

**Department of Legislative Services**  
Maryland General Assembly  
2015 Session

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 182 (Delegates Lafferty and Rosenberg)  
Environment and Transportation Education, Health, and Environmental Affairs

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**Housing - Community Development Administration - Residential Mortgage  
Loans**

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This bill authorizes the Department of Housing and Community Development's (DHCD) Community Development Administration (CDA) to take specified actions for the refinancing of a residential mortgage loan of a homeowner under limited circumstances. The Secretary of Housing and Community Development must make specified determinations regarding such loans. CDA may also purchase or commit to purchase from an eligible mortgage lender specified residential mortgage loans.

The bill requires that new mortgage loans that CDA purchases be loans to specified homeowners. The Secretary of Housing and Community Development is authorized to waive the requirement for a mortgage certificate for such loans.

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**Fiscal Summary**

**State Effect:** The bill is not expected to materially affect State operations or finances.

**Local Effect:** This bill is not expected to materially affect local government operations or finances.

**Small Business Effect:** None.

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## Analysis

### **Bill Summary:**

*Mortgage Loans and Reverse Equity Mortgage Loans:* CDA may make, participate in making, and undertake a commitment for the refinancing of a residential mortgage loan of the homeowner if the loan was made by DHCD or CDA. The Secretary of Housing and Community Development is required to determine the terms and qualifications for financial assistance related to the aforementioned authorization.

*Mortgage Purchases and Loans:* DHCD may purchase or commit to purchase, from an eligible mortgage lender, a note, mortgage, or partial interest in a note or mortgage that evidence (1) a residential mortgage loan to a homeowner for the purchase or rehabilitation of the homeowner's primary residence if the primary residence is located in a "sustainable community" or (2) a residential mortgage loan for the refinancing of a residential mortgage loan made by DHCD or CDA.

*Commitment to Purchase Mortgage Loans:* The bill requires that CDA's new mortgage loan purchases be loans to (1) homeowners with primary residences located in sustainable communities or (2) homeowners who refinance a residential mortgage loan made by DHCD or CDA.

*Certificate of Mortgage Lender:* The Secretary of Housing and Community Development is authorized to waive the requirement for a mortgage lender's certificate for a residential mortgage loan to a homeowner (1) if the homeowner's primary residence is located in a sustainable community, for the purchase or rehabilitation of the homeowner's primary residence or (2) for the refinancing of a residential mortgage loan of the homeowner if the loan was made by DHCD or CDA.

*Sustainable Community:* The bill specifies a definition for the term "sustainable communities" used in the existing Community Legacy Program statute.

**Current Law/Background:** CDA, which is part of DHCD's Division of Development Finances, issues nonbudgeted revenue bonds to support its financial assistance programs. CDA uses the bond proceeds to purchase specified types of loans, make direct mortgage loans, and offer other types of financial assistance under specified circumstances.

*Mortgage Loans and Reverse Equity Mortgage Loans:* CDA may make, participate in making, and undertake a commitment for a residential mortgage loan and financial assistance to a family of limited income. Residential mortgage loans to a family of limited income must be (1) for a family that has a disabled family member who will reside in the dwelling; (2) for an emergency housing need as determined by the Secretary of Housing

and Community Development; (3) for settlement and down payments costs; or (4) made in conjunction with a loan funded with State appropriated funds if the loan comprises at least 20% of the total amount loaned. The terms and qualifications for financial assistance to a family of limited income are determined by the Secretary; however, the financial assistance must be (1) for maintaining or modifying their existing the family's existing residential mortgage loan or (2) made in conjunction with a new residential mortgage loan to enable a homeowner to refinance.

*Mortgage Purchases and Loans:* CDA may purchase or commit to purchase, from an eligible mortgage lender, a note, mortgage, or partial interest in a note or mortgage that evidences a residential mortgage loan to a family of limited income or a mortgage loan to a sponsor of a community development project or a public purpose project. An eligible mortgage lender is (1) a specified company, institution, banker, or association that has an office in the State and makes or originates residential mortgage loans; (2) an insurance company authorized to do business in the State; or (3) the Maryland Home Financing Program.

*Commitment to Purchase Mortgage Loans:* New mortgage loans that the administration purchases must be loans to families of limited income or to sponsors of community development projects.

*Certificate of Mortgage Lender:* A mortgage lender must make a certificate for every residential mortgage loan that the lender makes under a purchase commitment by CDA with (1) the proceeds of purchase of a mortgage loan by CDA or (2) the proceeds of a loan from CDA. The certificate must state that in the mortgage lender's opinion, based on information given by the mortgagor and on the lender's knowledge of the prevailing terms and standards of mortgage lending in the area, the mortgagor could not get a mortgage loan on the property in the unassisted private lending market.

*Sustainable Community:* A "sustainable community" is, under the Community Legacy Program statute, the part of a priority funding area that (1) as designated by the Smart Growth Subcabinet, satisfies specified requirements; (2) has been designated as a Base Realignment and Closure Revitalization and Incentive Zone; or (3) has been designated as a transit-oriented development.

The Smart Growth Subcabinet may designate an area as a sustainable community if the sponsor demonstrates that past and current trends in homeownership, property values, commercial and residential vacancy, and business or housing investment show a need for reinvestment in the area and if:

- local entities support and pledge resources to develop or implement the proposed sustainable communities plan;

- the proposed plan will address and abate the need for area reinvestment, enhance the area, and give to different incomes a range of housing options, employment opportunities and other amenities;
- a community in the proposed area is culturally or historically significant;
- the proposed area is near a town or transportation center;
- the proposed plan is consistent with and compliments other existing or proposed projects that are significant to community enhancement; or
- there is a demonstrated need for financing assistance for small businesses, nonprofit organizations, or microenterprises.

An area designated as a sustainable community by the Smart Growth Subcabinet must maintain the designation by filing an updated plan and application with DHCD every five years.

*Neighborhood Stabilization and Homeownership Workgroup:* The bill's provisions reflect one of the primary recommendations of the Neighborhood Stabilization and Homeownership (NSHO) Workgroup organized under the Sustainable Growth Commission. The NSHO Workgroup was tasked to study the impact of the financial crisis on historically owner-occupied neighborhoods and to identify resources and strategies and recommendations to preserve the stability of historically owner-occupied neighborhoods and promote homeownership in these neighborhoods. The NSHO Workgroup submitted its final report on January 20, 2015.

*Sustainable Growth Commission:* The Sustainable Growth Commission was established by Chapters 488 and 489 of 2010. The commission is tasked with, among other things, addressing development and growth issues in the State. The commission's duties include making recommendations for changes in State law, regulations, policies, and procedures, if any, that the commission believes are necessary to achieve the State's economic growth, resource protection, and planning policy.

### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Housing and Community Development, Sustainable Growth Commission, Department of Legislative Services

**Fiscal Note History:** First Reader - February 6, 2015  
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