Connecticut Homeowner Assistance Fund Plan

October 1, 2021

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THE AMERICAN RESCUE PLAN ACT OF 2021 HOMEOWNER ASSISTANCE FUND – CONNECTICUT HOMEOWNER ASSISTANCE FUND PROGRAM –

State of Connecticut Response to the American Rescue Plan Act of 2021 (the "ARPA") Homeowner Assistance Fund (the "HAF").

Acting through the Department of Housing ("DOH") and the Connecticut Housing Finance Authority ("CHFA"), the State of Connecticut has created the Homeowner Assistance Fund Program (the "CTHAF") in response to housing issues associated with the coronavirus pandemic ("COVID-19").

HOMEOWNER NEEDS AND ENGAGEMENT

Assessment of Connecticut Homeowner Needs[1]

Introduction

Like most of the country, Connecticut experienced a severe economic downturn following the outbreak of COVID-19 that began in March 2020 and, in many ways, continues to impact residents well into 2021. Seemingly overnight, thousands of households had their incomes reduced due to job losses or their hours reduced as a result of having to take care of loved ones, thereby limiting their ability to pay their mortgage and other housing-related costs. In a matter of months, Connecticut saw its unemployment rate spike to levels higher than at any time during the Great Recession (approximately 2009 to 2012). As the state begins to reopen, unemployment rates remain above pre-pandemic levels. The loss of jobs in industries like tourism, food service, and hospitality has primarily and disproportionately impacted lower-income people and people of color.

The economic downturn also caused a severe housing crisis in Connecticut, resulting in rising delinquency rates[2] and the unequal recovery from the pandemic in the housing market[3], especially among lower-income homeowners and in communities of color. According to the US Census Household Pulse Survey, between April 23rd and May 5th of 2020, 48,390

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[1] Except where indicated, all data in this document applies to the state of Connecticut and its residents.

[2] CT Mirror: CT homeowners' delinquency rates soar to one of nation's highest during COVID pandemic, August 3, 2020: https://ctmirror.org/2020/08/03/ct-homeowners-delinquency-rates-soar-during-covid-pandemic-to-one-of-nations-highest/

[3] CT Mirror: The pandemic's effect on the housing market helped some — but others are left behind., April 5, 2021: https://ctmirror.org/2021/04/05/the-pandemics-effect-on-the-housing-market-helped-some-but-others-are-left-behind/

Connecticut homeowners had no confidence in their ability to pay their next month's mortgage payment. As of early June 2021, that number had improved only slightly to 34,787[4]. According to the Harvard Joint Center for Housing Studies (JCHS), 38.1 percent of homeowners in Connecticut lost employment income and 11.2 percent were behind on housing payments during the pandemic[5].

As federal and state foreclosure moratoria and forbearance periods end, it is expected that delinquency and foreclosure actions will recommence. According to Black Knight Inc., Connecticut's June 2021 30+ day delinquency rate is 4.9 percent with significant concentration in communities of color and low-income communities. Without intervention from programs like CTHAF, Connecticut would likely see a wave of foreclosures, a prolonged economic recovery, and a reduction in the tax base at the local level. Estimating the true size and scope of the potential delinquencies in Connecticut is difficult, as the status of the pandemic continues to evolve, and data generally lags the actual situation in the state. This section will assemble disassociated data (Table 1) to describe current conditions faced by Connecticut homeowners in an effort to assess the needs of homeowners across the state who have been impacted by COVID-19. CHFA examined data from several sources, including but not limited to the American Community Survey, Bureau of Labor Statistics, Home Mortgage Disclosure Act (HMDA), and Black Knight, Inc. A more detailed and interactive dashboard of the data presented in this analysis can be found here.

Table 1: Homeowner Assistance Fund Data Sources

Data Source	Indicator(s)	Update Frequency	Geography
American Community Survey (ACS) Estimates 2015 - 2019	Percent of minority owners	Annual	Census Tract
IPUMS USA	Owner Households earning less than 100% & 150% Area Median Income	Annual	County
Bureau of Labor Statistics	Unemployment Rate	Monthly	State
Connecticut Department of Labor – Local Area Unemployment Statistics (LAUS)	Unemployment Rate by Town	Monthly	Municipality

[4] Census Household Pulse Survey Data Tables: https://www.census.gov/programs-surveys/household-pulse-survey/data.html

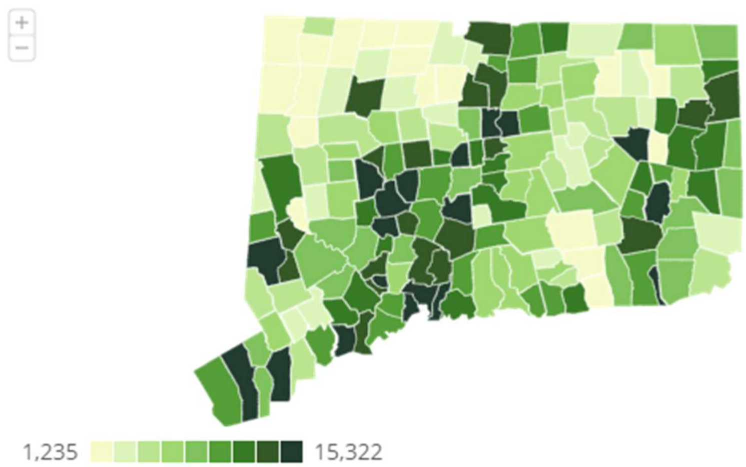
[5] Joint Center For Housing Studies – State of the Nation's Housing 2021: https://www.jchs.harvard.edu/state-nations-housing-2021: *The Financial Pressure on Households Vary Considerably by State*

Mortgage Analytics and Performance Dashboard	Outstanding forbearance and Non-forborne 30+ days past due	Monthly	Zip Code
Connecticut Public Utilities Regulatory Authority Compliance Docket 2020-03-15	Number of Payment Plans and Average Unpaid Amount for Residential Accounts	Monthly	State

COVID-19 and Economic Hardship

The COVID-19 pandemic has affected the entire state of Connecticut. As of June 16, 2021, there had been 348,560 confirmed and probable cases and 8,265 COVID-related deaths statewide. At the peak of the pandemic in 2020, Connecticut recorded approximately 3,000 new cases per day. Certain communities experienced exceptionally high rates of cases (Figure 1) and death (Figure 2) relative to the rest of the state. These communities tend to be urban, more densely populated, and have a higher percentage of minority population. After a significant decline to less than 100 newly confirmed cases per day in spring 2021, Connecticut has seen a resurgence to around 300 to 500 newly confirmed cases per day[6] as of August 2021.

Figure 1: Total COVID-19 Cases per 100,000 people as of June 16, 2021

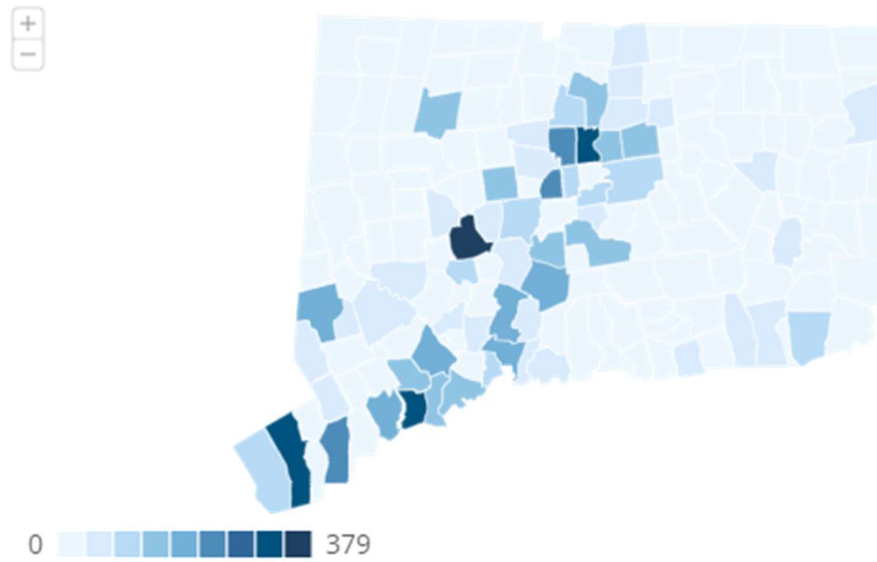


Source: *Connecticut Department of Public Health*

[6] Connecticut COVID-19 Response – Daily Data Report: https://data.ct.gov/stories/s/q5as-kyim

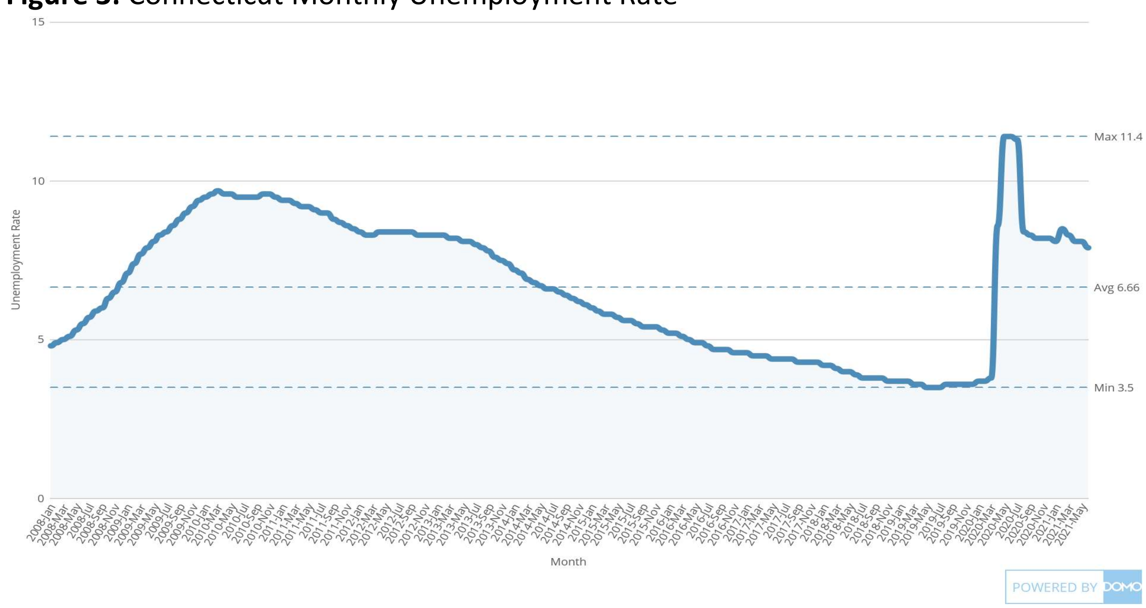
As the pandemic lingers, the economic impact of COVID-19 remains an issue in Connecticut. Between March 15th and August 2nd of 2020, more than 500,000 Connecticut residents applied for unemployment benefits (Figure 3). The bulk of applications came from the state's largest cities of Bridgeport, Hartford, Waterbury, Stamford, and New Haven. Claims were concentrated among those who work in hospitality & food services, the arts, and entertainment industries or those who were self-employed. Nearly half of all claims filed were by those earning under $20,000 per year[7]. Between March and May of 2020, the unemployment rate jumped from 3.8 percent to 11.4 percent, higher than at any point during the Great Recession. As of June 2021, Connecticut's unemployment rate stood at 7.9 percent, roughly where it was in August of 2013.

Figure 2: Total COVID-19 Deaths by Town



Source: *Connecticut Department of Public Health*

Figure 3: Connecticut Monthly Unemployment Rate



Source: *Bureau of Labor Statistics*

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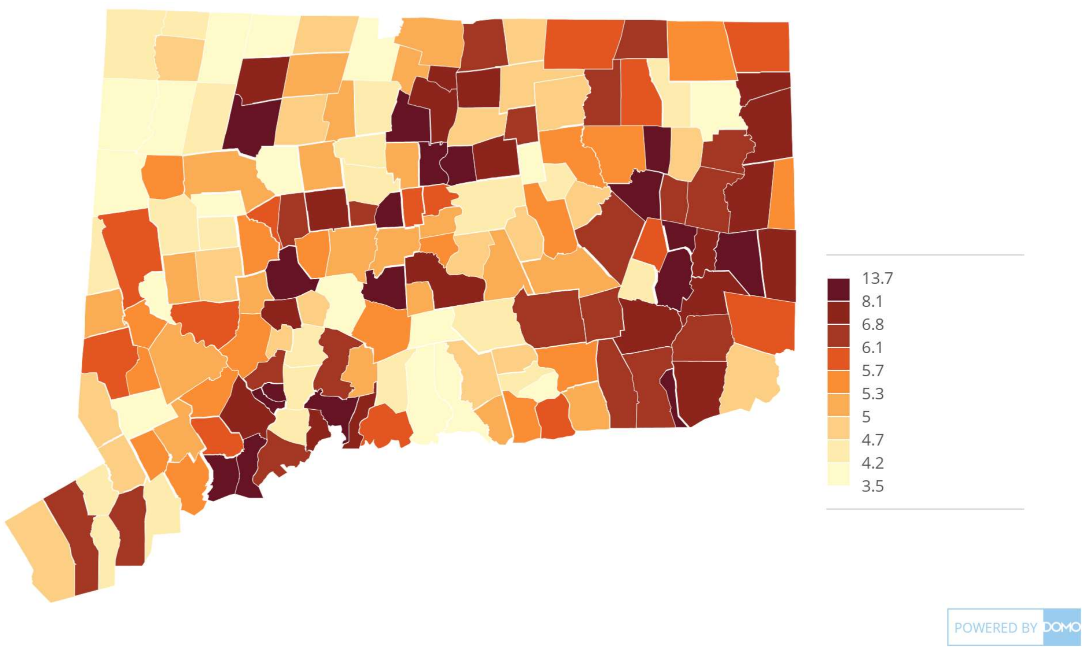
[7] CT Data Collaborative - Unemployment in Connecticut During COVID-19 Crisis: https://www.ctdata.org/covid19-unemployment

Much like the spread of the pandemic itself, June 2021's unemployment rates are disproportionately higher in urban and lower-income municipalities relative to the rest of the state (Figure 4).

Figure 4: June 2021 Unemployment Rate by Town



Source: *Connecticut Department of Labor*

Housing Hardship

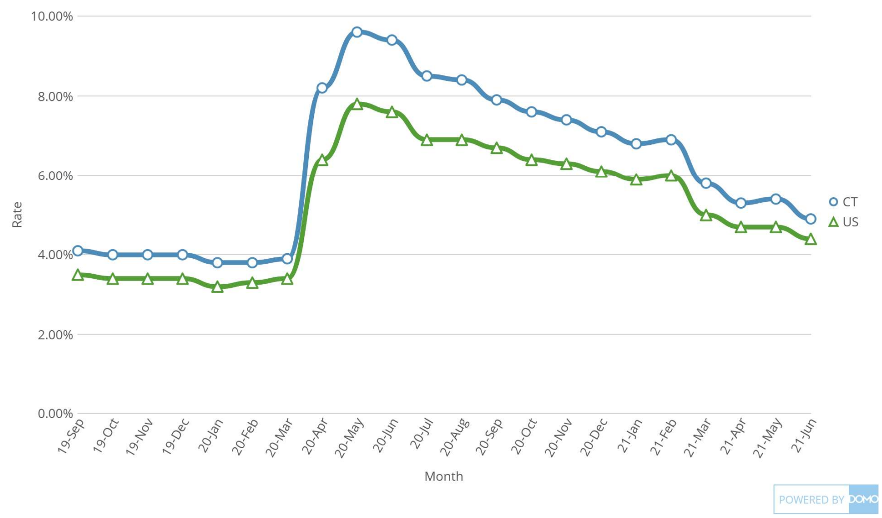
Prior to the outbreak of COVID-19 and the subsequent economic downturn, Connecticut's monthly mortgage 30+ day delinquency rate averaged 4.1 percent. As seen in Figure 5, beginning in April 2020, Connecticut's delinquency rate jumped to 8.2 percent and then 9.6 percent in May[8]. Delinquencies in Connecticut remained high throughout 2020 and into 2021, although they have declined significantly from their spring 2020 peak. In March 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act which implemented the first foreclosure and eviction moratoria and broadly expanded the opportunity for all homeowners to access forbearance. The foreclosure moratorium has been extended several times, most recently to July 31, 2021.

[8] Black Knight Mortgage Monitor Reports: https://www.blackknightinc.com/data-reports/?report-type=mortgage-monitor&report

The Federal Reserve Bank of Atlanta aggregates Black Knight McDash data, a loan level mortgage performance dataset from Black Knight Inc., in its Mortgage Analytics and Performance Dashboard (MAPD)[9]. This dataset comprises roughly two-thirds of the mortgage market and includes flags for delinquency and forbearance. The data is filtered for active loans for owner-occupied residences that are secured by first liens. Zip codes with under 50 active loans are excluded from the sample.

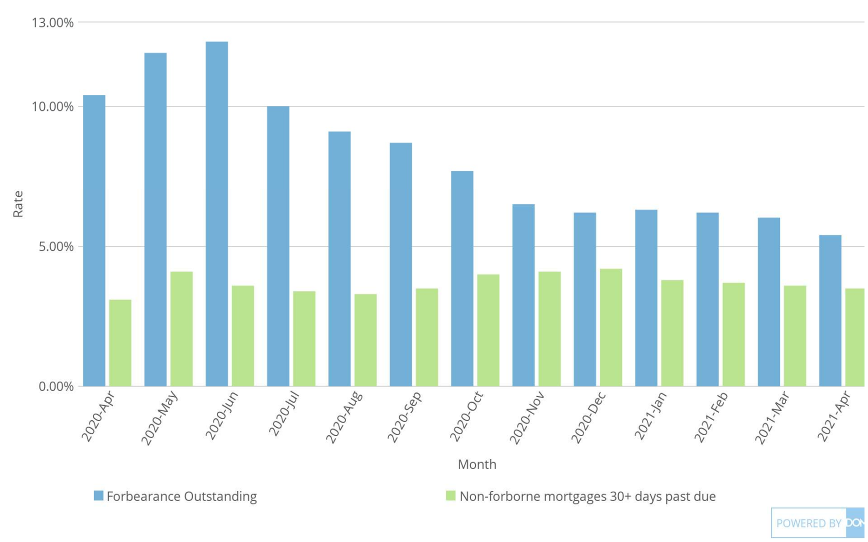
As seen in Figure 6, based on the MAPD data, which reflects approximately two-thirds of the Connecticut market, forbearance rates in Connecticut peaked in June 2020 at 12.3 percent and have steadily decreased. As of April 2021, forbearance rates have remained steady at 5.4 percent for the last several months with at least 13,000 mortgages either in forbearance or 30+days delinquent.

Figure 5: Black Knight 30+ Day Delinquency Rate



Source: *Black Knight Mortgage Monitor Reports*

Figure 6: Delinquent and Forborne rate by Month



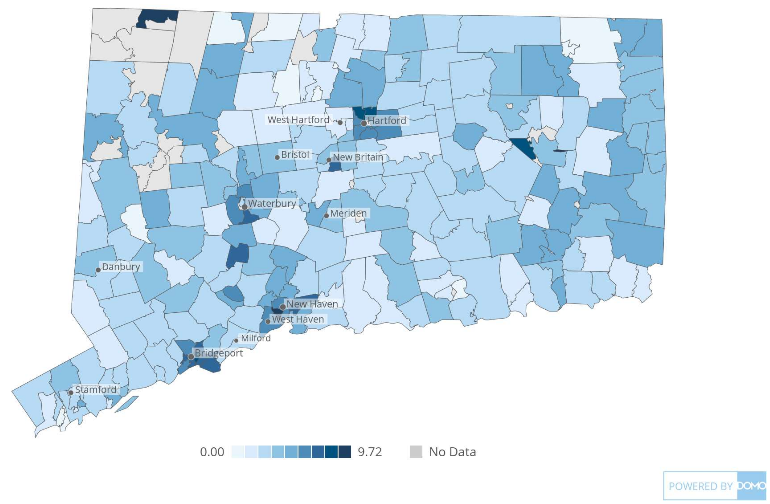
Source: *Atlanta Fed calculations using Black Knight's McDash Flash daily mortgage performance data (available with a two-day lag), U.S. Census Bureau 2017 FIPS Codes*

[9] Federal Reserve Bank of Atlanta – Mortgage Analytics and Performance Dashboard: https://www.atlantafed.org/center-for-housing-and-policy/data-and-tools/mortgage-analytics-and-performance-dashboard.aspx

The MAPD data also demonstrates that delinquencies (Figure 7) and forbearance rates (Figure 8) appear to be highest in communities that are largely urban and lower-income, although some rural communities also stand out as well. This suggests a statistical correlation between mortgage delinquency, race/ethnicity and income. Specifically, the rate of delinquency trends higher in zip codes with higher percentages of households of color (Figure 9) and in zip codes with higher percentages of low-income households (Figure 10).

In light of this correlation and considering the previously described economic hardship that has disproportionately impacted lower-income people and people of color, the CTHAF program will be designed to prioritize those households.

Figure 7: Percent 30+ days delinquent by zip code (April 2021)



Source: *Atlanta Fed calculations using Black Knight's McDash Flash daily mortgage performance data (available with a two-day lag), U.S. Census Bureau 2017 FIPS Codes*

Figure 8: Percent of Loans in Forbearance by Zip Code (April 2021)

Source: *Atlanta Fed calculations using Black Knight's McDash Flash daily mortgage performance data (available with a two-day lag), U.S. Census B*

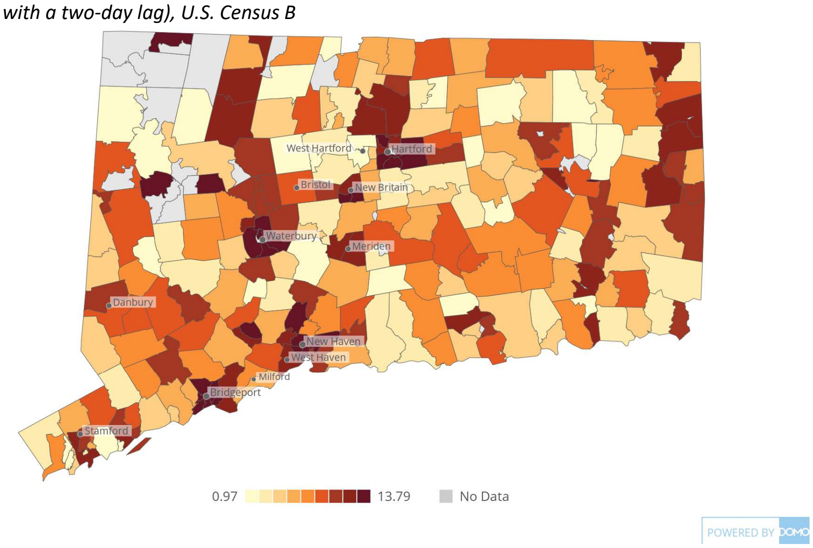
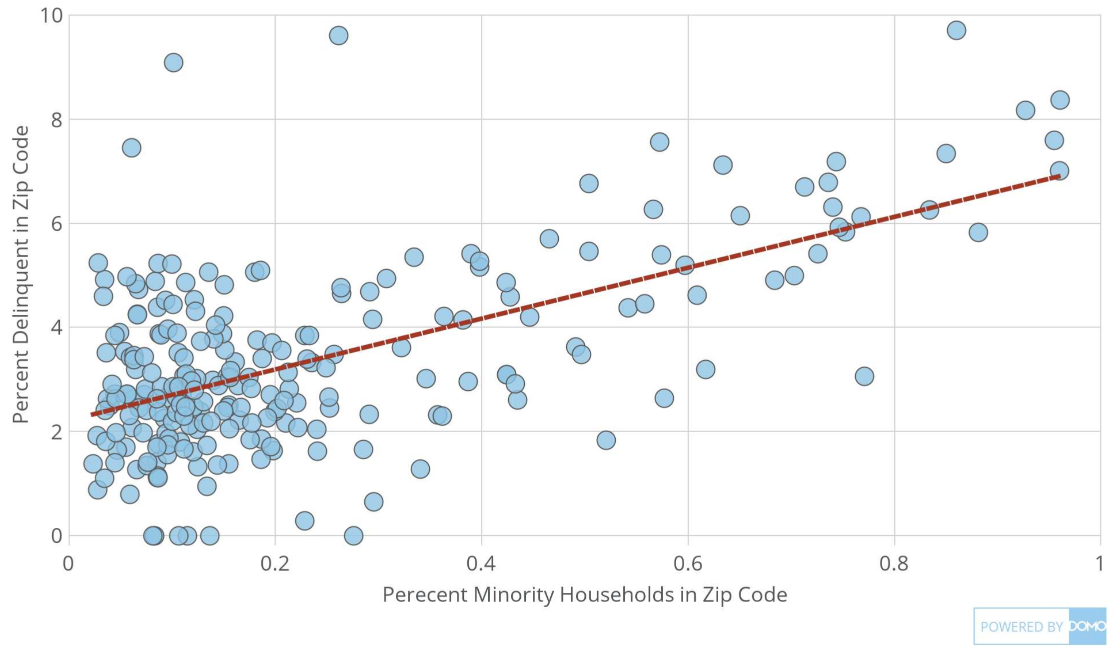
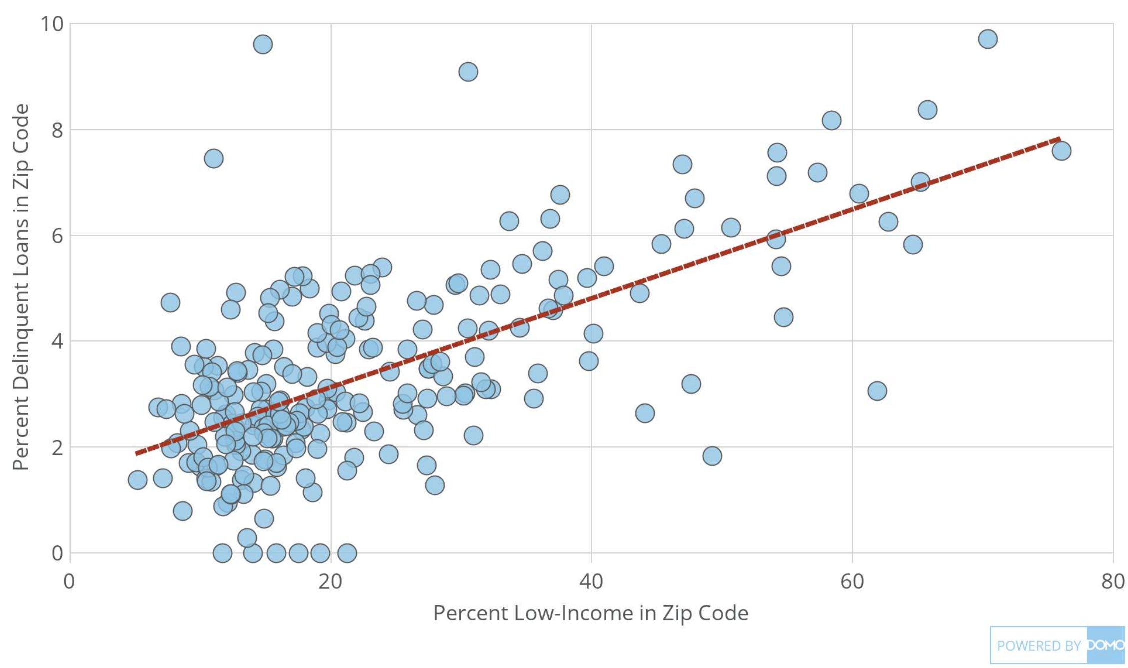


Figure 9: Percent Delinquent by Percent Minority in Connecticut Zip Codes (April 2021)



Source: *Atlanta Fed calculations using Black Knight's McDash Flash daily mortgage performance data (available with a two-day lag), U.S. Census Bureau 2017 FIPS Codes & IPUMS NHGIS, University of Minnesota, www.nhgis.org.*

Figure 10: Percent Delinquency by Percent Low Income in Connecticut Zip Codes (April 2021)



Source: *Atlanta Fed calculations using Black Knight's McDash Flash daily mortgage performance data (available with a two-day lag), U.S. Census Bureau 2017 FIPS Codes & U.S. Department of Housing and Urban Development: LMISD - All Block Groups; HUD ZIP-tract crosswalk 2015Q4.*

Targeting Eligible and Priority Homeowners

Arriving at the exact number of households currently facing a housing hardship using available data is challenging. In previous economic downturns that had devastating impacts on the housing market, one way to monitor the scope and scale of the hardships felt by homeowners would have been to track foreclosures and evictions. Fortunately, the foreclosure and eviction moratoria effectively held foreclosures to historically low levels relative to prior economic crises[10]. Likewise, many lenders and mortgage servicers were quick to offer homeowners access to forbearance programs to further assist in preventing immediate hardship. Despite these timely and effective measures, homeowners who took advantage of these options or who have struggled to make payments as a result of COVID-19 have seen their unpaid mortgage balances grow as the pandemic has stretched on.

To understand the nature of the potential outstanding mortgage debt, and in the absence of more comprehensive state-wide data, CHFA analyzed a sample of COVID-affected mortgage holders from one of its largest mortgage servicers (Table 2). Of the 860 sampled loans affected by COVID, 75 percent have been delinquent for more than 120 days. The median unpaid balance for the overall sample was $11,440 while the median amount for those 120 or more days delinquent was 30% higher at $14,943. While this is just a sample of loans it does give an indication of the financial hardship faced by certain homeowners as a result of the pandemic.

Table 2: COVID Affected Portfolio in Connecticut (February 2020 – August 2021)

		Days Delinquent				
	Total	**0-29**	**30 - 59**	**60 - 89**	**90 - 119**	**120+**
Count	**860**	**60**	**44**	**50**	**60**	**646**
Median Unpaid Principal Balance	$163,405	$170,041	$152,532	$149,497	$159,510	$166,639
Median Est Del (PITI)	$11,440	$1,429	$1,304	$2,604	$3,981	$14,943
Median Est Del (P&I)	$6,273	$825	$737	$1,436	$2,260	$8,299

Source: *Idaho Housing and Finance Association*

This needs assessment is hesitant to over rely on any one data source to understand the circumstances facing Connecticut homeowners. For example, while the MAPD dataset estimates there are roughly 13,000 Connecticut mortgages either 30-plus days delinquent or in forbearance, this dataset represents just two-thirds of the mortgage market and excludes

[10] Connecticut Housing Finance Authority – County and Municipal Profiles: https://www.chfa.org/about-us/county-profiles-dashboard/

certain loans, like those in more rural zip codes. And because the MAPD data does not filter by the income of the mortgage holders, it does not allow for clear analysis along income characteristics. Currently, Black Knight's calculation from June 2021 that 4.9 percent of Connecticut homeowners with a mortgage are 30-plus days delinquent is the best measure available of the total number of households impacted by the pandemic [11].

The most recent American Community Survey estimates that there are roughly 380,000 homeowners with a mortgage in Connecticut that earn less than 150 percent of area median income (AMI), the maximum income eligibility level for relief under the Homeowner Assistance Fund pursuant to US Treasury guidance. Applying the Black Knight delinquency rate of 4.9 percent to the total number of eligible homeowners at 150 percent of AMI yields a potential applicant pool of 18,620. In the absence of more comprehensive state-wide loan level data, this estimate provides a sense of the potential scale of eligible homeowners in need of the Homeowner Assistance Fund in Connecticut. And as the CHFA sample suggests, while the relative number of homeowners experiencing a hardship is yet to be determined, the nature of the hardship for those who are behind on their mortgage payments may be severe.

Table 3: Estimate of Income Eligible Homeowners

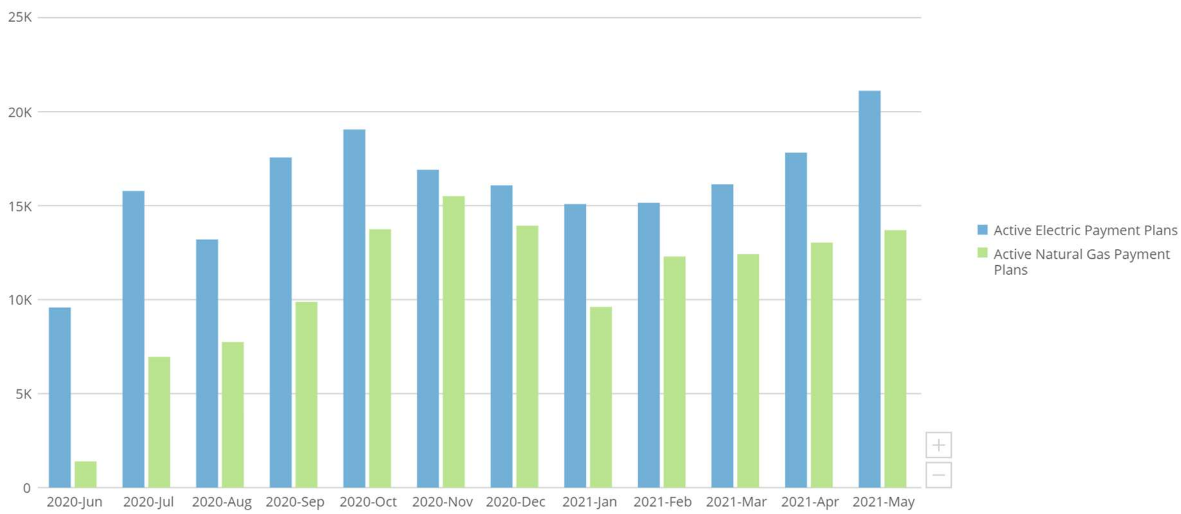
County	Total Homeowners	Total Owners with a Mortgage	Income Eligible Homeowners With a Mortgage (150% AMI)	Income Eligible Homeowners With a Mortgage (100% AMI)	Income Eligible Minority Homeowners With a Mortgage (150% AMI)	Income Eligible Minority Homeowners With a Mortgage (100% AMI)
Fairfield	225,635	156,186	77,956	46,869	16,547	11,072
Hartford	223,667	151,181	99,585	58,403	21,264	13,641
Litchfield	56,735	37,721	25,936	15,497	1,101	720
Middlesex	49,277	34,128	21,654	12,357	2,174	1,614
New Haven	202,184	134,978	88,795	52,986	17,956	11,617
New London	71,291	46,512	32,284	19,376	4,020	2,508
Tolland	39,961	27,256	17,558	9,836	868	507
Windham	30,856	20,790	16,200	10,241	851	645
Total	899,606	608,752	379,968	225,565	64,781	42,324

Source: *2015 – 2019 5-Year American Community Survey Estimates via IPUMS USA, University of Minnesota, www.ipums.org.*

[11] Black Knight Mortgage Monitor Reports: https://www.blackknightinc.com/data-reports/?report-type=mortgage-%20monitor&report

The pandemic also affected other housing-related expenses such as homeowners' ability to make utility payments. In March of 2020, the Connecticut Public Utilities Regulatory Authority (PURA) issued a ruling prohibiting gas, electric, and water shutoffs during the public health emergency, regardless of economic hardship. With the shutoff moratorium in place, thousands of Connecticut customers have enrolled in various COVID-19 pandemic payment plans with their utility provider. According to PURA's May 2021 compliance filings report[12], there were more than 21,000 electric accounts and slightly under 14,000 gas accounts enrolled in active payment plans. The average unpaid amount for an electric account payment plan was $1,308, while the average unpaid amount for a gas account was payment plan was $1,140.

Figure 11: Active COVID-19 Utility Payment Plans



Source: *PURA Docket Number 20-03-15 Compliance Filings*

Conclusion

From the data and trends outlined in this section, it is clear that the COVID-19 pandemic has had a significant negative impact on homeowners in Connecticut. It is also clear that the low-income and minority neighborhoods have borne the brunt of the impact of the pandemic. These neighborhoods have seen the highest prevalence of cases and deaths, the steepest and most prolonged unemployment rates, and a sharp increase in mortgage delinquencies. The CTHAF program will prevent foreclosure and homelessness in these and other neighborhoods in Connecticut through mortgage reinstatement, monthly assistance, and more. CHFA will use

[12] Docket Number 20-03-15: http://www.dpuc.state.ct.us/dockcurr.nsf/(Web%20Main%20View%5CAll%20Dockets)?OpenView&Start=347&Count=30&Expand=363.1#363.1

the data outlined in this section as well as other data as it becomes available to measure the success of the CTHAF and to target marketing, outreach, and resources to those most at risk of losing their homes due to the economic fallout of the pandemic and to communities that have suffered the most during the pandemic. A more detailed explanation of CHFA's marketing and outreach efforts to specific populations can be found in the "Target Population" and "Methods for Targeting HAF Funding" sections of this plan.

Public Participation and Community Engagement

Community partner engagement and homeowner input is important when developing programs to most effectively help struggling homeowners in Connecticut. Early in the program design phase CHFA met with housing counselors and legal aid partners regarding homeowner needs and program criteria. These conversations identified a host of critical needs, including the impact that COVID-19 has had on non-mortgage-holding homeowners struggling to make timely property tax or HOA payments and the need to communicate in multiple languages for effective program marketing and outreach. Based on these insights in the early design stage, CTHAF will include a grant for non-mortgage qualified expenses including those affiliated with reverse mortgages, and key elements of marketing and outreach will be conducted in Spanish as well as other languages as needed to best reach Connecticut's population.

As required by Treasury guidance, CHFA held a HAF Plan public comment period between September 8th and 17th and received twenty-six formal written comments and four comments in a virtual public hearing held on September 17th. CHFA also held individual meetings with several stake holders, including Connecticut's Congressional Delegation offices and the Connecticut General Assembly's Housing and Banking Committees.

Below are the primary comments and concerns from the public comment period:

- Several advocates raised concerns about the requirement for applicants to complete a "Back-to-Basics" financial fitness and foreclosure prevention class. Specifically, they questioned whether the class was necessary as it is not a Treasury requirement. They also questioned the logistics of the classes and how applicants would participate.

  As a result CHFA will not require classes for a reinstatement only grant but will offer education for applicants who need forward payment assistance.

- Advocates and elected officials urged CHFA to actively promote non-digital application options and to pursue non-digital media and outreach efforts.

In response CHFA revised the marketing and outreach section of the HAF plan to more clearly describe the non-digital outreach plan.

- Several comments urged CHFA to expand the qualified expenses eligible for assistance to include non-delinquent mortgages, utility assistance, and home repairs. Other comments asked that CHFA more clearly define financial hardship, specifically to include those who are “underemployed” and to further define what is included in the asset test for those who certify they have over $20,000 in liquid assets.

  CHFA will more clearly define these and other important terms in the HAF plan. This funding was authorized to help homeowners stay in their homes. There are other programs available for utility assistance. If and when CHFA finds those programs to be insufficient, CHFA can then look to implement a utility assistance component to the HAF plan.

- CHFA was also asked to explain the reasoning behind the requirement for mortgages to be current as of October 21, 2019 to be eligible for assistance. The requirement for mortgage or other qualified expenses to be current as of October 21, 2019 is not required by the Treasury Guidance, which would allow all pre-January 21, 2020 qualified expenses to be covered if the homeowner is otherwise eligible.

  Based on the limited availability of funds and purpose of ARPA in aiding those homeowners who were adversely affected by COVID-19, the significant delinquency of housing expenses for three months prior to the onset of the pandemic is a reasonable indicator of financial distress that was not COVID-19 related.

- CHFA was asked to clarify what would happen to an application if the HAF program is unable to make the applicant current on their mortgage.

  A HAF fund administrator cannot compel a servicer/investor or creditor of other qualified expenses to accept HAF funds. If an arrearage exceeds a grant award, we encourage applicants to work with their servicers to use the full breadth of loan retention options available, including HAF.

- CHFA received a number of requests and questions concerning assistance to the landlords of small non-owner-occupied properties.

  CHFA is unable to assist these households as the statute enacted by Congress requires that the property be one to four units and the principal residence of the applicant.

On Thursday, September 23, 2021 DOH and CHFA met with members of the Connecticut General Assembly's Housing and Banking Committees to discuss CTHAF. Elected officials expressed the need for marketing and outreach to be inclusive and reach all neighborhoods in Connecticut. The need for non-digital and "boots on the ground" outreach was raised. Officials also stressed the need for flexibility in award amounts and program and eligibility criteria, particularly program criteria that would include the elderly population that might need assistance paying non-mortgage expenses. Officials asked for an explanation about funding priorities and for clarification on the set-asides for lower AMI households. One lawmaker asked about the opportunity to include utility assistance in a future phase of CTHAF. All officials were anxious to get the word out to their constituents and expressed interest in marketing the program.

Concurrent with the public comment period, CHFA reached out to eleven key stakeholders and housing advocacy organizations regarding the HAF Plan's Data Driven Assessment of Homeowner Needs:

- Connecticut Fair Housing
- Bridgeport Neighborhood and Trust
- New Haven Homeownership
- Urban League of Southern CT
- Urban League Greater Hartford
- Neighborhood Housing of Waterbury
- Hartford Community Loan Fund
- Capital for Change
- Connecticut Housing Development Fund
- CT Local Administrators of Social Services
- Partnership for Strong Communities

CHFA did not receive notable feedback or comments on the Needs Assessment. Several of these stakeholders provided program feedback that is captured in the public comments above.

<u>Target Population</u>

Pursuant to guidance provided by the US Treasury, CTHAF will be available to Connecticut homeowners having incomes equal to or less than 150 percent of the area median income (AMI)[13] or 100 percent of the median income for the United States, whichever is greater. As

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[13] HUDs 2021 income limits https://www.huduser.gov/portal/datasets/il/il2021/select_Geography.odn
HUDs past income limits https://www.huduser.gov/portal/datasets/il.html#2021_query

noted in the above “Assessment of Connecticut Homeowner Needs” section, communities with higher percentages of lower-income households and households of color have been disproportionately impacted by the pandemic and the subsequent economic downturn. As such, CTHAF will prioritize outreach and support to these communities. More than 45 percent of the allocation (approximately $55.3 million) will be set aside specifically for applicants with an AMI less than or equal to 80 percent AMI. In addition, not less than 60 percent of the total awards for the program (approximately $73.8 million) will be for homeowners who have incomes equal to or less than 100 percent of AMI, adjusted for household size or the U.S. median income, whichever is greater (as provided by ARPA). The balance of the funds will be prioritized to socially disadvantaged individuals[14] in accordance with ARPA and applicable laws.

To target socially disadvantaged homeowners and those most at risk of foreclosure, CHFA merged the data presented in the “Assessment of Connecticut Homeowner Needs” with severe housing cost burden data (i.e., paying more than fifty percent of one’s income on housing costs) sourced from the US Census to create the Homeowner Hardship Index (Figure 12). The index ranks zip codes on a range of socioeconomic and mortgage-related metrics (Table 4). Connecticut’s zip codes are ranked on each metric relative to their position amongst other zips codes and assigned a score between 1 and 235 (the total number of zip codes used in the sample), with a higher score indicating greater hardship. The scores are then summed across each metric to calculate a total risk score. Each metric is assigned an equal weight during the ranking. Zip codes with fewer than 50 active mortgages are excluded from the sample to better align it with Mortgage Analytics and Performance Dashboard (MAPD) data. The goal of the index is to incorporate current data to estimate the housing and economic distress and social disadvantage experienced at the level of each individual zip code. Indexing mortgage performance data with other socioeconomic metrics that are strongly associated

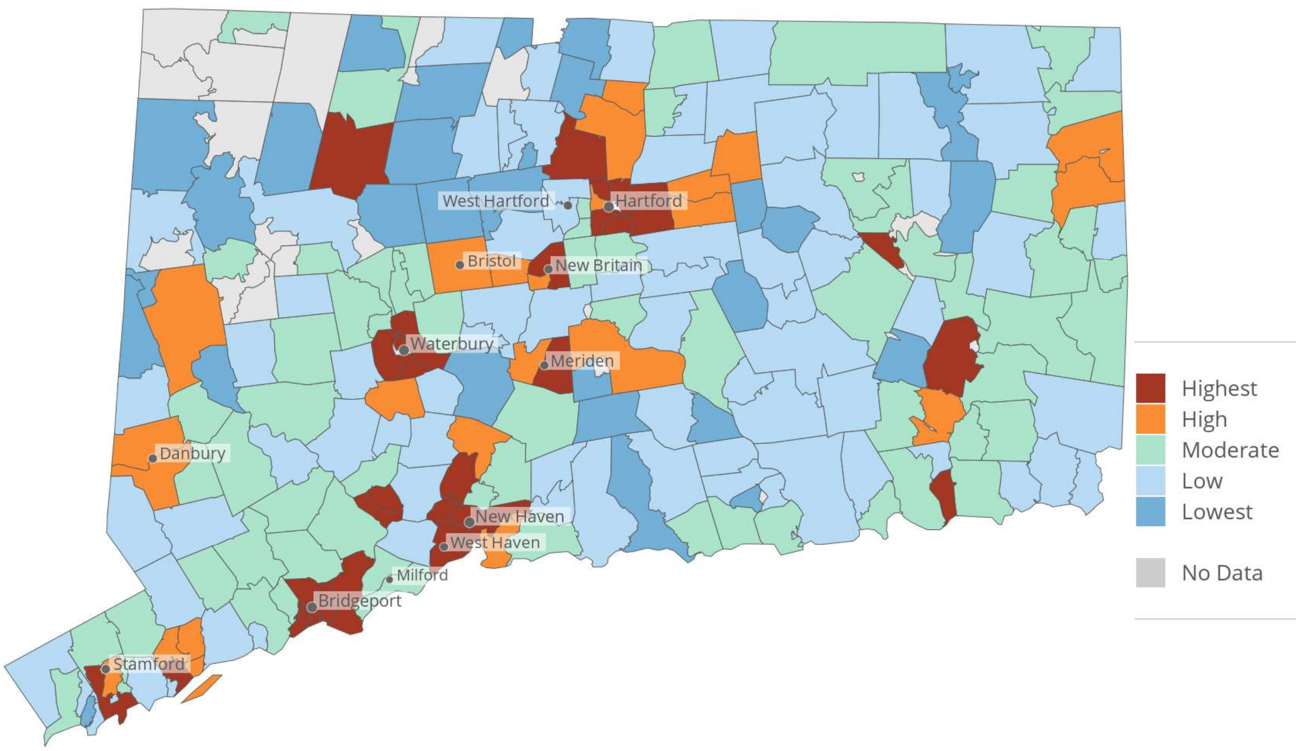
[14] For purposes of CTHAF and consistent with the guidance issued by the U.S. Treasury Department, “socially disadvantaged individuals” (or “SDIs”) are individuals whose ability to purchase or own a home has been impaired due to diminished access to credit on reasonable terms as compared to others in comparable economic circumstances, based on disparities in homeownership rates in the HAF participant’s jurisdiction as documented by the U.S. Census. The impairment must stem from circumstances beyond their control. Indicators of impairment under this definition may include being a (1) member of a group that has been subjected to racial or ethnic prejudice or cultural bias within American society, (2) resident of a majority-minority Census tract; (3) individual with limited English proficiency; (4) resident of a U.S. territory, Indian reservation, or Hawaiian Home Land, or (5) individual who lives in a persistent-poverty county, meaning any county that has had 20% or more of its population living in poverty over the past 30 years as measured by the three most recent decennial censuses. In addition, an individual may be determined to be a socially disadvantaged individual in accordance with a process developed by CHFA for determining whether a homeowner is a socially disadvantaged individual in accordance with applicable law, which may reasonably rely on self-attestations. Based on the foregoing assessment of homeowner needs and the data reviewed, socially disadvantaged individuals have been disproportionately and negatively impacted by the COVID-19 pandemic.

with one's ability to make mortgage payments (e.g., employment, income) will bring greater focus and targeting to marketing and outreach efforts to communities with, for example, higher rates of delinquency, large numbers of low and moderate households, and higher proportions of socially disadvantaged households as shown in Figures 9 and 10. This will ensure that CTHAF reaches the most at-risk homeowners in Connecticut.

Table 4: Homeowner Hardship Index Indicators

Indicators	Geography	Source
April 2021 30 Plus Day Delinquency Rate	Zip Code	Mortgage Analytics and Performance Dashboard
April 2021 Mortgage Forbearance Rate	Zip Code	Mortgage Analytics and Performance Dashboard
Change in Delinquency Rate between April 2020 and April 2021	Zip Code	Mortgage Analytics and Performance Dashboard
Severe Cost Burden Rate	Zip Code	2019 5-Year American Community Survey Estimates
June 2021 Unemployment Rate	Municipality	Connecticut Department of Labor
Change in the Unemployment Rate between March 2020 and June 2021	Municipality	Connecticut Department of Labor
Percent Low- and Moderate-Income Households	Zip Code	Mortgage Analytics and Performance Dashboard
Number of Socially Disadvantaged Homeowners	Zip Code	2019 5-Year American Community Survey Estimates
Foreclosure Deeds executed between 2009 and 2012	Zip Code	The Warren Group

Figure 12: Homeowner Hardship Index



PROGRAM DESIGN

Pursuant to a Memorandum of Agreement with DOH, CHFA will administer the CTHAF.

CTHAF will be open to all homeowners, regardless of their loan status (e.g. active forbearance) and loan type (e.g. conventional, FHA, etc.).

CTHAF will be offered 45 days after U.S. Treasury accepts CTHAF program design or November 30, 2021, whichever is later, through September 30, 2025 or until program funds are exhausted.

Foreclosure Prevention/Home Retention Program

The following grants will be available under the CTHAF to assist Connecticut homeowners avoid foreclosure by mitigating financial hardship related to the COVID-19 pandemic.

1) Mortgage Assistance Grant
2) Mortgage Payment Assistance Grant
3) Non-Mortgage Assistance Grant
4) Non-Mortgage Payment Assistance Grant

A homeowner may be eligible for one or more grant, not to exceed the CTHAF Program maximum award of $30,000.

1. Mortgage Assistance Grant

The Mortgage Assistance Grant is for homeowners who have an arrearage they need help curing but have the ability to make their monthly mortgage payment going forward.

This grant will offer a one-time, partial, or full reinstatement for the delinquent, forborne or deferred mortgage payments, including principal and interest plus escrowed items.

2. Mortgage Payment Assistance Grant

The Mortgage Payment Assistance Grant is for homeowners who are unable to make their payments going forward. Applicants may have an arrearage they need help curing or they may be current. If there is an arrearage, the first disbursement will cure the arrearage. Applicants eligible for the Mortgage Payment Assistance Grant must have experienced a material reduction in income or material increase in living expenses associated with the coronavirus pandemic that has created or increased a risk of mortgage delinquency, mortgage default, foreclosure, or displacement for the applicant and an inability to make their monthly mortgage payment.

Monthly mortgage assistance is available for monthly principal and interest payments, including escrowed items.

Education: Approved applicants must successfully complete a “Back-to-Basics” financial fitness and foreclosure prevention class within 90 days of the award.

Recertification: Eligibility for monthly assistance may be reviewed periodically (e.g., every six months) to evaluate the continued need for assistance.

Monthly assistance may continue for 12 months or until the program maximum of $30,000 is reached.

3. Non-Mortgage Assistance Grant

The Non-Mortgage Assistance Grant is for homeowners who have an arrearage they need help curing but have the ability to make the periodic payments going forward. A homeowner with non-escrowed taxes and insurance, for example a reverse mortgage, may qualify under this grant.

Expenses can include:

1) Delinquent, non-escrowed real estate taxes
2) Delinquent, non-escrowed homeowners insurance and flood insurance
3) Delinquent municipal tax, water, sewer and fire use charges
4) Delinquent condominium, homeowners association or planned unit development fees
5) Delinquent special assessments for condominium, homeowners association or planned unit developments
6) Delinquent ground lease or lot payments

4. Non-Mortgage Payment Assistance Grant

The Non-Mortgage Payment Assistance Grant is for homeowners who are unable to make their payments going forward. Applicants may have an arrearage they need help curing or may be current. If there is an arrearage, the first disbursement will cure the arrearage. Applicants eligible for the Non-Mortgage Payment Assistance Program must have experienced a material reduction in income or material increase in living expenses associated with the coronavirus pandemic that has created or increased a risk of mortgage delinquency, mortgage default, foreclosure, or displacement for the applicant and an inability to make their required payments. A homeowner with non-escrowed taxes and insurance, for example a reverse mortgage, may qualify under this grant.

This grant will offer periodic assistance for the following:

1) Non-escrowed real estate taxes
2) Non-escrowed homeowner's insurance and flood insurance
3) Water, sewer and fire use payments
4) Condominium or homeowners' association fees
5) Special assessments for condominium, homeowners' association or planned unit developments
6) Ground lease or lot payments

Education: Approved applicants must successfully complete a "Back-to-Basics" financial fitness and foreclosure prevention class within 90 days of the award.

Recertification: Eligibility for monthly assistance may be reviewed periodically (e.g., every six months) to evaluate the continued need for assistance.

Periodic assistance may continue for 12 months or until the program maximum of $30,000 is reached.

Program Requirements

- Homeowner must certify they experienced financial hardship after January 21, 2020, including but not limited to job loss, reduction of income or need to care for a family member or material increase in living expenses related to the Covid-19 pandemic.
- Mortgage or qualified expenses must generally be current as of October 21, 2019. Real property taxes that were assessed on the October 2018 Grand List and subsequent Grand Lists may be eligible expenses. The requirement for mortgage or other qualified expenses to be current as of October 21, 2019 is not required by the Treasury Guidance, which would allow all pre-January 21, 2020 qualified expenses to be covered if the homeowner is otherwise eligible. Based on the limited availability of funds and purpose of ARPA in aiding those homeowners who were adversely affected by COVID-19, the significant delinquency of housing expenses three months prior to the onset of the pandemic is a reasonable indicator of financial distress that was not COVID-19 related.
- Must have income equal to or less than 150 percent of area median income, adjusted for household size or 100 percent of the U.S. median income, whichever is greater.

- Homeowner must live in the state of Connecticut and occupy the property as their primary residence.
- Property must be a one-to-four-unit house, condominium or manufactured home.
- The mortgage must have had a principal balance at or below the Federal Housing Finance Agency's conforming loan limits for Fannie Mae and Freddie Mac at time of origination.
- Applicants with liquid assets (e.g., savings and checking accounts) in excess of $20,000 may be required to contribute toward the mortgage delinquency, reducing the final award amount. An asset test is not required by Treasury guidance. Based on the limited availability of funds and purpose of ARPA in aiding homeowners who were adversely affected by COVID-19, providing assistance to a homeowner who has the capacity to cure or contribute to their delinquency could mean funds would not be available to assist a homeowner who did not have financial capacity to help themselves.

Awards will be transferred directly to the existing mortgage servicer, tax authority, lien holder, or other creditors.

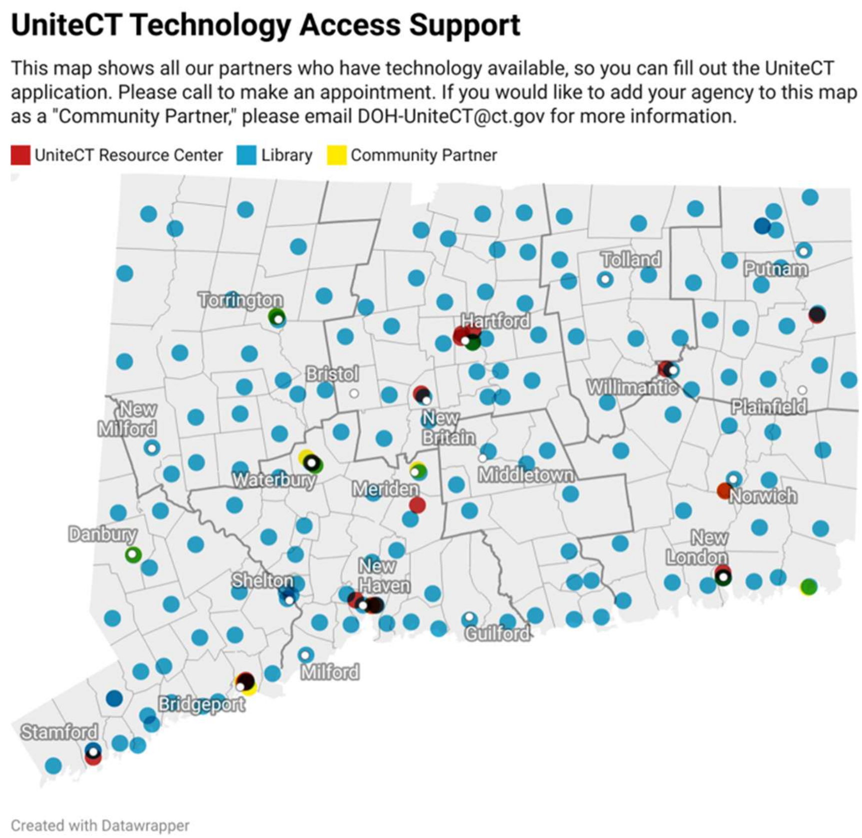
CHFA intends to retain discretion to terminate monthly assistance if the homeowner fails to complete homeowner education requirements, cannot recertify a hardship, no longer resides in, refinances, sells or transfers the property.

Equity and Accessibility

CTHAF anticipates that, while many homeowners will be able to access resources and submit application materials via its online portal, a significant number of homeowners face circumstances that restrict or limit such access. In order to optimize program outreach to and engagement with homeowners from diverse backgrounds and living conditions, CTHAF will incorporate methods that have been utilized by Connecticut's emergency rental assistance program. These methods include but are not limited to developing marketing materials in multiple formats (e.g., digital, hardcopy) and languages (e.g. English, Spanish, Polish, Portuguese and Haitian) as well as recommendations from community partners and stakeholders; staffing call centers with personnel who can communicate in multiple languages; and co-locating in-person application assistance with housing counseling agencies and other community-based nonprofits that are equipped to support a wide range of needs.

Generally, housing counseling agencies in Connecticut are in and serve communities that have been most impacted by COVID-related hardships. Most of these agencies are currently hosting resource centers for UniteCT, the state's emergency rental assistance program. These resource centers help program beneficiaries receive in-person support with applications in multiple languages. Additionally, more than 100 towns across Connecticut offer in-person computer access for homeowners who lack internet connectivity in their homes. CTHAF will leverage this infrastructure to create spaces where homeowners can seek out the assistance suited for their specific needs.

Figure 13: UniteCT Resource Map



<u>Marketing and Outreach</u>

While CHFA expects to learn more about specific characteristics of eligible homeowners in need as the CTHAF gets underway, initial targeted outreach will be designed to connect with two key categories of distressed homeowners:

- Homeowners with a mortgage whose primary challenges include mortgage delinquency, forbearance and foreclosure
- Homeowners without a mortgage whose primary challenges include overdue taxes, unpaid condo fees, and other qualified housing-related expenses

CHFA anticipates leveraging a wide array of partnerships and resources to craft and deliver clear, concise information about CTHAF that resonates with eligible beneficiaries. As noted in the Assessment of Homeowner Needs section of this plan, there is a strong correlation between communities more adversely impacted by COVID, those that demonstrate a higher rate of mortgage delinquency greater than 30 days, and those with a higher likelihood of mortgages currently in forbearance. These communities also have a higher percentage of socially disadvantaged individuals and low- and moderate-income households. By prioritizing outreach to areas with higher risk scores, as seen in Figure 12, CTHAF will successfully target those distressed homeowners who are more likely to be people of color and of low- and moderate-income. These zip codes and communities will continually be evaluated with more recent and relevant data as CTHAF is implemented.

Non-digital outreach will include broadcast TV and terrestrial radio advertisements in both English and Spanish. Print advertising will be through both traditional English-speaking media outlets like newspapers, billboards, and transit-oriented advertising, as well as non-English-language newspapers, radio and TV outlets.

Digital outreach will include use of CHFA's social media platforms to provide clear, consistent messaging on funding availability and program updates. Social media messaging will be done in multiple languages, with an emphasis on English and Spanish. CHFA will also utilize email newsletters to inform practitioners who interact with homeowners, including realtors, lenders and housing counselors. The program landing page on CHFA's website will be translated into Spanish, with other languages becoming available as the program gets underway.

This outreach effort will be iterative as foreclosure moratoria are lifted, and as more data becomes available and the full extent of the housing crisis evolves. As part of its Pilot Program[15], CHFA designed a specialized landing page for distressed homeowners that clearly outlined eligibility, included easy-to-use AMI lookup tools and an FAQ section, and linked homeowners to other relevant services such as housing counseling. A flyer was crafted in both English and Spanish to equip servicers with consistent information to provide their customers. Lessons learned from this Pilot Program will be incorporated into CTHAF, including how to best leverage CHFA's website to disseminate information and the utility of flyers in connecting homeowners to resources.

CHFA will focus its initial efforts on gathering qualitative (e.g., interviews with housing counselors, legal advocates) and quantitative (e.g., CoreLogic, US Treasury) data to better understand the needs of homeowners. Focused outreach will be cost-effective but will allow

[15] Using federal HAF funds and under U.S. Treasury's guidance, CHFA launched a Pilot Program (the "Pilot") to gauge homeowner needs and the program parameters. The Pilot was a scaled down version of the CTHAF program.

for some flexibility and iteration. No single method will be relied on to connect with eligible homeowners. CHFA will pursue a combination of the following outreach efforts:

- Traditional media - TV, radio, print ads, public service announcements. Enhanced efforts will be made to be inclusive of media and community-based newspapers in multiple languages
- Digital media - social media, web-based ads geotargeted to reach communities with higher percentages of socially disadvantaged individuals
- Community events (sponsored and organic)
- Joint outreach efforts with municipal or judicial partners as well as representatives from Connecticut's congressional delegation

Key activities that will enable CHFA to deliver information about CTHAF and instruct eligible homeowners how to access the CTHAF include but are not limited to:

- Develop content and marketing materials with clear and consistent messaging in multiple languages
- Design print (brochures, one-pagers) and digital (user-friendly website) content
- Organize, sponsor and/or attend outreach events in communities that are home to socially disadvantaged individuals
- Report on progress toward meeting CTHAF goals
- Create and maintain dashboards, regular reports to media and public officials
- Develop and utilize feedback loops that support continuous improvement of CTHAF
- Organize surveys, focus groups, testimonials to collect feedback from beneficiaries

CHFA will leverage existing partnerships while nurturing new collaborations with organizations and individuals that frequently interact with distressed homeowners. Collaborative outreach will include community-based information sessions as well as co-branded campaigns that leverage trusted organizations to deliver CTHAF messaging to people where they are in a manner that considers their access to technology (or lack thereof). These efforts may include articles in church bulletins or community newsletters; canvasing neighborhoods that have been identified through data analysis to be home to higher concentrations of distressed homeowners; and direct mailers to those homeowners who lack consistent access to the internet or who may be unable to leave their homes to attend local events.

Stakeholders who CHFA anticipates partnering with to design and conduct outreach activities include but are not limited to:

- Local and national mortgage lenders, servicers, banks and credit unions
- Housing Counseling Agencies (HCAs) that serve predominantly low-income and Black and Latinx households and offer foreclosure assistance and financial fitness programs
- Community-based organizations that focus on addressing basic needs (e.g., Connecticut Foodshare, community action agencies) in low-income communities
- Faith-based organizations (e.g., Urban Alliance), specifically those located in communities most impacted by the COVID-related housing crisis
- Civic groups and community neighborhood groups
- Social service agencies (e.g., Connecticut Local Administrators of Social Services)
- Legal aid / judicial system advocates (e.g., CT Fair Housing Center)
- State Legislators
- Members of Congress
- Municipal leaders
- Regional councils of governments
- Bankruptcy and workout attorneys
- Bankruptcy Trustees
- Connecticut Department of Labor Job Centers

Best Practices and Coordination with Other HAF Participants

Foreclosure prevention is a big part of CHFA's mission and operations. CHFA has a strong track record of successfully serving Connecticut homeowners in danger of losing their home through its administration of the State's Emergency Mortgage Assistance Program (EMAP), the Federal Emergency Home Loan Program (FEHLP) and other loss mitigation efforts for its portfolio. By the end of 2011, CHFA had assisted approximately 1,000 Connecticut families through the distribution of $33,265,485 under the FEHLP program. Over the last 13 years, EMAP has provided $131,661,763 of assistance to 2,855 Connecticut families in the form of reinstatements and/or monthly mortgage payment assistance.

Since March 2021, CHFA has participated in weekly, or more frequent, calls with other HFAs and stakeholders through its National Council of State Housing Agencies ("NCSHA") affiliation. Through NCSHA, HFAs have collaboratively worked on standardizing definitions, programs and forms for the HAF implementation. CHFA will continue to utilize the network of national HFAs across the country that provide partner resources in terms of best practices, program challenges, and lessons learned from the administration of similar programs. CHFA will leverage its strong collaborative relationships with many national and local servicers to provide positive outcome for Connecticut homeowners.

PERFORMANCE GOALS

CHFA will initiate the CTHAF as quickly as possible by creating a seamless application, approval, closing, and funding process for homeowners. Connecticut homeowners will benefit immediately by the implementation of CTHAF. Connecticut was allocated a total of $123,136,792 through ARPA of which approximately $109,000,000 is designated for grant awards to prevent home foreclosure and displacement. Assuming a median award size of $18,000, CTHAF may help approximately 6,000 Connecticut homeowners avoid foreclosure by the end of the CTHAF.

1. To assist 6,000 CT households retain homeownership and avoid foreclosure
2. To assist 1,000 minority CT households retain homeownership and avoid foreclosure
3. To assist 3,600 CT households under 100% AMI
4. To assist 600 minority CT households under 100% AMI
5. To distribute 25% of program funds within 8 months of the HAF program being open for applications
6. Assuming stable economic and mortgage market conditions and that CTHAF assists the number outlined in Goal 1, a return to the pre-pandemic 30+ day delinquency rate is expected
7. To process at least 80% of complete applications received within 75 days of submission

Using CoreLogic and other current data, CHFA will monitor delinquency and foreclosure rates throughout the life of the program and will closely monitor rates in neighborhoods with the highest risk of COVID hardship. CHFA will also track how many households receive assistance, the dollar amount of assistance per household, a breakdown of grants per county and zip code, borrower demographics such as race, ethnicity, sex, income data, delinquency data, and outcomes after assistance. CHFA will also present this data in a public facing, regularly updated dashboard on its website.

READINESS

Staffing and Systems

CHFA will engage a software vendor to provide an end-to-end solution that includes a web-based system with a public facing portal for the submission of CTHAF applications as well as a call center, processing, underwriting, funding and back-end management system. A Request for Proposal was issued on May 6, 2021 and CHFA received twelve responses. The responses were reviewed by a selection committee composed of a cross section of CHFA staff, and contracting is underway.

The secure, cloud-based public facing portal will be user-friendly and intuitive, with integrated step-by-step application intake, to make applying for the CTHAF as streamlined as possible. To assist applicants without access to technology, CHFA will utilize existing UniteCT resource centers in strategic areas around the state to assist homeowners to complete an application (Figure 13). A website and a call center will be available to help applicants find assistance and resources. The call center can mail a paper application to the homeowner to be completed and mailed back for processing if the homeowner does not have the ability to complete the online application process. The call center will also be able to handle large call volumes and will be able to seamlessly process complex applicant needs as they arise in real-time. The call center will be able to provide services in multiple languages, through staff or by using translation services as needed.

In addition to an end-to-end solution, CHFA will enlist temporary staff to perform internal quality control checks and assist with pipeline management and necessary report production. CHFA has institutional knowledge and expertise running housing assistance programs. CHFA participated in the FEHLP program and has administered the state of Connecticut's EMAP program. Two to three supervisor level CHFA staff will oversee the process and meet with the software vendor daily to review the pipeline and times to process and to approve and prioritize all grant funding, as well as to review, approve and submit reports to Treasury and other Connecticut State agencies. CHFA staff will also review applications for exceptions and escalations and coordinate with other Connecticut state agencies as necessary. CHFA anticipates that a minimum of two full-time equivalents will remain in place until all funds are depleted and CTHAF close-out and reporting are done in accordance with ARPA requirements. This timeframe may exceed the CTHAF end date of September 30, 2025.

Contracts and Partnerships

CHFA will use a software vendor to provide an end-to-end technology solution for application intake, processing, pipeline management, award disbursement and reporting.

CHFA will also collaborate with a wide array of partners, many of whom are already aligned with CHFA's programs, services and mission. For example, CHFA contracts with eleven Housing Counseling Agencies (HCAs) across the state to provide homebuyer education and foreclosure prevention services. Many of these HCAs also currently host UniteCT resource centers on premises. Likewise, CHFA will leverage its formal relationships with dozens of lenders and mortgage servicers to help convey quick and accurate information to homeowners who might benefit from CTHAF.

Other organizations that CHFA will explore partnership opportunities with include community-based organizations that focus on basic needs (e.g., Connecticut Foodshare, community action agencies); faith-based organizations (e.g., Urban Alliance); civic groups (e.g., community neighborhood groups); social service agencies (e.g., Connecticut Local Administrators of Social Services); legal aid / judicial system advocates (e.g., CT Fair Housing Center); state legislators; members of Congress; municipal leaders; Councils of Governments (COGs); housing advocates; United Way's 211; and other state agencies to assist in communications, outreach and application assistance. CHFA will partner with local and national mortgage lenders, banks and servicers to refer those homeowners in their mortgage portfolio at risk of foreclosure or experiencing financial hardship to the CTHAF. These partnerships will be leveraged for CTHAF to allow an efficient and successful program.

<u>Existing and Pilot Programs</u>

In July 2021, CHFA launched a Pilot Program using several of its existing servicers. Participating servicers performed outreach to their CT portfolio and provided application intake services. The application period ends in early Fall, after which, CHFA staff will perform quality control reviews on the application packages for completeness and program eligibility. Applicants may be awarded a grant of up to $20,000 for mortgage arrearages, to include deferred or forborne amounts. The Pilot Program initially limited household income to 80% AMI and the AMI was revised to include up to 100% AMI. Funding was prioritized based on urgent need and AMI, among other factors. CHFA anticipates having the Pilot awards distributed by late Fall.

CHFA anticipates proceeding with a supplemental, non-mortgage assistance ("NMA") phase of the Pilot program to provide assistance to homeowners at risk of losing their homes due to a non-mortgage foreclosure such as for common interest ownership community association (i.e., condo) dues or a tax sale prior to the launch of the CTHAF program. NMA phase will end when CTHAF Program is operational or the initial 10% of the HAF funds are depleted. The NMA phase is anticipated to provide CHFA with valuable experience that will enable CHFA to implement the CTHAF program and aid Connecticut homeowners prior to receipt of the remaining HAF funds.

As of mid-September, the Pilot Program was undersubscribed. A critical takeaway from the Pilot Program is the need for robust outreach and strong partnerships with key stakeholders outlined in the Marketing and Outreach section of this plan.

BUDGET

Total Award	$ 123,136,792
Admin Total	11,696,160
Contingency (about 5% of the total Admin budget)	617,519
Legal Aid	1,500,000
Program Funds	$ 109,323,113
• Mortgage Assistance Grant • Mortgage Payment Assistance Grant • Non-Mortgage Assistance Grant • Non-Mortgage Payment Assistance Grant	