

## **Connecticut Federal Shutdown Affected Employee Loan Program (SA 19-1)**

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### **Issue**

Summarize the state's Federal Shutdown Affected Employees Loan Program created by [Special Act \(SA\) 19-1](#) (§§ 1-5) and provide how many loans were issued as part of the program.

### **Summary**

The Connecticut legislature created the Federal Shutdown Affected Employees Loan Program to help certain federal employees in Connecticut impacted by the federal government shutdown that began December 22, 2018, and ended January 25, 2019.

Under the act, the Connecticut Housing Finance Authority (CHFA) had to administer the program and the state guaranteed up to 10% of program loans. Qualifying loans had to be issued (1) from banking department-approved banks or credit unions and (2) during the shutdown period.

Federal employees impacted by the shutdown were eligible for up to three loans, each equal to their monthly after-tax pay, up to \$5,000 less unemployment benefits. Program loans had a 270-day interest waiver after the shutdown period.

Two banks collectively issued 136 loans under the program, totaling greater than \$530,000.

## **Program Terms**

Banks and credit unions in good standing could apply to the Department of Banking for approval to offer program loans. Once approved, a financial institution had to notify CHFA of the loans they issued.

To be eligible for a program loan, an individual had to be a Connecticut resident furloughed from, or required to work without pay for, the federal government during the shutdown. Potential borrowers had to provide proof of eligibility, including status, income, and state residency.

The act prohibited banks and credit unions from charging interest on loans during the shutdown. Loans also had a 90-day grace period, followed by a 180-day no-interest repayment period during which the loans must be fully repaid. Lending institutions could charge interest and fees after this repayment period.

After the 180-day no-interest repayment period, a lender that made a good faith effort to collect on an outstanding program loan could submit a claim for reimbursement to CHFA. CHFA can continue collections after paying claims.

## **Program Loans and Participating Banks**

Twelve banks and credit unions applied to the program, but only two issued loans: People's United Bank and Webster Bank. People's United Bank issued six loans totaling \$29,122; Webster Bank issued 130 loans totaling \$505,440.

In March 2020, the state reimbursed Webster Bank \$26,029 for seven of its 25 defaulted loans. According to CHFA, as of December 1, 2020, Webster Bank was eligible for additional reimbursement of \$27,424 for the remaining defaulted loans. After this reimbursement, the program's maximum payment cap of 10% will be reached.

People's United Bank had no defaulted loans.

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