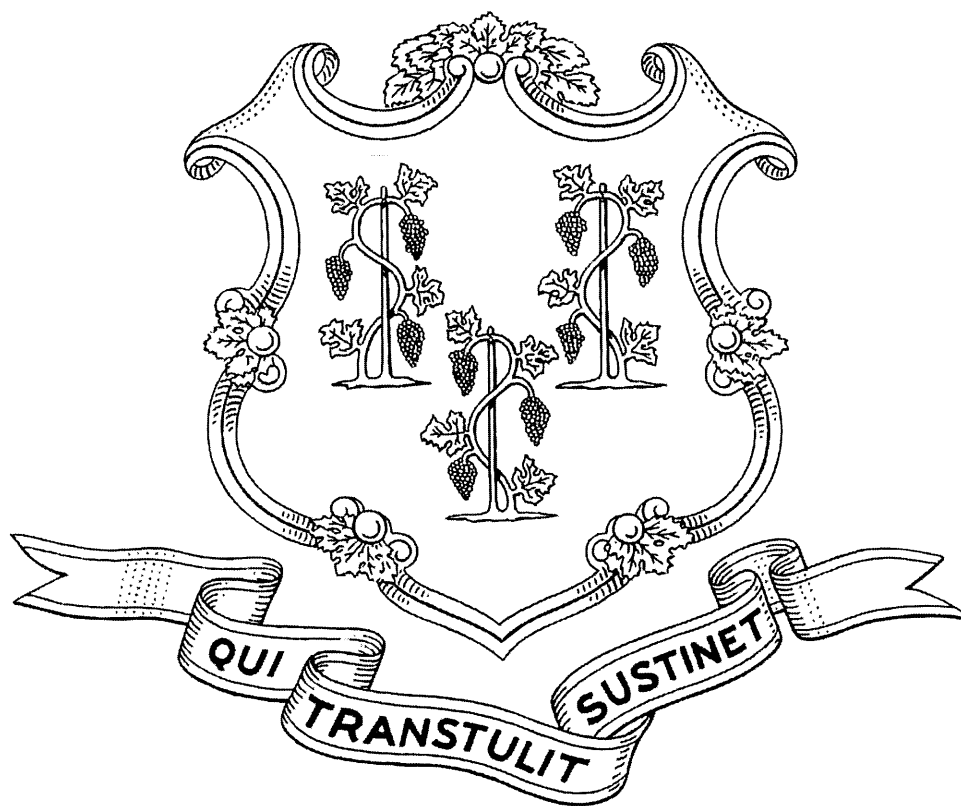


2011 CHFA Loss Mitigation Task Force  
Final Report  
January 25, 2012



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Sub-Committees on Research, Data and Analysis

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Sub-Committee on Housing Counselors and  
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## INTRODUCTION

Through the passage of Public Act 11-201 this Task Force was created to review and evaluate the loss mitigation programs that the Connecticut Housing and Finance Authority (CHFA) administers. CHFA's loss mitigation programs consist of the Emergency Mortgage Assistance Program (EMAP), the Connecticut Fair Alternative Mortgage Lending and Education Program (CT Families), and Foreclosure Prevention Counseling.

The Task Force convened on November 29, 2011 and began its research and analysis on CHFA's loss mitigation programs. In addition to analyzing and quantifying the current need for these programs, the Task Force sought out and received feedback from front-line advocates, hotline workers, housing counselors, attorneys, foreclosure mediation specialists and others that deal directly with these programs and the people who benefit from them. The input received included first-hand insight on the value of these programs to Connecticut residents facing foreclosure and also how these programs could be improved. The Task Force's research, findings and recommendations are contained in this report.

## EXECUTIVE SUMMARY

### Major Findings:

#### Emergency Mortgage Assistance Program (EMAP)

- It is estimated there are now approximately 42,000 seriously delinquent mortgage loans, 52,000 subprime residential mortgage loans <sup>1</sup>, and 27,088 pending foreclosures in Connecticut.<sup>2</sup>
- There is currently a significant need for EMAP.
- Foreclosures Defendants and the Public are largely unaware of EMAP.
- EMAP funding will likely be exhausted in 2012. <sup>3</sup>
- Approximately 12% of all EMAP applicants are approved for EMAP. <sup>4</sup>
- The most prevalent reasons for EMAP denial are No Expectation to Repay the Loan (19.2%), Excessive Late Mortgage Payments (14.7%), and Applicant has Sufficient Assets (8.3%). <sup>5</sup>

#### Connecticut Fair Alternative Mortgage and Lending Initiative and Education Program (CT Famlies)

- CT Famlies was originally targeted to help refinance homeowners with subprime loans but has grown to accommodate a broader range of people who do not qualify for traditional refinancing or federal loan modification programs.<sup>6</sup>
- CT Famlies has successfully prevented more than 167 foreclosures in Connecticut. <sup>7</sup>
- Approximately 27% of all applicants are approved for CT Famlies refinancing. <sup>8</sup>
- CT Famlies has been financed by “pre-Ullman” bonds which funding source is no longer available. <sup>9</sup>
- Approximately \$3.7 million of the originally allocated \$40 million for CT Famlies is still available for new loans. Under current trends, this funding will be depleted in the summer of 2012. <sup>10</sup>
- CT Famlies helps approximately 40-45 homeowners a year. <sup>11</sup>
- Efforts to continue CT Famlies beyond the depletion of the pre-Ullman bonds would face significant funding, underwriting and insurance hurdles.

#### Foreclosure Prevention Counseling

- There is a clear need for CHFA foreclosure prevention counseling.
- Since 2006, approximately 7,600 borrowers have been assisted by CHFA approved housing counseling agencies. <sup>12</sup>

- Given the number of people facing foreclosure in Connecticut, a small percentage of those people are actually accessing CHFA foreclosure counseling programs.
- There is currently a limited number of trained CHFA/HUD approved housing counselors, particularly in eastern Connecticut.
- Counseled homeowners are at least 67 percent more likely than non-counseled homeowners to remain current on their mortgage nine months after receiving a loan modification cure. <sup>13</sup>
- Counseled homeowners receive mortgage modifications almost twice as often as non-counseled homeowners. <sup>14</sup>
- Counseled homeowners' mortgage payments after loan modification average \$176 less a month than non-counseled homeowners' mortgage payments after modification. <sup>15</sup>



## Major Recommendations:

### Emergency Mortgage Assistance Program (EMAP)

- Repeal Conn. Gen. Stat. § 8-265ff(e)(3) and allow Federal Housing Administration (FHA) mortgage loans to be eligible for EMAP.
- Streamline and simplify the EMAP application process by making applications completely available online.
- Revise Conn. Gen. Stat. § 8-265ff(e)(8) to provide a more flexible concept of financial hardship and reduce the burden placed on mortgagors to demonstrate hardship.
- Exempt 401(k) accounts, IRA accounts and pensions from the definition of asset under Conn. Gen. Stat. § 8-265ff(d)(1).
- Improve public awareness of EMAP through greater utilization and collaboration with Foreclosure Mediators and Housing Counseling Specialists.
- Amend Conn. Gen. Stat. § 8-265gg(a) to limit the period of EMAP assistance to sixty consecutive months.
- Recommend continuation of EMAP through 2014 and a statutory Bond Authorization for a minimum of sixty million dollars.

### Connecticut Fair Alternative Mortgage and Lending Initiative and Education Program (CT Famlies)

- Allow the CT Famlies program to sunset after depletion of current available funding (3.7 million).

### Foreclosure Prevention Counseling

- Recommend continuation of CHFA foreclosure prevention counseling.
- Increase staffing levels of trained CHFA approved housing counselors.
- Develop an outreach plan for Connecticut homeowners utilizing public service announcements and public access channel broadcasts.
- Statutorily require lenders and servicers to provide Form JD-CV-126 with the Notice of Intent to Accelerate the balance of residential mortgage loan.
- Revise Form JD-CD-126 to make it clearer and more helpful for homeowners.
- Provide foreclosure prevention materials, forms and instructions in Spanish.

## TASK FORCE PROCESS

The Task Force first met on November 29, 2011. At the first meeting, members were provided with a compilation of background documentation, research and data on EMAP, CT Families and CHFA Foreclosure Prevention Counseling. The Task Force provided CHFA with an extensive request for information to supplement the background program data. The membership was separated into three research, data and analysis sub-committees:

- Sub-Committee on Foreclosure Mediation  
And Connecticut Banking Department
- Sub-Committee on Housing Counselors and  
Private Bar Attorneys
- Sub-Committee on CHFA Bond Rating, Debt Service and Funding Issues

The foregoing research committees were assigned to their respective research tasks and given the charge of soliciting information, issues, feedback, data and recommendations from a variety of different statewide organizations and foreclosure assistance providers. Upon completion of their tasks, the research sub-committees reported their data to the Task Force at the Task Force meeting on December 14, 2011.

At the Task Force meeting on December 14, 2011, CHFA gave a presentation on all loss mitigation programs and provided an extensive supplement to the program data documentation package.<sup>16</sup> Several of CHFA's helpful illustrations of this data are incorporated into this report. CHFA's entire presentation can be viewed at <http://cga.ct.gov/ba/chfa/Documents/REVISED%20Loss%20Mitigation%20Task%20Force%20Presentation%2012-%2013.pdf> Upon receipt of the research sub-committee reports, the Task Force, through a collaborative process, identified issue areas where specific programs could be improved. Consensus was then reached to focus on these issues as a basis for recommendations for improvement. To accomplish this final stage of its work, the Task Force divided into three sub-committees to analyze the data and identified issues and ultimately reach program-specific findings and recommendations. The following sub-committees were formed for this purpose:

- Sub-Committee on EMAP
- Sub-Committee on CT Families
- Sub-Committee on Foreclosure Prevention Counseling

The foregoing sub-committees presented their draft reports of their findings and recommendations at the January 5, 2012 Task Force meeting. On January 18, 2012, the Task Force convened for a final meeting to conclude its work and review the proposed final report.

## RESEARCH, ANALYSIS AND DATA

## 2011 Task Force on CHFA Loss Mitigation Programs

### Research Sub-Committee on Foreclosure Mediation and CT Banking Department Report

Sub-Committee Members: Jeff Gentes, CT Fair Housing Center  
Carmine Costa, CT Department of Banking  
Rep. Joe Taborsak

As part of our work for the Research Subcommittee on Foreclosure Mediation and the Department of Banking, members of the subcommittee spoke with the Program Manager for the Foreclosure Mediation Program, Roberta Palmer and with staff of the Department of Banking who handle both the Department's foreclosure assistance hotline and consumer complaints relating to foreclosure. The Mediation Program began at the same time EMAP was resurrected and shortly after CT FAMLIES was instituted, and the Mediation Specialists have worked with CHFA's assistance loans and foreclosure prevention counselors since the Mediation Program's inception. The Department of Banking's Foreclosure Assistance Hotline has been active since 2007 and has been involved in assisting individuals facing foreclosure by helping to determine what programs may be available to the borrower, including CT FAMILIES and EMAP. The individuals we spoke with were able to offer many ideas for improving CHFA's loss mitigation programs.

Mediators believe EMAP would be greatly improved were FHA mortgagors made eligible for the program. They also believed that EMAP would help more homeowners if the application process were easier. Homeowners have reported that they were told they could not apply for EMAP until they were affirmatively denied a loan workout, a process that can take a year or longer (causing the potential EMAP loan to grow exponentially). For unemployed homeowners, trying to obtain a solution first through their lender is almost always fruitless. To increase the accessibility of EMAP, mediators suggested posting the application on CHFA's website or providing that CHFA-approved housing counselors could confirm, following a review of a homeowner's financials, that they should be evaluated for EMAP as soon as possible rather than wait for a workout review. Mediators also believed that certain EMAP denials could be avoided if underwriters spent more time investigating the cause of "pre-hardship" late payments because, quite often, there were other hardships that had caused the prior late payments.

Department of Banking staff commented that they receive calls from borrowers who are at the end of Judicial Foreclosure and did not know about EMAP.

They are concerned that borrowers are still missing out on Housing Counselors and EMAP. Since there is an Affidavit of Federal Loss Mitigation Programs that has to be filed by the plaintiff before filing a Motion for Strict Foreclosure, they believe the plaintiff should be required to mail a copy to the defendant. While the Court and plaintiff send out notices about Mediation and Housing Counselors, Banking staff think that the borrower/defendant should be required to file an Affidavit that they have either contacted CHFA and requested information to apply for the Emergency Mortgage Assistance Program or that they have chosen not to apply for the program. The Affidavit could also require the defendant /borrower to certify that they have contacted a CHFA Approved Housing Counselor, listed on the Foreclosure Mediation Notice of Community Based Resources or that they have chosen not to contact a CHFA Approved Housing Counselor. The Affidavit could be in the Summons and Complaint Package and the borrower/defendant could send it back with the Foreclosure Mediation Certificate.

Both the Department of Banking staff and Mediators believe CT FAMLIES would be improved if the potential combined-loan size were increased modestly from its current limit of 97% LTV plus \$25,000. For instance, Mediators recommended that the maximum second lien size be expanded to \$40,000 while Banking staff recommended it be expanded to \$50,000. The reasoning behind this recommendation is because many borrowers are "underwater" more than \$25,000. Mediators also had the sense that the CT FAMLIES application process could drag on for a needlessly long time, though they were not sure why this was the case.

Lastly, mediators believed that while there are many good foreclosure prevention counselors in the state, many good agencies suffered from a lack of funding, and a lack of staffing. As a result, counselors are not able to devote as much attention as might be useful to each case, meaning that many cases go into foreclosure, and/or remain in mediation longer, than could otherwise be. Several mediators reported working closely with certain housing counselors, and they valued the work done on homeowners' behalf and the attention given to the court process by these housing counselors.

As a matter of background, the Department of Banking's Foreclosure Assistance Hotline received 3,508 calls from January 1, 2011 to December 7, 2011. Of those calls, Banking Staff determined that 585 (17%) could possibly be deemed eligible for a CHFA program and such callers were referred to CHFA.

In addition, during the Mortgage Assistance Event that was sponsored by Governor Malloy, Attorney General Jepsen and Department of Banking on November 15, 2011, there were approximately 1500 attendees who registered to see their lender, loan servicer or housing counselor. Approximately 900 of the attendees filled out surveys and, while individuals did not answer all questions on the survey, the following information was obtained:

- 146 individuals were current on their mortgage; 139 were current but expected future difficulty; 138 were 30-60 days late; 112 were 61-90 days late; 76 were 91-120 days late.
- 379 individuals registered to speak with housing counselors; 156 with CHFA; 35 with Freddie Mac; 64 with Fannie Mae; 51 with judicial mediation; 36 with pro bono attorneys. (It's important to note that many people who registered for these groups also registered to see their servicer)
- 213 individuals learned that they were eligible for a loan modification (29 of which were HAMP); 350 were not eligible; 292 were not sure.

Report of  
Sub-Committee on Housing Counselors and Private Bar Attorneys

December 14, 2011

Connecticut Private Attorneys

In order to solicit information from Connecticut Private Attorneys a survey was drafted focusing on the EMAP, CT Families and Foreclosure Prevention Counseling programs. The survey asked respondents to give feedback on all three programs utilizing scaled responses for ease of compilation, yet also provided an opportunity for narrative type responses.

Due to time constraints, the survey was disseminated via e-mail to the 180 participants in the Connecticut Fair Housing list serve. Thanks to the support of Jeff Gentes from CHFA the survey was sent out twice in order to increase the response rate.

The overall response rate was poor, so telephone interviews were done with attorneys known by subcommittee members. Results are as follows:

- Attorneys tend to be more familiar with the EMAP program than they are with CT Families, the HERO program or the Foreclosure Prevention Counseling Program
- In general, there appears to be an overall decline in the number of foreclosure cases that attorneys have been involved in each year from 2008 to present
- Of the number of foreclosure cases the attorneys were involved with, less than  $\frac{1}{2}$  of the clients were aware of CHFA loss mitigation programs, and of that number, only about 1 out of 3 applied to or utilized the programs
- Most of the attorneys indicated that they assisted about  $\frac{1}{2}$  of their clients with the application paperwork; it appears that clients assisted by their attorneys increased the likelihood that clients would be successful in getting assistance
- Feedback on program strengths:
  - If clients are eligible and smart enough to fill out the paperwork in a timely manner, they are able to benefit from the program
  - Funding is essential to some clients – the program needs to continue
- Feedback on areas where programs can be improved:
  - Streamline the application process or at least make it user-friendly for clients – clients need help in getting and completing the paperwork, either allow their attorneys to secure the application on a case-by-case basis; or clients would benefit if CHFA gave more assistance in completing the

application process; or allow clients who have applied for the HAMP program to submit the same paperwork that HAMP requires

- More flexible programs
- Additional funding for existing programs
- Better dissemination of information to people facing foreclosure
- Make program information more user-friendly; people who have the information oftentimes cannot understand it; people need concrete help in understanding the program, and applying to the program



December 16, 2011

Rep. Michael Alberts  
Catherine Birch  
Dara Kovel  
Jeff Gentes

CHFA Loss Mitigation Task Force  
Research Subcommittee on CHFA Bond Rating, Debt Service, and Funding Issues

How EMAP and CT FAMLIES are Funded

*EMAP:*

EMAP was reauthorized in 2008 with \$14 million from the Banking Fund (later reduced to \$10 million, with \$5 million going to support first EMAP loans and \$5 million being transferred by CHFA to Judicial to support foreclosure mediation). Subsequently, the State authorized \$50 million in CHFA bonding. The State pays the debt service on these CHFA bonds. EMAP repayments are recycled into the program, such that EMAP repayments may be used to increase the amount of EMAP funding. At this early stage, EMAP repayment levels are too low to substantially affect the number of loans available.

*CT FAMLIES:*

CT FAMLIES began in late 2007 at the recommendation of the state's Sub-prime Lending Task Force (which was co-chaired by CHFA's then-President/Executive Director and Commissioner Howard Pitkin). The General Assembly formally authorized the program in 2008 and CHFA issued \$40 million in "pre-Ullman" bonds to fund the program. CHFA also provided up to \$4 million in related second mortgages for CT FAMLIES borrowers. Initially, CHFA relied on an FHA-insured refinancing program to back the loans. That FHA program expired at 2008's end, and CHFA has since self-insured the loans.

CT FAMLIES first mortgages are used to provide refinancings at up to 97% of the property's appraised value. CHFA has provided second mortgages of up to \$25,000 (or, if lower, the point at which the combined loans equal 108% of the property's value) to about one-quarter of CT FAMLIES borrowers. The second mortgages are used to cover appraisal gaps, closing costs, and payment of other liens on the property, and are funded from monies normally used to assist first-time homebuyers with down payments. Repayments on CT FAMLIES loans help repay the debt service obligations.

Current Funding Levels and Expected Expiration

*EMAP:*

Thirty of the authorized \$50 million in CHFA bonds were issued shortly after the program's reauthorization in 2008. CHFA recently worked with OPM and the State Treasurer to bond the additional \$20 million. CHFA officials expect EMAP loan issuance

to resume at roughly its pre-FEHLF pace (i.e., pre-April 2011) and the funds to be depleted in June or July 2012.

#### *CT FAMILIES:*

Counting reservations for pending but not yet approved loan applications, only \$6 million is available for new applications. CHFA expects that CT FAMILIES will deplete its authorized funding by summer 2012.

#### Impact on CHFA Bond Rating

CT FAMILIES is funded by certain of CHFA bonds ("pre-Ullman" bonds) and is supported by CHFA's credit and the careful underwriting of its loans. It is a relatively small size of CHFA's debt exposure and therefore has a limited impact on CHFA's rating.

EMAP bonds are a separate CHFA indenture not supported by CHFA credit. Debt service for EMAP bonds is provided directly by the State via an assistance agreement, so the EMAP program does not have any impact on the Authority's credit rating.

#### Underwriting

CHFA relies on a mix of statutory requirements and statutorily provided discretion when underwriting EMAP loans and is able to provide homeowners with assistance without jeopardizing CHFA's finances. CHFA underwriters are not compelled by statute to issue loans to borrowers they would otherwise deem not creditworthy, given that they must affirmatively consider the likelihood that EMAP loans will be repaid. Statutory requirements also provide for discretion so that certain rules – such as the prohibition on a borrower having more than three thirty-day-late mortgage payments in the twelve months preceding the reported hardship – can be waived in certain circumstances. CHFA underwriters work directly with applicants to determine if a waiver is appropriate.

#### Potential Effects of Eligibility Changes

CHFA officials foresee no substantial harm or risk to CHFA's bond rating or portfolio were EMAP's eligibility expanded to FHA borrowers. Given the differences between FHA workouts and workouts on conventional loans, we believe that it could be easier for a borrower to obtain both an EMAP loan and an FHA workout – such as a partial claim – than it is now to coordinate both a workout on a conventional loan and an EMAP loan.

CHFA will explore options to continue to offer refinancing to distressed homeowners. Given the flexibility and depletion of pre-Ullman funds, the simplest solution would be for CHFA to seek federal approval to allow use of some of its bond authorization to refinance existing borrowers. Options for underwriting consideration include combining the first and second lien programs into a single loan, expanding maximum LTV to 115% or some other threshold not associated with increased strategic default or risk to CHFA,

expanding the maximum second lien to \$40,000 or \$50,000, and identifying a new source of funds used for the second mortgage.

#### Foreclosure Prevention Counseling

CHFA markets its mortgage assistance programs through printed and web materials and outreach at housing fairs and foreclosure prevention clinics. Homeowners may also learn about EMAP through statutorily required pre-foreclosure letters. CHFA relies on a statewide network of specialized HUD-approved housing counselors (a/k/a CHFA-approved housing counselors) to educate borrowers about the programs on both a group and individual basis. CHFA receives a grant through the federal National Foreclosure Mitigation Counseling program and then subcontracts with CHFA-approved housing counselors to provide foreclosure intervention counseling. CHFA also provides additional funds for CHFA approved counseling agencies for providing foreclosure prevention counseling. CHFA-approved housing counselors attend and advise attendees at certain housing fairs and mortgage assistance events (such as the November 15, 2011 event at the Convention Center that was sponsored by Governor Malloy, Attorney General Jepsen, and Department of Banking Commissioner Howard Pitkin). Counseling agencies are only paid for completed counseling sessions which are defined and determined by the funder. When FEHLP was running, counselors were paid to counsel and process applications for that program.

CHFA-approved housing counselors are funded through a variety of sources, including, CHFA operating funds, National Foreclosure Mitigation Counseling (NFMC) grant funds, and HUD grant funds. The HUD grants however, were eliminated for the current fiscal year by Congress, and only a partial restoration has been proposed for the subsequent fiscal year. Such a cut, without offsetting funding increases, would likely reduce the ability of CHFA-approved housing counselors to provide foreclosure prevention services of all types to the communities they serve.

CHFA is considering compensating its counselors for assisting homeowners in preparing and submitting EMAP applications. Such changes could be coordinated with efforts to ensure housing counselors are helping homeowners pursue modifications from their servicers when appropriate and feasible. Such changes in compensation would likely lead to an increase in successful EMAP applications and more expeditious closings.

CHFA is also considering ways to change the manner by which CT FAMLIES applications are handled so as to increase the number of applications made – when appropriate, e.g., when conventional refinancing is not available – and approved in a timely fashion. Such changes would likely lead to an increase in CT FAMLIES loans.

#### Funding Needs

Given the impending depletion of funds available for both programs, the Task Force should consider whether to recommend an increase in bonding authority for both programs. The review should include an evaluation of the programs' performance so far (including the number of homeowners reached, the default rate thus far, and the risk

borne by the state and CHFA in supporting these programs), their role in foreclosure prevention, and their cost relative to alternative forms of foreclosure prevention. Any bonding increase should account for a likely expansion of eligibility and availability for both programs. The increase, if determined to be worthwhile and prudent, could be designed to last through June 30, 2014 (the current sunset date for Judicial's Foreclosure Mediation Program, though likely not the end of the foreclosure crisis).

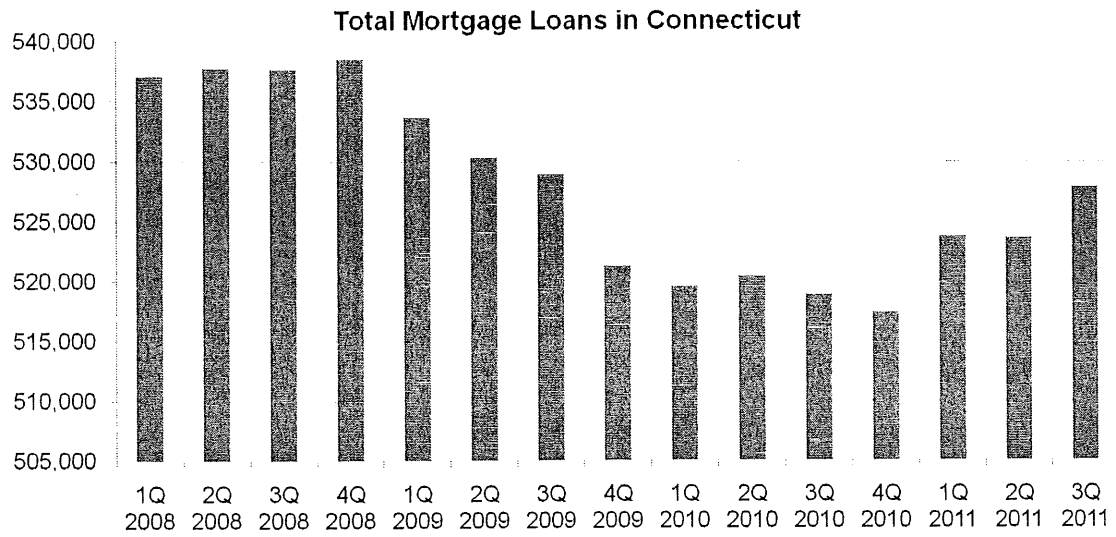
CHFA would continue to administer these programs if the State were to continue to recommend funding for this program. In addition:

- CHFA reports that \$4.6 million in debt service for the life of the bonds would create \$60 million in EMAP funding or approximately 750 loans.
- CHFA would also pursue federal approval to allow CT to refinance existing borrowers into CT FAMILIES loans with its tax exempt bonds.

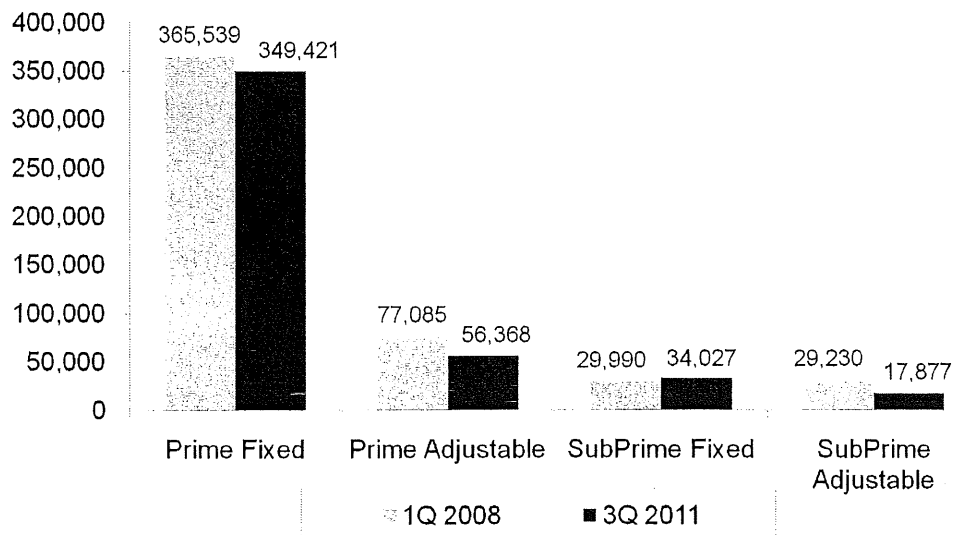
The Task Force should also consider:

- How CHFA-approved housing counselors are funded, and whether sources of funding exist that would help ensure the counselors remain available to help Connecticut homeowners as the foreclosure crisis continues;
- The cost of publicizing the programs' availability on a wider basis (e.g., public service announcements on TV and radio), in the manner FEHLP and the November 15, 2011 mortgage assistance event were publicized, and the resulting increase in applications and, presumably, funded loans; and
- Whether CHFA should provide the Banks and Housing Committees, whether in the form of written materials or through a public hearing, with a report on the programs' performance, funding levels, and any ideas for updates and improvements.

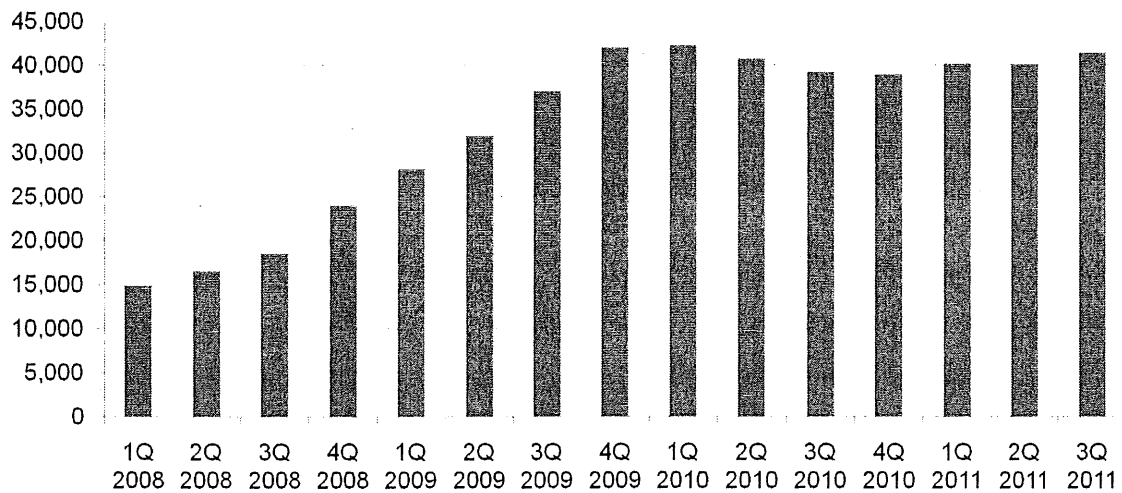
## Market Conditions



## Loan Profiles

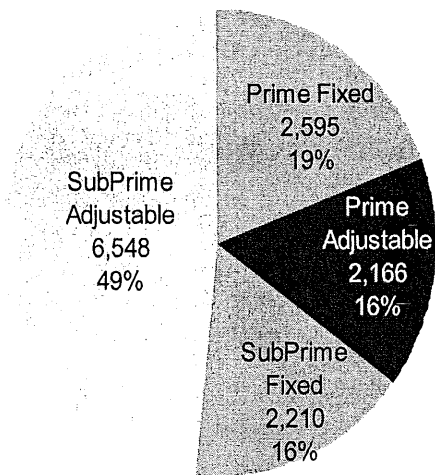


## Number of Seriously Delinquent Loans in Connecticut

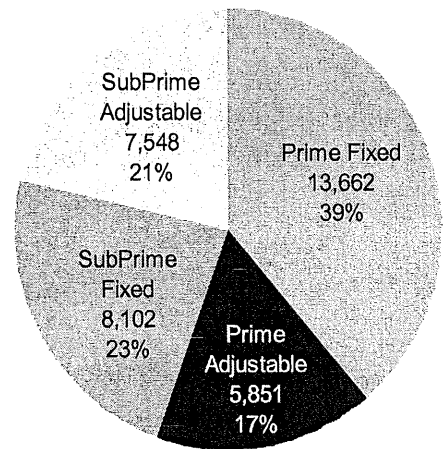


## Seriously Delinquent Loans

1Q 2008

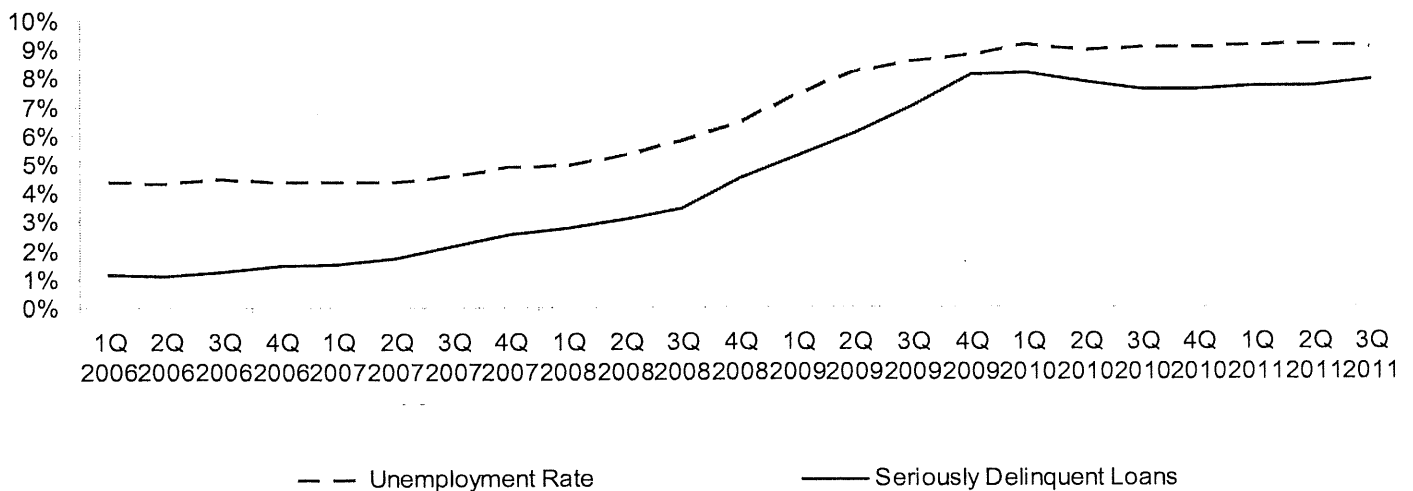


3Q 2011



Source: Mortgage Banker's National Delinquency Survey – covers about 88% of first lien mortgages in the market

### Delinquency and Unemployment



Sources: Mortgage Banker's National Delinquency Survey – covers about 88% of first lien mortgages in the market and the Connecticut Department of Labor, Seasonally Adjusted Unemployment Rate

## FINDINGS AND RECOMMENDATIONS



# 2011 Task Force on CHFA Loss Mitigation Programs

## Topic Sub-Committee on Emergency Mortgage Assistance Program Report

Sub-Committee Members: Jeff Gentes, CT Fair Housing Center  
Rep. Bruce Morris  
Dara Kovel, CHFA  
Rep. Joe Taborsak

As part of our background work for the Topic Sub-Committee on Emergency Mortgage Assistance Program (EMAP), members of the Sub-Committee reviewed the report of the Research Sub-Committee on Foreclosure Mediation and Department of Banking, the report of the Research Sub-Committee on Housing Counselors and Private Bar Attorneys, and the report of the Research Sub-Committee on CHFA Bond Rating, Debt Service and Funding Issues. These Research Sub-Committee reports provided the Sub-Committee with direct feedback from the aforementioned agencies and professionals who deal directly with people facing foreclosure and CHFA loss mitigation programs, together with their recommendations for improvement of these programs.

The members of the Sub-Committee further reviewed data and reports received from CHFA, including the CHFA presentation to the Task Force dated December 14, 2011, accompanied by the CHFA responses (with assistance from the Office of Legislative Research) to Task Force inquiries regarding EMAP. Further review was undertaken and reference has been made to the Connecticut General Statutes governing CHFA and specifically EMAP § 8-242 et seq., the 2010 CHFA Annual Report, written comments from the Attorney General George C. Jepsen dated December 13, 2011, the Ludwig Community Economic Development Clinic "Comparison of Connecticut Emergency Mortgage Assistance Program (EMAP) with Pennsylvania Home Emergency Mortgage Assistance Program (HEMAP), and the CHFA EMAP brochure (Rev. 10/9).

At a Task Force meeting held on December 14, 2011, the Task Force, by unanimous consent, identified and adopted a list of issues (areas where improvement could be made) with the CHFA loss mitigation programs, including EMAP. This Sub-Committee held a meeting on December 20, 2011 during which a discussion on the issues identified with EMAP took place. From the foregoing research, data, analysis and discussion, the Sub-Committee offers the following findings and recommendations to the Committee on Banks with regard to EMAP.

## Findings:

- It is estimated there are now about 42,000 seriously delinquent mortgage loans in Connecticut.
- It is estimated there are now approximately 52,000 subprime residential mortgage loans in Connecticut.
- According to the Judicial Branch, there are 27,088 (June 30, 2011) pending foreclosures in our courts and there were 15,619 new foreclosures filed from June 30, 2010 – June 30, 2011.
- Prime Fixed loans now account for a much greater percentage of delinquent loans statewide (39% in 2011) indicating a significant increase in these traditionally stable loans going into foreclosure.
- There is currently a significant need for EMAP assistance in the state.
- EMAP is funded under C.G.S. § 8-265bb which requires the state to pay annual debt service on up to \$50 million in CHFA bonds issued for EMAP.
- Current EMAP funding will likely be exhausted in mid-2012.
- EMAP is often the only foreclosure alternative available to homeowners who (1) are unemployed or severely underemployed, (2) have a mortgage lender that does not participate in federal loss mitigation programs, (3) have temporarily reduced income, but a lender that is unwilling to modify their loan due to the substantial equity in their home, or (4) could afford their current mortgage payment, do not qualify for a loan modification, and yet are facing significant arrears for which a repayment plan is not viable.
- The most prevalent reasons for denial of EMAP are No Expectation to Repay the Loan (19.2%), Exceeds Program Guidelines due to Mortgage Lates (14.7%), and Applicant has Sufficient Assets (8.3%).
- The EMAP underwriting process is time-consuming and its cost exceeds the funding CHFA receives for administrative costs. CHFA covers administrative costs over and above the program funding to avoid cost-shifting to homeowners.
- Foreclosure defendants and the public are largely unaware of EMAP. Much of the public's awareness of EMAP resulted from the publicity generated for a similar but now closed federal program, the Emergency Homeowners' Loan Program.
- EMAP application process is viewed as lengthy, difficult and burdensome.
- FHA borrowers are ineligible for EMAP.

## Recommendations:

1. Repeal Conn. Gen. Stat. § 8-265ff(e)(3) and allow Federal Housing Administration (FHA) mortgage loans to be eligible for EMAP.

It is the consensus of the Sub-Committee that this statutory restriction unnecessarily prohibits a significant number of Connecticut homeowners from receiving EMAP assistance simply based upon the fact that they have FHA mortgages. By repealing this provision, this inequity will be addressed and a significant number of Connecticut residents facing the hardship of foreclosure will become eligible to benefit from EMAP.

The Sub-Committee also encourages, when possible, to utilize FHA loss mitigation tools in conjunction with an EMAP loan.

2. Streamline and simplify the EMAP application process and remove unnecessary impediments to Connecticut homeowners.

Various advocates, including foreclosure defense attorneys, housing counselors, and foreclosure hotline workers, report that the EMAP application process is difficult, burdensome, lengthy and ill-suited for people lacking legal assistance.

Efforts can and should be made to make the process more user-friendly by making applications completely available online and using simpler language. It should be noted that to accomplish this, the existing EMAP prequalification process will likely have to be incorporated into the online application, similar to the HAMP online application. This should be feasible at a minimal cost to CHFA. CHFA is currently starting to utilize housing counseling agencies to market EMAP to homeowners in need of assistance. The Sub-Committee believes that this is a step in the right direction and that the role of housing counseling agencies is underutilized in the EMAP process at current. A more robust role for CHFA housing counseling agencies in the EMAP application process is recommended. Further, a majority of the Sub-Committee members question what if any benefit is realized by CHFA for the provision in Conn. Gen. Stat. § 8-265ee(d) prohibiting an EMAP mortgagor from filing a defense, counterclaim or set-off to any action for foreclosure of the mortgage for which EMAP was provided. CHFA does not have a position on this particular issue. In light of the foregoing, the Sub-Committee recommends that the question be asked if any benefit at all exists and whether this waiver of rights is really an unnecessary impediment to mortgagors, especially since defenses, counterclaims, and set-offs could be used to reduce the mortgage debt owed and, in turn, the size of the EMAP loan.

It is the consensus of the Sub-Committee that unnecessary delay in the EMAP application and approval process should be avoided to keep arrearages from escalating. Since several factors outside of CHFA control can contribute to the timing of an EMAP application, it is unclear to what extent any EMAP guideline or requirement may be causing delay in the application process. Notwithstanding this lack of hard data on the

issue, the Task Force has received the concern of foreclosure defense attorneys that mortgagors are regularly precluded from applying for EMAP until they can demonstrate through some act of the lender that they have attempted to reach a work-out with the lender and have been unsuccessful. This requirement of mortgagors to obtain some type of affirmative denial from their lender can take a year or longer (causing the potential EMAP loan to grow exponentially). For unemployed homeowners, trying to obtain a solution first through their lender is almost always fruitless. CHFA's position is that no affirmative denial is actually necessary if the mortgagor properly utilizes the Mortgagor Delinquency Questionnaire and Certification Document. Given the conflicting information received by the Sub-Committee, further inquiry into this issue is needed to better understand why this is an issue. Such inquiry should include an internal review of CHFA policies on this issue, further explanation from foreclosure defense attorneys and a conversation about the form itself and whether it is being misunderstood, underutilized and/or could benefit from being revised. The foregoing efforts should be made in the spirit of simplifying and shortening the EMAP process for Connecticut homeowners.

3. Revise Conn. Gen. Stat. § 8-265ff(e)(8) and/or make internal policy changes withing CHFA to provide greater leniency to applicants on the issue of Pre-Hardship Late Payments.

Approximately 14.7% of all EMAP denials are due to the statutory cut-off imposed by Conn. Gen. Stat. § 8-265ff(e)(8) which automatically disqualifies any mortgagor from EMAP who has had more than three pre-hardship "30-day lates" within the previous year unless they can demonstrate financial hardship.

Since EMAP is a remedial program established to provide economic relief to mortgagors suffering a financial hardship, a majority of the Sub-Committee members recommends that internal action be taken by CHFA to reduce the percentage of and number of mortgagors disqualified on this basis. Additionally, and consistent with the remedial nature of EMAP, the language of § 8-265ff(e)(8) should be amended to lessen the documentary burden placed on mortgagors by deleting the language "the mortgagor can demonstrate" from the statute. This change in statute would reduce the burdensomeness of the EMAP application from a mortgagor's perspective and would require adoption of a more flexible concept of "hardship" under which personal hardship letters and other less formal inquiries made by CHFA underwriters would satisfy this finding. This approach would give less emphasis to bright-line standards of ineligibility and would recognize that a mortgagor facing foreclosure is in a distressful situation and should not have to prepare a file of evidence to demonstrate they are in financial hardship. CHFA, noting that EMAP has evolved to be a more lenient program, does not endorse this position of the Sub-Committee but rather views the cut-off as a fair and logical standard which furthers the goal of approving mortgagors who meet the reasonable expectation to repay the loan.

4. Exempt 401(k) accounts and IRA accounts from the definition of asset under Conn. Gen. Stat. § 8-265ff(d)(1).

A majority of the Sub-Committee members agreed that the definition of asset and CHFA's current underwriting guidelines dealing with retirement accounts in this context need to be amended for several compelling reasons. Currently, 401(k)s and other retirement accounts are viewed as assets by CHFA in determining EMAP eligibility and are subject to liquidation. As such, when a mortgagor with a 401(k) or IRA applies for EMAP, he or she is required to spend down their retirement funds to pay off their arrearage. The alternative to spending down one's retirement funds is to be found ineligible for EMAP. This harsh result is in stark contrast to the protections provided to a person in Bankruptcy under U.S.C. Title 11 §§ 541(b)(7) and 522 which allow for the protection of these retirement funds in their entirety. It should further be noted that people who have traditional pension plans are not subject to this requirement because their plans cannot be liquidated. The Sub-Committee finds this result to be overly harsh, inequitable to people who have 401(k)s, and counter to the remedial nature of EMAP. Although CHFA allows for the preservation of \$5,000 of such funds of a mortgagor, the Sub-Committee finds this benefit is outweighed by the negative consequences of having to spend down one's retirement fund to such a low level.

On account of the foregoing, the Sub-Committee recommends statutory changes to Conn. Gen. Stat. § 8-265ff(d)(1) and corresponding changes to CHFA underwriting guidelines that provide complete exemption of applicant 401(k) accounts and IRA accounts from the definition of asset. This will bring EMAP requirements into line with standard Bankruptcy protections, address the current inequity that exists, and allow many more Connecticut residents facing foreclosure to qualify for EMAP assistance. CHFA is not in disagreement with the intent of this recommendation, but wishes to remain neutral in this policy decision.

5. Improve public awareness of EMAP through Foreclosure Mediation Specialists and CHFA Housing Counseling agencies.

In an effort to improve the public awareness of EMAP, the Sub-Committee recommends that CHFA foster greater communication and collaboration with Foreclosure Mediators and Housing Counselors. Specifically, it is suggested that CHFA consider conducting more frequent trainings and workshops on EMAP with housing counselors and mediators. Such forums should not only be an opportunity for CHFA to inform mediators and counselors of changes in legislation and internal policies that might affect EMAP, but should also include an opportunity for mediators and counselors to provide feedback from the field and suggestions for improvement of EMAP. Such forums should not be exclusive for agency heads, but should include counselors as well. Improved communication and collaboration between CHFA, mediators and housing counselors, will improve the level of understanding of EMAP where that information is most valuable.

In addition, it is recommended that the Banks Committee consult with CHFA and the Manager of the Foreclosure Mediation Program on whether unemployed defendants in foreclosure mediation should be automatically referred to CHFA to explore EMAP at the onset of foreclosure mediation.

6. Expand EMAP to make its assistance cover contemporary foreclosure scenarios.

EMAP was first established in 1993 by Public Act 93-414. Since that time, we have seen the emergence of a sub-prime mortgage market, the propagation of reverse mortgages, a housing bubble burst, a sub-prime mortgage crisis, and a foreclosure crisis. Suffice it to say, the circumstances under which people face foreclosure today vary drastically from 1993.

A common complaint from housing counselors and foreclosure defense attorneys is that EMAP is too rigid and should be more flexible in its coverage. The Sub-Committee urges the consideration of expanding EMAP coverage into other foreclosure prevention circumstances that do not currently fall under EMAP such as providing assistance to cover delinquent property taxes and condominium association fees, both of which arrearages can lead to foreclosure. Further expansion of EMAP should be considered in areas where it is a natural extension of EMAP in that there is the common goal of averting foreclosure and the EMAP assistance would continue to be secured by a repayment agreement and subsequent mortgage on the primary residence. The need for EMAP to become more flexible in coverage may increase if the CT Families program is discontinued.

7. Amend Conn. Gen. Stat. § 8-265gg(a) to limit the period of EMAP assistance under a single loan to sixty consecutive months.

Currently, under a single EMAP loan, EMAP will provide up to sixty months of emergency mortgage assistance payments either consecutively or nonconsecutively.<sup>17</sup> This allows for an undefined period of assistance which can exceed five years if the assistance payments are nonconsecutive. CHFA has found this open-endedness of the loan assistance term an accounting and administrative burden. The Task Force unanimously agreed that a reasonable solution is to cap the loan assistance term to five years but continue to allow assistance payments to be consecutive or nonconsecutive on a case by case basis.

8. Recommend Continuation of EMAP and Bond Authorization of \$60 Million in CHFA Bonds to fund EMAP through 2014.

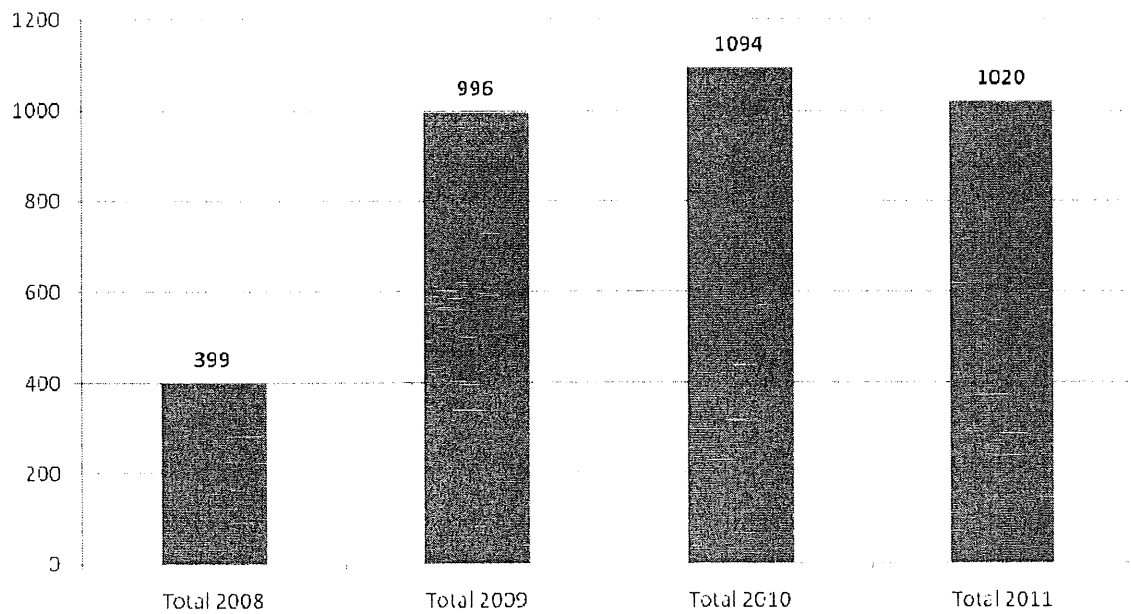
The Sub-Committee recommends the continuation of EMAP through 2014 and recommends a statutory Bond Authorization be sought for a minimum of sixty million in CHFA Bonding Authority as follows. CHFA would issue thirty million dollars of bonds as needed as the existing funds are depleted. The remaining thirty million would be issued when the first \$30 million was committed. The state's commitment to cover the debt service on each thirty million bond authorization would be estimated at \$2 to \$2.5 million (as determined by the Office of Policy and Management).

### Foreseen Challenges:

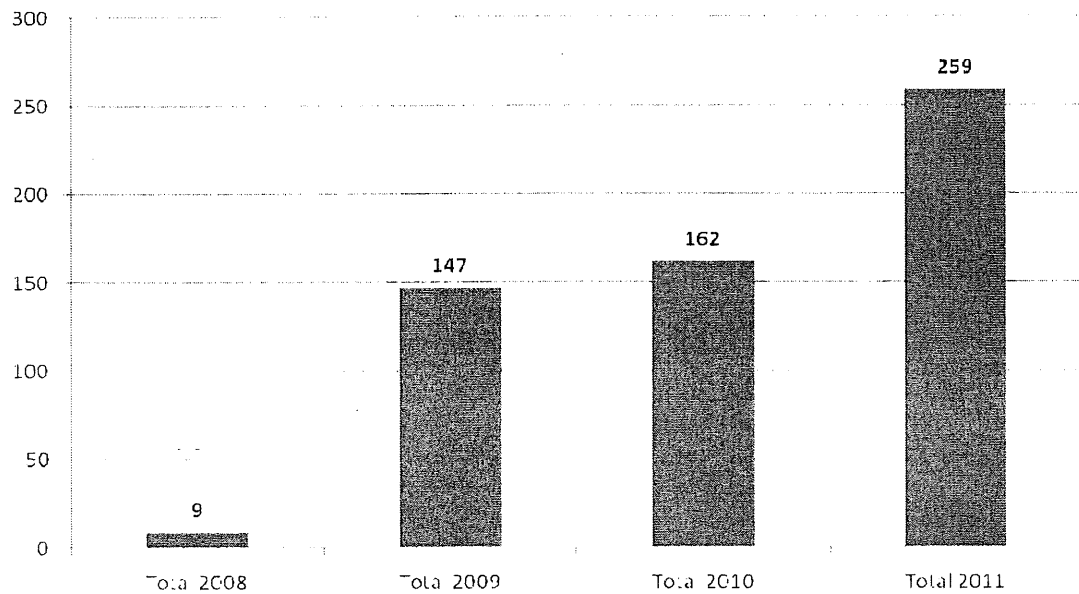
The state is currently still in a very difficult economic climate and recovering from the worst recession experienced since the Great Depression. This economic backdrop naturally lends itself to more conservative bonding habits at the state level. In spite of these challenges, there are more compelling reasons to fund EMAP at current or higher than current levels and to make the recommendations advanced by this report. Those reasons include:

- The cost and toll of not providing EMAP assistance on families, the state and communities is estimated to be significantly higher than the projected annual debt service of \$4.6 million (were EMAP bonds to be reauthorized).
- EMAP loans have a low delinquency rate.
- Since debt service for EMAP bonds is provided directly by the state, the EMAP program has no impact on CHFA's credit rating.

**EMAP APPLICATIONS RECEIVED**  
**As of 10/31/11**

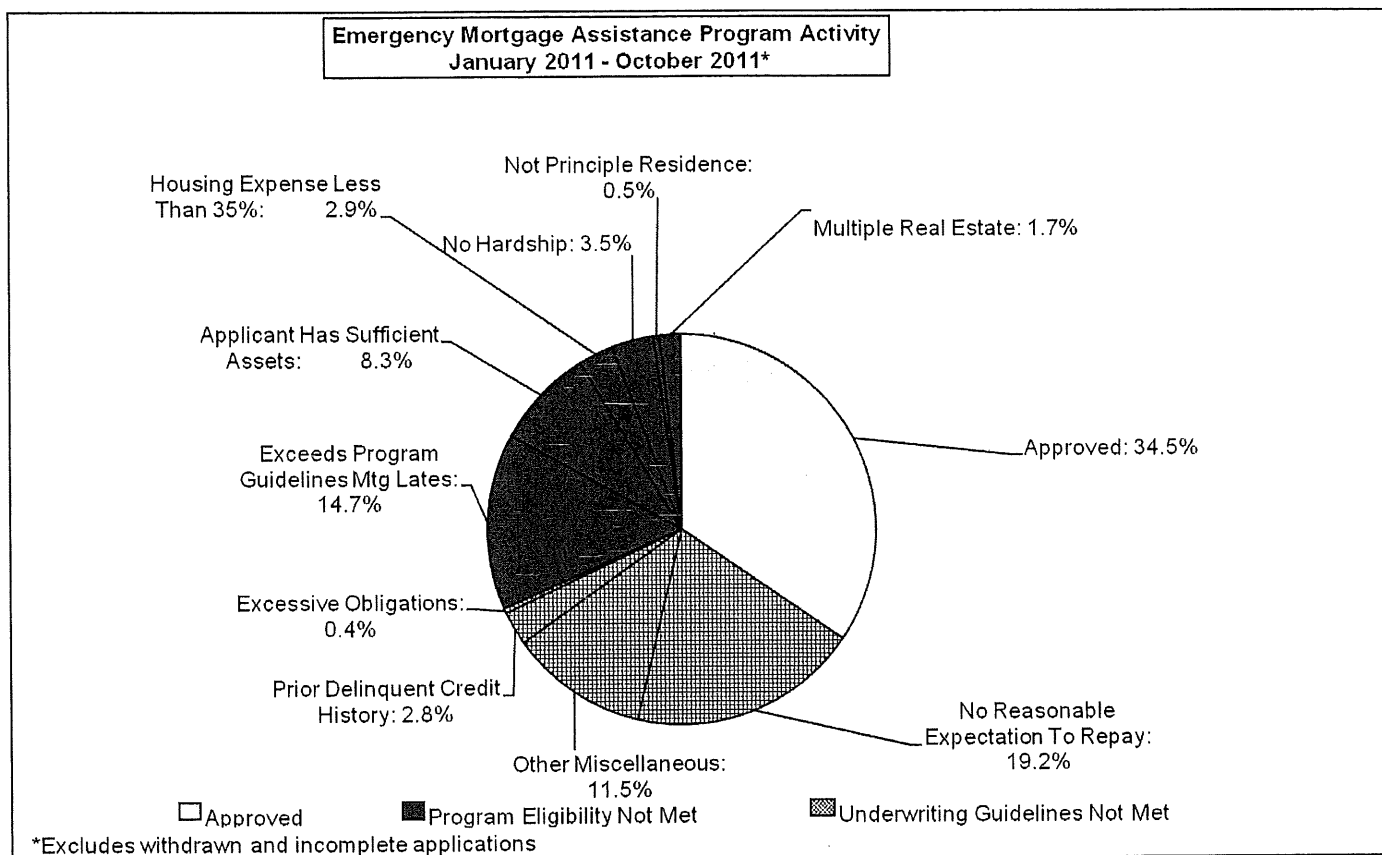


**EMAP APPROVED LOANS**  
**As of 10/31/11**



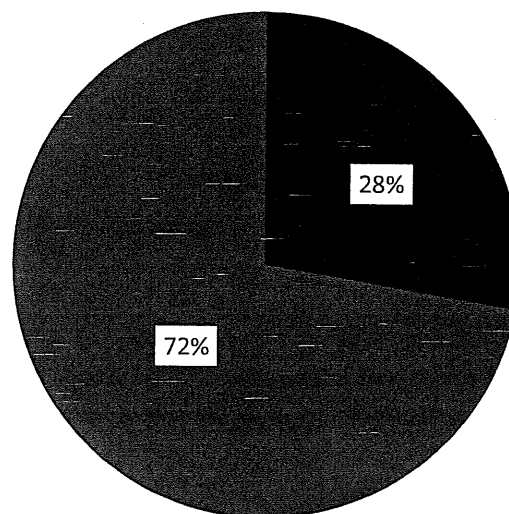


## Primary Reasons for Denials



**Data for EMAP Loans referred to by Judicial Mediation 7/1/2008 - 12/19/2011**

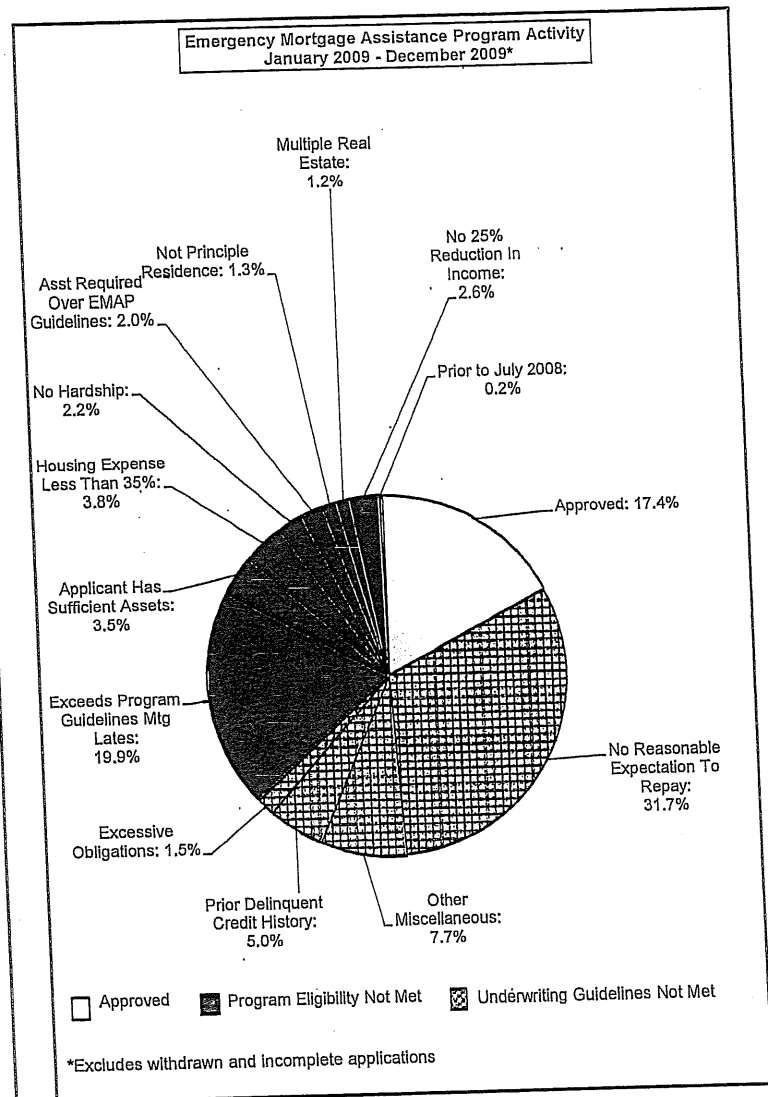
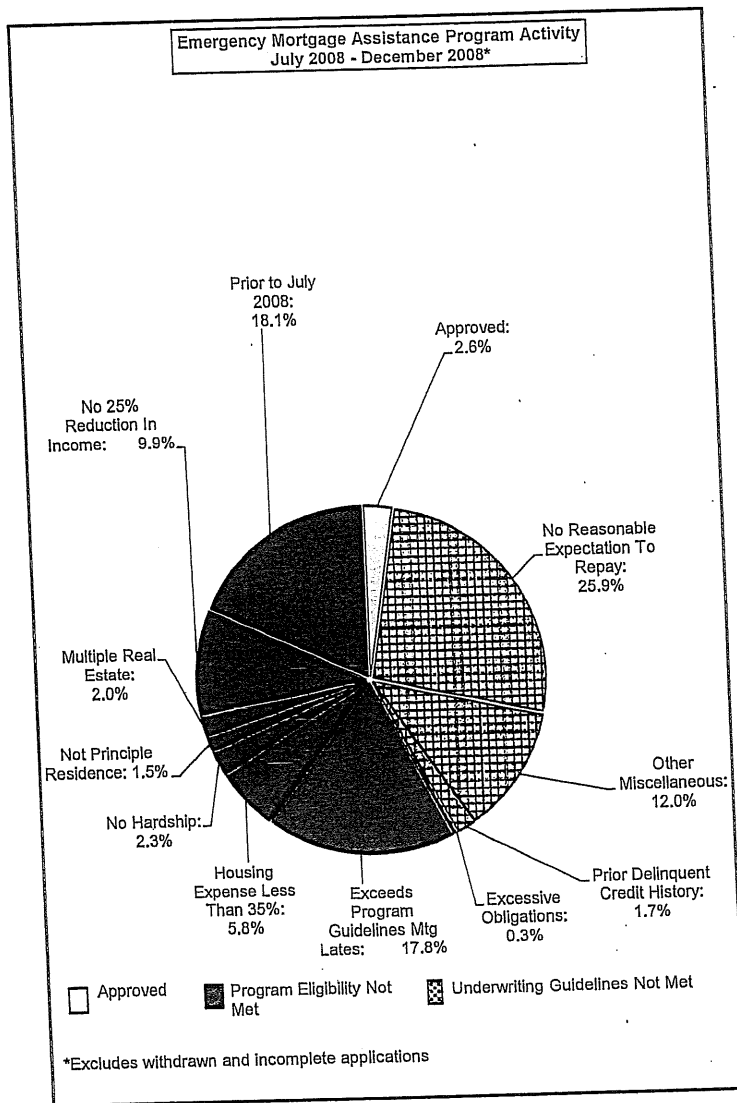
Total Number of EMAP Loans Closed: 372



Legend:

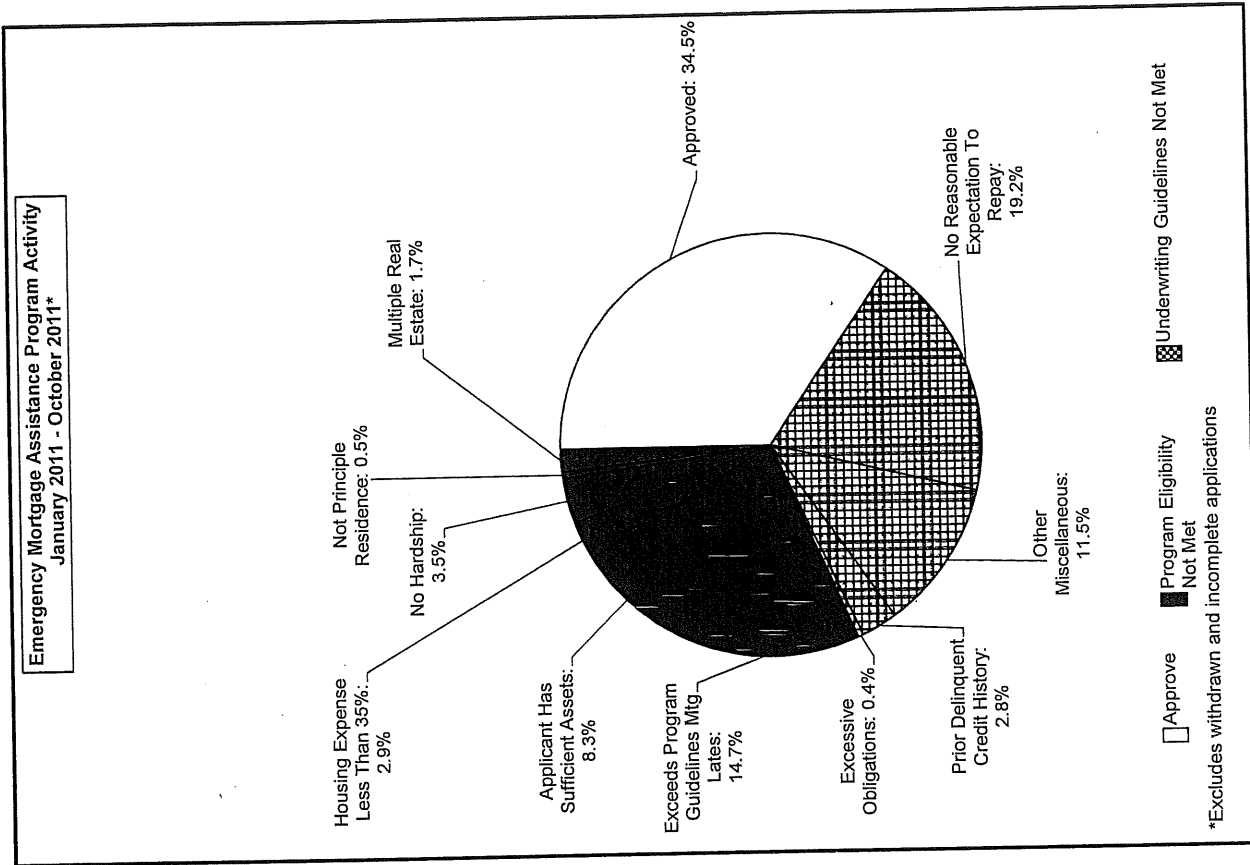
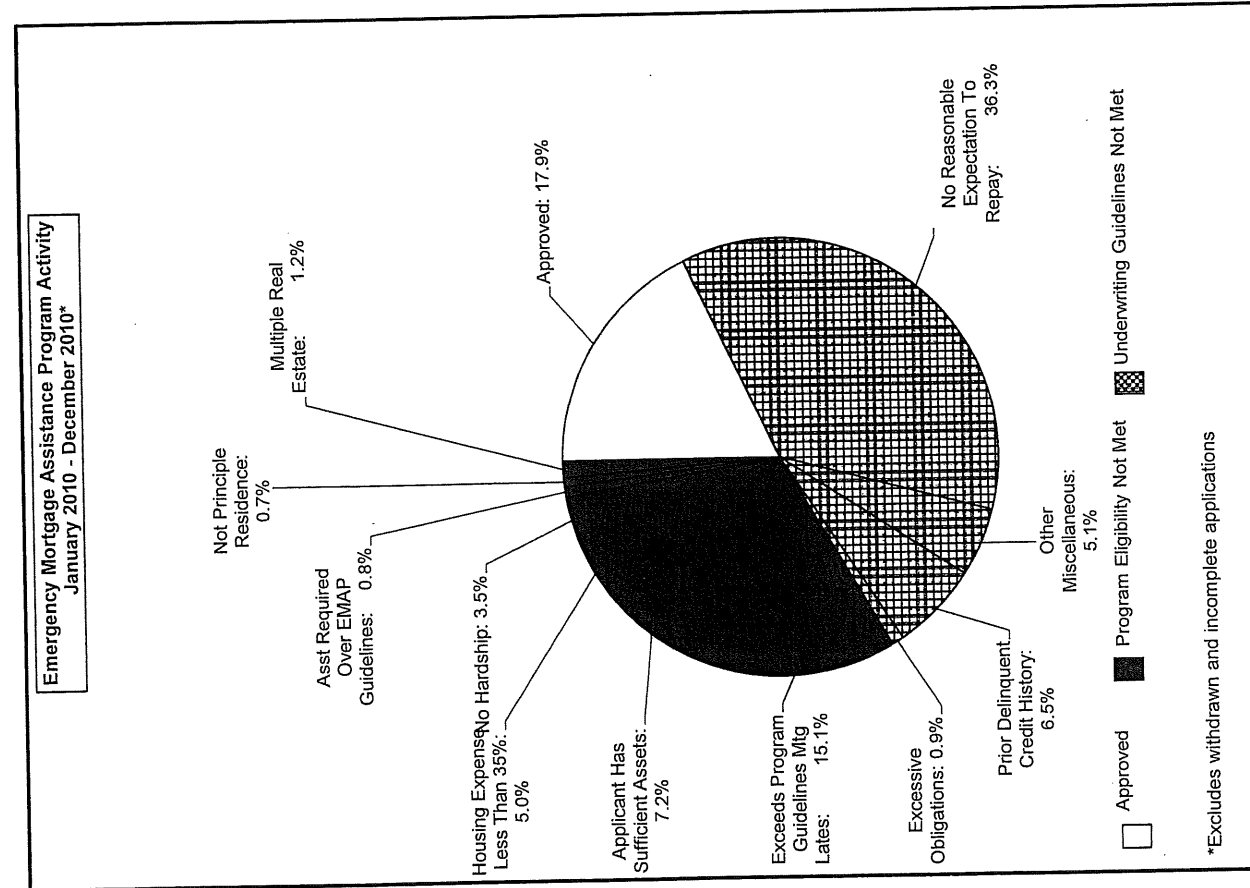
- Judicial Mediation Referrals: 103
- Other: 269

\*26 additional judicial mediation referrals were approved but expired/not accepted by the homeowner

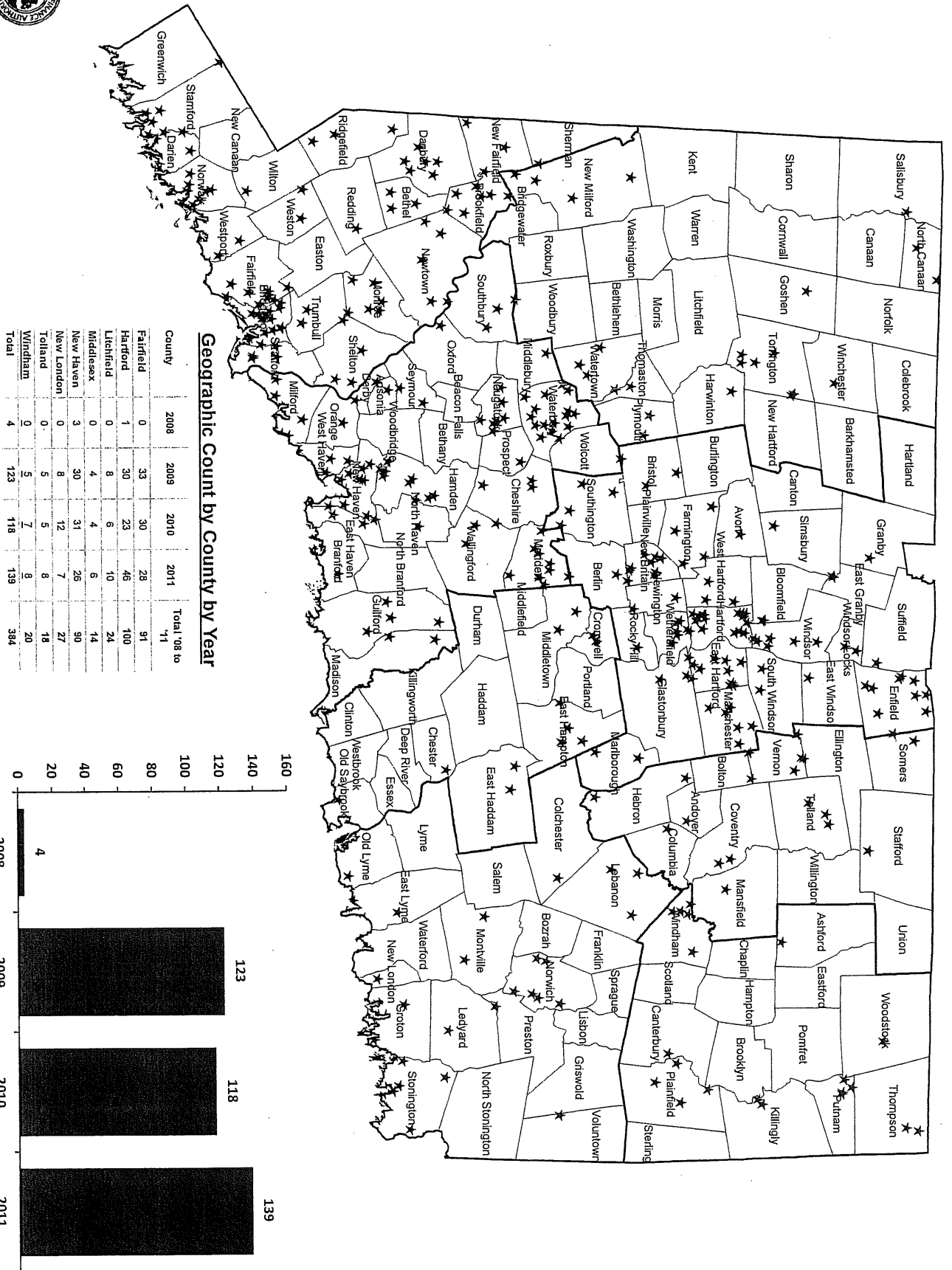


**Reasons For Miscellaneous Denials:**

1. Mortgage insured by FHA - not eligible for EMAP
2. Bankruptcy not discharged
3. Unable to verify occupancy
4. Unable to verify residence
5. Applicant not on mortgage



# ★ Emergency Mortgage Assistance Program (EMAP) Loan Activity -- 2008 to 2011



### Findings and Conclusions

The CT FAMLIES Subcommittee has determined that CT FAMLIES has successfully prevented more than 167 foreclosures in Connecticut by allowing families with high-interest rate loans to refinance into loans with low fixed interest-rates. CT FAMLIES faces significant funding challenges going forward, however, and would be difficult to continue beyond the originally available \$40 million for the loans.

#### Scope of Review

Subcommittee members reviewed the various reports of the Research Subcommittees, and the issues identified by such Subcommittees, along with the various written materials provided by CHFA and the Office of Legislative Research. Subcommittee members met at Neighborhood Housing Services of New Haven on December 21 with Valencia Taft-Jackson, who manages CHFA's single-family underwriting programs (including CT FAMLIES), and had a conference call with several CHFA personnel on January 13 to learn more about the program, the challenges it faces, and recommendations for next steps.

#### Findings

##### *Role of CT FAMLIES in Alleviating the Foreclosure Crisis and Shoring up the Housing Market*

Historically low interest rates have afforded many homeowners the opportunity to refinance their mortgages and benefit from lower monthly payments. Conventional refinancings, however, have been limited to borrowers with exceptional credit scores and loan-to-values (LTVs) of no more than 80%. In response to the demand for additional refinancing opportunities for borrowers with higher LTVs, Fannie Mae and Freddie Mac recently announced an expansion to the Home Affordable Refinancing Program (HARP) to allow refinancing without regard to LTV. While the expansion should help hundreds if not thousands of Connecticut borrowers, many who do not have a loan backed by Fannie Mae or Freddie Mac or who have fallen behind on their mortgage payments will not be eligible for either a HARP or a conventional refinancing.

CT FAMLIES has helped a segment of this last group of Connecticut homeowners by providing help to people whose lenders are unwilling to modify their existing loans, whether due to considerable equity or lack of participation in federal loan modification programs. While it has served a population beyond the originally targeted group of subprime borrowers, Connecticut borrowers have benefited from CHFA's development of the program.

#### *Program Structure*

CT FAMLIES loans consist primarily of a first-mortgage refinancing at up to 97% LTV. Borrowers without significant liquid assets may qualify for an additional second mortgage of up to \$25,000 or, if lower, when combined with the first mortgage loan, 108% LTV, to cover appraisal gaps, other liens, and closing costs. CHFA reported that this two-loan structure offers maximum flexibility at minimal borrower cost.

CHFA uses a special group of “pre-Ullman” bonds, bonds without particular restrictions, in order to finance the CT FAMLIES loans. (Normally, CHFA is not able to fund refinancing.) Following the cessation of the FHASecure program, CHFA has self-insured the loans.

#### *Program Results and Challenges*

CT FAMILIES loans have helped more than 167 Connecticut households since it began in late 2007. The program originally was targeted to help refinance homeowners with subprime loans into adjustable rate loans, but has since grown to fit a different population of borrowers who could benefit from a lower interest rate, yet who cannot qualify for traditional refinancing.

The Subcommittee observed that CT FAMLIES loan issuance has been particularly rare in lower Fairfield County. The Subcommittee determined this was likely due to the LTV cap on CT FAMLIES loans (without which CHFA would bear the considerable risk associated with undersecured loans), the disproportionate effect the cap has on areas where the real estate market collapse was particularly severe, and the pervasive decrease of housing prices in lower Fairfield County. Moreover, it is unclear whether there is much of a market left for CT FAMLIES loans, given that its LTV cap naturally limits its reach, and that the housing market has only worsened since the loans were introduced, leaving many homeowners in need underwater and therefore ineligible for CT FAMLIES loans.

#### *Program Costs*

The state incurs no direct costs in connection with the CT FAMLIES program. The costs of administering CT FAMLIES are borne by CHFA and its participating lenders. The lenders’ costs are partially offset by an origination fee of 1.5%, though most lenders report a financial and logistical disincentive to participate in the program due to its relative complexity (compared with other refinancing products).

Relying on the lenders to originate the loans allows the lenders to bear the compliance costs associated with loan origination, rather than CHFA. Lenders also have the incentive to identify applicants who would qualify for conventional refinancing and therefore should not be considered for CT FAMLIES loans.

#### *Program Availability / Bonding*

CHFA has reported that, based on reservations received from its lenders, about \$3.7 million of the originally allocated \$40 million for CT FAMLIES loans is available for new loans. At current rates, this bonding would be depleted in summer 2012. An additional \$50 million of funds would allow approximately 200 households to benefit from a CT FAMLIES refinancing over the next two to three years.

Potential sources for these funds, however, are few. CHFA determined that recycled tax exempt bond proceeds it has realized from unrelated programs could not be used for CT FAMLIES refinancings under the federal Housing and Economic Recovery Act. CHFA also determined that it could not use any other programs for refinancings. In order for CT FAMLIES to continue beyond the next few months, the General Assembly would need to authorize financing from sources not traditionally used for mortgage refinancing, e.g., general obligation bonds in which the risk of default could be borne by the state.

#### Conclusions

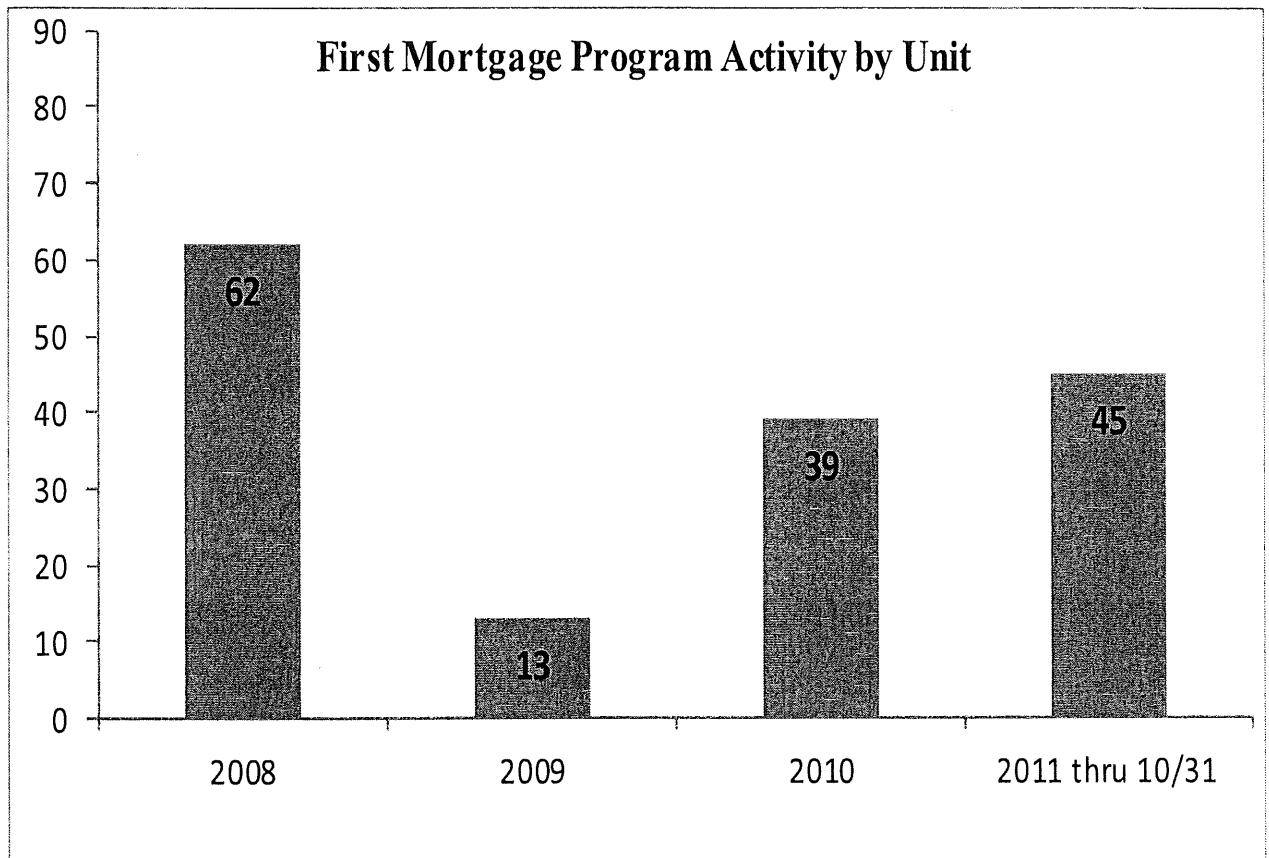
CT FAMLIES has been helpful while available and was a good use of monies in that it helped a segment of borrowers who otherwise would not have been able to refinance their homes. In doing so, it has served the purpose for which it was originally intended. While beneficial to those that it has helped, CT FAMLIES is a relatively small program, helping on average 40-45 homeowners per year.

The Subcommittee has concluded that further efforts to continue the program would face significant funding, underwriting, and insurance hurdles – hurdles that might not as significant in the context of other foreclosure prevention measures, such as legislative efforts to continue and expand EMAP and to support foreclosure prevention counseling, or CHFA's exploration of other means to expand loss mitigation measures to the more than 20,000 homeowners with "traditional" CHFA-backed loans. The Subcommittee also concluded that the program's completion would allow CHFA to use a greater portion of funds allocated for down payment assistance – funds also used for second liens on CT FAMLIES loans – for their original purpose.

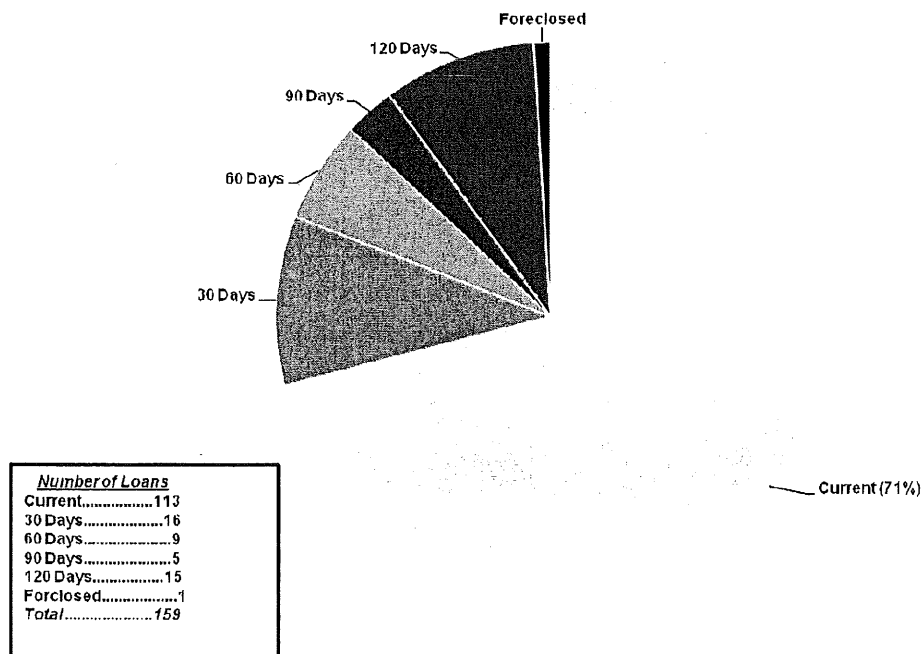
#### Subcommittee Members

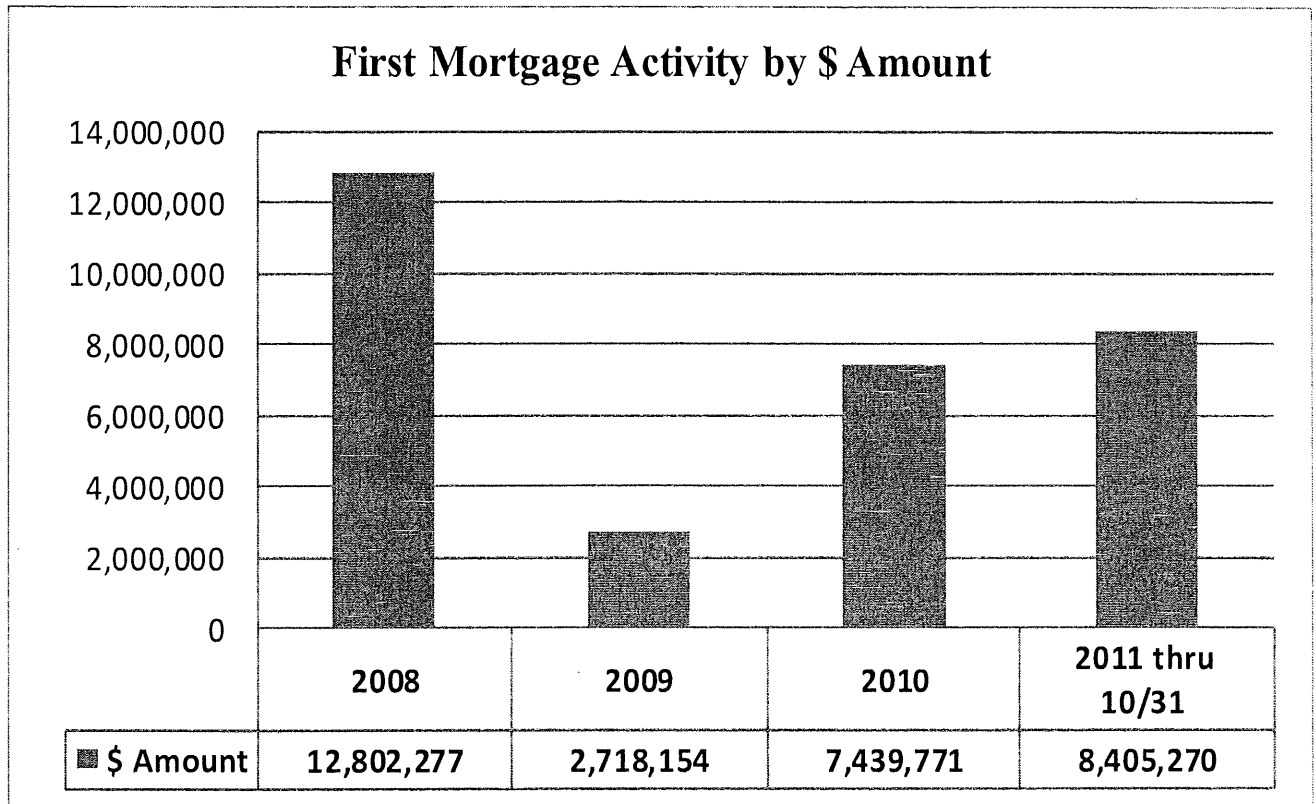
From the Task Force: Catherine Birch, Jeff Gentes, Paul Hughes, Bridgette Russell  
From CHFA: Valencia Taft-Jackson





CT FAMILIES Loan Performance





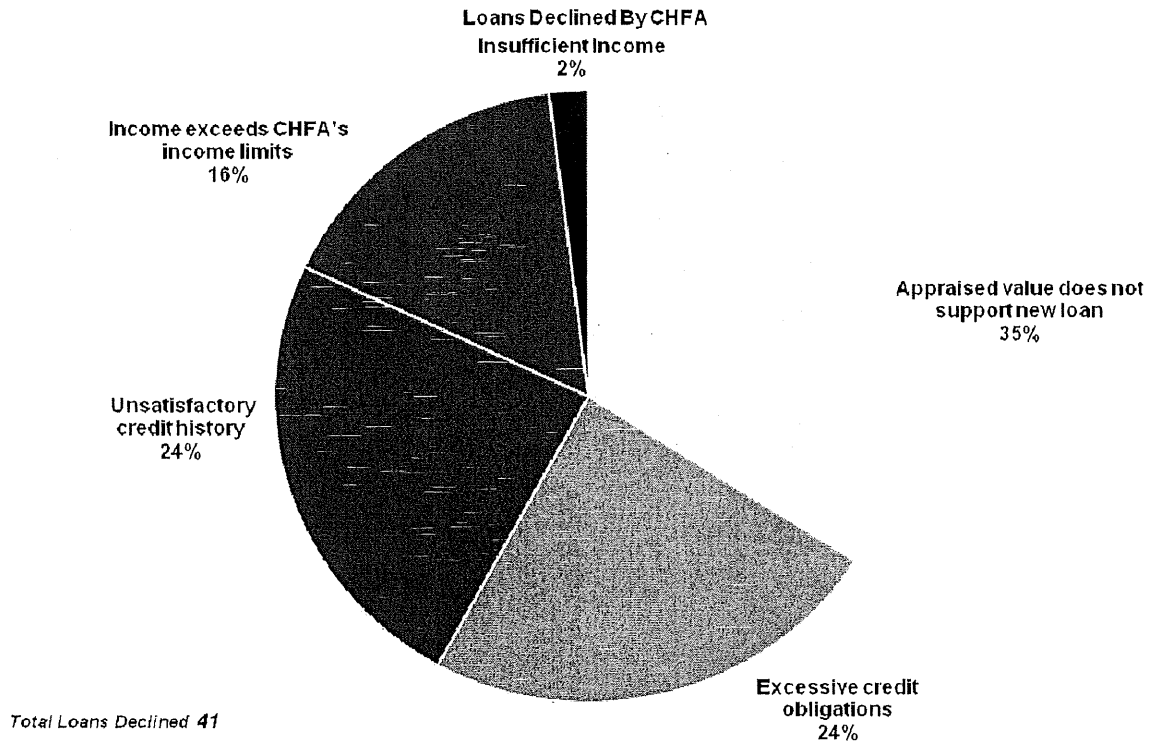
Average loan amount	\$197,267
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Total loan volume	\$31,365,472
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Average home value	\$223,002
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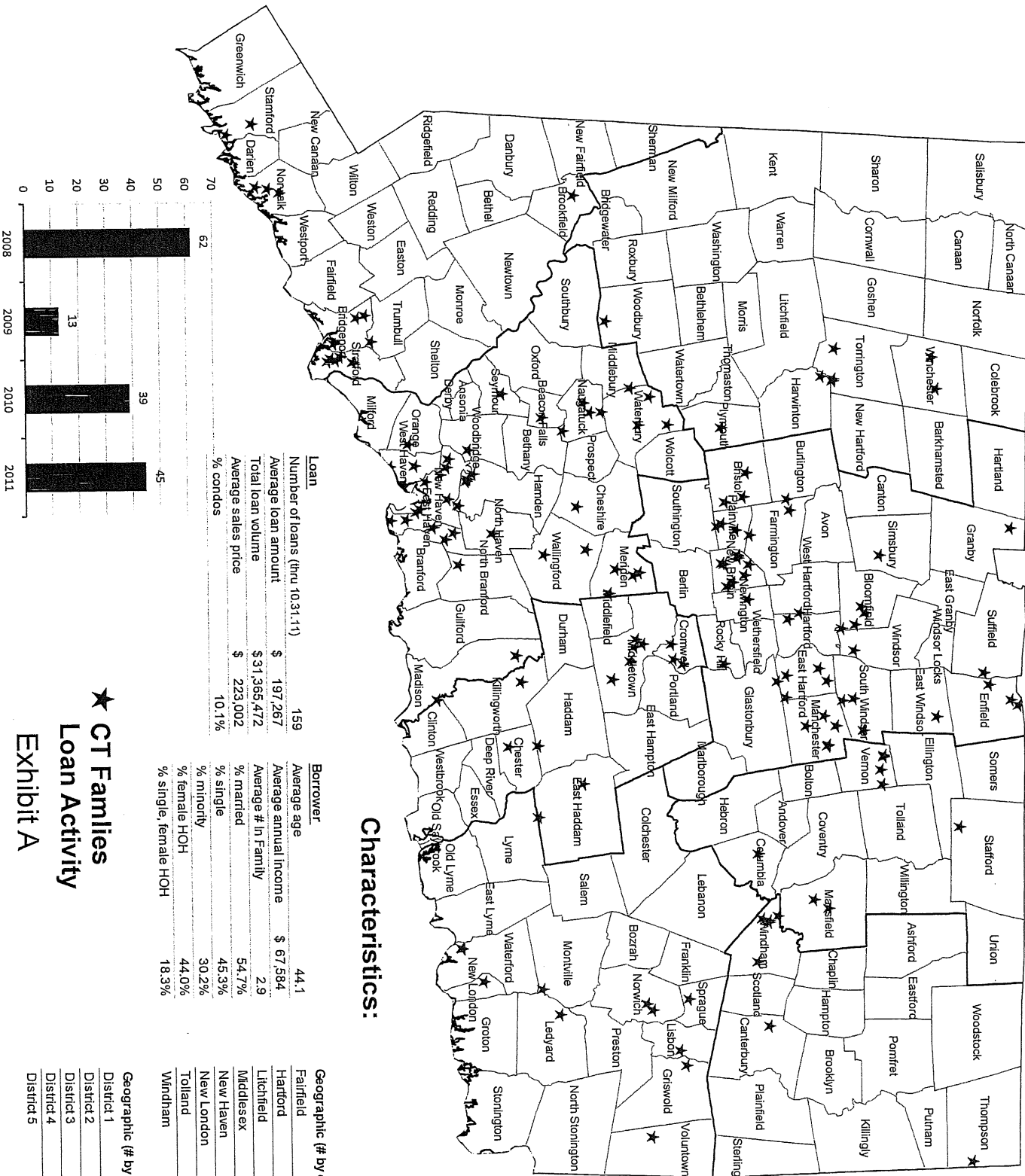
% condominiums	10.1%
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## Loans Declined By CHFA





\* The CT Families program started in 12.10.2007 and ran through 12.31.2008 with the FHASecure Program. CHFA started its own insurance program beginning in April of 2009. Graph shows first 'purchased' loan occurred in 2008. Characteristic stats are through October 31, 2011.



★ **CT Families**  
**Loan Activity**  
**Exhibit A**

97% address match



## FORECLOSURE PREVENTION AND COUNSELING

### SUBCOMMITTEE REPORT

As part of our work for the Foreclosure Prevention Counseling Sub-Committee, members of the subcommittee met with the Mary Jane Kononchik, the Homemortgage Borrower & Counseling Services Coordinator with CHFA , and also with staff of the Department of Banking who handle both the Department's foreclosure assistance hotline and consumer complaints relating to foreclosure. The individuals we met with were able to provide valuable information regarding their many years of experience in dealing with borrowers who are facing foreclosure. In addition, data provided from CHFA and reports from other subcommittees of the task force were reviewed and utilized as the basis of this report.

Based on the number of people who are facing foreclosure and who continue to contact the Department of Banking hotline and HUD housing counselors, it is clear that there remains a need for foreclosure prevention counseling programs which are administered or funded by CHFA. Counseling programs represent an integral part of assistance for borrowers who are in foreclosure, pre-foreclosure or facing imminent default. For instance, the Department of Banking received over 3,500 calls to its hotline in 2011 and routinely refers callers to housing counselors. Department of Banking staff commented that calls from borrowers facing foreclosure have become lengthier and more complicated.

Furthermore, since 2006, approximately 7600 borrowers have been assisted by CHFA approved housing counseling agencies, of which approximately 1500 were assisted from October 2010 to June 2011. In addition, the one-day Mortgage Assistance Event that was held in Hartford on November 15, 2011 and which was sponsored by Governor Malloy, Attorney General Jepsen and the Banking Department drew approximately 1500 individuals with 379 of those individuals registering to speak with housing counselors. Homeowners are guided to the mortgage modification process, financial assistance programs, short sale and deed-in-lieu options, and if necessary, alternative housing solutions.

From the data available, it appears that the housing counselor program is effective in its ability to assist homeowners facing foreclosure or in imminent threat of foreclosure. Given the number of people facing foreclosure in Connecticut, it appears that a small percentage of them are actually accessing either the Department of Banking hotline or the CHFA foreclosure counseling program; yet the benefits of assistance of these programs to the homeowner is readily apparent from the data.

Concerns were raised that there are currently a limited numbers of trained CHFA/HUD approved housing counselors and those that are trained are spread too

thin particularly in eastern Connecticut; there are staffing shortages. In addition, there have been instances where once borrowers were referred to various programs, their applications for programs or assistance were oftentimes denied because homeowners had not completed the application properly or submitted all of the appropriate supporting documents. Another comment was that communicating the availability of housing counselors to borrowers must be improved. Many borrowers who would benefit by contacting approved housing counselors are unaware of their availability, especially in the eastern section of the state. Of course, improving on communication to alert borrowers of the availability of housing counselors could further exacerbate staffing shortages.

In addition, there appears to be duplicate and redundant information being taken by various assistance programs; this creates additional work for agencies, and frustration and confusion for homeowners. For instance, calls to the Department of Banking's hotline are triaged to determine where the borrower should be referred. In order to properly determine where the borrower should be referred, detailed information regarding the borrower, their mortgage and their property are obtained from the borrower. After this information is obtained, in the event that Banking Department staff determines that the borrower may qualify for a CHFA program or may benefit by speaking to a CHFA approved housing counselor, the borrower will be referred to CHFA and the borrower will once again be asked to provide much of the same information that was previously provided to and obtained by the Department of Banking. From the borrowers' perspective, they are often unable to discern the difference between requesting assistance from the Department of Banking or CHFA; yet after speaking with both, they have provided much of the same information to each.

Recommendations for improvement are as follows:

- Increase the staff of trained counselors of CHFA approved housing counselors.
- Create a centralized database for entering borrower information which can be shared and accessed by appropriate organizations, especially Department of Banking and CHFA, which could save precious time by reducing duplicate and redundant information that is required to be obtained by borrowers.
- Develop an outreach plan for Connecticut homeowners which could include public service announcements and public access channel broadcasts.
- Create forms and instructions in Spanish.
- Have CHFA offer ongoing training to pro bono services (use CT Fair Housing list serve) or other professionals willing to assist troubled homeowners.

- Create a pro bono network of title searchers who would be willing to assist counselors in determining if the loan in question is an FHA loan, as this determination is currently a key factor in determining homeowner eligibility to programs.
- Utilize additional clerical staff or interns to help homeowners with program applications or follow-up on applications; thereby increasing the actual number of completed applications that may be considered for assistance.

The current Form JD-CV-126, the Foreclosure Mediation Notice of Community-Based Resources, was reviewed and discussed. The subcommittee agreed that the form is extremely useful and contains information which could assist homeowners if more widely available. The following are recommendations:

- Statutorily require lenders and servicers to provide the form along with the Notice of Intent to Accelerate the balance of the loan which they must send to the borrower. This would help insure that borrowers become aware of possible assistance very early in the foreclosure process.
- Statutorily require municipalities to include the form with any statements sent to homeowners when there is an arrearage of public sewer or water bills or property taxes. Often times homeowners who are struggling financially forego payment on these bills prior to falling behind in their mortgage.
- Provide the document to local libraries, religious organizations and community based programs so that the form is readily available to borrowers.
- On the form itself:
  - o change the term "CHFA-Approved Housing Counselor" to read "HUD/CHFA-Approved Housing Counselors." It was commented that borrowers are more familiar with the "HUD" acronym.
  - o Add another column to the approved housing counselor chart to include the counties that the counselors serve. This would help borrowers understand which counselors are available to assist them regardless of the town in which they live; there is a misperception that the town listed next to the agency name is their area of service, rather than the agency address.
  - o It should be made clearer on the form that if a homeowner is in active foreclosure (served a writ, summons and complaint) they should be directed to the Banking Department hotline where staff



can assist them with the court forms which are time sensitive and address related questions directly on an initial call.

Finally, CHFA provided the committee with the Urban Institute's report on foreclosure prevention counseling. The information was as follows:

The Urban Institute recently completed its evaluation of Rounds 1 and 2 of the National Foreclosure Mitigation Counseling (NFMCC) program. The final report, released today, demonstrates significant positive effects for NFMCC participants: counseled homeowners were more likely to receive better loan modifications, cure a serious delinquency or foreclosure and stay current, and avoid a foreclosure completion altogether.

#### Key Findings:

- Counseling greatly increased the ability of homeowners to stay current once they cured a serious delinquency or foreclosure. Counseled homeowners were at least 67 percent more likely to remain current on their mortgage nine months after receiving a loan modification cure. A small part of this effect is attributable to the impact of counseling on the size of monthly payment reductions. However, a significant part is attributable to other positive impacts of counseling, such as helping homeowners improve their financial management skills and assisting them in managing relationships with servicers.
- NFMCC counseling made it more likely that homeowners would receive a modification cure in the first place – nearly doubling the odds of modification cures for counseled homeowners compared to non-counseled ones. HAMP amplified this positive effect. In the period before HAMP, 8% of homeowners receiving counseling assistance had modification cures, compared to 5% who did not receive counseling. Post-HAMP, 17% of homeowners receiving counseling assistance had modification cures, compared to 9% without.
- Counseled homeowners received loan modifications resulting in a monthly payment that was \$176 less, on average, than non-counseled borrowers – a savings of close to \$2,100 a year. This savings was achieved on loans modified either before or after HAMP was implemented.

Overall, the Urban Institute evaluation demonstrates that the NFMCC program is having its intended effect of helping homeowners facing loss of their homes through foreclosure. The positive effects demonstrated in the final report are strong and are consistent with those found in prior analyses of Rounds 1 and 2.

For more information, a copy of the Executive Summary is attached. The full report can be found at:

[http://www.nw.org/network/foreclosure/nfmcc/documents/NFMCEval\\_Rounds1-2\\_Final.pdf](http://www.nw.org/network/foreclosure/nfmcc/documents/NFMCEval_Rounds1-2_Final.pdf)

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<sup>1</sup> CHFA, "CHFA's Foreclosure Prevention Programs- Presentation to the Loss Mitigation Task Force Final Report", January 5<sup>th</sup>, 2012.  
<http://cga.ct.gov/ba/chfa/Documents/REVISED%20Loss%20Mitigation%20Task%20Force%20Presentation%2012-%2013.pdf>

<sup>2</sup> Judicial Branch, Civil Cases Added by case Type for the Years 1993-1994 to 2010-11, available at [http://jud.ct.gov/statistics/civil/casetype\\_1011.pdf](http://jud.ct.gov/statistics/civil/casetype_1011.pdf)

<sup>3</sup> CHFA, "CHFA's Foreclosure Prevention Programs- Presentation to the Loss Mitigation Task Force Final Report", January 5<sup>th</sup>, 2012.  
<http://cga.ct.gov/ba/chfa/Documents/REVISED%20Loss%20Mitigation%20Task%20Force%20Presentation%2012-%2013.pdf>

<sup>4</sup> CHFA, "CHFA's Foreclosure Prevention Programs- Presentation to the Loss Mitigation Task Force Final Report", January 5<sup>th</sup>, 2012.  
<http://cga.ct.gov/ba/chfa/Documents/REVISED%20Loss%20Mitigation%20Task%20Force%20Presentation%2012-%2013.pdf>

<sup>5</sup> CHFA, "CHFA's Foreclosure Prevention Programs- Presentation to the Loss Mitigation Task Force Final Report", January 5<sup>th</sup>, 2012.  
<http://cga.ct.gov/ba/chfa/Documents/REVISED%20Loss%20Mitigation%20Task%20Force%20Presentation%2012-%2013.pdf>

<sup>6</sup> Press release of Governor Rell, "Governor Rell Unveils \$50 Million "CT FAMILIES" Refinancing Program to Assist Subprime Borrowers," November 8<sup>th</sup>, 2007; Office of Legislative Research, "Governor's Programs to Assist Homeowners with Sub-Prime Mortgages", December 20<sup>th</sup>, 2007. Available at <http://www.cga.ct.gov/2007/rpt/2007-R-0713.htm>

<sup>7</sup> CHFA, "CHFA's Foreclosure Prevention Programs- Presentation to the Loss Mitigation Task Force Final Report", January 5<sup>th</sup>, 2012.  
<http://cga.ct.gov/ba/chfa/Documents/REVISED%20Loss%20Mitigation%20Task%20Force%20Presentation%2012-%2013.pdf>

<sup>8</sup> CHFA, "CHFA's Foreclosure Prevention Programs- Presentation to the Loss Mitigation Task Force Final Report", January 5<sup>th</sup>, 2012.  
<http://cga.ct.gov/ba/chfa/Documents/REVISED%20Loss%20Mitigation%20Task%20Force%20Presentation%2012-%2013.pdf>

<sup>9</sup> CHFA, "CHFA's Foreclosure Prevention Programs- Presentation to the Loss Mitigation Task Force Final Report", January 5<sup>th</sup>, 2012.  
<http://cga.ct.gov/ba/chfa/Documents/REVISED%20Loss%20Mitigation%20Task%20Force%20Presentation%2012-%2013.pdf>

<sup>10</sup> CHFA, "CHFA's Foreclosure Prevention Programs- Presentation to the Loss Mitigation Task Force Final Report", January 5<sup>th</sup>, 2012.  
<http://cga.ct.gov/ba/chfa/Documents/REVISED%20Loss%20Mitigation%20Task%20Force%20Presentation%2012-%2013.pdf>

<sup>11</sup> CHFA, "CHFA's Foreclosure Prevention Programs- Presentation to the Loss Mitigation Task Force Final Report", January 5<sup>th</sup>, 2012.  
<http://cga.ct.gov/ba/chfa/Documents/REVISED%20Loss%20Mitigation%20Task%20Force%20Presentation%2012-%2013.pdf>

<sup>12</sup> CHFA, "CHFA's Foreclosure Prevention Programs- Presentation to the Loss Mitigation Task Force Final Report", January 5<sup>th</sup>, 2012.  
<http://cga.ct.gov/ba/chfa/Documents/REVISED%20Loss%20Mitigation%20Task%20Force%20Presentation%2012-%2013.pdf>

<sup>13</sup> Urban Institute, "National Foreclosure Mitigation Counseling Program Evaluation – Final report Rounds 1 and 2", December 2011. Available at <http://www.urban.org/UploadedPDF/412475-National-Foreclosure-Mitigation-Counseling-Program-Evaluation.pdf>

<sup>14</sup> Urban Institute, "National Foreclosure Mitigation Counseling Program Evaluation – Final report Rounds 1 and 2", December 2011. Available at <http://www.urban.org/UploadedPDF/412475-National-Foreclosure-Mitigation-Counseling-Program-Evaluation.pdf>

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<sup>15</sup> Urban Institute, "National Foreclosure Mitigation Counseling Program Evaluation – Final report Rounds 1 and 2", December 2011. Available at <http://www.urban.org/UploadedPDF/412475-National-Foreclosure-Mitigation-Counseling-Program-Evaluation.pdf>

<sup>16</sup> CHFA, "CHFA's Foreclosure Prevention Programs- Presentation to the Loss Mitigation Task Force Final Report", January 5<sup>th</sup>, 2012.

<sup>17</sup> Connecticut General Statue. § 8-265gg.

**FORECLOSURE MEDIATION  
NOTICE OF COMMUNITY-BASED  
RESOURCES**

JD-CV-126 New 8-11  
C.G.S. § 49-31f; P.A. 11-201

STATE OF CONNECTICUT  
**SUPERIOR COURT**  
JUDICIAL BRANCH  
[www.jud.ct.gov](http://www.jud.ct.gov)



**State of Connecticut Department of Banking  
Foreclosure Hotline Bulletin**

**Community-Based Resources for Connecticut Homeowners in Foreclosure**

**Note:** Assistance in multiple languages is available through Connecticut Housing Finance Authority (CHFA)-approved housing counseling agencies (refer to the list below). *Ayuda en Español es disponible a través de agencias de consejería de vivienda aprobado por CHFA (favor de referirse a la lista de abajo).*

**Toll-free Mortgage Foreclosure Assistance Hotline: 1-877-472-8313**

**Department of Banking Website: [www.ct.gov/dob](http://www.ct.gov/dob)**

The free Foreclosure Hotline is open Monday-Friday 8:00 a.m. to 5:00 p.m. Calls will be returned within two business days. You can also reach the Department of Banking by calling **1-800-831-7225 (toll-free)** or **860-240-8299**.

**Mortgage Assistance Programs from the  
Connecticut Housing Finance Authority (CHFA)**

The Connecticut Housing Finance Authority has two mortgage assistance programs created by the Connecticut General Assembly: (1) the Emergency Mortgage Assistance Program (EMAP), which can help with overdue payments and provide monthly mortgage assistance; and (2) refinancing through CT FAMILIES. For more information, contact a CHFA-approved housing counseling agency (listed below), call CHFA at **1-877-571-2432**, or visit [www.chfa.org](http://www.chfa.org).

**CHFA-Approved Housing Counselors** CHFA-approved housing counselors provide free services to Connecticut homeowners and can assist in identifying possible solutions to your financial issues, reviewing your budget, and negotiating with your mortgage company to address your mortgage issues, including federal loan modification programs and CHFA mortgage assistance programs. CHFA-approved housing counselors are all "HUD-approved" housing counselors and are trained in handling FHA loans as well as "conventional" loans. **They can help you prepare for Foreclosure Mediation and help you submit financial documents to your mortgage company as part of the Mediation process.** CHFA-approved counselors welcome residents from all over Connecticut - you do not have to call the agency closest to you. **Note:** If your Return Date (located at the top right of the Summons you received) is on or after October 1, 2011, you should have also received a Mediation Information Form and instructions with your foreclosure papers. The Form must be received by the law firm representing your servicer/lender no later than 15 business days before your first mediation session. Even if you are unable to get an appointment with a housing counselor before that deadline, you are still required to submit a completed Mediation Information Form on time.

Town/City	CHFA-Approved Housing Counseling Agency	Phone
Bridgeport	Housing Development Fund, 940 Broad Street <a href="http://www.hdf-ct.org">www.hdf-ct.org</a>	203-338-9035 x0
Danbury	Affordable Housing Centers of America, 2310 Main St., 3rd Fl. <a href="http://www.ahcoa.org">www.ahcoa.org</a>	203-366-4180
	Housing Development Fund, 8 West St. <a href="http://www.hdf-ct.org">www.hdf-ct.org</a>	203-338-9035 x0
Hartford	Housing Education Resource Center, 901 Wethersfield Ave. <a href="http://www.herc-inc.org">www.herc-inc.org</a>	860-296-4242
	Urban League of Greater Hartford, 140 Woodland St. <a href="http://www.ulgh.org">www.ulgh.org</a>	860-527-0147
	Co-Opportunity, 20-28 Sargeant St. <a href="http://www.co-opportunity.org">www.co-opportunity.org</a>	860-236-3617
	Community Renewal Team, 395 Wethersfield Ave. <a href="http://www.crtct.org">www.crtct.org</a>	860-560-5600
New Britain	Neighborhood Housing Services of New Britain, 223 Broad St. <a href="http://www.nhsnb.org">www.nhsnb.org</a>	860-224-2433
New Haven	Neighborhood Housing Services of New Haven, 333 Sherman Ave. <a href="http://www.nhsfnhnewhaven.org">www.nhsfnhnewhaven.org</a>	203-562-0598
Norwich/ New London	Catholic Charities, Diocese of Norwich, 331 Main St., Norwich; 28 Huntington St., New London <a href="http://www.ccsn.org">www.ccsn.org</a>	860-889-8346
Stamford	Housing Development Fund, 100 Prospect St., Suite 100 <a href="http://www.hdf-ct.org">www.hdf-ct.org</a>	203-338-9035 x0
	Urban League of Southern CT, 46 Atlantic St. <a href="http://www.ulsc.org">www.ulsc.org</a>	203-327-5810
Western CT	Neighborhood Housing Services of Waterbury, 161 North Main St. <a href="http://www.nhswaterbury.org">www.nhswaterbury.org</a> (Serves Waterbury, Danbury, and Torrington)	203-753-1896

**Note:** Beginning October 1, 2011, refer to the following link for the latest list of CHFA Counseling agencies:  
<http://www.chfa.org/content/CHFA%20Documents/EMAP%20Counseling%20Agency%20List.pdf>

## Legal Resources

**Foreclosure Prevention Legal Clinics:** The Connecticut Fair Housing Center, the Department of Banking, and the Judicial Branch's Foreclosure Mediation Program present two, free monthly legal clinics for homeowners in foreclosure. The clinics offer information on the process and on preparing for court from a Center attorney, guidance on resources for homeowners from the Department of Banking, and a description of the Mediation Program from a court mediator. After the presentations, homeowners can talk about their situations one-on-one with volunteer attorneys, paralegals, and student volunteers. The monthly clinic in **Hartford is the 3rd Tuesday evening of the month** and is run by the Connecticut Fair Housing Center and the University of Hartford Paralegal Studies Program. The monthly clinic in **Fairfield County is the 3rd Wednesday evening of the month**, is sponsored by Bridgeport Mayor Bill Finch, Stamford Mayor Michael Pavia, and Norwalk Mayor Richard Moccia, and is run by the Connecticut Fair Housing Center and Homes Saved By Faith. Its location changes each month among the 3 cities. More information on the clinics (including times and locations) is available on [www.ctfairhousing.org](http://www.ctfairhousing.org) or by calling **1-888-247-4401**.

**Judicial Branch Foreclosure Volunteer Attorney Program:** Volunteer attorneys are available to give advice and answer questions about foreclosure every Wednesday morning from 9-11 a.m. through January 25, 2012 at the New Haven Superior Court, 235 Church St., 7<sup>th</sup> floor. Homeowners facing foreclosure in any judicial district are welcome to attend.

**Foreclosure Manual for Self-Represented Homeowners:** The Connecticut Fair Housing Center publishes "Representing Yourself in Foreclosure: A Guide for Connecticut Homeowners," a free manual describing the foreclosure and mediation process for self-represented homeowners. Copies are available at many locations, such as CHFA-approved housing counselors, [www.ctfairhousing.org](http://www.ctfairhousing.org), and by calling the Center at **1-888-247-4401**.

**Statewide Legal Services (SLS):** SLS provides free legal advice and referrals for callers qualifying for its services (guidelines include income limits). You can reach SLS by calling **1-800-453-3320 or 860-344-0380**.

**Court Service Centers:** In certain Superior Court locations, Court Service Centers provide public access computers, printers, fax machines, copiers, phones, and work space for self-represented parties. Refer to [www.jud.ct.gov](http://www.jud.ct.gov), and go to the **Quick Links** menu on the home page of the Judicial website for more information.

**Lawyer Referral Services:** County Bar Associations in Connecticut offer referral services that introduce homeowners to lawyers who can answer questions during an initial half-hour consultation. You can send an email with your questions and availability. Services beyond the 1st half-hour fee will be at the attorney's usual fee.

County	Phone	Fee for 1/2 hour Consultation	Website	Email
Fairfield	<b>203-335-4116</b>	\$35	<a href="http://www.fairfieldlawyerreferral.com">www.fairfieldlawyerreferral.com</a>	<a href="mailto:fcba@conversent.net">fcba@conversent.net</a>
Hartford*	<b>860-525-6052</b>	\$25	<a href="http://www.hartfordbar.org">www.hartfordbar.org</a>	<a href="mailto:hcba@hartfordbar.org">hcba@hartfordbar.org</a>
New Haven	<b>203-562-5750</b>	\$35	<a href="http://www.newhavenbar.org">www.newhavenbar.org</a>	<a href="mailto:NHCBAinfo@newhavenbar.org">NHCBAinfo@newhavenbar.org</a>
New London	<b>860-889-9384</b>	\$25	<a href="http://www.nlcb.org">www.nlcb.org</a>	<b>See website for contact form</b>

\*The Hartford County Bar also covers Litchfield, Middlesex, Tolland, and Windham Counties.

**How Foreclosure Rescue Scams Work.** People in foreclosure are often the target of "foreclosure rescue scams." Be **very** careful of non-lawyers who ask you to pay a fee for counseling, loan modification, foreclosure prevention, or a "forensic audit" of your loan documents, **regardless of their promises or claims**. Many out-of-state attorneys target Connecticut residents: **you should never pay attorneys that you do not meet**. Contact the Department of Banking for more information at **1-877-472-8313** or visit [www.preventloanscams.org](http://www.preventloanscams.org).

**Mortgage Crisis Job Training Program.** The state-funded Mortgage Crisis Job Training Program is a project of The WorkPlace, Inc., in partnership with the Connecticut Housing Finance Authority (CHFA), Capital Workforce Partners, and Connecticut's workforce system. The Program helps homeowners increase their job skills and earning potential. It offers customized employment services, job training scholarships, financial literacy, and credit counseling. For information call **1-866-683-1682** or go to [www.workplace.org/mortgage.asp](http://www.workplace.org/mortgage.asp).

**Financial Assistance Programs.** Connecticut's 12 Community Action Agencies (CAAs) help people meet immediate needs through services such as Eviction and Foreclosure Prevention, energy/heating assistance, food pantries, and weatherization. CAAs also empower people to improve their financial future through employment services, financial literacy training, and other programs. To locate your local CAA call the Connecticut Association for Community Action at **860-832-9438** or visit: [www.cafca.org/our-network](http://www.cafca.org/our-network).

For more information on programs for homeowners facing financial distress, review the Department of Banking's materials on [www.ct.gov/dob](http://www.ct.gov/dob) or call **1-877-472-8313**. You can also call Info line at 2-1-1 for resources.