

Connecticut Department of Banking Agreements Related to Privately Held Mortgages and Student Loans

By: Alex Reger, Associate Analyst
May 26, 2020 | 2020-R-0154

Issue

Summarize the Connecticut Department of Banking's agreements related to privately held mortgages and student loans during the COVID-19 pandemic.

Summary

The Department of Banking (DOB) and Governor Lamont have reached two separate agreements, with mortgage and student loan servicers respectively, to provide relief for borrowers whose loans are privately held. Although the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act ([P.L. 116-136](#)) provides certain relief for homeowners and student loan borrowers if their mortgages or student loans are federally owned (e.g., a mortgage held by Fannie Mae), it does not apply to privately held loans. The relief that the state agreements provide is similar to the relief that the CARES Act provides, including forbearance.

Mortgages

A March 31, 2020, [agreement](#) with banks and credit unions provides relief for borrowers whose mortgages are owned by participating financial institutions. Specifically, participating banks and credit unions will offer borrowers experiencing financial hardship up to 90-days forbearance and streamline COVID-19 related assistance. Additionally, the institutions will not (1) start any new foreclosures or evictions for at least 60 days or (2) report any negative information to credit rating agencies, though they may report a forbearance (which typically does not alone affect a credit

score, according to DOB). Finally, the institutions will waive or refund mortgage-related late fees and certain other fees.

As of April 6, 2020, the program has 76 participating banks and credit unions. The full list of participating institutions is available on DOB's [website](#).

Among other things, the CARES Act provides at least 180 days of mortgage forbearance and prohibits mortgagees from foreclosing on homes until at least June 30, 2020. Mortgagees cannot charge fees for a forbearance program or report certain negative information to credit reporting agencies. However, the act does not apply to privately held mortgages. (For more information on CARES Act mortgage relief, see the Department of Banking's [Mortgage Relief During COVID-19 Outbreak](#) and the federal Consumer Finance Protection Bureau's "[Guide to Coronavirus Mortgage Relief Options](#).”)

Student Loans

On April 21, 2020, Connecticut joined a multistate agreement with select loan servicers to provide relief to borrowers with privately held student loans who are experiencing financial hardship. Under the [agreement](#), borrowers are eligible for various forms of relief, including at least 90 days forbearance and waived late payment fees. Additionally, the servicers will (1) work with borrowers to enroll them in assistance programs based on individual circumstances, (2) stop debt collection lawsuits for 90 days, and (3) not report negative actions to credit rating agencies. If contractual or other restrictions prevent servicers from offering this relief, they are encouraged by DOB to work with loan holders to relax those restrictions.

Borrowers with loans held by one of 15 private student servicers may be eligible for relief. The complete list of servicers is available on DOB's [website](#).

Generally, the CARES Act suspends federal student loan payments, through September 30, 2020, for Direct Loans, Perkins Loans, and Federal Family Education Loans (FFEL) that are held by the U.S. Department of Education. However, it does not apply to (1) FFEL and Perkins loans not held by the U.S. Department of Education or (2) any other privately held loan. (For more information on CARES Act student loan relief, see OLR Report [2020-R-0121](#).)

AR:kl