

Banking Committee JOINT FAVORABLE REPORT

Bill No.: SB-284

AN ACT CONCERNING A SECURITY DEPOSIT LOAN ASSISTANCE

Title: PROGRAM.

Vote Date: 3/12/2024

Vote Action: Joint Favorable

PH Date: 3/5/2024

File No.:

***Disclaimer:** The following JOINT FAVORABLE Report is prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose.*

SPONSORS OF BILL:

Banking Committee

REASONS FOR BILL:

This bill would require the Commissioner of Housing to establish a security deposit loan assistance program. This was designed to help alleviate the growing concerns of housing affordability and access to housing by overcoming the barrier that security deposits impose on prospective renters of lower socioeconomic status. Requiring security deposits often require individuals to increase their debt and put them at an economic disadvantage and this program seeks to increase housing affordability across the state.

RESPONSE FROM ADMINISTRATION/AGENCY:

Department of Banking, testified in support of the general goal of the bill, which is to help overcome financial barriers in accessing housing. However, DOB believes certain points need further consideration. They contend that there should be an amendment in which the state provides a 100% guarantee on the loan or be subject to normal or modified underwriting standards. The department says that the bill does not consider how current laws governing rental security deposits will impact this new program. The department states they will require funding to provide financial literacy to the program participants to maintain this initiative. The DOB also says that there is a potential conflict regarding credit reporting and states that the requirement would be more appropriate placed on the institution making the loan. They also state that the application fee should be paid to the financial institutions and possibly be lowered to \$25.

NATURE AND SOURCES OF SUPPORT:

Sen. Bob Duff, 25th Dist. testified in support of SB-00284 on the grounds that the affordability of housing is a major concern and that security deposits is a barrier to accessing housing for many residents. He believes the establishment of this loan assistance program will increase the accessibility and affordability of housing.

NATURE AND SOURCES OF OPPOSITION:

None Expressed

GENERAL COMMENTS:

Tom Mongellow, Art Corey, Fritz Conway, and the **Connecticut Bankers Association** testified that they appreciate the need for the program and offer their assistance in working with the Committee surrounding the role of financial institutions.

Raphael Podolsky, Policy Advocate, Connecticut Legal Services, testified that the Committee should create a study to further understand the implications that this bill would have in actual use and offered their support in the study. Concerns were brought up about whether this would help lower-income tenants, if it is limited to tenants that have rent less than 35% of their income. They also state that there are concerns over if it will encourage financial institutions, landlords, and renters to utilize the program. Another issue they bring up is that the bill only covers part of the security deposit and potentially opens the renter to lawsuits from several different sources. They believe there are other issues with the program that need to be sorted out before it can move forward successfully.

Reported by: Murray Cento

Date: 3/13/2024