Housing Committee
Raised Bill No. 6378
"An Act Concerning Relief for Families Facing Foreclosure"

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Submitted by:

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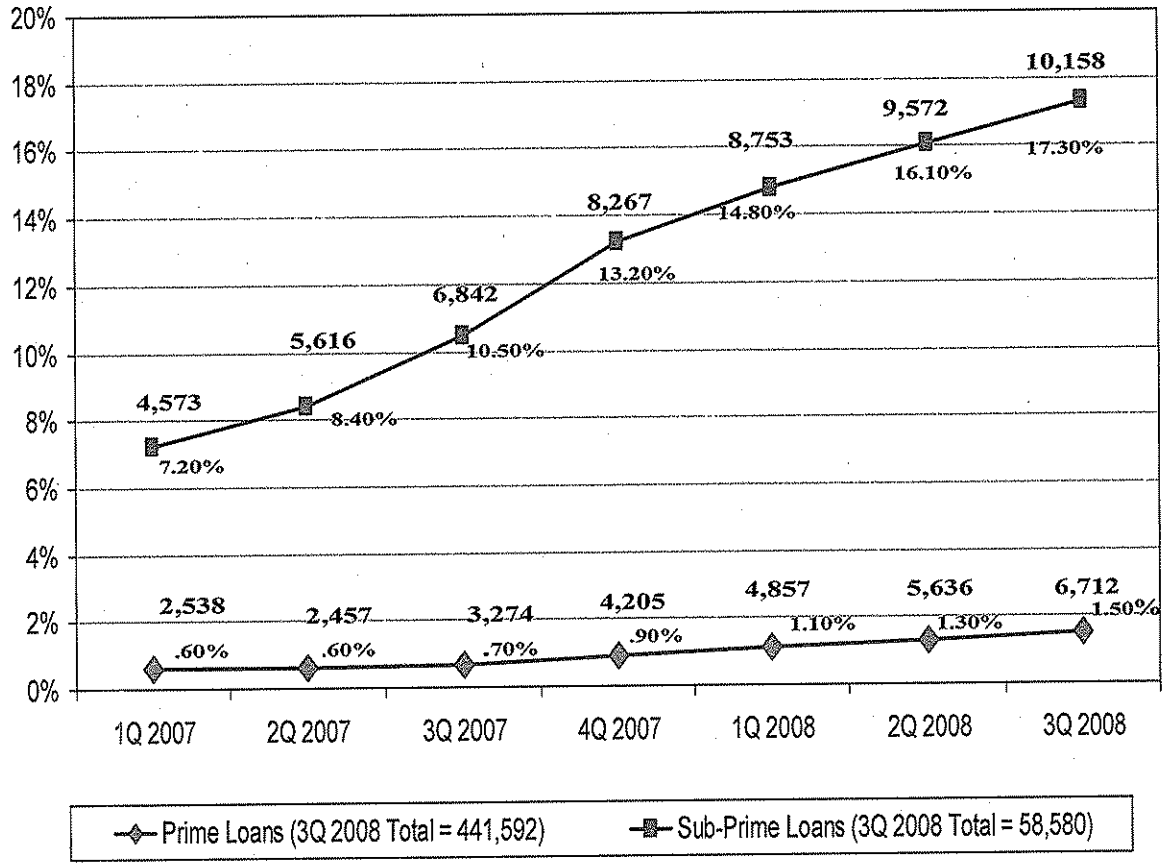
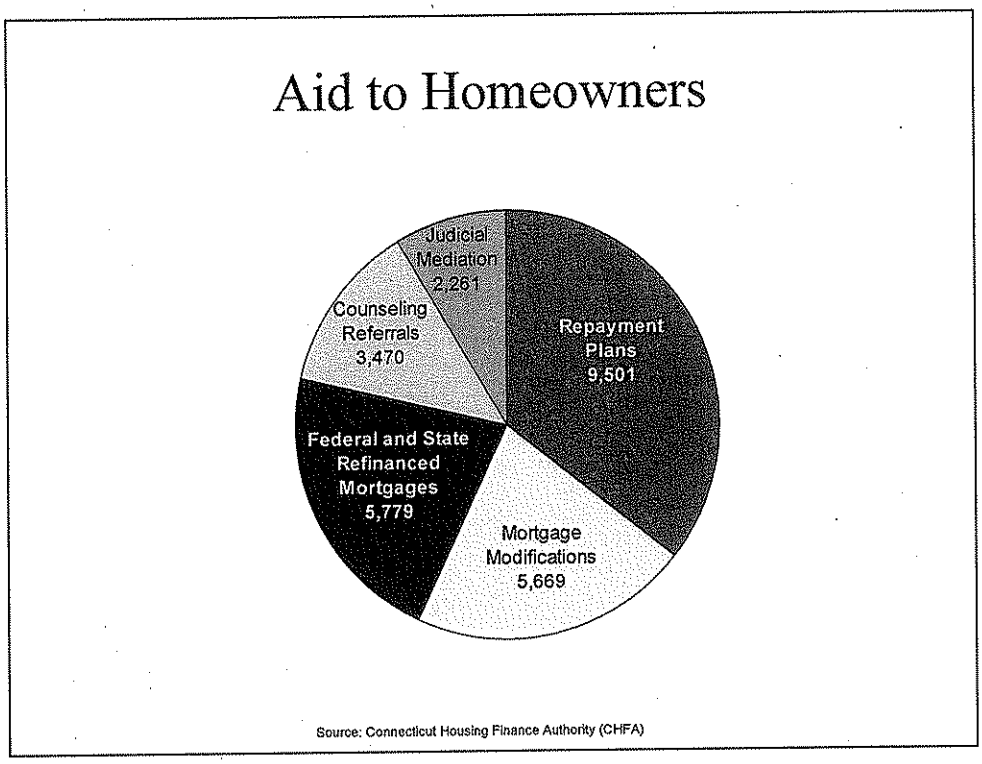
Connecticut-Mortgage Overview

- Over 495,000 active residential mortgages in Connecticut
- 71,000 are sub-prime mortgages
  - 25,930 are fixed rate mortgages
  - 44,910 are adjustable rate mortgages
    - 22,900 adjustable rate mortgages are scheduled to reset between January 2007 and December 2009
      - 2007 – 6,000 mortgage resets
      - 2008 – 11,500 mortgage resets
      - 2009 – 5,400 mortgage resets

Percent of Loans 90+ Days Delinquent and In Foreclosure



Source: Mortgage Bankers Association, National Delinquency Survey



Repayment Plans/Mortgage Modifications
Over 15,000 repayment plans and loan modifications made by lenders working with homeowners to avoid foreclosure.

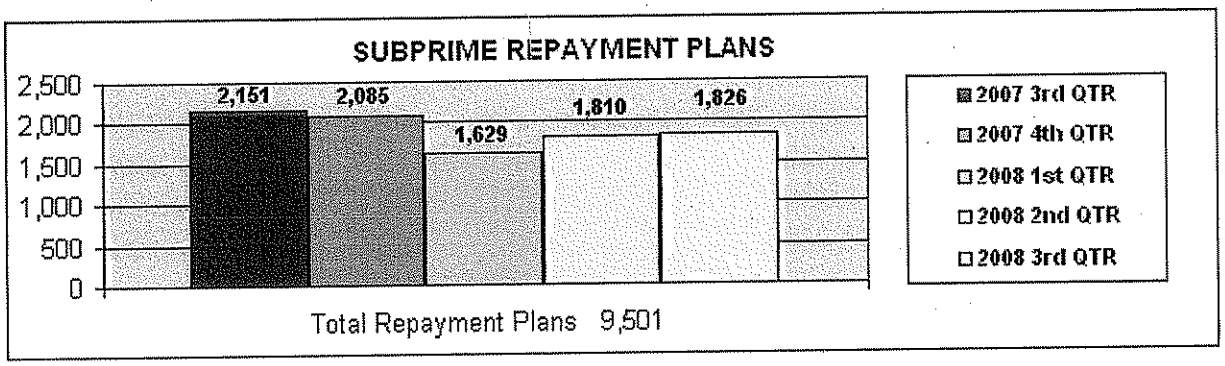
Federal/State Refinance Mortgages
Over 5,700 Connecticut homeowners refinanced out of adjustable rate/subprime mortgages into 30 year fixed rate mortgages.

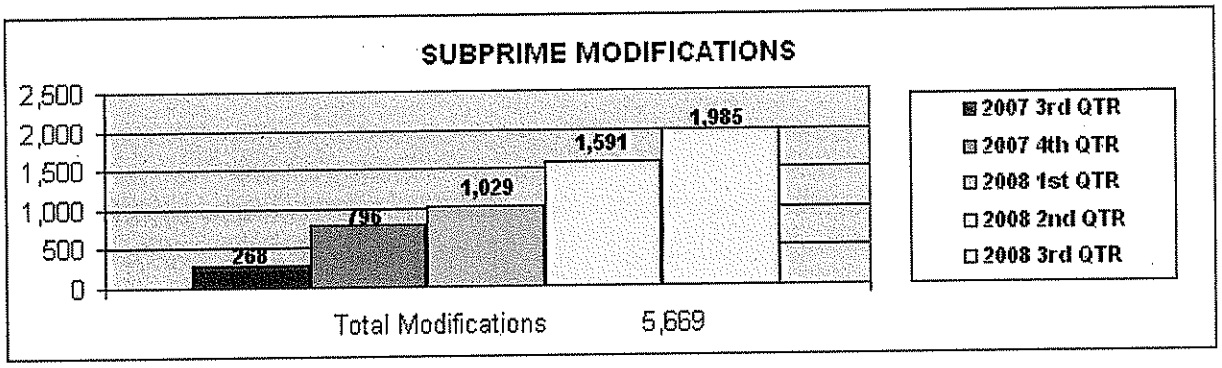
Counseling Referrals
HUD approved counselors act as liaison between homeowners and their mortgage lender. They provide credit and budget counseling and determine viable options for homeowners.

Judicial Mediation
Provides assistance to any homeowner whose one-to-four family properties is the subject of a foreclosure action. The foreclosure mediators are judicial branch employees who are trained in mediation. Through the judicial mediation process the homeowner and lender are scheduled to appear in person at a mediation session. The goal of mediation is to resolve the foreclosure by negotiating a repayment plan, modification of the loan terms or short sale of the property. The mediation program has been successful in negotiating significant reductions in interest rates to keep borrowers in their homes.

SUBPRIME MORTGAGE MODIFICATIONS AND REPAYMENT PLANS

LENDER	NUMBER OF SUBPRIME LOANS IN CONNECTICUT
Aurora Loan Service	964
Bank of America	3
Chase	3,380
Citigroup Inc.	9
Countrywide Financial Corp.	2,412
EMC Mortgage Corp.	1,686
First Horizon Home Loans	1
GMAC ResCap	581
Home Loan Services (d/b/a First Franklin Loan Services)	175
HomEq Servicing	2,229
HSBC Finance	2
Indymac Bank	505
Litton Loan Servicing	1,988
National City Mortgage Corp.	896
Nationstar Mortgage, LLC	244
Ocwen Loan Servicing, LLC	3,041
Option One Mortgage Corp.	7,260
Saxon Mortgage Services	1,608
Select Portfolio Servicing, Inc.	601
Washington Mutual, Inc.	1,405
Wells Fargo & Co.	3,251
Wilshire Credit Corp.	2,059
Total	34,300





CT FAMLIES PROGRAM
Status Report

Program Overview
CT FAMLIES is a refinance program that offers low-to-moderate income homeowners the opportunity to refinance their non-FHA adjustable rate mortgage into an affordable 30-year fixed rate mortgage. Homeowners who apply for CT FAMLIES must meet CHFA income guidelines.

Program Results through December 31, 2008
The CT FAMLIES program began on December 10, 2007. Since the program's inception, 305 loan applications have been originated by seven participating lenders. The following is the status of the loan applications:

Approved/Closed loans	72 loans totaling $14,620,177
Loan funding reservations – currently being processed	80 loans totaling $15,942,971
Loans that have been withdrawn or cancelled by the lender	153 loans totaling $33,023,024

Continuation of CT FAMLIES Program
All CT FAMLIES Mortgage applications originated through December 31, 2008 are insured by FHA in accordance with the *FHASecure* Guidelines. The *FHASecure* Program was discontinued on December 31, 2008. The discontinuation of the *FHASecure* Program does not mean the CT FAMLIES Program will not continue. CHFA staff has determined that the CT FAMLIES Program can continue to be insured by FHA if offered in conjunction with the FHA Rate and Term Refinance Program.

The FHA Rate/Term Refinance Program has the following guidelines:

- Enables fixed rate and adjustable rate mortgages to refinance
- Expands the program to current FHA insured loans
- Provides no restriction on refinancing loans with secondary financing with regard to combined loan to value
- Delinquencies within the previous 12 months must have been caused by a rate reset or extenuating circumstances
- Borrowers must be current at the time of application

The FHA Rate and Term Refinance Program will not assist borrowers who are delinquent. Obtaining a viable option for an FHA insured mortgage for delinquent homeowners is being pursued by the Authority as a federal legislative priority. In the interim, we are exploring the costs and issues associated with having CHFA insure CT FAMLIES loans that are not eligible for refinancing under current FHA guidelines.

Emergency Mortgage Assistance Program
Status Report

Program Overview

The Emergency Mortgage Assistance Program (EMAP) provides a mortgage loan from the Connecticut Housing Finance Authority (CHFA) in the form of monthly financial assistance to eligible mortgagors in an amount required to meet their monthly housing expenses. The initial payment made by the Authority to each mortgagee may be an amount which pays all arrearages and pays reasonable costs and reasonable attorney's fees incurred by the mortgagee in connection with the foreclosure action. Emergency Mortgage Assistance payments may continue for up to five years. The total amount of assistance provided is repaid by the mortgagor to CHFA in repayment terms determined and established at the time of the closing of the EMAP mortgage loan. Borrowers are required to notify CHFA of any change in their financial status and to participate in an annual recertification process to determine continued eligibility for monthly EMAP assistance.

Program Results through December 31, 2008

Program Eligibility Guidelines Not Met

- Of 382 EMAP applications processed, 40% of applications (150) did not meet the program eligibility guidelines. The major categories for non-eligibility are:
  - 65 homeowners were not eligible due to foreclosure date prior to July 1, 2008.
  - 46 applications did not demonstrate a hardship that resulted in at least a 25% reduction in aggregate monthly household income. However, only 10 applicants were ineligible for this reason alone.
  - 39 applications had delinquent mortgage payments that exceeded program guidelines.

Loan Denials

- 227 EMAP applications have been denied. Thirty-nine percent of denied applications have more than one reason for being denied. The following are the major reasons for EMAP denials:
  - 122 loans: No reasonable expectation that the applicant will be able to resume full mortgage payments within 60 months and be able to repay the EMAP mortgage loan.
  - 76 loans: Were denied for having excessive credit obligations relative to their income.
  - 29 loans: The borrowers current monthly housing expense is less than or equal to 35% of their monthly aggregate household income housing. As a result their income is sufficient to cover their monthly housing expenses. (Housing expense is mortgage principal and interest, real estate taxes, condo association fees as well as utilities).

Loans in Process

- 34 EMAP applications are in the process of being underwritten to determine their eligibility for EMAP.

Approved Loans

- Of the six EMAP loan applications that have been approved, one loan has been closed and funds have been disbursed. The remaining loans will close in January 2009.

Homeowner's Equity Recovery Opportunity (HERO)
Status Report

Program Overview

HERO is a loan program designed to improve the financial situation of Connecticut homeowners who are not able to afford their current mortgage payments. A HERO loan is provided when the homeowner's current lender is willing to negotiate the sale of their mortgage to the Connecticut Housing Finance Authority (CHFA) at terms that enable the Authority to purchase the mortgage and modify it to repayment terms that are affordable for the homeowner.

Program Results through December 31, 2008

All CT FAMLIES and EMAP loans denied are reviewed as HERO Loan candidates. One HERO Loan has been approved and will close in January. American Eagle has agreed to accept a payoff of $100,127 on a property with a current balance of $133,503.

The HERO mortgage loan must be in first lien position.

Eligible Borrowers:

Borrowers must be experiencing a financial hardship such that negates their ability to obtain conventional financing through traditional sources.

These borrowers are delinquent mortgagors of owner-occupied one-to-four family homes, condominiums or single family units in a common interest community in Connecticut and:

- Are homeowners who have made an effort to meet his or her financial obligations to the best of their ability; and
- Have sufficient and stable income to support timely repayment of a HERO loan; and
- In the event the homeowner has stopped making monthly payments, have the ability to account for where those funds where escrowed, saved or redirected; and
- Are fully discharged from any action of bankruptcy; and
- Do not have an ownership interest in any other real estate other than their primary residence.