans to these borrowers and (2) making additional subordinate loans (see COMMENT). The bill allows both the bank or credit union and CHFA loans to have loan-to-value ratios exceeding typical underwriting standards.

The bill caps the total amount of (1) program loans at \$100 million and (2) claims paid to honor loan guarantees at \$10 million. And among other things, it:

1. limits the use of program loans to expenses needed to complete residential building construction or improve a residential building;
2. establishes requirements for participating in the program and receiving a loan guarantee payment, including making good faith collection efforts;
3. allows CHFA to end a loan guarantee with a bank or credit union if it misrepresents information about the guarantee or fails to comply with the bill's good faith collection requirements;
4. requires CHFA to keep program administration records, including a record of the issued loans and loan guarantee

payments made; and

5. authorizes the comptroller, CHFA, and the Department of Banking (DOB) to enter into a memorandum of understanding to carry out the bill's requirements.

EFFECTIVE DATE: Upon passage

PROGRAM ADMINISTRATION

Lender Participation

Under the bill, banks and credit unions with a physical presence in Connecticut may participate in the program if they first notify DOB and CHFA of their intent to do so. The bill requires DOB and CHFA to set the process for the notice, which must include the institution's contact information.

The bill requires DOB and CHFA, by September 1, 2025, to publish on their websites a (1) program summary and (2) list of the participating banks and credit unions, with the contact information for each, which DOB and CHFA must update. DOB must also give information about the program to state-licensed mortgage servicers.

The bill allows the participating banks and credit unions to suspend their involvement in or withdraw from the program, but not until five business days after notifying DOB and CHFA in writing of the date it will take effect. The bill specifies that a suspension or withdrawal does not affect the ability to submit a guarantee claim for a loan that was properly noticed to CHFA before the suspension or withdrawal took effect.

The bill specifies that a bank's or credit union's program participation does not stop it from issuing loans to this same category of borrowers apart from the program.

Program Capacity

The bill requires a bank or credit union that makes a loan under the program to notify CHFA in writing within one business day of doing so. The notice must include the loan amount and any other information

about the borrower and the loan that CHFA requests.

The bill caps the total amount of loans under the program at \$100 million. CHFA must immediately close participation in the program when this threshold is reached, based on the loan notices it receives, and notify the participating banks and credit unions. Correspondingly, the bill allows banks and credit unions to condition loan commitments on the program's availability.

Loan Requirements

Under the bill, for a participating bank and credit union to make a loan under the program, the borrower must (1) show the bank or credit union and CHFA that its project meets the criteria for a residential building development, which CHFA must set, and (2) give CHFA a covenant that the buildings, when offered for sale to the public, will only be sold to participants of a CHFA-administered homebuyer loan program. The bill requires that a mortgage deed on the borrower's residential buildings and all related improvements under development secure the loan.

The bill requires banks and credit unions to follow their underwriting policies and standards when making these loans, other than using a loan-to-value ratio that exceeds typical standards. It caps the loans' interest rates at the applicable rate of the Federal Home Loan Bank of Boston (FHLBank Boston) for Amortizing Advances through the New England Fund program. This rate is that which (1) is on FHLBank Boston's website on the date the borrower and bank or credit union lock in the rate and (2) has an advance term and amortization schedule that most closely matches the loan's term and schedule.

Standard Procedures and Documents

The bill requires CHFA, by September 1, 2025, to develop the following for participating banks and credit unions:

1. reasonable standards to show good faith collection efforts of outstanding loan principal without required efforts for after 90 days' post-delinquency and

2. a readily accessible communication portal to verify in real time the total amount of program loans reported to CHFA and claims submitted to the comptroller.

It allows CHFA to develop standard promissory note and mortgage deed forms that can be used by the participating banks and credit unions.

Under the bill, the standards and forms must be (1) developed in consultation with banking industry representatives and (2) to the maximum extent feasible, closely aligned with the participating bank and credit unions' forms, policies, and procedures, except the bill prohibits them from requiring post-delinquency collection efforts that extend beyond 90 days.

Loan Guarantees

Under the bill, a participating bank or credit union may make a claim to CHFA to recover the outstanding principal on a defaulted loan, but only after it has made a good faith effort to collect it and can show to CHFA that it has done this. The collection efforts must be done according to the bank's or credit union's loan servicing and collection policies.

The bill requires CHFA to submit accepted claims to the comptroller for payment, which are paid from the General Fund. It caps the amount of claims that CHFA may process and have paid to honor the program's loan guarantees at \$10 million. When this threshold is met, CHFA must immediately stop processing claims and notify the comptroller and the participating banks and credit unions that it will no longer honor guarantees.

Under the bill, once the comptroller pays the claim, the loan tied to it is assigned to the state and CHFA assumes the loan's collection rights. Any funds CHFA receives from collection efforts on these loans must be deposited in the General Fund.

COMMENT

Internal Conflict Regarding CHFA's Loan Issuing Authority

The bill requires CHFA to administer the program, in part, by giving additional loans to eligible borrowers that are subordinate to those issued by the participating banks and credit unions. However, a separate section of the bill allows, rather than requires CHFA to issue these loans.

COMMITTEE ACTION

Banking Committee

Joint Favorable

Yea 12 Nay 0 (03/06/2025)