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## **OLR Bill Analysis**

**sSB 360 (File 267, as amended by Senate "A")\***

### ***AN ACT IMPLEMENTING THE RECOMMENDATIONS OF THE CONNECTICUT HOUSING FINANCE AUTHORITY TASK FORCE.***

#### **SUMMARY:**

This bill authorizes up to \$60 million in bond funds to finance the Connecticut Housing Finance Authority's (CHFA) Emergency Mortgage Assistance Program (EMAP) (see BACKGROUND).

It also (1) makes it easier for mortgagors to qualify for the program; (2) allows EMAP recipients to file defenses, counterclaims, or set-offs against foreclosure on the assisted mortgage; and (3) specifies that the calculation of the maximum 60 months of EMAP payments begins with the first payment.

The bill requires a business to inform the attorney general, in addition to the affected state resident, when there is a security breach involving the resident's computerized personal information. It makes failure to do so a violation of the Connecticut Unfair Trade Practices Act (CUTPA).

Lastly, the bill makes information on foreclosure mediation widely available.

\*Senate Amendment "A" changes the notice requirements for security breaches of computerized data.

**EFFECTIVE DATE:** Upon passage; except for the provision on bonding, which is effective on July 1, 2012 and the notice provisions, which are effective on October 1, 2012.

#### **EMERGENCY MORTGAGE ASSISTANCE PROGRAM (EMAP)**

##### ***State Bonds***

The bill authorizes up to \$60 million in state general obligation bonds for the Department of Economic and Community Development to provide a grant to CHFA to finance the EMAP program. The bonds are subject to standard issuance procedures and have a maximum term of 20 years.

***EMAP Eligibility***

The bill makes it easier for applicants to qualify for EMAP. It eliminates pensions and retirement funds from the list of assets that an EMAP applicant must disclose to CHFA. The applicant must still report all household income, liabilities, and assets, including:

1. the sum of the household's savings and checking accounts;
2. market value of stocks, bonds, and securities;
3. other capital investments;
4. personal property and equity in real property, including the subject mortgage property; and
5. lump-sum additions to family assets.

The bill also allows applicants to include delinquent taxes; insurance; and condominium or common interest community charges, assessments, and fees, whether or not they are paid into escrow or impound accounts as reserves, in their applications as proof of EMAP eligibility. Under current law, they can include delinquent taxes and insurance only if they are required to be paid into escrow or impound accounts.

The bill allows applicants to receive EMAP if a taxing authority or homeowners' association threatens a foreclosure action. Under current law, EMAP recipients must be mortgagors facing foreclosure.

The bill eliminates a requirement for qualifying debts to be contractually delinquent. Thus, an applicant may qualify for EMAP whether or not there is a contractual obligation to pay an otherwise allowable debt. The bill also eliminates the provision that excluded

mortgages not insured by the Federal Housing Administration (FHA) from EMAP. Thus, mortgages not insured by FHA are eligible for EMAP.

The bill specifies that CHFA may consider the length of time the mortgagor has lived in his or her home when determining if the mortgagor will be able to repay EMAP within a reasonable time. Current law allows CHFA to consider the mortgage's structure, its repayment schedules, and any other relevant factors or criteria it deems appropriate.

### **FORECLOSURE MEDIATION NOTICE**

The bill requires:

1. each mortgagee to give a mortgagor in foreclosure mediation a mediation information form and notice of community-based resources with any notice of intent to accelerate the mortgage loan;
2. municipalities to include the form with any statement sent to a homeowner about a public sewer, water service, or property tax arrearage; and
3. the Judicial Branch to provide copies of the form to public libraries, religious organizations, and community-based programs throughout Connecticut to ensure that it is readily available to mortgagors.

The form must include a:

1. reference to both CHFA and Housing and Urban Development-approved counselors,
2. column in the approved housing counselor chart that includes the counties in which each counselor serves, and
3. notification to mortgagors currently in foreclosure that they should contact the Department of Banking's foreclosure assistance hotline for assistance with time sensitive foreclosure

concerns.

## **DISCLOSING SECURITY BREACHES OF COMPUTERIZED DATA**

The law requires anyone who conducts business in Connecticut and who, in the ordinary course of business, owns, licenses or maintains computerized data that includes personal information to disclose a security breach without unreasonable delay to state residents whose personal information has been, or is reasonably believed to have been, accessed by an unauthorized person. Failure to provide such notice constitutes a CUTPA violation.

The bill requires the person also to provide notice of the security breach to the attorney general no later than when the affected residents are notified. The bill makes failure to do so a CUTPA violation.

## **BACKGROUND**

### ***EMAP***

By law, EMAP provides short-term loans to homeowners experiencing financial hardships beyond their control to help them pay their mortgages. The program covers one-to-four family owner-occupied homes, including single-family units in a condominium, cooperative, or other common interest community.

### ***CUTPA***

The law prohibits businesses from engaging in unfair and deceptive acts or practices. CUTPA allows the consumer protection commissioner to issue regulations defining what constitutes an unfair trade practice, investigate complaints, issue cease and desist orders, order restitution in cases involving less than \$5,000, enter into consent agreements, ask the attorney general to seek injunctive relief, and accept voluntary statements of compliance. The act also allows individuals to sue. Courts may issue restraining orders; award actual and punitive damages, costs, and reasonable attorneys fees; and impose civil penalties of up to \$5,000 for willful violations and \$25,000 for violation of a restraining order.

## **COMMITTEE ACTION**

Banks Committee

Joint Favorable

Yea 18 Nay 0 (03/20/2012)

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 35 Nay 14 (04/20/2012)

Judiciary Committee

Joint Favorable

Yea 24 Nay 13 (05/03/2012)