



**House Bill No. 5765**

**Special Act No. 19-1**

**AN ACT ESTABLISHING THE FEDERAL SHUTDOWN AFFECTED EMPLOYEES LOAN PROGRAM AND PROVIDING ADDITIONAL ASSISTANCE TO FEDERAL EMPLOYEES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. (*Effective from passage*) As used in this section and sections 2 to 7, inclusive, of this act:

(1) "Affected employee" means a federal employee who, during the shutdown, is (A) a resident of this state, and (B) required to work as a federal employee without pay or furloughed as a federal employee without pay;

(2) "Authority" means the Connecticut Housing Finance Authority;

(3) "Bank" means a bank or an out-of-state bank, each as defined in section 36a-2 of the general statutes;

(4) "Credit union" means a Connecticut credit union or a federal credit union, each as defined in section 36a-2 of the general statutes;

(5) "Department" means the Department of Banking;

(6) "Eligible financial institution" means a bank or credit union that has a physical presence in this state and is in good standing;

**House Bill No. 5765**

(7) "Good standing", with respect to a bank or credit union, means that the bank or credit union is not subject to (A) a formal agreement with the Office of the Comptroller of the Currency, (B) a consent order or cease and desist order issued by the Federal Deposit Insurance Corporation, (C) a consent order or cease and desist order with the department, (D) a letter of understanding and agreement or consent order issued by the National Credit Union Administration, or (E) a finding by the department that the bank or credit union has failed to comply with a provision of sections 2 to 5, inclusive, of this act;

(8) "Grace period" means the ninety-day period after an affected employee's federal agency is funded; and

(9) "Shutdown" means the federal fiscal year 2019 partial government shutdown that began on December 22, 2018.

Sec. 2. (*Effective from passage*) (a) The authority shall administer a federal shutdown affected employee loan program to guarantee the repayment of loans made by an eligible financial institution to an eligible affected employee pursuant to sections 1 to 5, inclusive, of this act. Subject to the cessation of new claim approvals under subsection (d) of section 5 of this act, the authority shall submit all approved claims to the State Treasurer, who shall pay from the General Fund any and all claims submitted by the authority.

(b) Any bank or credit union may apply to the department to participate in the loan guarantee program. Not later than one business day after receiving the application, the department shall determine whether the financial institution is an eligible financial institution and immediately notify the bank or credit union and the authority of such determination. Any eligible financial institution may make loans to affected employees in accordance with sections 1 to 5, inclusive, of this act.

**House Bill No. 5765**

(c) Each eligible financial institution that makes a loan pursuant to sections 1 to 5, inclusive, of this act, shall notify the authority in writing not later than one business day after making the loan, specifying such information about the borrower as the authority may request.

Sec. 3. (*Effective from passage*) An eligible financial institution may make a loan to an affected employee, provided:

(1) The affected employee has provided to the financial institution (A) proof of the employee's status, income and residence in this state, and (B) the amount of unemployment compensation benefits under chapter 567 of the general statutes the employee has received and has been deemed eligible to receive during the shutdown. Such proof may include a paystub or bank statement, a federal employee identification card, the federal tax identification number of the employee's employer and a sworn affidavit from such employee indicating that such employee (i) is currently a federal employee residing in this state, (ii) may be eligible to receive back-pay when the shutdown ends, and (iii) is not receiving a loan from any other financial institution pursuant to this section.

(2) The amount of the loan shall not exceed (A) the lesser of (i) five thousand dollars, or (ii) the affected employee's most recent monthly after-tax pay, (B) less four times the amount, if any, the affected employee has reported to the institution under subdivision (1) of this section related to any weekly unemployment compensation benefits the employee has received or has been deemed eligible to receive during the shutdown.

(3) The loan is made in accordance with the eligible financial institution's underwriting policy and standards, provided further that the affected employee's creditworthiness shall not be a factor used for the purposes of determining eligibility.

**House Bill No. 5765**

(4) The loan agreement shall not (A) require repayment during the grace period, or (B) charge interest on the principal amount before or during the grace period or for one hundred eighty days after the grace period, provided after such one-hundred-eighty-day period, the eligible financial institution may charge interest or fees in accordance with the financial institution's lending policy and the terms of the underlying loan agreement.

(5) The loan agreement shall require that the affected employee repay the loan in full not later than one hundred eighty days after the end of the grace period by making at least three, and no more than six, equal installment payments. The loan agreement shall not contain a fee or penalty for the prepayment or early payment of the loan.

(6) The eligible financial institution shall (A) refer the affected employee to the United Way of Connecticut 2-1-1 Infoline program, and (B) offer credit counseling services or refer such employee to nonprofit credit counselors.

Sec. 4. (*Effective from passage*) An affected employee who has received a loan pursuant to section 2 or 3 of this act may apply to the same eligible financial institution for an additional loan for each thirty-day period such employee remains an affected employee, provided no affected employee may receive more than three loans under the program, and each such employee shall be required to update the institution as to the amount of unemployment compensation benefits under chapter 567 of the general statutes the employee has received and has been deemed eligible to receive during the shutdown. Each additional loan shall be made in accordance with section 3 of this act.

Sec. 5. (*Effective from passage*) (a) On and after one hundred eighty days from the end of the grace period, an eligible financial institution that has made a good-faith effort to collect the outstanding principal from a loan issued pursuant to this section and sections 1 to 4,

**House Bill No. 5765**

inclusive, of this act may make a claim to the authority for recovery of an amount equal to the outstanding principal for such loan, including for such loans issued on or after January 18, 2019, but prior to (1) the effective date of this section, or (2) the department's determination of eligibility. Prior to the authority's approving and submitting a claim to the State Treasurer, such eligible financial institution shall demonstrate to the satisfaction of the authority that the eligible financial institution has made a good-faith effort to collect the outstanding principal from the eligible employee in accordance with the financial institution's loan servicing and collection policies. Upon payment of a claim, (A) the loan shall be assigned to the state, and (B) the authority shall have the right to continue collection efforts on the loan.

(b) The authority shall maintain records in the regular course of administration of the loan guarantee program, including a record of loans issued and of payments made to honor loan guarantees issued under this section. The authority shall regularly review such records to determine total loans issued and identify duplicative applications. The authority shall report to the Labor Department the names of the affected employees who have received a loan under the program, and the Labor Department shall provide to the authority information concerning such employees' unemployment compensation benefits. If the authority determines that an affected employee misrepresented unemployment compensation benefits, the affected employee may be deemed ineligible for additional loans under section 4 of this act.

(c) The authority may terminate any loan guarantee if the financial institution misrepresents any information pertaining to the guarantee or fails to comply with any requirements of this section in connection with the guarantee of the underlying loan.

(d) If the amounts expended to honor loan guarantees under the program exceed ten per cent of total loans issued, the authority shall immediately cease to approve claims and shall notify the State

**House Bill No. 5765**

Treasurer and each eligible financial institution of the total amount of payments made and that the authority has ceased honoring loan guarantees.

(e) Any interest deferred or not charged related to a loan issued pursuant to this section and sections 1 to 4, inclusive, of this act shall be exempt from all state taxes that may be applicable to such interest amounts as they relate to an affected employee. Eligible financial institutions shall disclose to affected employee borrowers in the signed affidavit or loan documents that there may be federal tax consequences to the program loans.

(f) No new loan applications shall be submitted under the program after the shutdown ends. The program shall expire upon the repayment of all loans made under the program and, for all loans in default, the repayment of claims made under the program, or the cessation of new claim approvals under subsection (d) of this section.

Sec. 6. (*Effective from passage*) Upon the passage of federal legislation or the issuance of federal guidance from the United States Department of Labor or another federal agency which allows an affected employee to receive benefits under chapter 567 of the general statutes, such affected employee may be eligible for unemployment benefits pursuant to said chapter and such federal legislation or guidance during the period of the shutdown. If the shutdown ends and an affected employee is paid by the federal government for any period of time the affected employee worked without pay during the shutdown, the affected employee shall reimburse the Unemployment Compensation Benefit Fund in an amount equal to the unemployment benefits the affected employee received for the period of the shutdown.

Sec. 7. (*Effective from passage*) (a) Notwithstanding the provisions of the general statutes or of any special act, charter, special act charter,

**House Bill No. 5765**

home-rule ordinance, local ordinance or other local law, any municipality, as defined in section 7-148 of the general statutes, or any subdivision of a municipality, may, by a vote of its legislative body, or, in any town in which the legislative body is a town meeting, by a vote of the board of selectmen, establish a deferment program to defer the due date of taxes on real property, personal property or motor vehicles, or water or sewer rates, charges or assessments, owed by affected employees.

(b) Upon establishment of a deferment program, a municipality or subdivision thereof shall not charge or collect interest on any tax, rate, charge or assessment or part thereof that is payable by an affected employee and which became due during the period when such individual was an affected employee.

(c) Eligibility shall be determined by the municipality. Evidence of eligibility for a deferment may include the proof listed in subdivision (1) of section 3 of this act. Individuals need not receive unemployment benefits or participate in the federal shutdown affected employee loan program for purposes of being an affected employee. Municipalities may require individuals to recertify eligibility on a periodic basis of not less than thirty days.

(d) Each tax, rate, charge or assessment deferred under a program established pursuant to this section shall be due and payable without interest or penalty not later than sixty days after the date on which an individual is no longer an affected employee. Thereafter, any portion of the tax, rate, charge or assessment or installment or portion thereof which remains unpaid and all interest and penalties otherwise provided by law shall apply retroactively to the original due date for the tax, rate, charge or assessment or installment or portion thereof. All provisions of the general statutes relating to continuing, recording and releasing property tax liens and the precedence and enforcement of taxes, rates, charges and assessments shall remain applicable to any

***House Bill No. 5765***

deferred tax, rate, charge or assessment or installment or portion thereof.

(e) Nothing in this section shall affect interest or penalties on, or lien rights or collection of, any tax, rate, charge or assessment due before December 22, 2018, or after the date on which an individual is no longer an affected employee.

Approved January 22, 2019