

**Department of Legislative Services**  
Maryland General Assembly  
2018 Session

**FISCAL AND POLICY NOTE**  
**Third Reader**

House Bill 279 (Chair, Environment and Transportation Committee)(By  
Request - Departmental - Housing and Community  
Development)

Environment and Transportation Education, Health, and Environmental Affairs

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**Housing and Community Development - Homebuyer Education Requirements**

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This departmental bill modifies the homebuyer education requirement of the Down Payment and Settlement Expense Loan Program such that a program participant must complete only a homebuyer education program that meets the requirements of the Department of Housing and Community Development (DHCD) in order to access program funds. In addition, the bill authorizes DHCD to use the Housing Counseling and Foreclosure Mediation Fund to support housing counselors and other nonprofit entities that provide homebuyer education, housing advice, or financial counseling to low- and moderate-income households.

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**Fiscal Summary**

**State Effect:** The bill primarily expands the purposes for which existing funds may be used. To the extent it requires administrative changes, the department can handle them with existing resources. No effect on revenues.

**Local Effect:** None.

**Small Business Effect:** DHCD has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

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## Analysis

**Bill Summary:** DHCD's homebuyer education requirements must:

- allow a program loan recipient to use the online homebuyer education for a product approved by the federal Department of Housing and Urban Development (HUD) and contact a HUD-approved counseling agency to receive a certificate; and
- enable one political subdivision's certificate to be used in another political subdivision.

Finally, the bill specifies that State law does not alter or preempt the authority of a political subdivision to establish its own homebuyer education or counseling requirements for a down payment assistance program operated by the political subdivision.

### **Current Law:**

#### *Down Payment and Settlement Expense Loan Program*

The Down Payment and Settlement Expense Loan Program provides financing for down payment and settlement expenses to enable eligible homebuyers to purchase homes.

Settlement expenses include (1) fees and premiums for title examination, title insurance, and similar expenses; (2) fees for preparing deeds, settlement statements, and other documents; (3) payments owed at settlement for property taxes and hazard insurance coverage; (4) escrows for future payments of taxes and hazard insurance; (5) fees for notarizing deeds and other documents; (6) appraisal fees; (7) fees for credits reports; (8) transfer and recordation taxes and fees; (9) fees and premiums for mortgage insurance; and (10) loan discount points and origination fees.

Recipients of a program loan are required to complete homebuyer education that meets the requirements of DHCD. However, if the political subdivision in which a loan recipient will use the loan administers its own down payment or settlement expense loan program that also requires homebuyer education, then the loan recipient must complete the more stringent local homebuyer education requirement.

#### *Housing Counseling and Foreclosure Mediation Fund*

The Housing Counseling and Foreclosure Mediation Fund supports a number of services related to home purchases and foreclosure activities, including supporting nonprofit and government housing counselors and other nonprofit entities with providing (1) legal assistance to homeowner or occupants who are trying to avoid foreclosure or manage

foreclosure proceedings and (2) homebuyer education, housing advice, or financial counseling for homeowners and prospective homeowners.

**Background:**

*Down Payment and Settlement Expense Loan Program*

The department advises that altering the education requirement for the program creates a single standard across the State for accessing required counseling. Currently, if a county operates a program that has a housing counseling requirement that is more stringent than DHCD's standard, the county requirement becomes the *de facto* State requirement in that jurisdiction, even if the borrower is only seeking State funds. DHCD advises that the current requirement leads to a patchwork of requirements to access State funds, depending on where the homebuyer is purchasing a home. Moreover, in some situations, if a homebuyer completes an education program in one county but chooses to purchase in another county, the homebuyer might not qualify for assistance. Thus, the department advises that the bill standardizes education requirements for accessing State funds; county requirements for accessing county funds are not affected under the bill.

*Housing Counseling and Foreclosure Mediation Fund*

Currently, counseling that is funded through the Housing Counseling and Foreclosure Mediation Fund is available only to homeowners and prospective homeowners. DHCD believes that, by expanding the purpose for which existing funds can be used to include low- and moderate-income Marylanders, the department can increase financial literacy in the State and prepare participants for future homeownership.

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**Additional Information**

**Prior Introductions:** HB 106 of 2017, a similar bill, passed the House with amendments and received a favorable with amendments report from the Senate Education, Health, and Environmental Affairs Committee, but no further action was taken on the bill.

**Cross File:** None.

**Information Source(s):** Department of Housing and Community Development; Department of Legislative Services

**Fiscal Note History:** First Reader - February 2, 2018  
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**ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES**

**TITLE OF BILL:** DHCD – Housing and Community Development - Homebuyer Education Requirements

**BILL NUMBER:** HB 279

**PREPARED BY** Department of Housing and Community Development

**PART A. ECONOMIC IMPACT RATING**

X  WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

**PART B. ECONOMIC IMPACT ANALYSIS**