

MARYLAND REGISTER

# Proposed Action on Regulations

<b>Transmittal Sheet</b>  <b>PROPOSED OR REPROPOSED</b>  <b>Actions on Regulations</b>	<b>Date Filed with AELR Committee</b>	<b>TO BE COMPLETED BY DSD</b>
	03/01/2016	Date Filed with Division of State Documents
		Document Number
		Date of Publication in MD Register

**1. Desired date of publication in Maryland Register: 4/15/2016**

**2. COMAR Codification**

**Title Subtitle Chapter Regulation**

05 04 01 .06, .07-1 and .15

**3. Name of Promulgating Authority**

Department of Housing and Community Development

**4. Name of Regulations Coordinator Telephone Number**

Mark S Petrauskas 301-429-7487

**Mailing Address**

7800 Harkins Road

**City State Zip Code**

Lanham MD 20706

**Email**

mark.petrauskas@maryland.gov

**5. Name of Person to Call About this Document Telephone No.**

Mark Petrauskas 301-429-7489

**Email Address**

mark.petrauskas@maryland.gov

**6. Check applicable items:**

- New Regulations

- Amendments to Existing Regulations

Date when existing text was downloaded from COMAR online: 2/1/16.

Repeal of Existing Regulations

Recodification

Incorporation by Reference of Documents Requiring DSD Approval

Reproposal of Substantively Different Text:

: Md. R

(vol.) (issue) (page nos) (date)

Under Maryland Register docket no.: --P.

**7. Is there emergency text which is identical to this proposal:**

Yes - No

**8. Incorporation by Reference**

Check if applicable: Incorporation by Reference (IBR) approval form(s) attached and 18 copies of documents proposed for incorporation submitted to DSD. (Submit 18 paper copies of IBR document to DSD and one copy to AELR.)

**9. Public Body - Open Meeting**

OPTIONAL - If promulgating authority is a public body, check to include a sentence in the Notice of Proposed Action that proposed action was considered at an open meeting held pursuant to General Provisions Article, §3-302(c), Annotated Code of Maryland.

OPTIONAL - If promulgating authority is a public body, check to include a paragraph that final action will be considered at an open meeting.

**10. Children's Environmental Health and Protection**

Check if the system should send a copy of the proposal to the Children's Environmental Health and Protection Advisory Council.

**11. Certificate of Authorized Officer**

I certify that the attached document is in compliance with the Administrative Procedure Act. I also certify that the attached text has been approved for legality by Mark Petruskas, Assistant Attorney General, (telephone #301-429-7489) on February 12, 2016. A written copy of the approval is on file at this agency.

**Name of Authorized Officer**

Kenneth C. Holt

**Title**

Secretary

**Telephone No.**

301-429-7452

**Date**

February 26, 2016

**Title 05**  
**DEPARTMENT OF HOUSING AND COMMUNITY**  
**DEVELOPMENT**

**Subtitle 04 SPECIAL LOAN PROGRAMS**

**05.04.01 Maryland Housing Rehabilitation Program — Regular Rehabilitation Program**

Authority: Housing and Community Development Article, Title 4, Subtitles 5 and 9, §§4-704—4-706, Annotated Code of Maryland; Executive Order 01.01.1992.27C

**Notice of Proposed Action**

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The Secretary of Housing and Community Development proposes to amend Regulations .06 and .15, and to adopt new Regulation .07-1 under COMAR 05.04.01 Maryland Housing Rehabilitation Program — Regular Rehabilitation Program.

**Statement of Purpose**

The purpose of this action is to update certain regulatory requirements for loan to value ratios and loan disbursements, and to amend the types of financial assistance offered under the Maryland Housing Rehabilitation Program — Regular Rehabilitation Program.

**Comparison to Federal Standards**

There is no corresponding federal standard to this proposed action.

**Estimate of Economic Impact**

**I. Summary of Economic Impact.**

The amendments will allow the Department: to make loans with a higher loan to value ratio (LTV); increase the amount of loan funds that can be advanced; and provide financial assistance in the form of grants to homeowners that otherwise could not afford a loan. All recipients of Program loans are families of limited income and many of these homeowners reside in older houses with values that remain stagnant. Increasing the allowable LTV will ensure that the Department can serve more families of limited income who need affordable financing to rehabilitate their home, or install basic accessibility features. The Program loans have a term of 20 to 30 years. The Department estimates that over this time period, the property values should increase enough to fully secure the Program loan. In addition, the proposal to increase the amount of a loan that can be advanced to 20 percent will not have any fiscal impact. The increase is to allow the homeowner and its contractor to purchase more material upfront in accordance with industry standards. For these reasons, the Department estimates that amendments raising the LTV or increasing the amount of advances should not have an economic impact. The proposed amendments will allow the Department to make grants to families of very

low income (30% or lower of Area Median Household Income) who otherwise could not afford to undertake the rehabilitation of their home without a grant. Program loans to families of very low income typically have a 0 percent interest rate and are deferred for 20 or 30 years with no monthly payments. By making grants, the Department will not receive repayment on the grant and the amount of revenue the Department receives will decrease starting in approximately 20 years. The Department estimates that it will make a total of approximately 25 to 30 grants a year in the total amount of \$900,000 of grants a year under the Program.

<b>II. Types of Economic Impact.</b>	Revenue (R+/R-)	Magnitude
	Expenditure (E+/E-)	
A. On issuing agency:	(R-)	\$410,000 annually
B. On other State agencies:	NONE	
C. On local governments:	NONE	
	Benefit (+) Cost (-)	Magnitude
D. On regulated industries or trade groups:	NONE	
E. On other industries or trade groups:	NONE	
F. Direct and indirect effects on public:	(+)	Indeterminable

**III. Assumptions.** (Identified by Impact Letter and Number from Section II.)

A. The bulk of the Program financing will still be in the form of a repayable loan. The Program estimates that it will make \$900,000 annually in grants and \$1,550,000 annually in loans. Since the grants will not have to be repaid, the Department's future revenue will decrease starting in approximately 20 years by the annual amount of grants that otherwise would have been repayable as loans. The Department estimates that the net present value of \$900,000 in 20 years is \$410,000.

F. Members of the public that are homeowners and families of limited income will receive the benefit of rehabilitating their home equal to amount of grants made each year. Communities and neighborhoods may receive an indirect social and economic benefit of having housing in these locations rehabilitated. This amount is indeterminable.

**Economic Impact on Small Businesses**

The proposed action has minimal or no economic impact on small businesses.

### **Impact on Individuals with Disabilities**

The proposed action has no impact on individuals with disabilities.

### **Opportunity for Public Comment**

Comments may be sent to Amy Grutzner, Director of Single Family Programs, Division of Development Finance, Department of Housing and Community Development, 7800 Harkins Road, Lanham, Maryland 20706, or call 301-429-7763 , or email to Amy.Grutzner@maryland.gov, or fax to . Comments will be accepted through May 15, 2016. A public hearing has not been scheduled.

### **Economic Impact Statement Part C**

A. Fiscal Year in which regulations will become effective: FY 2016

B. Does the budget for the fiscal year in which regulations become effective contain funds to implement the regulations?

Yes

C. If 'yes', state whether general, special (exact name), or federal funds will be used:  
Special funds – Special Loan Programs Fund

D. If 'no', identify the source(s) of funds necessary for implementation of these regulations:

E. If these regulations have no economic impact under Part A, indicate reason briefly:

F. If these regulations have minimal or no economic impact on small businesses under Part B, indicate the reason and attach small business worksheet.

Small businesses are not the direct recipients of Program financing from the Department of Housing and Community Development and they do not participate in making loans or grants. The proposed regulations may result in a minimal positive impact for small businesses who are home improvement contractors or material suppliers because the homeowners receiving Program financing must have the home improvements undertaken by licensed contractors. The proposed regulations will not increase the amount of funding so any positive impact will be minimal.

G. Small Business Worksheet:

Attached Document:

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## **Title 05 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

## Subtitle 04 SPECIAL LOAN PROGRAMS

### Chapter 01 Maryland Housing Rehabilitation Program — Regular Rehabilitation Program

Authority: Housing and Community Development Article, Title 4, Subtitles 5 and 9, §§4-704—4-706, Annotated Code of Maryland; Executive Order 01.01.1992.27C

#### **.01-.05 (text unchanged)**

#### **.06 Loan Terms and Conditions — General.**

A.-C. (text unchanged)

D. Maximum Loan Amount.

(1) The maximum loan may not exceed an amount which, when added to any prior debts secured by or relating to the eligible building or property, or both, would equal [95] 110 percent of the market value of the eligible building and property after rehabilitation as determined by the Department or the local administrator.

(2) For projects when 100 percent of the units are subject to a federal rent subsidy which is allocated to the project for the entire term of the loan, the [95] 110 percent loan-to-value ratio requirement of §D(1), above, may be raised to [100] 115 percent.

(3)–(4) (text unchanged)

E.-K. (text unchanged)

#### **.07 (text unchanged)**

#### **.07-1 Program Grants.**

A. *The Department may make a Program loan in the form of a grant to a single family owner-occupant that meets the requirements of this regulation.*

B. *To be eligible for a grant, an applicant shall:*

(1) *Own and occupy the dwelling;*

(2) *Be a family of very low income; and*

(3) *Be unable to undertake the rehabilitation project without a grant as determined by the Department.*

C. *A Grant may provide for:*

(1) *No required payments;*

(2) *The deferral of payments; or*

(3) *The reduction of the principal balance owed over a period of time.*

D. *The Department shall follow regulations .09 -.15 of this Chapter for approving and processing grants.*

E. *A grant may be unsecured or secured by a security instrument acceptable to the Department.*

F. *The Department may establish limitations:*

(1) *On the percentage of allocations and the percentage of the annual funding appropriated to the Program which may be used for grants; and*

(2) *On the maximum grant amount that may be awarded for a dwelling.*

#### **.08 - .14 (text unchanged)**

#### **.15 Loan Disbursements.**

A. – C. (text unchanged)

D. Advance Payments. Advances or down payments may be made to contractors to purchase materials delivered on site or valid purchase requisitions not to exceed [10] 20 percent of the contract costs.

E. - H. (text unchanged)

#### **.16-.21 (text unchanged)**