



General Assembly

January Session, 2009

**Governor's Bill No. 6378**

LCO No. 2994

\*02994 \_\_\_\_\_ \*

Referred to Committee on Housing

Introduced by:

REP. CAFERO, 142<sup>nd</sup> Dist.

SEN. MCKINNEY, 28<sup>th</sup> Dist.

***AN ACT CONCERNING RELIEF FOR FAMILIES FACING FORECLOSURE.***

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

1 Section 1. Section 8-265rr of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective from passage*):

3 (a) As used in this section, "authority" means the Connecticut  
4 Housing Finance Authority created under section 8-244.

5 (b) The authority is authorized to continue to develop and  
6 implement a program for home mortgage refinancing for homeowners  
7 facing financial hardships affecting their ability to meet their monthly  
8 mortgage obligation, including homeowners with adjustable rate  
9 mortgages as an additional purpose pursuant to the provisions of  
10 subdivision (32) of section 8-250. Such program shall be undertaken by  
11 the authority consistent with and subject to its contractual obligations  
12 to its bondholders in an initial amount of forty million dollars under  
13 terms and conditions determined by the authority.

14 Sec. 2. Section 8-265cc of the general statutes is repealed and the  
15 following is substituted in lieu thereof (*Effective from passage*):

16 As used in sections 8-265cc to 8-265kk, inclusive, as amended by this  
17 act:

18 (1) "Aggregate family income" means the total income of persons  
19 residing in the same household as the mortgagor and any other  
20 resident of the household declared by the mortgagor as a dependent  
21 for federal tax purposes, from whatever source derived, including, but  
22 not limited to, pensions, annuities, retirement benefits and Social  
23 Security benefits, provided the authority may exclude from income (A)  
24 reasonable allowances for dependents, (B) reasonable allowances for  
25 medical expenses, (C) all or any part of the earnings of gainfully  
26 employed minors or family members other than the chief wage earner,  
27 (D) income not regularly received, and (E) such other expenses as the  
28 authority may allow;

29 (2) "Authority" means the Connecticut Housing Finance Authority  
30 created under section 8-244;

31 (3) "Mortgage" means a mortgage deed or other instrument which  
32 constitutes a first or second consensual lien on one-to-four family  
33 owner-occupied residential real property located in this state,  
34 including, but not limited to, a single-family unit in a common interest  
35 community;

36 (4) "Mortgagee" means the original lender under a mortgage, or its  
37 agents, successors, or assigns;

38 (5) "Mortgagor" means the owner-occupant of a one-to-four family  
39 residential real property located in this state, including, but not limited  
40 to, a single family unit in a common interest community, who is also  
41 the borrower under a mortgage encumbering such real property;

42 (6) "Housing expense" means the sum of the mortgagor's monthly  
43 maintenance expense in a common interest community, utility

44 expense, heating expense, hazard insurance payment, taxes and  
45 required mortgage payment, including escrows;

46 (7) "Financial hardship due to circumstances beyond the  
47 mortgagor's control" means: (A) A significant reduction of at least  
48 twenty-five per cent of aggregate family household income which  
49 reasonably cannot be or could not have been alleviated by the  
50 liquidation of assets by the mortgagor, including, but not limited to, a  
51 reduction resulting from (i) unemployment or underemployment of  
52 one or more of the mortgagors; (ii) a loss, reduction or delay in receipt  
53 of such federal, state or municipal benefits as Social Security,  
54 supplemental security income, public assistance and government  
55 pensions; (iii) a loss, reduction or delay in receipt of such private  
56 benefits as pension, disability, annuity or retirement benefits; (iv)  
57 divorce or a loss of support payments; (v) disability, illness or death of  
58 a mortgagor; (vi) uninsured damage to the mortgaged property which  
59 affects liveability and necessitates costly repairs; or (vii) expenses  
60 related to the disability, illness or death of a member of the  
61 mortgagor's family, but is not related to accumulation of installment  
62 debt incurred for recreational or nonessential items prior to the  
63 occurrence of the alleged circumstances beyond the mortgagor's  
64 control in an amount that would have caused the mortgagor's total  
65 debt service to exceed sixty per cent of aggregate family income at that  
66 time; [or] (B) a loss of income below twenty-five per cent accompanied  
67 by evidence of an unanticipated rise in housing or other expenses that  
68 can be documented as unrelated to the accumulation of credit or  
69 installment debt incurred for recreational on nonessential items; or (C)  
70 a significant increase in the dollar amount of the periodic payments  
71 required by the mortgage;

72 (8) "Consumer credit counseling agency" means a nonprofit  
73 corporation or governmental agency located in this state which has  
74 been designated by the authority to provide homeowners' emergency  
75 mortgage assistance program counseling. A qualified consumer credit  
76 counseling agency must either be certified as a housing counseling

77 agency by the federal Department of Housing and Urban  
78 Development or otherwise determined accepted by the authority;

79 (9) "Foreclosure mediation program" means the foreclosure  
80 mediation program established by section 49-31m; and

81 (10) "Periodic payments" means principal, interest, taxes, insurance  
82 and, if applicable, condominium fees.

83 Sec. 3. Section 8-265ff of the general statutes is repealed and the  
84 following is substituted in lieu thereof (*Effective from passage*):

85 (a) Any mortgagor may apply for emergency mortgage assistance  
86 payments under sections 8-265cc to 8-265kk, inclusive, as amended by  
87 this act, provided such mortgagor (1) has received a notice of intent to  
88 foreclose as provided in section 8-265ee, or (2) is sixty days or more  
89 delinquent on a mortgage. As part of the application process, the  
90 authority may refer the applicant to a counseling agency approved by  
91 the United States Department of Housing and Urban Development.

92 [(a)] (b) If the mortgagor applies for emergency mortgage assistance  
93 payments under sections 8-265cc to 8-265kk, inclusive, as amended by  
94 this act, the authority shall, no later than eight business days after the  
95 date of receipt of such application, notify all of the mortgagees listed  
96 on the application holding a mortgage on the mortgagor's real  
97 property.

98 [(b)] (c) The mortgagor shall apply for a loan on the form provided  
99 by the authority. The mortgagor shall complete and sign the  
100 application subject to the penalty for false statement under section 53a-  
101 157b.

102 [(c)] (d) The mortgagor shall provide the authority with full  
103 disclosure of all assets and liabilities, whether singly or jointly held,  
104 and all household income regardless of source. For purposes of this  
105 subsection, both of the following are included as assets:

106 (1) The sum of the household's savings and checking accounts,  
107 market value of stocks, bonds and other securities, other capital  
108 investments, pensions and retirement funds, personal property and  
109 equity in real property including the subject mortgage property.  
110 Income derived from family assets shall be considered as income.  
111 Equity is the difference between the market value of the property and  
112 the total outstanding principal of any loans secured by the property  
113 and other liens.

114 (2) Lump-sum additions to family assets such as inheritances,  
115 capital gains, insurance payments included under health, accident,  
116 hazard or worker's compensation policies and settlements, verdicts or  
117 awards for personal or property losses or transfer of assets without  
118 consideration within one year of the time of application. Pending  
119 claims for such items must be identified by the homeowner as  
120 contingent assets.

121 ~~[(d)]~~ (e) The authority shall make a determination of eligibility for  
122 emergency mortgage assistance payments by the date thirty calendar  
123 days after the date of receipt of the mortgagor's application. During  
124 said thirty-day period no judgment of strict foreclosure or any  
125 judgment ordering foreclosure by sale shall be entered in any action  
126 for the foreclosure of any mortgage any mortgagee holds on the  
127 mortgagor's real property. No emergency mortgage assistance  
128 payments may be provided unless the authority finds that:

129 (1) The real property securing the mortgage is a one-to-four family  
130 owner-occupied residence, including, but not limited to, a single  
131 family unit in a common interest community, is the principal residence  
132 of the mortgagor and is located in this state;

133 (2) Payments, including amounts required to be paid into escrow or  
134 impound accounts as reserves for taxes and insurance payments,  
135 including mortgage insurance, or any combination of such payments,  
136 owed by the mortgagor under any mortgage on such real property  
137 have been contractually delinquent and the mortgagee has indicated to

138 the mortgagor its intention to foreclose;

139 (3) The mortgage is not insured by the Federal Housing  
140 Administration under Title II of the National Housing Act, 12 USC  
141 Section 1707 et seq.;

142 (4) The mortgagor is a resident of this state and is suffering financial  
143 hardship which renders the mortgagor unable to correct the  
144 delinquency or delinquencies within a reasonable time and make full  
145 mortgage payments. For the purposes of subdivision (8) of this  
146 subsection, in order to determine whether the financial hardship is due  
147 to circumstances beyond the mortgagor's control, the authority may  
148 consider information regarding the mortgagor's employment, credit  
149 history and current and past household income, assets, total debt  
150 service, net worth, eligibility for other types of assistance and any  
151 other criteria or related factors it deems necessary and relevant;

152 (5) There is a reasonable prospect that the mortgagor will be able to  
153 resume full mortgage payments within sixty months after the  
154 beginning of the period in which emergency mortgage assistance  
155 payments are provided in accordance with a written plan formulated  
156 or approved by the authority and pay the mortgage in full in level  
157 monthly payments of principal and interest, subject only to payment  
158 changes as provided in the mortgage, by its maturity date;

159 (6) The mortgagor has applied to the authority for emergency  
160 mortgage assistance payments on an application form prescribed by  
161 the authority which includes a financial statement disclosing all assets  
162 and liabilities of the mortgagor, whether singly or jointly held, and all  
163 household income regardless of source;

164 (7) Based on the financial statement, the mortgagor has insufficient  
165 household income or net worth to correct the delinquency or  
166 delinquencies within a reasonable period of time and make full  
167 mortgage payments;

168 (8) There is a reasonable prospect that the mortgagor, as determined  
169 by the authority, will be able to repay the emergency mortgage  
170 assistance within a reasonable amount of time under the terms of  
171 section 8-265hh, including through a refinancing of the mortgage, and  
172 the authority finds that, except for the current delinquency, the  
173 mortgagor has had a favorable residential mortgage credit history for  
174 the previous two years or period of ownership, whichever is less. For  
175 the purposes of this subdivision, if a mortgagor has been more than  
176 thirty days in arrears four or more times on a residential mortgage  
177 within the previous year, the mortgagor shall be ineligible for  
178 emergency mortgage assistance payments unless the mortgagor can  
179 demonstrate that the prior delinquency was the result of financial  
180 hardship due to circumstances beyond the mortgagor's control. In  
181 making a determination under this subsection, the authority may  
182 consider information regarding the structure of the mortgage, its  
183 repayment schedule and any other relevant factors or criteria it deems  
184 appropriate;

185 (9) The mortgagee is not otherwise prevented by law from  
186 foreclosing upon the mortgage;

187 (10) The mortgagor has not mortgaged the real property for  
188 commercial or business purposes;

189 (11) The mortgagor has not previously received emergency  
190 mortgage assistance payments from the authority, provided a  
191 mortgagor who has previously received such payments shall be  
192 eligible to reapply if the mortgagor has reinstated the mortgage and  
193 the mortgagor shall not have been delinquent for at least six  
194 consecutive months immediately following such reinstatement;

195 (12) The mortgagor is not in default under the mortgage except for  
196 the monetary delinquency referred to in subdivision (2) of this  
197 subsection; and

198 (13) The mortgagor meets such other procedural requirements as

199 the authority may establish.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	8-265rr
Sec. 2	<i>from passage</i>	8-265cc
Sec. 3	<i>from passage</i>	8-265ff

**Statement of Purpose:**

To implement the Governor's budget recommendations.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*