



General Assembly

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**Bill No. 5765**

LCO No. 3300



Referred to Committee on No Committee

Introduced by:

REP. ARESIMOWICZ, 30<sup>th</sup> Dist.

REP. RITTER M., 1<sup>st</sup> Dist.

REP. KLARIDES, 114<sup>th</sup> Dist.

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SEN. DUFF, 25<sup>th</sup> Dist.

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***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:

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

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

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

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

10 (4) "Credit union" means a Connecticut credit union or a federal

11 credit union, each as defined in section 36a-2 of the general statutes;

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

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

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

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

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

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

36 (b) Any bank or credit union may apply to the department to  
37 participate in the loan guarantee program. Not later than one business  
38 day after receiving the application, the department shall determine  
39 whether the financial institution is an eligible financial institution and

40 immediately notify the bank or credit union and the authority of such  
41 determination. Any eligible financial institution may make loans to  
42 affected employees in accordance with sections 1 to 5, inclusive, of this  
43 act.

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

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

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

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

70 (3) The loan is made in accordance with the eligible financial

71 institution's underwriting policy and standards, provided further that  
72 the affected employee's creditworthiness shall not be a factor used for  
73 the purposes of determining eligibility.

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

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

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

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

100 Sec. 5. (*Effective from passage*) (a) On and after one hundred eighty  
101 days from the end of the grace period, an eligible financial institution

102 that has made a good-faith effort to collect the outstanding principal  
103 from a loan issued pursuant to this section and sections 1 to 4,  
104 inclusive, of this act may make a claim to the authority for recovery of  
105 an amount equal to the outstanding principal for such loan, including  
106 for such loans issued on or after January 18, 2019, but prior to (1) the  
107 effective date of this section, or (2) the department's determination of  
108 eligibility. Prior to the authority's approving and submitting a claim to  
109 the State Treasurer, such eligible financial institution shall demonstrate  
110 to the satisfaction of the authority that the eligible financial institution  
111 has made a good-faith effort to collect the outstanding principal from  
112 the eligible employee in accordance with the financial institution's loan  
113 servicing and collection policies. Upon payment of a claim, (A) the  
114 loan shall be assigned to the state, and (B) the authority shall have the  
115 right to continue collection efforts on the loan.

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

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

132 (d) If the amounts expended to honor loan guarantees under the  
133 program exceed ten per cent of total loans issued, the authority shall

134 immediately cease to approve claims and shall notify the State  
135 Treasurer and each eligible financial institution of the total amount of  
136 payments made and that the authority has ceased honoring loan  
137 guarantees.

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

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

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

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

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

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

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

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

197 thereof.

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

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>from passage</i>	New section
Sec. 4	<i>from passage</i>	New section
Sec. 5	<i>from passage</i>	New section
Sec. 6	<i>from passage</i>	New section
Sec. 7	<i>from passage</i>	New section