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## OLR Bill Analysis

**sSB 283 (File 161, as amended by Senate "A")\***

### ***AN ACT CONCERNING PROGRAMS ADMINISTERED BY THE CONNECTICUT HOUSING FINANCE AUTHORITY.***

#### **SUMMARY**

This bill makes the following changes to the Connecticut Housing Finance Authority's (CHFA) Emergency Mortgage Assistance Payment (EMAP) program, which is a state-funded loan program that helps homeowners make mortgage, certain lien, or condominium assessment payments:

1. potentially expands program eligibility by redefining "aggregate household 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 (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 current law requires the authority to give all mortgagees and lienholders (§ 6).

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

\*Senate Amendment “A” (1) removes a provision in the underlying bill requiring certain developers to hire an advocate for residents, (2) gives CHFA discretion in the form for making payments to mortgagees (i.e., monthly, lump sum, or a combination of both), and (3) makes a technical change.

EFFECTIVE DATE: October 1, 2024

## **§§ 1 & 2 — PROGRAM ELIGIBILITY**

By law, individuals are generally eligible for the EMAP program if they received a foreclosure notice (either on a mortgage or lien) and are at least 60 days delinquent on a mortgage 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 household income or increase in expenses which 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 bill removes consideration of income from the homeowner’s dependents when determining “aggregate family income” and limits this income to adults living in the household, reducing the total income that would be considered when determining financial hardship.

However, the bill removes utility and heating expenses from “household expenses,” removing their consideration for assistance due to an unanticipated increase in household expenses. It also eliminates the 60% threshold for when a homeowner’s total debt service, including credit or installment debt for recreation or nonessential items from before a family member’s death, illness, or disability, would no longer constitute a financial hardship beyond the homeowner’s control. So, under the bill, financial hardship in this circumstance 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 the law sets out the 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 current law, one of the findings CHFA must make, for mortgage assistance, is that there is a reasonable prospect that the homeowner will be able to resume full mortgage payments within 60 months after the assistance payments were made. The bill (1) changes the time for resuming payments to within 60 months after the monetary default that caused the need for assistance and (2) allows sufficient equity to repay the mortgage and emergency assistance payments when the program payments end as meeting the reasonable prospect finding.

## **§§ 1 & 3 — PROGRAM PAYMENTS**

### ***From CHFA to the Lender***

Current law requires the mortgage assistance payments to be paid monthly to the mortgagees (lenders) and caps the length of time of assistance at 60 months after the initial payment. The bill 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

status with the first assistance payment.

The bill 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 an amount 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 during the time that 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.

Current law caps this payment amount at a level that will not cause the homeowner's total housing expense to exceed 35% of the aggregate family income. The bill (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 causes the ratio of the total housing expense to aggregate family income to not be greater than the same ratio for the one-year period immediately before when the homeowner experienced the financial hardship that led to program participation.

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

The bill instead (1) only requires CHFA to do the review when the homeowner requests it and (2) allows CHFA to continue to make 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 bill then allows CHFA to end payments.

#### **§ 4 — REPAYMENT AGREEMENT**

The law requires CHFA to have an agreement with a homeowner who receives program assistance, which must provide for repayment, but is subject to certain conditions.

Several current conditions cover situations in which projected repayments exceed 35% of a homeowner's aggregate family income (which the bill increases to 45%) by (1) deferring payments until they would fall below the cap, (2) requiring ongoing payments if EMAP program assistance remains unpaid when a mortgage is paid in full, and (3) requiring interest on EMAP payments that is based on the cost of funds that the treasurer sets.

Instead, under the bill, CHFA is authorized to have any interest on assistance payments it made be payable from time to time or accrue (compounded periodically or as simple interest). For accrued interest, the bill 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 bill, 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 amount of mortgage debt to a level that is more than the amount of mortgage debt that encumbered the property when EMAP payments were first approved, but not a home improvement loan to make necessary repairs to the property.

Additionally, existing law, unchanged by the bill, 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

bill 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.

Current law requires CHFA to have written procedures on periodically reviewing a homeowner's financial circumstances to determine repayment amounts. The bill allows CHFA to waive its right to do these reviews.

By law, CHFA is authorized to take any appropriate action to recover its program payments when the homeowner fails to repay the authority.

### **§ 6 — NOTICE OF UNAVAILABLE FUNDING**

Current law requires CHFA to notify lenders when it runs out of funds for the program. This notice must indicate that CHFA will accept no applications until it receives funds, but current law does not specify the method for giving notice. During this period of unavailable funds, lenders may proceed with foreclosure actions. The bill requires that the funding notice, and the notice disclosing that funds are again available, be posted on CHFA's website.

### **COMMITTEE ACTION**

Banking Committee

Joint Favorable Substitute

Yea 12 Nay 0 (03/12/2024)