

# Legal Assistance Resource Center of Connecticut, Inc.

44 Capitol Avenue, Suite 301 ♦ Hartford, Connecticut 06106  
(860) 278-5688 x203 ♦ FAX (860) 278-2957 ♦ Rpodolsky@LARCC.org

## H.B. 6481 -- Emergency Mortgage Assistance Program

Banks Committee public hearing -- February 24, 2009

Testimony of Raphael L. Podolsky

Recommended Committee action: APPROVAL OF THE BILL  
with minor amendments

The Emergency Mortgage Assistance Program (EMAP) is a powerful tool to help homeowners avoid foreclosure and preserve their homes. EMAP, which is administered by CHFA, can tide a homeowner over a difficult period of meeting mortgage obligations for as long as five years. If the homeowner's application is accepted, any pending foreclosure action is stayed and the homeowner pays CHFA during the stay period an amount equal to 35% of his income. CHFA pays the lender the full amount of the mortgage payment. The difference between the homeowner's payment and the CHFA payment becomes a lien on the property, which is paid back to CHFA after the mortgage is paid off or when the home is sold. Eligibility requires a finding by CHFA that there is a reasonable prospect that the homeowner will, by the end of the stay period, be able either to resume full payments on the mortgage or refinance into an affordable mortgage. Connecticut adopted EMAP in 1993 but failed to keep it funded, and it accepted new applications for only about a year. After being dormant for 15 years, the General Assembly reactivated the program in 2008, authorizing \$64 million for EMAP loans (\$14 million from the Banking Fund and \$50 million by CHFA).

Unfortunately, notwithstanding the severity of the foreclosure crisis, fewer than 10 EMAP loans have been made and the \$64 million authorization has barely been touched. We strongly support this bill, which eliminates some of the obstacles that have made EMAP less effective than it should be. In particular, Sections 1 through 4 of this act make the following changes to EMAP:

- \* Eligibility threshold: The bill requires that the homeowner have suffered a "significant" income loss, rather than a loss of at least 25% of income. The 25% requirement has proved to exclude a significant number of homeowners who could benefit from the program. The bill also allows consideration of any housing-related cost that has increased. **Recommended amendment: Delete "housing-related" from l. 26 so that any increase in the homeowner's costs can be considered.**
- \* Initiation of an EMAP application: The bill allows the homeowner to initiate an EMAP application whenever the mortgage is at least 60 days delinquent, without having to wait for the lender to threaten foreclosure. In addition, once a notice of intent to foreclose is given, the bill requires the lender to defer starting the foreclosure action until the time to apply for EMAP has expired or CHFA has rejected the EMAP application. This change matches the Pennsylvania statute on which EMAP is based. The bill also makes clear that an EMAP application can be filed, even after a

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foreclosure action has started, if the homeowner is referred to EMAP by a Foreclosure Mediation Program mediator.

- \* Meeting with the lender. The bill makes clear that the lender's refusal to meet with the homeowner cannot prevent the homeowner from qualifying for EMAP. The bill should also make clear that a lender's refusal to respond, such as a failure to return telephone calls, also cannot block an EMAP application. **Recommended amendment:** Insert in the new language in I. 69, "or fails to respond to the mortgagor's good faith efforts to meet with the mortgagee."
  
- \* Underwriting standards: Under the existing statute (I. 190-196), there must be "a reasonable prospect that the mortgagor will be able to resume full mortgage payments within sixty months..." One goal of EMAP is to provide bridge assistance while the homeowner seeks to refinance into a more affordable mortgage. **Recommended amendment:** In I. 191, after the word "payments," insert "on the original or a modified or refinanced mortgage" in order to make clear that the "full" payments may be on a different mortgage than the homeowner's current mortgage.