

*REVISED: Please note, due to a technological issue the correct version of this bill was not available to the Office of Legislative Research prior to file copy production. The issue has been resolved and the revised version of the bill analysis, for the most recent version of the bill, appears below.*

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## **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)