



PA 23-45—sHB 6688

Banking Committee

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

SUMMARY: This act 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 Department of Energy and Environmental Protection (DEEP) residential heating equipment financing program to include geothermal heating and cooling systems and heat pump dryers (§ 4, repealed by PA 23-126) (see BACKGROUND);
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 (§ 1);
4. specifies to whom mortgagees, or certain authorized persons, must deliver a mortgage release (§ 2);
5. requires a mortgagee to accept, as payment or partial payment to satisfy a mortgage loan, a bank or certified check, an attorney's clients' funds account check, a title insurance company check, a wire transfer, or any other payment federal law authorizes (§ 3); and
6. establishes a working group to study ways to increase access to loans for individuals to buy mobile manufactured homes and requires the group to report its findings and recommendations to the Banking and Housing committees by January 1, 2024 (§ 10).

The act also makes several technical and conforming changes.

EFFECTIVE DATE: October 1, 2023, except the CHFA multifamily lending program provision takes 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 act 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

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eligible to provide acquisition, construction, rehabilitation, and permanent financing for certain 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 act, 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 provide 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 act allows CHFA to use different lending guidelines than those that apply to home purchases outside such 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 act 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. (In practice, it does not appear that these regulations were adopted.)

The act specifies that a loan issued under the program may be amortizing, deferred, or forgivable as to principal or interest. It eliminates the prior requirement that a contract for a deferred loan allow deferment of principal only (i.e., interest payments had to 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 act explicitly allows CHFA to use different lending guidelines than those that apply to home purchases outside such a zone, such as increased eligibility limits concerning the home purchase price or maximum loan amount, or a reduced interest rate.

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

Under prior law, CHFA could establish loan repayment terms and conditions but had to set the interest rate at the State Bond Commission-established rate. The act 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

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repayment term that is concurrent with the first mortgage.

Lastly, the act requires that homeowners' payments made to CHFA under these laws 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. Prior law required the reverse: the payments to CHFA had to be deposited into the General Fund unless the OPM secretary and state treasurer allowed CHFA to use them for additional loans.

§ 4 — DEEP'S HOME EQUIPMENT FINANCING PROGRAMS

The act expands DEEP's residential heating equipment financing program to include energy-efficient (1) geothermal heating and cooling systems to replace (a) burners, boilers, and furnaces that are at least seven years old and have an energy efficiency rating of 75% or less or (b) electric heating systems and (2) heat pump dryers to replace less efficient dryers. (PA 23-126 repeals this expansion, see BACKGROUND.)

Under existing law, the financing program covers energy-efficient (1) natural gas or heating oil burners, boilers, and furnaces and (2) ductless heat pumps. It 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 act also (1) makes DEEP's energy savings infrastructure program permanent by removing its pilot status and (2) adds the installation of geothermal heating and cooling systems and heat pump dryers to the program's financial incentive offerings. (PA 23-126 repeals these changes, see BACKGROUND.) By law, this program offers financial incentives for installing combined heat and power systems; energy efficient heating oil burners, boilers, and furnaces; and natural gas boilers and furnaces.

§ 1 — FMP PAYMENTS

The act 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 act makes a mortgagee's 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 do so. It makes failure to comply with the court order conduct that is contrary to the FMP's objectives, thus subject to sanctions authorized under the program (e.g., ending mediation, prohibiting the mortgagee from charging the mortgagor for attorney's fees, or fines) (CGS § 49-31n(b)).

§ 2 — MORTGAGE RELEASES

The act specifies to whom a mortgagee, or a person authorized to release a

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mortgage, must deliver a mortgage release 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 that the release be sent to the mortgagee or mortgagee's designated representative upon either's written request. 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 mortgagee at the same time.

§ 10 — MOBILE MANUFACTURED HOME WORKING GROUP

The act creates a nine-member working group to study ways to increase access to loans for purchasing mobile manufactured homes. The working group must consist of the following members:

1. the Banking Committee's chairpersons and ranking members, or their designees;
2. the banking and housing commissioners 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 act, the Banking Committee chairpersons select the working group's two appointed members (the industry representatives), who may be legislators, and fill vacancies in these positions. Initial appointments must be made by July 13, 2023.

The act makes the Banking Committee chairpersons the working group's chairpersons. They must schedule and hold the first meeting by August 12, 2023. The Banking Committee's administrative staff must serve as the working group's administrative staff.

Under the act, 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 date 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 used as the 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-

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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.).

Related Act

PA 23-126, § 29, repeals the act's expansion of the residential heating equipment financing program and the changes to the energy savings infrastructure program (§ 4).