

CONNECTICUT HOUSING FINANCE AUTHORITY
2009 NCSHA Annual Award Entry



SPECIAL ACHIEVEMENT
EMERGENCY MORTGAGE ASSISTANCE PROGRAM (EMAP)
Entry Description

Introduction

All of us in the housing finance industry are acutely aware of the impact the rise in subprime lending and subsequent economic crisis has had on our customers. We at the Connecticut Housing Finance Authority (CHFA) have heard from many homeowners who faced losing their home, first largely due to unaffordable rate increases as a result of adjustable rate mortgages, then due mostly to rising unemployment and underemployment. CHFA worked closely with Governor Rell and the Connecticut state legislature to modify and create programs to address the needs of these homeowners. As a result, CHFA's Emergency Mortgage Assistance Program (EMAP) was first modified in 2008 to respond to the growing numbers of homeowners facing foreclosure due to subprime mortgage lending. In 2009, Connecticut once again responded immediately to the current economic climate by expanding the eligibility requirements for EMAP, thereby giving many more homeowners the opportunity to remain in their homes. EMAP does so by providing mortgage assistance to homeowners facing a temporary financial hardship.

What makes Connecticut's Emergency Mortgage Assistance Program unique is its collaboration with other foreclosure prevention programs, such as the judicial mediation program, as well as a financing structure that maximizes limited resources through leveraging.

Program History

In an effort to address the subprime crisis, Public Act 08-176 was signed into law and became effective July 1, 2008. This Act modified or expanded several programs to assist homeowners having difficulty paying their mortgage. One of the programs affected by this Act, the Emergency Mortgage Assistance Program, is administered by the Connecticut Housing Finance Authority. Public Act 08-176 modified EMAP to provide financial assistance for up to sixty months (consecutively or non-consecutively) to Connecticut homeowners who had fallen behind on their mortgage payments and who had received a notice of intent to foreclose from their mortgage lender. This program offered much needed assistance to CT homeowners by allowing a person to get a loan to help them get through a temporary hardship.

Public Act 09-209, *An Act Concerning Implementation of the S.A.F.E. Mortgage Licensing Act, the Emergency Mortgage Assistance Program, Foreclosure Procedures and Technical Revisions to the Banking Statutes*, was passed by the General Assembly and signed into law by Governor Rell on July 10, 2009. P.A. 09-209 included language proposed by Governor Rell which would expand the reach of EMAP to address the foreclosure crisis by allowing borrowers to begin the EMAP process sooner. The law allows for applications to be accepted at 60 days delinquent or if a homeowner anticipates becoming 60 days delinquent. This will result in many additional homeowners being able to stay in their homes as they will no longer have to wait for the foreclosure process to begin before they can seek help. Moreover, many borrowers will not have to incur the costs associated with the foreclosure process. Public Act 09-209 also removed the requirement that borrowers incur a 25% income reduction in order to qualify for EMAP. Instead, a borrower must be unable to pay their mortgage due to a financial hardship that results

CONNECTICUT HOUSING FINANCE AUTHORITY
2009 NCSHA Annual Award Entry



in either a significant reduction of income *or* an increase in expenses. Under the Act, CHFA now has the ability to determine what constitutes a “significant reduction of aggregate family housing income or increase in expenses.”

Program Description

The Emergency Mortgage Assistance Program is administered by CHFA. EMAP is available to eligible Connecticut homeowners who have fallen behind on their mortgage payment because of a temporary financial hardship beyond their control. An EMAP loan provides an initial disbursement to bring a homeowner’s delinquent mortgage current. In addition, a homeowner may be eligible to receive monthly mortgage assistance.

While receiving EMAP assistance, a homeowner must participate in an annual recertification process conducted by CHFA to determine the necessity for continuation, termination or adjustment in the amount of emergency mortgage assistance. The homeowner must also notify CHFA of any changes in their financial status during the period of assistance. Repayment of the EMAP mortgage loan does not begin until a homeowner’s finances allow for a full payment, as determined by CHFA. Interest will not accrue on the EMAP loan until it is scheduled for repayment. The EMAP loan will be repaid as a 30-year, fixed-rate mortgage.

Homeowners may contact CHFA directly through its call center to find out if they are eligible for EMAP. Additionally, Connecticut has a judicial mediation program for homeowners in the process of foreclosure. When first introduced in 2008, this judicial mediation program was voluntary for homeowners who had received a foreclosure action notice. The judicial mediation program was hugely successful – for those who participated. As of April 2009, out of the 34% of eligible homeowners who participated, 73% reached a successful resolution other than foreclosure. In light of this, in 2009, legislation was passed and signed into law that made participation in the judicial mediation program mandatory.

The judicial mediators receive training during which they are made aware of the options available to the homeowners, including EMAP. The judicial mediation program provides assistance to any homeowner whose one-to-four family, owner-occupied, residential property is the subject of a foreclosure action. The homeowner will meet with a mediator and the lender to try and achieve a mutually agreeable resolution. CHFA works closely with the judicial branch, both through training of the mediators and through CHFA’s call center, where borrowers are referred by the mediators. To date, 1,005 homeowners have been referred to CHFA through the judicial mediation program.

Program Financing

Not only does EMAP offer assistance to homeowners experiencing a temporary financial hardship, it also serves as an example of leveraging limited State resources. Under the 2008 legislation, funds were provided from the Banking Department for a revolving fund for EMAP. As homeowners get back on their feet and start repaying their EMAP mortgage, those funds go back into the pool to assist other borrowers in need. CHFA received \$5 million from the State Banking Fund for the EMAP revolving loan fund, as well as \$5 million for the judicial mediation program.

CONNECTICUT HOUSING FINANCE AUTHORITY
2009 NCSHA Annual Award Entry



In addition, the State agreed to pay the debt service on up to \$50 million in bonds issued by CHFA. This bonding structure is similar to CHFA's successful supportive housing model whereby CHFA issues 501(c)(3) bonds to finance the development of supportive housing and the State pays the debt service. In this way, CHFA's triple-A bond rating is leveraged to get the best bond deal possible. These funds are in the Treasurer's budget; however, it is not guaranteed CHFA will receive them due to the uncertainty of the State's budget at this time.

Moreover, as noted above, the judicial mediation program recently became mandatory under the 2009 legislation. Because of this, banks are required to seek alternate solutions to foreclosure, whether through EMAP, loan modifications or refinancing, or some other means, such as short sales. These alternate resolutions are done without expense to the State, creating a win-win solution where homeowners can often stay in their homes and the State retains precious resources.

Program Accomplishments

Approved Loans from July 1, 2008 through August 4, 2009

- Sixty-four EMAP loans have been approved for up to \$4,189,063 in assistance over 60 months.
- Monthly EMAP assistance ranges from a low of \$97 to a high of \$2,666.
- The total monthly assistance is \$58,727.
- The average monthly assistance is \$1,012.
- In addition to monthly assistance, EMAP pays mortgage arrearages to bring the homeowner's mortgage current. Fifty-six homeowners will receive assistance totaling \$668,636 to bring their loans current.
- The average loan arrearage is \$11,929.

Approved Loans from July 10, 2009 through August 4, 2009

- Nineteen EMAP loans have been approved for up to \$1,412,000 in assistance over 60 months.
- Monthly EMAP assistance ranges from a low of \$301 to a high of \$2,666.
- The total monthly assistance is \$21,764.

Conclusion

Connecticut has been extremely innovative in responding to the needs of homeowners throughout the subprime and economic crisis. Governor Rell and the state legislature ushered through a multi-faceted approach to fighting foreclosure, which included adapting EMAP to meet the needs of homeowners facing a temporary financial hardship. In addition to modifying EMAP, they also linked it to the judicial mediation program, training judicial mediators to understand the options available to assist homeowners. Throughout this process, CHFA has worked closely and collaboratively with Governor Rell's office, the state legislature, the Judicial Branch and others. The result of these close working relationships is a creative approach to solving a pressing social and economic need. It is truly impressive how quickly the State was able to respond during the subprime and economic crises. CHFA is proud that it was able to implement EMAP for the benefit of Connecticut's homeowners.