



PA 24-66—sSB 283

Banking Committee

AN ACT CONCERNING THE EMERGENCY MORTGAGE ASSISTANCE PROGRAM

SUMMARY: This act makes various changes to the Connecticut Housing Finance Authority’s (CHFA) Emergency Mortgage Assistance Program (EMAP), which is a state-funded loan program that helps homeowners make mortgage, certain lien, or condominium assessment payments. The act:

1. potentially expands program eligibility by redefining “aggregate family income” to consider the total income of only the adults in the household when determining whether there is financial hardship (§ 1);
2. removes utility and heating expenses from the total housing expense calculation that allows for program participation (e.g., being factored into the cap on a homeowner’s payments to CHFA) (§§ 1 & 3);
3. allows CHFA to use equity as evidence of a homeowner’s ability to timely repay mortgage assistance (§ 2);
4. allows CHFA to make lump sum emergency mortgage payments to mortgagees (i.e., lenders) and gives CHFA other flexibility in making program payments and in setting the repayment agreement terms with homeowners (e.g., concerning interest accrual) (§§ 3 & 4);
5. authorizes CHFA to adopt procedures to set an aggregate limit on the amount of emergency mortgage assistance payments that a homeowner may receive (§ 5); and
6. specifies that CHFA must post on its website the funding availability-related notices that the law requires it to give to mortgagees and lienholders (§ 6).

The act also makes various associated minor, technical, and conforming changes.

EFFECTIVE DATE: October 1, 2024

§§ 1 & 2 — PROGRAM ELIGIBILITY

By law, homeowners are generally eligible for EMAP if they received a foreclosure notice (either on a mortgage or lien) and are at least 60 days delinquent on a mortgage or lien debt or anticipate being so due to financial hardship beyond their control. Homeowners with mortgages in forbearance are also eligible.

Financial Hardship

The law sets what constitutes “financial hardship due to circumstances beyond the homeowner’s control,” as generally a significant reduction in aggregate family

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household income or increase in expenses that reasonably cannot or could not be solved by selling homeowner assets, as CHFA determines. Explicit examples include homeowner unemployment, homeowner disability or illness, loss of retirement benefits or support payments, an unanticipated rise in housing expenses, and a significant increase in mortgage payment amounts.

The act makes several changes to these income and expense considerations that could potentially expand or reduce program eligibility. First, it removes consideration of income from the homeowner's dependents when determining "aggregate family income" and limits this income to adults living in the household. It also removes a provision that allowed CHFA to exclude from this income earnings from family members other than the chief wage earner.

The act further removes consideration of utility and heating expenses by striking them from the statutory definition of "housing expenses." It also eliminates a provision that allowed consideration of credit or installment debt for recreation or nonessential items from before the alleged circumstances beyond the homeowner's control up to an amount that would have caused the homeowner's total debt service to exceed 60% of aggregate family income. Thus, under the act, financial hardship excludes all obligations on prior credit or installment debt for recreation or nonessential items.

Eligibility Determination

Existing law requires CHFA to make its eligibility determination within 30 days after receiving a homeowner's application and sets out findings CHFA must make to give the assistance (e.g., involves a residential property that is the homeowner's primary residence, there are delinquent payments and no other default, and the homeowner is a state resident suffering financial hardship).

Under prior law, one of the findings CHFA had to make was that there was a reasonable prospect that the homeowner would be able to resume full mortgage payments within 60 months after the assistance payments began. The act (1) changes the time for resuming payments to within 60 months after the monetary default that caused the need for assistance and (2) allows CHFA to instead determine that homeowners meet the reasonable prospect finding if they will have sufficient equity to repay the mortgage and emergency assistance payments when the program payments end.

§§ 1 & 3 — PROGRAM PAYMENTS

From CHFA to the Lender

Prior law required CHFA to make monthly mortgage assistance payments to the mortgagees (i.e., lenders) and capped the duration of assistance at 60 months after the initial payment. The act allows the payments to be made monthly, lump sum, or any combination of both, as CHFA elects. It correspondingly ties this 60-month cap to a total amount of mortgage assistance payments and includes in that amount any payments CHFA makes to reinstate the mortgage or lien to a current

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status with the first assistance payment.

The act also authorizes CHFA to pay, as part of its first payment to a mortgagee, an amount that reduces a restructured mortgage's principal balance to a level that gives the homeowner a reasonable prospect of resuming full mortgage payments after applying all program payments.

From the Homeowner to CHFA

Because EMAP is a loan program, the law requires a participating homeowner to make monthly payments to CHFA instead of his or her monthly mortgage payments while CHFA is making the mortgage assistance payments. The loan amount equals the amount CHFA pays to the lender minus the amount the homeowner makes to CHFA.

Prior law capped these loan payments at a level that would not cause the homeowner's total housing expense to exceed 35% of his or her aggregate family income. The act (1) excludes utility and heating expenses from this calculation (by removing them from the definition of "housing expense"), (2) increases the cap to 45%, and (3) provides an exemption from the cap if the payment amount does not cause the ratio of the total housing expense to aggregate family income to exceed the same ratio for the one-year period immediately before the homeowner experienced the financial hardship that led to program participation.

The act increases CHFA's discretion in making program payments when a homeowner fails to pay CHFA as required. Specifically, prior law required CHFA to (1) review a homeowner's financial circumstances when the homeowner did not make the payment within seven days after the due date and (2) end payments if the delinquency was not due to additional financial hardship beyond the homeowner's control (thus allowing a foreclosure to proceed).

The act instead (1) only requires CHFA to do the review when the homeowner requests it and (2) allows CHFA to continue to make assistance payments to the lender. If the homeowner cannot show CHFA that the failure to pay was due to new financial hardship beyond his or her control, the act then allows CHFA to end payments.

§ 4 — REPAYMENT AGREEMENT

The law requires CHFA to have a repayment agreement with a participating homeowner for after assistance payments end, which is subject to certain conditions.

The act eliminates prior law's conditions requiring (1) CHFA to defer repayment until a homeowner's total housing expense, including projected repayments, was no more than 35% of his or her aggregate family income; (2) ongoing monthly payments if EMAP assistance remained unpaid when a mortgage was paid in full; and (3) interest on EMAP payments based on the cost of funds to the state that the treasurer set, beginning when the homeowner had to start repayment.

Instead, under the act, CHFA may enter into an agreement with the homeowner

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for any interest on assistance payments it made to be payable from time to time or accrue (compounded periodically or as simple interest). For accrued interest, the act requires CHFA to set its rate based on CHFA's procedures and the interest must start to accrue at the end of the 60-month period during which assistance payments were made.

Under the act, repayment of mortgage or lien assistance payments must be deferred until the homeowner (1) transfers title to the residential property involved, but not a transfer to another borrower under the same mortgage due to a divorce or the homeowner's death; (2) stops occupying the property as a primary home; or (3) gets new mortgage financing that increases the property's mortgage debt to an amount greater than when EMAP payments were first approved, excluding a home improvement loan to make necessary repairs to the property.

Additionally, existing law, unchanged by the act, allows CHFA to deny assistance and request immediate repayment of assistance payments it made if the homeowner misrepresents financial or other relevant information related to applying for the EMAP program. The act specifies that repayment may either be required in lump sum or installments, at CHFA's discretion, and requires interest up to a 12% annual rate.

Prior law required CHFA to have written procedures on periodically reviewing a homeowner's financial circumstances to determine repayment amounts. The act instead allows CHFA to waive its right to do these reviews.

By law, CHFA can take any appropriate action to recover its program payments when the homeowner fails to repay it.

§ 6 — NOTICE OF UNAVAILABLE FUNDING

By law, CHFA must notify lenders and lienholders when it runs out of funds for the program. This notice must indicate that CHFA will accept no applications until it receives funds. During this period of unavailable funds, lenders may proceed with foreclosure actions without notifying homeowners of their ability to apply for EMAP assistance and these foreclosures are not subject to any EMAP requirements. The act requires that the unavailable funding notice, and any subsequent notice disclosing that funds are again available, be posted on CHFA's website. Prior law did not specify the method for giving notice