

**PA13-65**

SB0845

House	5327-5330	4
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**H – 1165**

**CONNECTICUT  
GENERAL ASSEMBLY  
HOUSE**

**PROCEEDINGS  
2013**

**VOL.56  
PART 16  
5210 – 5544**

The House of Representatives is voting by roll. Will members please return to the chamber immediately.

SPEAKER SHARKEY:

Have all the members voted? Have all the members voted? Members please check the board to make sure your vote is properly cast.

If all the members have voted, the machine will be locked, and the Clerk will take a tally.

Will the Clerk please announce the tally.

THE CLERK:

Substitute House Bill 6379, as amended by House "A"

Total Number Voting	135
Necessary for Passage	68
Those voting Yea	135
Those voting Nay	0
Those absent and not voting	15

SPEAKER SHARKEY:

The bill, as amended, passes.

Will the Clerk please call Calendar Number 600.

THE CLERK:

On page 35, Calendar Number -- House Calendar Number 600, favorable report of the joint standing committee on Finance, Revenue and Bonding, Senate Bill

845, AN ACT INCREASING ACCESS TO AFFORDABLE HOUSING.

The distinguished chairman of the Housing Committee, Representative Butler, you have the floor, sir.

REP. BUTLER (72nd):

Thank you, Mr. Speaker.

I move for acceptance of the joint committee's favorable report and passage of the bill in concurrence with the Senate.

SPEAKER SHARKEY:

The question is on acceptance of the joint committee's favorable report and passage of the bill in concurrence with the Senate.

Will you remark, 'sir'?

REP. BUTLER (72nd):

Yes, Mr. Speaker.

This bill increases from 1.5 billion to 2.25 dollars billion, the maximum amount of uninsured mortgage purchases and loans, the Connecticut Housing Finance Authority, better known as CHFA, can make -- that are -- that are not insured.

This cap -- this cap has been raised six times since it's been imposed in 1972, and the reason we need it is that the agency is fastly approaching the

cah/cjd/lgg/cd/gbr  
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cap and won't be able to write any mortgages unless we  
take this action.

I move adoption.

SPEAKER SHARKEY:

Thank you, sir.

Do you care to remark? Do you care to remark  
further on the bill that's before us?

Representative Larry Miller of the 122nd, you  
have the floor, sir.

REP. MILLER (122nd):

Thank you, Mr. Speaker.

I rise in support of the bill. This bill  
increases uninsured mortgages that CHFA can hold by 50  
percent to a limit of 225 billion, statutory limit.

Previous increases in 2008 did not affect the  
General Fund and no affect on their bond rating. CHFA  
has an excellent credit rating from the agencies that  
evaluates its bonds, and I hope that the Assembly  
votes in favor of this bill.

SPEAKER SHARKEY:

Thank you, sir.

Do you care to remark? Do you care to remark  
further on the bill that's before us?

If not, staff and guests to the well of the

House. Members take your seats. The machine will be open.

THE CLERK:

The House of Representatives is voting by roll.

The House of Representatives is voting by roll. Will members please return to the chamber immediately.

SPEAKER SHARKEY:

Have all the members voted? Have all the members voted? Members please check the board to make sure your vote is properly cast.

If all the members have voted, the machine will be locked, after which time the Clerk will take a tally.

Clerk, please announce the tally.

THE CLERK:

SB 845 in concurrence with the Senate

Total Number Voting 133

Necessary for Passage 67

Those voting Yea 118

Those voting Nay 15

Those absent and not voting 17

SPEAKER SHARKEY:

The bill has passed in concurrence with the Senate.

**JOINT  
STANDING  
COMMITTEE  
HEARINGS**

**HOUSING  
PART 2  
277 – 582**

**2013**

And our first speaker will be Secretary Ben Barnes.

SECRETARY BARNES: Thank you very much, Senator, excuse me, Senator Bartolomeo, Representative Butler, members of the Committee. It's a great pleasure to -- to come before you today on a bill that is -- or a couple of bills but -- that are very important to the Governor and to myself. I thank you for having this public hearing in Meriden. I think that it is a great idea for the Legislature to get out into the other communities across the state in order to solicit better and more input from the public. And I'm especially pleased that you chose to do so with the subject matter being this bill that's before you, House Bill 6366 which, excuse me, I don't want to push the microphone off the desk, but I need to see my paper.

SB845

The Governor's Bill 6366, which is AN ACT CONCERNING THE ESTABLISHMENT OF THE DEPARTMENT OF HOUSING, is the culmination of several years of - - of hard work to -- that we have undertaken in - - in cooperation with the Legislature to create an independent Department of Housing. This is a goal -- a long-standing goal of the Governor's that we have -- we began a year ago or more. And this bill will finally bring that concept to fruition.

As you may recall, there was a Department of Housing within the State of Connecticut for many years. That was consolidated within the Department of Economic and Community Development. And I give the current leadership and -- and many of the long-term employees at the department enormous credit for the -- the diligence with which they undertook their efforts on affordable housing.

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was agreed upon by the representatives of various affordable housing constituencies as well as the representatives of all the agencies involved as to the best way to make this work.

We've balanced the, I mean there's some activities which are housing-related but also related to other missions of some of the human service agencies. We've tried to apply our collective wisdom to making the -- the right determination as to how those programs are -- are divided between a housing function and those things which are -- which are -- remain in the Department of Social Services or other agencies. So I think that this bill reflects that and is going to put us on the path toward a successful implementation of the new agency which in turn will allow us to significantly redouble our efforts on affordable housing.

There are a couple of -- my testimony includes a few amendments that we would seek, not that -- not that OPM ever makes any mistakes in drafting legislation we submit on behalf of the Governor at the beginning of February, but there were a couple of items that we would -- would ask for your forbearance on, and those are identified in my testimony. I'm happy to answer any questions you have. But I again commend you to support this bill.

I also would offer the Governor's strong support for Senate Bill 845, AN ACT INCREASING ACCESS TO AFFORDABLE HOUSING, which provides critical bonding authority to the Connecticut Housing Finance Authority that it needs to -- in order to continue its aggressive efforts to provide affordable housing finance to Connecticut residents. I'm happy to take any questions you have. And thank you for your -- for hearing me today.

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and she was very informative and explained a lot to me. So I just want to make sure she gets credit for all that.

SECRETARY BARNES: Yeah, we recruited her from the Senate, so she's -- she's an excellent employee -

REP. MILLER: She told me.

SECRETARY BARNES: -- very valuable to us. So thank you for that.

REP. MILLER: Thank you.

SENATOR BARTOLOMEO: Other questions from Committee?

Thank you, Secretary Barnes, we appreciate your testimony.

SECRETARY BARNES: Thank you.

SENATOR BARTOLOMEO: Okay. We will now have Cathy Branch Stebbins.

CATHY BRANCH STEBBINS: Good evening, Chairman, pardon me, members of the Committee. My name is Cathy Branch Stebbins, I'm the Executive Director for Connecticut NAHRO, National Association for Housing and Redevelopment Officials. And we are the membership association for Connecticut's public housing authorities. I'm here to testify in support of House Bill 6366, CONCERNING THE ESTABLISHMENT OF THE DEPARTMENT OF HOUSING. The membership of Conn-NAHRO strongly supports the establishing of a Department of Housing. We feel that it is timely and well needed.

And I just want to also support a specific section, Section 17, subsection (d) -- (b) that adds a -- a representative from Conn-NAHRO onto the Interagency Council for Affordable Housing.

SB845  
HB 6421

the various services and programs and what should be in and what should be out. Those of you who have seen the report know that there are literally dozens, a hundred maybe, programs that we went through one by one and determined whether or not they belonged in the new Department of Housing or not.

I will say that the philosophy that we brought to that effort with -- under Anne's leadership was really to think about the new Department of Housing as truly focused on the housing component, be that financing, be that, you know, vouchers, be that access to housing for our constituents here in the state. Leaving the service provision, which is very important, we're leaving the service provision in the departments that know best about the constituencies that they serve.

So, for example, we, you know, we had around the table the Corrections officers, we had Department of Mental Health Services. We know that this new Department of Housing isn't going to be qualified to actually deliver the service, but they can be very qualified to make sure that the housing functions that are available to those constituents that are receiving the services are adequate and affordable and in the right places. So we think it -- it makes a lot of sense and we certainly support this fully.

So I second want to talk about the Bill 845, which is and Secretary Barnes alluded to this, this is a bill that would raise the cap for borrowing for the Connecticut Housing and Finance Authority. I have the privilege of serving as the chairman of the board of that authority, and you all know that it's a AAA-rated quasi-governmental authority, so it's in excellent financial shape, and has been managed I think extremely well.

But in order for us to continue the -- the good work that they're doing of investing in more affordable housing, allowing access to more first-time home buyers, it would be very important to raise the cap here. We don't see any issues with rating agencies or any other financial issues associated with it, and so we would also ask your support of that bill going forward.

Finally, I just wanted to mention House Bill 6421, which is a bill that is intended to clarify the scope of Section 8-68(f) of the General Statutes and to ensure that the Department of Economic and Community Development promptly adopts the regulations required by said section. DECD has actually been very heavily engaged in working on these regulations over the past several months. We did so with a variety of critical stakeholders such as representatives of public housing authorities and advocates of public housing around the state.

And the resulting regulations have been submitted to the Attorney General's office, and I understand that they have now forwarded that back to the Legislature for your approval. So I believe given that circumstance, assuming you are comfortable with the regulations that we proposed, that this bill would probably not be necessary. So I just wanted to mention that as well. So thank you again for the opportunity to speak before you and I would also concur it's wonderful to see the Legislature in the community and we are grateful for that as well.

SENATOR BARTOLOMEO: Thank you.

Are there any questions from Committee?

Representative Butler.

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A VOICE: Very good. Thank you.

SENATOR BARTOLOMEO: Thank you.

I would like next President Eric Chatman from CHFA.

ERIC CHATMAN: Good evening, everyone. Senator Bartolomeo, Representative Butler, and members of the Housing Committee. My name is Eric Chatman, I'm the President, sorry about that, I'm the President and Executive Director of the Connecticut Housing Finance Authority. On behalf of CHFA, I am providing my comments on legislation before the Housing Committee this evening. And that's specifically related to Governor's Bill 845, AN ACT INCREASING ACCESS TO AFFORDABLE HOUSING.

The Governor's bill increases from 1.4 billion to 2.25 billion the aggregate amount of uninsured mortgage loans that the Connecticut Housing Finance Authority can make that are not insured or guaranteed by the state or federal entities -- certain state and federal entities. CHFA obviously strongly supports this legislation.

As you may know, CHFA is a self-supporting, quasi-public housing finance agency that provides financing for buyers of single family homes and the development of affordable rental multi-family housing throughout the state. Under current law, CHFA is authorized to make commitments of up to 1.5 billion to purchase mortgages providing the underlying mortgage loans that are not directly or indirectly insured in order to provide permanent financing for housing throughout the state.

CHFA's multi-family housing loans are required to have -- are not required I guess I should say, to

have insurance. And in most cases if they were to have insurance, it may not be appropriate due to the higher cost associated with adding that insurance to the loan cost. This obviously could affect the affordability of the loan, of the development which also in turn could limit the viability of a number of projects that CHFA traditionally finances.

In addition, while most CHFA single-family mortgages are insured and cannot count against the uninsured cap limitation, we serve a number of homebuyers that may provide a 20 percent down payment on the single-family mortgage and, therefore, do not need insurance. These loans are -- are included in the statutory cap limitation and that also would limit the type of mortgages -- or limits the types of mortgages that CHFA can make.

At present, CHFA is approaching the statutory cap of 1.5 billion and is requesting that the cap be raised to 2.25 billion in order for the authority to continue financing -- the financing of uninsured mortgages for both single-family and multi-family loans throughout the state. The Governor's bill will allow CHFA to continue its significant contributions to the creation of affordable housing opportunities for both families and individuals throughout the state.

With an increase in the statutory cap -- without an increase, I guess I should say, of the statutory cap, CHFA will be inhibited to go forward with this work to support affordable housing throughout the state. Just for your information, last year CHFA financed 1,445 single family mortgages and financed over 2,000 new or rehabilitated affordable housing apartments throughout the state. In addition to providing homes for individuals and families, this financing we estimated created about 1,200 jobs

and 166 million of new economic activity as well as 13 million in additional state -- state revenue. Thank you very much for this opportunity to provide you the testimony, and I'd be happy to answer any questions you might have.

SENATOR BARTOLOMEO: Thank you, sir.

Questions from Committee?

I first saw Representative White -- Wright, sorry.

REP. WRIGHT: Thank you, Madam Chair. Now when you say insurance, you're talking about PMI, primary mortgage insurance?

ERIC CHATMAN: It could be PMI, it could be Fannie -- FHA, it could be Fannie Mae, it could be any insurance, yes.

REP. WRIGHT: Okay. And the -- the people who go through this program, are they people who normally have difficulties getting mortgages, getting financing through other streams?

ERIC CHATMAN: It's going to range. Some people use - - may be familiar with our down payment assistance program. And some borrowers may have difficulty in raising a down payment, and we will provide down payment assistance to them as well. But there are others that may be moderate income and they may be able to have the 20 percent to pay that loan down.

REP. WRIGHT: Okay. And these -- these are essentially loans that you are forwarding and that get paid back to CHFA?

ERIC CHATMAN: Say that again, I'm sorry.

REP. WRIGHT: These are -- these are loans that you're

essentially making that get paid back to CHFA?

ERIC CHATMAN: Correct.

REP. WRIGHT: Now with the issues that we've been having in the housing market over the last several years, the -- the -- I'm assuming CHFA prefers not to go through a foreclosure process if it can avoid it, but are the payment rates that -- that you're getting comparable to what the banks have been getting -- or the failure rate the same or similar?

ERIC CHATMAN: We're probably a little bit better -- we are better than most banks. As you know, with the foreclosure crisis, a number of the issues had to do with the type of loans that individuals borrowing from a typical bank. We always finance 30-year, fixed-rate mortgages. They're fully underwritten, fully researched before we actually make the loan, actually participating lenders make the loan. And the vast majority of our loans are FHA-insured and so they've got to be underwritten to FHA insurance standards.

REP. WRIGHT: Do the loans stay with FHA -- FH, excuse me, CHFA or do they go out onto the second market?

ERIC CHATMAN: No. We -- at the end of the day, we're holding those mortgages on our balance sheet.

REP. WRIGHT: You hold them to fruition?

ERIC CHATMAN: Correct.

REP. WRIGHT: All right. Thank you very much.

ERIC CHATMAN: You're welcome.

SENATOR BARTOLOMEO: Thank you.

We have Representative Diminico next.

REP. DIMINICO: Thank you, Madam Chair. Just a kind of a pragmatic question, when was the last time you asked for an increase?

ERIC CHATMAN: Oh, that's a good question. I can tell you that we've increased it six times over the last 40 years. I'm going to turn to my CFO, John Crawford, do you know when we last --

JOHN CRAWFORD: I think it was about -- it was three or four years ago, but I don't know exactly.

REP. DIMINICO: And so when is the next time we're going to see you?

ERIC CHATMAN: Right now, the next time? I'm -- hopefully we can --

REP. DIMINICO: -- next increase. I'm just curious how the 5.2 -- 2.25 (inaudible) --

ERIC CHATMAN: The way we positioned this is to try and at least have enough room under the cap limitation for the next two years.

REP. DIMINICO: Okay.

ERIC CHATMAN: And, you know, our expectation is that based on the future plan, we should be able to come close to that, but we have a little head room as well. So if we go above that, we should be comfortable.

REP. DIMINICO: Thank you.

ERIC CHATMAN: You're welcome.

SENATOR BARTOLOMEO: Okay.

Next we have Representative Butler followed by

Representative Miller.

REP. BUTLER: Thank you, Madam Chair. And thank you, Mr. Chatman, for actually coming. It's so nice to see our highest numbers of departments actually coming here to testify, showing your commitment to travel as well as everyone else. So I really want to thank you in advance for that. My question is in line with what Representative Diminico was talking about. He asked one of my questions about when the last time this was done. I've been a state rep for six plus years and I know when I first got here I believe you actually did this probably three or four years ago, I'd say that's about right. But I want -- you said that there's about, you know, 1,500 single-family mortgages in last year, how many more mortgages will this allow you to do in the next couple of years do you think?

ERIC CHATMAN: What we've anticipated in our strategic plan that we do about 2,300 loans this fiscal year -- or this calendar year, 2013, and a similar amount in 2014 as well, so a little more than 4,000 on the single-family side. Now all those will not be uninsured, so a portion of those will be uninsured. And roughly about 30 percent of that amount will be uninsured. But then again that's just the single-family side as well. There are also uninsured multi-family assets that are coming on the books, most of those are not insured. And we do about, as I said, 2,000 units a year, about 100 to \$200 million a year on the multi-family side.

REP. BUTLER: Okay. And thank you for providing this information on jobs and the dollar amount associated with that because as I spoke of earlier, housing being a main staple of economic recovery, this activity that you're going to help generate is going to be one of the activities that is going to help bring Connecticut's economy

back, and we need to do that like ASAP. So I think it's a great idea that you're coming here to ask us to help provide you with stimulus package, if you will, that's going to help Connecticut. Thank you, Madam Chair.

ERIC CHATMAN: Thank you.

SENATOR BARTOLOMEO: Thank you.

Representative Miller.

REP. MILLER: Thank you, Madam Chair. Question about Subsection (c), mobile manufactured homes, are we talking about new homes, used trailers?

ERIC CHATMAN: I'm sure -- which section are you referring to?

REP. MILLER: This is in 845, subsection -- the last Subsection (c).

ERIC CHATMAN: Yeah, this is probably an old part of the bill, I mean, we're not doing manufactured homes right now in our activities, so this is an old part of the bill.

REP. MILLER: So you're not going to be doing that now?

ERIC CHATMAN: No.

REP. MILLER: Okay. Because I know down South, that's a way of life down there with these trailers. They -- actually they take two of them, they call them a double-double, and they get quite a few square feet, maybe 600 - 800 square feet with some of these trailers, and does provide a very low cost to the purchaser as opposed to buying a home.

ERIC CHATMAN: Okay. And, unfortunately I can't

answer that question about -- about how much we're doing in that area. I know it's not a major program of ours today, whether or not we've done some in the past, I would have to get back to you and let you know what our position is on that.

REP. MILLER: Thank you. Thank you, Madam Chair.

SENATOR BARTOLOMEO: Thank you. So as a question for the record, if you would at some point soon follow up with our clerk and let her know your opinion on Section (c), whether or not that's something that would be relevant for future or something that you would recommend striking from the language.

ERIC CHATMAN: Will do.

SENATOR BARTOLOMEO: We'd appreciate that.

Any other questions from Committee?

Representative Diminico.

REP. DIMINICO: Thank you, Madam Chair. I -- I know I sat down and chatted with you and I know there's a couple acronyms for some types of programs that you have. Part of the pool of this money, is that -- I know there is a program where CHFA actually acquires mortgages for loan modifications and that -- is that part of this need for an increase in funding?

ERIC CHATMAN: I think you may be referring to our EMAP program, Emergency Mortgage Assistance Program.

REP. DIMINICO: Yeah.

ERIC CHATMAN: Where if there is a homeowner that is having trouble meeting their mortgage payments

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and they need temporary assistance, we will provide them with a second loan until they can get on their feet. So that is the program where as ask to provide an additional mortgage to an individual homebuyer until they can pay down the mortgage.

REP. DIMINICO: Is there not a program -- I thought in our discussion of past, there was a program where you actually acquired a mortgage so they can modify for the --

ERIC CHATMAN: There's not a program like that right now. We've had discussions about having a program like that, but, no, there's not a program like that right now.

REP. DIMINICO: Well, my experience with CHFA as a realtor, I found them to be the best. They provide vast opportunities for first-time homebuyers, and their foreclosure rate is much less than the big five banks, and I commend you on that. Thank you.

ERIC CHATMAN: Thank you.

SENATOR BARTOLOMEO: Thank you.

Further questions from Committee?

Seeing none, thank you very much for your testimony.

ERIC CHATMAN: Thank you.

SENATOR BARTOLOMEO: Next we will have Gene Marconi, Macori, I'm sorry, followed by Ross Gulino.

EUGENE MARCONI: Good evening, Senator Bartolomeo, Representative Butler. My name is Eugene Marconi, I'm the General Counsel for the Connecticut Association of Realtors, and it's my

HB 6419

**TESTIMONY SUBMITTED TO THE HOUSING COMMITTEE**  
**February 28, 2013**

*Eric Chatman, President-Executive Director  
Connecticut Housing Finance Authority*

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Senator Bartolomeo, Representative Butler and members of the Housing Committee, my name is Eric Chatman, President-Executive Director of the Connecticut Housing Finance Authority (CHFA). On behalf of CHFA, I am providing my comments on legislation before the Housing Committee.

**Governor's Bill 845 An Act Increasing Access To Affordable Housing**

The Governor's bill increases, from \$1.5 billion to \$2.25 billion, the aggregate amount of mortgage purchases and loans that the Connecticut Housing Finance Authority (CHFA) can make that are not insured or guaranteed by certain state and federal entities. CHFA strongly supports this legislation.

CHFA is a self-supporting quasi-public housing agency that provides financing for buyers of single-family homes and the development of affordable multifamily housing. Under current law, CHFA is authorized to make commitments of up to \$1.5 billion to purchase mortgages, provided the underlying mortgage loans are not directly or indirectly insured, in order to provide additional construction mortgages and permanent financing for housing in the state.

CHFA's multifamily housing loans are not required to have insurance, and, in most cases, a requirement of mortgage insurance is not appropriate due to its higher cost, which could impact the affordability of a development, and limit the number of developments that would be viable. In addition, while most of CHFA's single family mortgages are insured and do not apply to the uninsured cap, they serve a number of homebuyers who provide a 20% down payment, and, therefore, do not need insurance. These loans are included in the statutory cap, which limits the number of these types of mortgages that CHFA can make.

Currently, CHFA is approaching the statutory cap of \$1.5 billion and is requesting the cap to be raised to \$2.25 billion in order for the authority to continue its financing of uninsured mortgages, both single and multifamily, in the state.

The Governor's bill will allow CHFA to continue its significant contributions to the creation of affordable housing opportunities for both families and individuals in the state. Without an increase in the statutory cap, CHFA will be unable to go forward with this work. Last year, CHFA financed 1,445 single family mortgages and 2,025 new/rehabilitated affordable apartments. In addition to providing homes for individuals and families, this financing created over 1,200 new jobs, \$166 million in new economic activity, and \$13 million in additional state revenue.

Thank you for the opportunity to provide this testimony to the Housing Committee.



257 Lawrence Street, Hartford CT 06106 | P (860) 721-7876 | F (860) 257-1148 | www.cceh.org

**Written Testimony of Lisa P. Sementilli, Deputy Director  
Before the Housing Committee**

In Support of:

**S.B. 845, An Act Increasing Access to Affordable Housing**  
**H.B. No. 6366 An Act Concerning the Establishment of the Department of Housing**  
Meriden Public Library  
February 28, 2013

Senator Bartolomeo, Representative Butler and members of the Housing Committees, thank you for hearing my testimony on behalf of the Connecticut Coalition to End Homelessness, and thank you for your leadership in preventing and ending homelessness in Connecticut and creating affordable housing for our residents.

The Connecticut Coalition to End Homelessness enthusiastically supports Governor Malloy's housing proposals and their coordination and consolidation at the state Department of Housing. The Department of Housing will *provide centralized leadership* by consolidating and coordinating housing resources and policy—creating new opportunities to better leverage our resources, while making it easier to eliminate unnecessary barriers to getting those resources out to those who can make the best use of them.

The Department will *provide a comprehensive approach to eliminating homelessness* in our State. Connecticut's emergency shelters have run at or over 100% of their legal capacity for more than two years. More than 13,000 persons (and this includes children) used our emergency and transitional housing programs last year.

**Rapid Re-Housing.** Governor Malloy's proposal continues significant new investments in strategies to end homelessness including an on-going commitment to rapid re-housing. It adds \$500,000 (\$250,000 each year) for housing relocation and stabilization services and short-term financial assistance to help homeless families move as quickly as possible into permanent housing and achieve stability. CCEH views the rapid re-housing investment as a down payment on ending family homelessness in Connecticut.

Both the country and Connecticut have seen that rapid rehousing works for a large percentage of families who experience homelessness. In Connecticut, three-quarters of families experience only one episode of homelessness. The majority move back into private housing on their own -- within three months. Just about all of the Connecticut families who have received rapid rehousing assistance have never returned to shelter.

**The Department of Housing Rapid re-housing Fund should continue to be augmented** by Connecticut Housing Finance Authority (CHFA) funds. CHFA has set aside \$500,000 to

serve 125 households per year in a fund administered by the Connecticut Coalition to End Homelessness.<sup>1</sup> About two-thirds of financial assistance has been used for rent subsidy and nearly one third for security deposit.

**Highlights from the CHFA funded Rapid Re-Housing Financial Assistance Fund (7/1/12 - 12/31/12)**

- A total of \$260,264 have been committed and disbursed
- A total of 84 households have been served to date and 83% of those included children
- Amount spent per household is 62% higher for families with children
- Fairfield County expenditures per household are highest in state (\$4,272)
- Funds are used most often for rent subsidies
- Security deposits account for a substantial portion of funds disbursed for adult-only households

**Supportive Housing.** The proposed budget adds \$20 million in funding for 100 units of supportive housing, helping us to meet the state's plan to end chronic homelessness by 2016, with an annualized \$1 million for rental assistance subsidies and \$1 million for services. There are approximately 2,500 chronically homeless individuals in Connecticut. Supportive housing is the most effective solution to combat chronic homelessness, which is defined as four or more shelter stays within three years or a stay of more than one year along with a qualifying disability.

**The new Department of Housing** is slated to have more than twenty staff and \$18 million dollars in funding and will *meet the needs of low- and moderate-income individuals, families and communities in Connecticut by enhancing the supply of and access to safe and affordable housing.* Our statewide data shows that far more families and individuals experience housing instability and homelessness at any one time than can be served by our fragile prevention and crisis response system -- *an estimated 40,000 families are "doubled up" (staying with family or friend for economic reasons) in Connecticut.*

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The coordination of shelters, transitional housing and supportive service programs which comprise the *housing crisis response system* through this consolidation is also an important opportunity to redefine our strategies to end homelessness based on an economic

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<sup>1</sup> In addition, the U.S. Department of Housing and Urban Development has awarded funding to the state of Connecticut (through the Department of Social Services) as well as five municipalities through the Emergency Solutions Grant which allows these entities to use a portion of those funds toward rapid re-housing. Some local communities have combined a mix of private and public dollars to bolster their rapid rehousing programs. DSS has selected lead agencies to implement assistance funded through the Emergency Solutions Grant. Region 1: Supportive Housing Works; 2: New Haven Home Recovery; 3: TVCCA; 4: Community Health Resources; and 5: New Opportunities Inc.

development and income security paradigm where housing emergencies and the crisis of homelessness can be solved through the creation of affordable housing and jobs.

Last biennium, Governor Malloy initiated a significant investment in affordable housing in Connecticut that included \$120 million for affordable housing; \$30 million to preserve and upgrade public housing as the start of a ten year commitment; and over \$30 million for 300 units of supportive housing. The biennial budget also provides:

- **Affordable Housing.** Authorizes \$68 million in capital funding in each year of the biennium to create new affordable housing options for workers, youth and families.
- **Public Housing Revitalization.** Authorizes \$60 million in bonding (\$30 million in each year). Funding is supported with an annualized \$3 million for 300 new rental assistance vouchers.

We urge your support for these proposals to expand the supply of affordable housing, and strengthen housing stability and economic security for Connecticut's residents. Thank you.



STATE OF CONNECTICUT  
OFFICE OF POLICY AND MANAGEMENT

*TESTIMONY PRESENTED TO THE HOUSING COMMITTEE  
February 28, 2013*

*Benjamin Barnes  
Secretary  
Office of Policy and Management*

Testimony Supporting Governor's Bill No. 6366 and No. 845

AN ACT CONCERNING THE ESTABLISHMENT OF THE DEPARTMENT OF HOUSING  
AN ACT INCREASING ACCESS TO AFFORDABLE HOUSING

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Senator Bartolomeo, Representative Butler, Senator McKinney, Representative Miller, and distinguished members of the Housing Committee, thank you for the opportunity to offer testimony on Governor's Bill No. 6366, AN ACT CONCERNING THE ESTABLISHMENT OF THE DEPARTMENT OF HOUSING and Governor's Bill No. 845, AN ACT INCREASING ACCESS TO AFFORDABLE HOUSING.

Governor's Bill No. 6366 implements the Governor's budget recommendations by transferring the relevant responsibilities, functions, and duties to the established Department of Housing from other state agencies. I strongly support this bill and its demonstration of our commitment to the housing needs of the residents of our state.

As you know, Public Act 12-1 of the June Special Session established the new Department of Housing as the lead agency for all matters relating to housing. This legislation also established the Interagency Council on Affordable Housing to advise and assist in the planning of the department and the development of strategies and recommendations for its implementation. This Council met a total of eight times between July 2012 and January 2013, producing a statutorily required report in mid-January that outlined recommendations concerning the programs to be transferred to the Department of Housing from the Departments of Economic and Community Development (DECD), Social Services (DSS), Mental Health and Addiction Services (DMHAS), and the Office of Policy and Management (OPM) and a timeline for implementation. The Council also recommended in its report that support services provided by state agencies with expertise working with sub-populations, such as individuals with mental illness, developmental disabilities, criminal offenders, etc.,

Governor's Bill No. 845 increases, from \$1.5 billion to \$2.25 billion, the aggregate amount of mortgage purchases and loans that the Connecticut Housing Finance Authority (CHFA) can make that are not insured or guaranteed by certain state and federal entities. I strongly support this bill, as it will allow CHFA to continue its significant contributions to the creation of affordable housing opportunities for both families and individuals in the state. CHFA is currently authorized to make commitments to purchase mortgages, provided the underlying mortgage loans are not directly or indirectly insured, in order to provide additional construction mortgages and permanent financing for housing in the state. Without an increase in the statutory cap, CHFA will be unable to go forward with this work. Both Commissioner Catherine Smith from DECD and President and Executive Director Eric Chatman from CHFA will present further testimony supporting this proposal.

I would like to again thank the Committee for the opportunity to present this testimony. I respectfully request the Committee support these bills and I will be happy to answer any questions you may have.

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Catherine H. Smith, Commissioner  
Department of Economic and Community Development

Good afternoon, Senator Bartolomeo, Representative Butler, and distinguished members of the Housing Committee:

I am the Commissioner of Economic and Community Development and I am here to express my support for Governor's Bill 6366, An Act Concerning the Establishment of the Department of Housing, and Governor's Bill 845, An Act Increasing Access to Affordable Housing. I would also like to explain our position with respect to HB 6421, An Act Concerning Public Housing Grievance Procedures.

#### Governor's Bill 6366

DECD is the State's lead agency responsible for strengthening Connecticut's competitive position in the new high-tech, knowledge-based global economy. The agency takes a comprehensive approach to economic development that incorporates housing and community development, as well as culture and tourism into our statewide economic development strategies. Prior to the establishment of the new Department of Housing, DECD has also served as the lead agency for affordable housing policy and programs. We strongly believe that the creation and preservation of affordable housing opportunities are inextricably linked with the State's economic and community development.

As documented in the report of the Interagency Council on Affordable Housing, the diverse affordable housing needs in Connecticut are not being met. We need more affordable housing in our suburbs, cities, and rural communities. We need affordable housing for the most vulnerable and poorest residents, the working poor, low- and moderate-income elderly individuals and couples, and households with incomes around the local area median, including young professionals. We need affordable housing close to jobs, public transit, good schools and critical services. We also need housing that is designed to enhance the surrounding neighborhood and operate sustainably for decades to come.

For the last decade, housing policy and program administration in the State of Connecticut has been disjointed. With housing programs split among DECD, the Department of Social Services, the Department of Mental Health and Addiction Services, the Office of Policy and Management, and other agencies, we have not been able to be as strategic, efficient or as user-friendly as we could be. The Interagency Council recognized the tremendous value of consolidating into one agency the many housing programs currently administered by several agencies. Through consolidation, the State will have the ability to more efficiently and effectively utilize the financial resources committed by the Governor and the legislature.



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The Governor's bill details the statutory changes necessary to implement this consolidation within the Department of Housing, which was established pursuant to Public Act 12-1 of the June Special Session. Specifically, this bill (a) transfers to the Department of Housing all aspects of policy and program administration with respect to the development, redevelopment, preservation, maintenance, and improvement of affordable housing and related initiatives to support affordable housing and strengthen communities, (b) adds the Department of Housing and its Commissioner to those commissions, boards, and committees where housing programs and policies are affected or where an affordable housing perspective is strategically important, and (c) facilitates the transfer of programs, funds, and responsibilities associated with affordable housing to the care, custody, and control of the Commissioner of Housing.

The selection of the specific programs to be transferred to the Department of Housing pursuant to this bill is based on the recommendations set forth in the Interagency Council's report. These programs were carefully selected to achieve the efficiency and comprehensive vision contemplated when the Department of Housing was established.

The proposed consolidation of these programs will also facilitate better coordination of the State's affordable housing policy with its agenda in the many areas that are related to housing, including, for example, economic development, transportation, education, social services, energy conservation, and public health. At a time when the State must "do more with less," it is imperative that the State align its investments in affordable housing with its expenditures in these other areas. This bill enables the State to do just that.

Finally, I would like to express my appreciation to Governor Malloy for his vision and leadership in prioritizing affordable housing and recognizing the central role it plays in the growth of Connecticut's economy. I would also like to reiterate my appreciation for the efforts and insights of my fellow members on the Interagency Council and for all of the organizations and individuals who provided valuable input during the course of the Interagency Council's deliberations.

#### Governor's Bill 845

In my capacity as the Commissioner of Economic and Community Development and as Chair of the Board of the Connecticut Housing Finance Authority (CHFA), I would also like to express my support for Governor's Bill 845. Briefly stated, Governor's Bill 845 increases, from \$1.5 billion to \$2.25 billion, the aggregate amount of mortgage purchases and loans that CHFA can make where such mortgages are not insured or guaranteed by certain state and federal entities.

By way of background, CHFA is a self-supporting quasi-public housing agency. Among other functions vital to the health and stability of the State's housing market and economy overall, CHFA provides financing for buyers of single-family homes and the



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development of affordable multifamily housing. Under current law, CHFA is authorized to make loans and purchase mortgages that are uninsured, up to a total maximum dollar amount of \$1.5 billion. This bill simply raises that cap to \$2.25 billion.

CHFA's multifamily loans generally are not insured. If these loans were insured, in most cases, the loans would be more expensive to the borrower, which would impact the affordability of a CHFA loan. This, in turn, would limit the number of developments that would be viable with CHFA financing.

In addition, while most CHFA single family loans are FHA insured mortgages and are not considered uninsured assets, single family loans where the borrower puts 20% down or are not FHA insured do count against the statutory cap limitation.

Currently, CHFA is approaching the statutory cap of \$1.5 billion and is therefore requesting the cap to be raised to \$2.25 billion so that it can continue its financing of uninsured mortgages for single-family and multifamily properties to expand affordable housing opportunities statewide. Without an increase in the statutory cap, CHFA will be unable to go forward with this work.

This proposal will have no fiscal impact on the State's budget or any negative impact on any other State agencies.

#### House Bill 6421

As stated in the Statement of Purpose for House Bill 6421, this bill is intended "to clarify the scope of section 8-68f of the general statutes and to ensure that the Department of Economic and Community Development promptly adopts the regulations required under said section."

I believe this bill is not necessary at this time because DECD has already engaged in an extensive, multi-year process to develop and draft regulations required under section 8-68. This process included convening numerous joint discussions and negotiations among the various stakeholders, such as representatives of public housing authorities and advocates of public housing residents. The resulting regulations have the support of those diverse stakeholders and were submitted to the Attorney General's Office for final review in January. We have been informed that the Attorney General's Office has now approved these regulations and therefore we are now able to submit them to the legislature.

In light of these circumstances, I would recommend that no further action be taken with respect to this bill unless the proposed regulations are not submitted to the legislature within a reasonable period from the date of this public hearing.

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SENATOR LOONEY:

-- President?

Yes, thank you, Madam President.

Madam President, if the Clerk would call as the next item Calendar Page 38, Calendar 171, Senate Bill 845.

THE CHAIR:

Mr. Clerk.

THE CLERK:

Page 38, Calendar 171, Senate Bill Number 845, AN ACT INCREASING ACCESS TO AFFORDABLE HOUSING, Favorable Report of the Committee on Housing.

THE CHAIR:

Senator Bartolomeo, good evening.

SENATOR BARTOLOMEO:

Thank you. Thank you, Madam President.

Madam President, I move acceptance of the joint committee's Joint Favorable Report and I urge passage of the bill.

THE CHAIR:

Motion is on -- on passage. Will you remark, sir [sic]?

SENATOR BARTOLOMEO:

Yes; thank you, Madam President.

Madam President, this bill increases from 1.5 billion to 2.25 billion the aggregate amount of mortgage purchases and loans that the Connecticut Housing Finance Authority or CHFA can make that are not insured or guaranteed by certain state and federal entities.

As far as a bit of background, the amount of uninsured mortgages that CHFA makes is subject to a statutory cap, which was first instituted in 1972. It has been raised six times in the last 40 years, yet much to their credit, they currently have a triple-A bond rating.

CHFA, it issues its own bonds, and the state backs the bonds with a special capital reserve fund, referred to as C -- "SCRF." CHFA is currently required to have, maintain a combined balance of about \$290 million in the reserve, but the actual amount that CHFA currently has is about \$640 million. The majority of these loans are for multi-family housing loans and also for single-family housing loans.

At this point, we -- we truly do need to look at raising this, because we will not be able to continue or CHFA will not be able to continue financing, and we are at a point in time right now where the Governor and those of us on the Housing Committee, as well as many others, are truly looking at a commitment for the State of Connecticut to -- for more money for affordable housing units. And we are at this point getting too close to the cap to be able to do that, so I do urge passage of this bill.

THE CHAIR:

Thank you.

Will you remark? Will you remark?

Senator Welch.

SENATOR WELCH:

Thank you, Madam President.

If I may, a few questions through you to the proponent of the bill.

THE CHAIR:

Please proceed, sir.

SENATOR WELCH:

Can -- through you, Madam President -- can you tell me what instruments exactly will comprise this additional amount that we would be authorizing through this bill?

Through you, Madam President.

THE CHAIR:

Senator Bartolomeo.

SENATOR BARTOLOMEO:

Thank you.

Through -- through you, Madam President.

I don't understand what the good Senator means by "instruments."

THE CHAIR:

Senator Welch, would you please expand -- explain.

SENATOR WELCH:

Sure. Thank you, Madam President.

So I understand that we're talking about the CHFA being able to increase the amount of uninsured mortgages from 1.5 billion to 2.25 billion. Is -- are -- are we talking about the CHFA actually making loans, themselves, in that additional amount or will they be buying financial instruments to come up with that additional amount?

Through you, Madam President.

THE CHAIR:

Senator Bartolomeo.

SENATOR BARTOLOMEO:

Thank you, very much, Madam President.

And through you, CHFA actually works with a variety of -- of banks and -- and gets individual loans from these banks. And they're individual mortgages; they're not actually bundled, and they are underwritten according to CHFA guidelines. And those that we're speaking about are those that are used by developers for multi-family units and projects and also those that are single-families, but those families are -- are able to put down the 20 percent; so, therefore, they don't need the insurance, which anyone not able to put down the 20 percent does. So they're actually very stable and reliable loans, if you will.

As a matter of fact, when we look at what their rate of, their rate of foreclosure on these or their rate of delinquencies, they're actually better than even our federal government's program or by standards of other -- other types of mortgages.

THE CHAIR:

Senator Welch.

SENATOR WELCH:

Thank you, Madam President.

I appreciate that explanation.

Senator Bartolomeo mentioned that in the history of CHFA, this cap has been increased six times. I'm wondering if she could tell me about when and what those increases were.

Through you, Madam President.

THE CHAIR:

Senator Bartolomeo.

SENATOR BARTOLOMEO:

Thank you, Madam President.

Through you, I'd be happy to; thank you for the opportunity.

In 1972, the cap was instituted with a hundred million dollars. In 1975, it went from a hundred million to 200 million; in 1982, from 200 million to 300 million; in 1984, from 300 million to 500 million; in 1987, from 500 million to 750 million; in 2006, from 750 million to 1 billion; in 2008, from 1 billion to 1.5 billion. And now we are, again, asking for, in 2013, from 1.5 billion to 2.25 billion.

THE CHAIR:

Senator --

SENATOR BARTOLOMEO:

Through you, Madam President.

THE CHAIR:

Senator Welch.

SENATOR WELCH:

Thank you, Madam President.

I really appreciate that offer. I think that helps me understand better the scope of -- of what we're talking about. I think most in the Circle would be supportive of increasing the housing that these funds go to increase.

But I also think that there are probably some in the Circle that are a little bit concerned about lending money without security, especially having just gone through a financial crisis and still in the midst of a financial crisis, which, in part, was spawned by a lot of improperly secured debt.

I appreciate the Senator's answers to my questions, and I thank the Chamber for its time.

Thank you, Madam President.

THE CHAIR:

Thank you.

Will you remark?

Senator Frantz.

SENATOR FRANTZ:

Thank you, Madam President; I appreciate that.

And let me start by saying that this is a huge amount of money that we're talking about here. If this was 50 million or a hundred million dollar increase in capacity at CHFA for uninsured mortgages, I don't think any of us would bat an eye for very long at all, because we do understand that CHFA has an incredible track record. We understand they have a triple-A -- excuse me -- rating, and it's -- it's, it has been well deserved.

But as is always the case, when there are great ratings, oftentimes we can take it for granted that this may continue in perpetuity, regardless of what our decision-making is. That's exactly what happened four-and-a-half and five years ago in the, in the subprime mortgage meltdown in the, in the overall macro market. And I would hate to see something like that happen to a state, let alone happen to Connecticut to the tune of -- well, whatever; pick a number -- somewhere between where we are today and -- and \$2.25 billion.

There's a great book out there, if anybody is interested in how all of this got started in the first place, going back five years in time, called the "Big Short," by an author named Michael Lewis. It's a very instructive book. It's a quick read, and it is very instructive in terms of how we got into that situation as a nation.

And I sense certain similarities in this approach going forward at the state level. We're a small state; we're 3.6 million people, roughly a percent and a quarter of the entire United States' population. And we don't have all the resources in the world, and in many cases, they seem to be dwindling. So I think we need to be very, very conservative in our outlook and in our actions going forward when it comes to

taking positions in the marketplace, which is exactly what we're doing here, according to this bill.

We're taking our limit of \$1.5 billion in uninsured mortgages to 2.25; that's an increase of over \$700 million. And that's the reason why I'm standing up tonight; again, if it was a lesser amount, I'd be sitting down right here or maybe next door.

The percent of uninsured of the portfolio, I believe, is about 24, 25 percent right now.

Through you, Madam President, for the Senator, I have a question.

THE CHAIR:

Please proceed, sir.

SENATOR FRANTZ:

If we're at -- at roughly 20, call it a quarter of the overall portfolio of uninsured mortgages, if this increase were granted by the new statute to 2.25 billion, and assume it was used quickly, where would we be in terms of the overall percentage of the total portfolio?

THE CHAIR:

Senator Bartolomeo.

SENATOR BARTOLOMEO:

Thank you, very much, Madam President.

Through you.

CHA -- CHFA expects to retain the same comparable percentage that they currently have as far as the uninsured mortgages. It is the portfolio and their percentages are expected to remain the same.

And if I might, with your indulgence, just comment and in response to one of the things that the good Senator had said, CHFA does not deal in subprime mortgages.

So, you know, I'm hoping that that will put your mind at ease a bit.

And we also do, I -- I would like to point out some of the statistics, because the current CHFA, when we look at for single-family homes, for instance, the foreclosure rates and the delinquency rates, we're looking right now at a rate of 15.2 percent. But when we compare that to the federal FHA in the Northeast, they're at 18.36 percent. Part of that, I believe, can be explained by the fact that these CHFA loans, the uninsured loans, although it may seem contrary to kind of the language, if you will, they're actually the most reliable of the loans, because we are talking about those in which the homeowner or the purchaser, the buyer is able to put out 20 percent.

If they were not able to put out 20 percent, they would then be insured and covered by the -- the FHA. So we're talking about those who have more to put down on a down payment and also the multi-family developer programs. And I would want to point out that their delinquency rate for the multi-family, for CHFA right now, this past year is only about two percent. So we really are talking about stable loans in this case.

Thank you.

Through you, Madam President.

THE CHAIR:

Senator Frantz.

SENATOR FRANTZ:

Thank you.

And through you, Madam President, I -- I appreciate that answer.

And -- and, yes, I know we're not making subprime or purchasing subprime mortgages for the portfolio nor are we issuing them -- and I -- I have a few colleagues that will have some questions about further mortgage burdens on a particular household or a family, which may introduce additional risk into the

equation -- but -- but purely from a mathematical point of view, if we're taking a 50 percent increase, going from 1.5 to \$2.25 billion, that's a 50 percent increase in uninsured mortgages. I'm not sure how we could affect or -- or how we could, how we could remain at roughly the same proportion of the overall total portfolio of 18 percent -- I think it was you said -- of uninsured mortgages.

THE CHAIR:

Senator Bartolomeo.

SENATOR BARTOLOMEO:

Thank you, Madam President.

Through you, actually, their portfolio is 26 percent of uninsured mortgages, and this particular cap only applies to the uninsured mortgages. So it doesn't have to affect the portfolio percentages, because we have the insured and the uninsured, and we're only looking at the cap that relates to the uninsured.

THE CHAIR:

Senator Frantz.

SENATOR FRANTZ:

Thank you.

And through you, Madam President.

I'm -- I'm still going to scratch my head my head a little bit, because if you're increasing the capacity by 50 percent, whether it's -- and 26 percent, I think, is the number we're now using -- if you, if you increase the number by 50 percent to purchase that type of a mortgage or issue that type of a mortgage, why wouldn't the percentage go way up?

THE CHAIR:

Senator Bartolomeo.

SENATOR BARTOLOMEO:

If I might, through you, ask the good Senator to just clarify again his question, because maybe if I'm talking about different percentages, I'm hearing a different question. Would you mind repeating and clarifying your question for me, sir?

THE CHAIR:

Senator Frantz.

SENATOR FRANTZ:

Sure; absolutely.

Through you, Madam President.

If we're at 26 percent of the total portfolio representing uninsured mortgages, whether they're issued by CHFA or bought by CHFA and put into their portfolio, if we then increased our capacity to buy or issue uninsured mortgages to the tune of \$700 million or a 50 percent increase, I am not sure how the math works so that the 26 percent stays stable. Why wouldn't it double or go up by at least 50 percent?

THE CHAIR:

Senator Bartolomeo.

SENATOR BARTOLOMEO:

Thank you, Madam President.

And through you.

Then, yes, I did understand your question, and maybe the onus is on me for not explaining it correctly. CHFA does expect to continue to purchase both insured and uninsured mortgages, so they would continue to be purchasing at the same percentage to keep, remain, have their portfolio remain at the same percentage, if that is their expectation. And that is what they have testified to, so they would expect to make more, purchase more mortgages that are also insured. I hope that answers it correctly.

THE CHAIR:

Senator Frantz.

SENATOR FRANTZ:

Thank you.

And thank you, through you, Madam President. We're -- we're getting there and I appreciate that answer.

So, in other words, if we're going up roughly 50 percent on the uninsured, they're going to make additional loans or issue mortgages for an additional 50 percent of insured mortgages, which is a -- a big increase for the overall portfolio. And -- and if that's the answer, I will take that at face value.

Through you.

THE CHAIR:

Senator Bartolomeo.

SENATOR BARTOLOMEO:

Thank you, Madam President.

Through you.

I -- I can actually -- it's probably best in I read a direct quote; CHFA expects to continue to purchase both uninsured and underinsured -- or excuse me -- uninsured and insured loans in comparable proportion in the future. So, yes, sir; that would be the way I would interpret it as well.

Thank you, Madam President.

THE CHAIR:

Senator Frantz.

SENATOR FRANTZ:

Thank you.

And through you, Madam President, I'm -- I'm done with my questioning.

I will just, I'll leave the Circle with this final comment, and that is my worry is a little bit less so now, as a result of hearing your answers to the questions. However, I think we do as a state have to be very, very careful about our risk profile in all of the different areas that we can expose our state and our taxpayers and citizens to risk, including even CHFA, the sort of bastion of -- of conservatism when it comes to investing in housing stock and affordable housing and -- and the like. We need to be very careful that we don't put ourselves in a financially precarious position and ask for any sort of trouble down the road, because, simply put, the state can't afford to have anything go awry on us.

With that, Madam President, I will sit down.

Thank you.

THE CHAIR:

Thank you.

Will you remark? Will you remark?

Senate McLachlan.

SENATOR McLACHLAN:

Thank you, Madam President.

I stand for purpose of questions to the proponent of the bill, please.

THE CHAIR:

Please proceed, sir.

SENATOR McLACHLAN:

Thank you, Madam President.

Senator Bartolomeo, the -- the bill before us certainly is a -- a big change for the amount of debt

service for the state taxpayers, as it relates to the Connecticut Housing Finance Authority. And -- and because of that, I share Senator Frantz's concerns that it is such a dramatic increase. So I, my questions are based upon that concern.

And I want to clarify, if we can, please, when we talk about uninsured loans, and in this case a billion -- substantial increase in -- in the dollar value of uninsured loans in this portfolio. Are any of these loans that they plan to -- to underwrite, will any of those loans have a second mortgage?

Through you, Madam President.

THE CHAIR:

Senator Bartolomeo.

SENATOR BARTOLOMEO:

Thank you, Madam President.

Through you.

I -- CHFA handles their loans a bit different than other companies would. So, for instance, you might find that other companies would have a second mortgage or a down payment because of the fact that they don't have as -- their borrower is not putting as much down.

But because the borrower for these, remembering these uninsured loans, you're putting down 20 percent, at that point in time, CHA -- FA does not need to give a second mortgage in order to get up to that point to be -- to be able to have a hundred percent. They're only financing 80 percent, as opposed to many other -- the FHA, for instance -- insured loans, where the borrower is not able to put down that full 20 percent; in order to make the hundred, they need to put a second mortgage on that. That is not the case with the CHFA loans.

THE CHAIR:

Senator McLachlan.

SENATOR McLACHLAN:

Thank you, Madam President.

And thank you, Senator, for your answer, although I actually asked the same question during the Finance Committee and the representative of C -- CHFA provided the same answer that you just did and sent a follow-up letter to the President of CHFA, and the answer came back the same. So I'm going to try to clarify my question.

In the mortgage business, there is the availability of a product where someone can get 95 percent financing on a property by taking a first mortgage at 80 percent loaned value and a second mortgage at 15 percent loaned value. And by doing it that way, they eliminate the requirement of mortgage insurance.

My question is: Will any of the 80 percent loans from CHFA essentially be that kind of a loan? I understand CHFA is not writing down payment assistance on these loans. I understand they're not in and of themselves writing a second mortgage. My question is: The taxpayers of Connecticut are underwriting 80 percent loans, but I think they need to know are they going to be wrapped with a 15 percent loan or a higher-risk second mortgage which changes the whole picture of the portfolio.

Through you, Madam President.

THE CHAIR:

Senator Bartolomeo.

SENATOR BARTOLOMEO:

Thank you, very much.

Through you, Madam President.

It is my understanding from speaking with CHFA as well that no, that is not the case; they will not be, I think you said wrapped, with a second mortgage.

Through you, Madam President.

THE CHAIR:

Senator McLachlan.

SENATOR McLACHLAN:

Thank you, Madam President.

I appreciate that clarification. I'm not sure why we were -- you got it the -- the second time around, but I -- I will do some follow-up work with CHFA to just have a better understanding in how they -- they plan to administer this program.

I -- I would remain opposed to this bill because of my concerns that I share with Senator Frantz, Senator Welch, and some others that were on the Finance Committee as we addressed this issue, and that is that the State of Connecticut is still experiencing a very uncomfortable level of foreclosures. In fact, those organizations that track this market for foreclosures across the country have told us just in the last week that Connecticut has spiked again in foreclosure.

And I think for us to be rushing into such a big investment in -- in new mortgages when we're currently experiencing a spike in the foreclosures here in Connecticut, when they're dropping elsewhere in the country, perhaps we need to walk a little slower in this idea of expanding our portfolio.

Now, I'm not opposed to the idea of expanding mortgages and home-buying opportunities for residents of Connecticut. Here's my point: My point is that the timing of this big expansion of exposure to the taxpayers of Connecticut may be too fast. Now if, as Senator Frantz had stated, this is a 50 percent increase in the size of the portfolio of 80 percent loans, perhaps we should have sort of walked before we ran and tried maybe a 20 percent increase, a smaller chunk, in you will, knowing that we're trying to ease out of this terrible recession that we've been experiencing for far too long here in Connecticut. That would be a much more, I believe, moderate, some would say responsible decision.

And even though we are being told that CHFA has a terrific bond rating -- and we're very grateful that they do; in fact, I wish that we should assure that the good bond rating of CHFA could be given to the rest of the bonds in the State of Connecticut, because there is certainly concern with the way we're -- we're borrowing money that our bond rating statewide could be a challenge -- I think it's great that we have a good bond rating in CHFA, but I think we're going too fast.

So I would urge rejection of this bill as we have it before us and ask this Legislature to reconsider a smaller increase of this obligation for the taxpayers of Connecticut.

Thank you, Madam President.

THE CHAIR:

Thank you.

Will you remark? Will you remark?

Senator Bartolomeo.

SENATOR BARTOLOMEO:

Thank you, Madam President.

And I appreciate the opportunity, because I do feel compelled to respond to a few of the comments that the good Senator McLachlan had made.

I think it's important to understand that when we are talking about this particular, these particular mortgages and we said it's 26 percent of their portfolio; of those, 8 to 10 percent are single-family. And I would like to point out that the CHFA foreclosure rate, getting rid of delinquency rate, but foreclosure rate is only 3.56 percent, which I think is -- is quite commendable.

And when we're talking about of the 26 percent of their portfolio, about 16 to 18 percent is multi-family, we would, I'd want to point out that over this past year, the delinquency rate for that is only two

percent and the foreclosure rate is negligible if not zero percent.

So I -- I do feel it's important, especially when we right now at looking at the Governor's commitment to increasing funding for affordable housing, that we look at how small a percent there they are and how, in particular, CHFA is doing an amazing job with their mortgages.

Thank you, Madam President.

THE CHAIR:

Thank you.

Will you remark? Will you remark?

If not, Mr. Clerk, will you call for a roll call vote, and the machine will be open.

THE CLERK:

Immediate roll call has been ordered in the Senate.  
Senators please return to the Chamber. Immediate roll call has been ordered in the Senate.

(Senator Duff in the Chair.)

THE CHAIR:

All members voted? If all members voted, please check the board to make sure your vote is accurately recorded. If all members voted, the machine will be closed, and the Clerk will announce the tally.

THE CLERK:

Senate Bill 845.

Total Number Voting	36
Those voting Yea	24
Those voting Nay	12
Absent and not voting	0

THE CHAIR:

The bill passes.

Senator Looney.

SENATOR LOONEY:

Thank you, Mr. President. Good evening, Mr. President.

THE CHAIR:

Good evening, Senator.

SENATOR LOONEY:

Mr. President, if the Clerk would call as the next items from under Matters Returned from Committee, Calendar Page 40, Calendar 210, Senate Bill 817; and then Calendar Page 40, Calendar 227, Senate Bill 819.

THE CHAIR:

Mr. Clerk.

THE CLERK:

On Page 40, Calendar 210, Substitute for Senate Bill Number 817, AN ACT ESTABLISHING A PROPERTY TAX PROGRAM TO ENCOURAGE THE PRESERVATION OF HISTORIC AGRICULTURAL STRUCTURES, Favorable Report of the Committee on Planning and Development. And there are amendments.

THE CHAIR:

Senator Cassano.

SENATOR CASSANO:

Mr. Chairman, welcome.

I move acceptance of the Joint Favorable committee report, move favorable passage of the bill, waive the reading of the bill, and seek leave to summarize.

THE CHAIR: