

**Department of Legislative Services**  
 Maryland General Assembly  
 2001 Session

**FISCAL NOTE**

House Bill 869 (Delegate Krysiak, *et al.*)  
 Economic Matters

**Maryland Home Ownership Counseling Program**

This bill creates a Maryland Home Ownership Counseling Program to educate first-time homebuyers about their rights and responsibilities as property owners. Applicants for financial assistance under a program administered by the State or a local subdivision to buy real property in Baltimore City with an assessed value of \$100,000 or less must complete a home ownership counseling course. They will receive a certificate for completing the course successfully, and must provide the certificate to a prospective vendor or the vendor’s agent prior to closing. Applicants who have received a certificate may rescind a contract for the sale of a home within three business days after the date of the certificate, upon written notice to the vendor or vendor’s agent, and immediately receive any deposits made on the contract.

The bill specifies requirements for counseling courses and qualifications for home ownership counselors and requires the Department of Housing and Community Development (DHCD) to establish criteria and review applications for qualification as a home ownership counselor. DHCD may delegate administration of the program to the Baltimore City Department of Housing and Community Development.

**Fiscal Summary**

**State Effect:** General fund expenditures would increase by approximately \$1 million in FY 2002 to develop the program and provide grants to Baltimore City. Out-year costs reflect annualization and inflation.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	1,016,900	1,234,700	1,247,000	1,259,500	1,272,100
Net Effect	(\$1,016,900)	(\$1,234,700)	(\$1,247,000)	(\$1,259,500)	(\$1,272,100)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** Significant increase in revenues and expenditures for Baltimore City to administer the homeownership counseling program.

**Small Business Effect:** Potential meaningful. The bulk of the contracts for home ownership counseling is likely to go to small, nonprofit organizations.

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## Analysis

**Current Law:** None applicable.

**State Expenditures:** General fund expenditures would increase by \$1 million in fiscal 2002, which accounts for the October 1 effective date. The annual cost for this program would be approximately \$1.2 million. This estimate is based on the following assumptions:

- DHCD would contract with an organization to develop qualifications for home ownership counselors and the content of counseling courses (\$100,000 in fiscal 2002 only);
- DHCD will delegate administration of the program to Baltimore City;
- \$1.2 million would be disbursed in annual grants to Baltimore City (including \$50,000 in administrative costs) to pay for counseling; and
- the average cost of counseling would be \$350 per household and approximately 3,350 households would participate in the program, based on the number of homes (6,700) assessed at \$100,000 or less that were sold in Baltimore City in 1998 (the latest year for which data are available). It is assumed that half of these households would be required to participate in the program.

The Department of Legislative Services (DLS) advises that the city's Homeownership Institute administers federal community block grants to nonprofit organizations to provide counseling for home owners. Funding for the counseling ranges from \$500,000 to \$700,000 annually. The counseling is limited to low-income residents, whereas this bill would require any resident who applies for financial assistance to buy a home assessed at less than \$100,000 to obtain counseling. However, DLS advises that expenditures could be considerably reduced, particularly administrative and start-up contractual expenses, if the existing program was used.

**Local Effect:** Baltimore City would receive \$1.2 million in State funds annually to operate the home ownership counseling program. Assuming the funds are sufficient to cover the expenses of the program, the bill would not affect expenditures.

## **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Housing and Community Development,  
Homeownership Institute, Department of Legislative Services

**Fiscal Note History:** First Reader – February 28, 2001  
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Analysis by: Ann Marie Maloney

Direct Inquiries to:  
John Rixey, Coordinating Analyst  
(410) 946-5510  
(301) 970-5510