
By: **Delegates Shriver, Boschert, Bronrott, Cane, Carlson, Conroy, Cryor, Dembrow, Goldwater, Grosfeld, Harrison, Healey, Heller, Hixson, Hubbard, Leopold, Love, Mandel, Montague, Sophocleus, and Zirkin**

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House action: Adopted
Read second time: March 20, 2001

CHAPTER _____

1 AN ACT concerning

2 **Maryland Home Financing Program - Homeownership Opportunities for**
3 **Individuals with Disabilities Program**

4 FOR the purpose of ~~requiring the Department of Housing and Community~~
5 ~~Development to establish the Homeownership Opportunities for Individuals~~
6 ~~with Disabilities Program; requiring the Department to manage, supervise, and~~
7 ~~adopt regulations for the Program; requiring the Secretary to determine the~~
8 ~~adjusted annual income for the Program on a certain percentage of the median~~
9 ~~family income; requiring the Department to establish an Advisory Committee;~~
10 ~~requiring applicants for the Program to meet certain qualifications; providing~~
11 ~~for the membership of the Advisory Committee; requiring the Governor to~~
12 ~~appropriate certain funds; defining certain terms; providing for the effective~~
13 ~~date of this Act; and generally relating to the Homeownership Opportunities for~~
14 ~~Individuals with Disabilities Program providing preferred interest rate loans to~~
15 ~~certain individuals with disabilities under the Maryland Home Financing~~
16 ~~Program; establishing certain requirements to be met by an applicant;~~
17 ~~authorizing the Department of Housing and Community Development to~~
18 ~~increase the interest rate for loans under certain circumstances; authorizing the~~
19 ~~Department to sell certain mortgage loans to certain entities under certain~~
20 ~~circumstances; requiring the Department to allocate from its annual~~
21 ~~appropriation for certain fiscal years a certain amount for certain purposes;~~
22 ~~clarifying certain definitions and defining certain terms; providing for the~~
23 ~~termination of certain provisions of this Act; and generally relating to the~~
24 ~~Maryland Home Financing Program and the Department of Housing and~~
25 ~~Community Development.~~

1 BY adding to
2 Article 83B - Department of Housing and Community Development
3 Section 2-601(b-1) and 2-611(g-1)
4 Annotated Code of Maryland
5 (1998 Replacement Volume and 2000 Supplement)

6 BY repealing and reenacting, with amendments,
7 Article 83B - Department of Housing and Community Development
8 Section ~~2-401(b)~~ 2-601(e), 2-602, 2-605, 2-611(g), and 2-612
9 Annotated Code of Maryland
10 (1998 Replacement Volume and 2000 Supplement)

11 ~~BY adding to~~
12 ~~Article 83B - Department of Housing and Community Development~~
13 ~~Section 2-1601 through 2-1606, inclusive, to be under the new subtitle "Subtitle~~
14 ~~16. The Homeownership for Individuals with Disabilities Program"~~
15 ~~Annotated Code of Maryland~~
16 ~~(1998 Replacement Volume and 2000 Supplement)~~

17 Preamble

18 WHEREAS, Homeownership stabilizes Maryland's communities and encourages
19 political and social involvement by giving individuals a stake in the future of their
20 communities; and

21 WHEREAS, Supporting the efforts of individuals with disabilities to become
22 homeowners fosters independence and self-reliance; and

23 WHEREAS, Individuals with disabilities often encounter unique barriers to
24 homeownership including but not limited to atypical credit histories, high medical
25 and personal assistance expenses, nonstandard income sources, and physical and
26 attitudinal barriers; and

27 WHEREAS, The Homeownership for Individuals with Disabilities Program was
28 started in 1997 as a demonstration project by the Maryland Department of Housing
29 and Community Development and demonstrated phenomenal success; and

30 WHEREAS, The Homeownership for Individuals with Disabilities Program was
31 offered to qualified low-income, individuals with disabilities making less than 55
32 percent of median income, offered an interest rate of 0 to 5 percent based on
33 affordability, allowed a minimum of \$500 dollars as a down payment, and offered very
34 flexible underwriting; and

35 WHEREAS, The Homeownership for Individuals with Disabilities Program was
36 recognized by the U.S. Department of Housing and Urban Development (HUD) with
37 one of its "1999 Best Practices" awards; and

1 WHEREAS, The Homeownership for Individuals with Disabilities Program was
 2 ranked in the top 25 percent of projects in the 2000 Innovations in American
 3 Government Awards by the John F. Kennedy School of Government and the Council
 4 for Excellence in Government; and

5 WHEREAS, Over 120 low-income individuals with disabilities have purchased
 6 their first homes through the demonstration phase of the Program; and

7 WHEREAS, The demonstration program supported homeownership in priority
 8 funding areas thereby contributing to the revitalization and stabilization of
 9 neighborhoods; and

10 WHEREAS, People with physical, mental, and developmental disabilities in all
 11 areas of Maryland have used the demonstration program; and

12 WHEREAS, The demonstration phase of the Homeownership for Individuals
 13 with Disabilities Program has ended and no other public or private mortgage program
 14 exists to specifically meet the needs of low-income people with disabilities; now,
 15 therefore,

16 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
 17 MARYLAND, That the Laws of Maryland read as follows:

18 **Article 83B - Department of Housing and Community Development**

19 ~~2-101.~~

- 20 (b) ~~The Division of Development Finance includes:~~
- 21 (1) ~~The Community Development Administration;~~
 - 22 (2) ~~The Maryland Housing Rehabilitation Program;~~
 - 23 (3) ~~The Rental Housing Production Program;~~
 - 24 (4) ~~The Maryland Home Financing Program;~~
 - 25 (5) ~~The Group Home Financing Program;~~
 - 26 (6) ~~The Elderly Rental Housing Program;~~
 - 27 (7) ~~The Settlement Expense Loan Program;~~
 - 28 (8) ~~The Partnership Rental Housing Program;~~
 - 29 (9) ~~The Operating Assistance Grant Demonstration Projects;~~
 - 30 (10) ~~Federal and State weatherization programs;~~
 - 31 (11) ~~The local government infrastructure program; [and]~~

1 (12) ~~The neighborhood housing services fund; AND~~

2 (13) ~~THE HOMEOWNERSHIP FOR INDIVIDUALS WITH DISABILITIES~~
3 ~~PROGRAM.~~

4 ~~SUBTITLE 16. HOMEOWNERSHIP FOR INDIVIDUALS WITH DISABILITIES PROGRAM.~~

5 ~~2-1601.~~

6 (A) ~~IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS~~
7 ~~INDICATED.~~

8 (B) ~~"DISABILITY" MEANS, WITH RESPECT TO AN INDIVIDUAL, A PHYSICAL OR~~
9 ~~MENTAL IMPAIRMENT THAT SUBSTANTIALLY LIMITS ONE OR MORE OF THE MAJOR~~
10 ~~LIFE ACTIVITIES OF SUCH INDIVIDUAL AND A RECORD OF SUCH IMPAIRMENT.~~

11 (C) ~~"ELIGIBLE INDIVIDUAL" MEANS AN INDIVIDUAL WITH A DISABILITY THAT~~
12 ~~QUALIFIES FOR THE HOMEOWNERSHIP FOR INDIVIDUALS WITH DISABILITIES~~
13 ~~PROGRAM BASED ON INCOME AND ELIGIBILITY GUIDELINES ESTABLISHED BY THE~~
14 ~~SECRETARY OF THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT.~~

15 (D) ~~"FIRST-TIME HOME BUYER" MEANS AN INDIVIDUAL WHO HAS NEVER~~
16 ~~OWNED RESIDENTIAL REAL PROPERTY IN THE STATE.~~

17 (E) ~~"FLEXIBLE INTEREST RATE" MEANS A RANGE OF PREFERRED INTEREST~~
18 ~~RATES THAT THE DEPARTMENT SETS PERIODICALLY UNDER § 2-1602 OF THIS~~
19 ~~SUBTITLE.~~

20 (F) ~~"LOAN" MEANS A LOAN OF MONEY MADE BY THE DEPARTMENT UNDER~~
21 ~~THIS SUBTITLE.~~

22 (G) ~~"MEDIAN FAMILY INCOME" MEANS A FIGURE REPORTED AS THE MEDIAN~~
23 ~~ANNUAL FAMILY INCOME OF THE STATE, BY THE MOST CURRENT CENSUS BUREAU~~
24 ~~REPORT OF THE UNITED STATES DEPARTMENT OF COMMERCE.~~

25 (H) ~~"PREFERRED INTEREST RATE" MEANS AN INTEREST RATE THAT THE~~
26 ~~DEPARTMENT SETS PERIODICALLY UNDER THIS SUBTITLE.~~

27 (I) ~~"PROGRAM" MEANS THE HOMEOWNERSHIP FOR INDIVIDUALS WITH~~
28 ~~DISABILITIES PROGRAM.~~

29 ~~2-1602.~~

30 (A) ~~THERE IS A HOMEOWNERSHIP FOR INDIVIDUALS WITH DISABILITIES~~
31 ~~PROGRAM.~~

32 (B) ~~THE PURPOSE OF THE PROGRAM IS TO:~~

1 (1) ~~MAKE FLEXIBLE INTEREST RATE LOANS FOR A FIRST TIME HOME~~
2 ~~BUYER WITH A DISABILITY TO PURCHASE OR PURCHASE AND REHABILITATE A~~
3 ~~PRIMARY RESIDENCE, BASED ON THE APPLICANT'S ELIGIBILITY;~~

4 (2) ~~REQUIRE MINIMUM DOWN PAYMENT AND CLOSING COSTS; AND~~

5 (3) ~~USE UNDERWRITING CRITERIA THAT TAKES INTO CONSIDERATION~~
6 ~~STABLE, NONTRADITIONAL SOURCES OF INCOME, SUCH AS SUPPLEMENTAL~~
7 ~~SECURITY INCOME AND SOCIAL SECURITY DISABILITY INSURANCE, WHEN~~
8 ~~DETERMINING ELIGIBILITY.~~

9 2-1603.

10 (A) ~~THE DEPARTMENT SHALL:~~

11 (1) ~~MANAGE AND SUPERVISE THE PROGRAM;~~

12 (2) ~~ESTABLISH AN ADVISORY COMMITTEE FOR THE PROGRAM;~~

13 (3) ~~CARRY OUT THE PROGRAM IN A MANNER THAT SERVES ALL AREAS~~
14 ~~OF THE STATE;~~

15 (4) ~~ADOPT POLICIES TO INSURE THAT ANY LOAN MADE UNDER THE~~
16 ~~PROGRAM IS MADE ONLY TO A HOUSEHOLD THAT:~~

17 (I) ~~HAS AN ADJUSTED ANNUAL INCOME AT THE TIME THE LOAN IS~~
18 ~~MADE WITHIN THE APPLICABLE UPPER LIMITS DETERMINED BY THE SECRETARY IN~~
19 ~~ACCORDANCE WITH SUBSECTION (B) OF THIS SECTION;~~

20 (II) ~~HAS A PRIMARY BORROWER WITH A DISABILITY; AND~~

21 (III) ~~CANNOT QUALIFY FOR CONVENTIONAL OR OTHER AVAILABLE~~
22 ~~DEPARTMENT FINANCING OR FINANCING THROUGH FEDERAL MORTGAGE~~
23 ~~PROGRAMS TO ENABLE THE APPLICANT TO PURCHASE A HOME; AND~~

24 (5) ~~ADOPT REGULATIONS TO CARRY OUT THE PROVISIONS OF THIS~~
25 ~~SUBTITLE.~~

26 (B) (1) ~~THE SECRETARY MAY PERIODICALLY SET UPPER LIMITS ON~~
27 ~~ADJUSTED ANNUAL INCOME.~~

28 (2) ~~THE SECRETARY MAY NOT SET THE UPPER LIMIT TO EXCEED 55~~
29 ~~PERCENT OF THE MEDIAN FAMILY INCOME.~~

30 (C) ~~THE SECRETARY SHALL:~~

31 (1) ~~DETERMINE INCOME ELIGIBILITY FOR THE PROGRAM; AND~~

32 (2) ~~ESTABLISH INCOME ELIGIBILITY BY BASING ELIGIBILITY FOR THE~~
33 ~~PROGRAM ON THE MONTHLY AND ANNUAL INCOME TO DEBT RATIOS OF THE~~
34 ~~APPLICANT.~~

1 ~~2-1604.~~

2 (A) ~~TO QUALIFY FOR A LOAN UNDER THIS SUBTITLE, AN APPLICANT:~~

3 (1) ~~SHALL HAVE AN ADJUSTED ANNUAL INCOME AT THE TIME THE~~
4 ~~LOAN IS MADE NOT TO EXCEED AN AMOUNT SET FOR THE PROGRAM UNDER §~~
5 ~~2-1603(B) OF THIS SUBTITLE;~~

6 (2) ~~SHALL HAVE A DISABILITY AS DEFINED UNDER § 2-1601 OF THIS~~
7 ~~SUBTITLE;~~

8 (3) ~~UPON THE CLOSING ON THE LOAN, SHALL INTEND TO RESIDE IN THE~~
9 ~~SINGLE FAMILY HOME TO BE FINANCED;~~

10 (4) ~~SHALL BE A FIRST TIME HOME BUYER;~~

11 (5) ~~MAY NOT OWN OTHER PROPERTY USED AS THE APPLICANT'S~~
12 ~~PERSONAL RESIDENCE;~~

13 (6) ~~UPON VACATING THE PROPERTY, MAY NOT TRANSFER THE~~
14 ~~MORTGAGE TO ANY INDIVIDUAL THAT DOES NOT QUALIFY FOR THE PROGRAM; AND~~

15 (7) ~~IN THE ESTIMATION OF THE PROGRAM, MAY NOT HAVE THE~~
16 ~~FINANCIAL RESOURCES TO OBTAIN A PRIVATE CONVENTIONAL LOAN OR QUALIFY~~
17 ~~FOR OTHER DEPARTMENTAL OR FEDERAL LOAN PROGRAMS.~~

18 ~~2-1605.~~

19 (A) ~~THE ADVISORY COMMITTEE SHALL CONSIST OF THE FOLLOWING~~
20 ~~MEMBERS:~~

21 (1) ~~A REPRESENTATIVE OF THE MARYLAND DEVELOPMENTAL~~
22 ~~DISABILITIES COUNCIL;~~

23 (2) ~~A REPRESENTATIVE OF THE DEVELOPMENTAL DISABILITIES~~
24 ~~ADMINISTRATION;~~

25 (3) ~~A REPRESENTATIVE OF THE DEPARTMENT OF HEALTH AND MENTAL~~
26 ~~HYGIENE;~~

27 (4) ~~A REPRESENTATIVE OF A LOCAL CENTER FOR INDEPENDENT LIVING;~~

28 (5) ~~A REPRESENTATIVE OF A NONPROFIT ORGANIZATION THAT~~
29 ~~ADVOCATES FOR HOUSING FOR LOW INCOME HOUSEHOLDS;~~

30 (6) ~~TWO REPRESENTATIVES WITH DISABILITIES; AND~~

31 (7) ~~A REPRESENTATIVE WHO IS A PARENT OF AN INDIVIDUAL WITH A~~
32 ~~DISABILITY.~~

1 ~~(B) THE ADVISORY COMMITTEE SHALL PROVIDE ADVICE AND GUIDANCE TO~~
2 ~~THE DEPARTMENT REGARDING THE PROGRAM'S IMPLEMENTATION, PRIORITIES, AND~~
3 ~~QUALITY.~~

4 ~~(C) THE ADVISORY COMMITTEE SHALL MEET AT LEAST TWICE PER YEAR.~~

5 ~~(D) ON OR BEFORE DECEMBER 31 OF EACH YEAR, THE ADVISORY COMMITTEE~~
6 ~~SHALL SUBMIT TO THE GOVERNOR AND, SUBJECT TO § 2-1246 OF THE STATE~~
7 ~~GOVERNMENT ARTICLE, TO THE GENERAL ASSEMBLY AN ANNUAL REPORT ON THE~~
8 ~~PROGRESS OF THE PROGRAM.~~

9 ~~2-1606.~~

10 ~~THE GOVERNOR SHALL APPROPRIATE AT LEAST \$3 MILLION IN THE STATE~~
11 ~~BUDGET TO THE PROGRAM FOR FISCAL YEAR 2002 AND EACH YEAR THEREAFTER.~~

12 ~~2-601.~~

13 ~~(B-1) "DISABILITY" MEANS, WITH RESPECT TO AN INDIVIDUAL, A PHYSICAL OR~~
14 ~~MENTAL IMPAIRMENT THAT SUBSTANTIALLY LIMITS ONE OR MORE OF THE MAJOR~~
15 ~~LIFE ACTIVITIES OF THE INDIVIDUAL.~~

16 ~~2-602.~~

17 The purposes of the Program are to make, purchase, and participate in making:

18 (1) Preferred interest rate loans for the purchase, purchase and
19 rehabilitation, or refinancing of a primary residence by:

20 (i) Households of limited income who will occupy a single-unit
21 primary residence; or

22 (ii) Owner-occupants of residential buildings with no more than 4
23 units, where all units other than the owner's will be occupied by households of limited
24 income;

25 (2) Short-term construction loans to developers for the construction or
26 rehabilitation of residential units affordable to households of limited income;

27 (3) Short-term loans to nonprofit sponsors, as defined in regulations
28 adopted by the Department, for the acquisition and construction, or acquisition and
29 rehabilitation, of residential units affordable for households of limited income to buy
30 under a purchase or lease-purchase contract;

31 (4) Emergency assistance loans to households of limited income who,
32 because of unemployment or other extraordinary hardship, are unable to make
33 current mortgage payments on their homes and are likely to have to forfeit the title to
34 their home; [and]

1 (5) Reverse equity loans to elderly households of limited income for
2 housing related expenses and personal expenses which enable the owner to continue
3 to occupy the owner's home; AND

4 (6) PREFERRED INTEREST RATE LOANS FOR THE PURCHASE, PURCHASE
5 AND REHABILITATION, OR REFINANCING OF A PRIMARY RESIDENCE BY INDIVIDUALS
6 WITH DISABILITIES.

7 2-605.

8 (a) To qualify for a loan under § 2-602(1)(i), (3), [or] (4), OR (6) of this
9 subtitle, an applicant:

10 (1) Shall be a household of limited income;

11 (2) Upon closing of the loan, shall intend to reside in the home to be
12 financed;

13 (3) May not own other property used as the applicant's personal
14 residence; and

15 (4) In the estimation of the Program, may not have the financial
16 resources to obtain a private conventional mortgage or qualify for other departmental
17 loan programs.

18 (b) To qualify for a loan under § 2-602(1)(ii) of this subtitle, an applicant:

19 (1) Shall agree in writing to reside as an owner-occupant in 1 of the
20 units of a residential building with no more than 4 units;

21 (2) Shall agree in writing to rent all units other than the applicant's unit
22 to households of limited income; and

23 (3) In the estimation of the Program, may not have the financial
24 resources to obtain a private conventional mortgage or qualify for other departmental
25 loan programs.

26 (c) To qualify for a loan under § 2-602(2) of this subtitle, an applicant shall
27 agree to sell or rent all residential units constructed or rehabilitated with the
28 proceeds of the loan to households of limited income.

29 (D) TO QUALIFY FOR A LOAN UNDER § 2-602(6) OF THIS SUBTITLE, IN
30 ADDITION TO THE REQUIREMENTS UNDER SUBSECTION (A) OF THIS SECTION, AT
31 LEAST ONE OF THE APPLICANTS FOR THE LOAN SHALL BE AN INDIVIDUAL WITH A
32 DISABILITY.

33 2-611.

34 (G-1) FOR A LOAN UNDER § 2-602(6) OF THIS SUBTITLE, WITH FULL DISCLOSURE
35 TO THE BORROWER AT THE TIME THE LOAN IS MADE, THE DEPARTMENT MAY

1 INCREASE THE INTEREST RATE OF THE LOAN IF THE INDIVIDUAL WITH A DISABILITY
2 NO LONGER OWNS OR OCCUPIES THE PROPERTY.

3 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
4 read as follows:

5 **Article 83B - Department of Housing and Community Development**

6 2-601.

7 (e) "Median annual family income" means a figure reported BY THE UNITED
8 STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT as median annual
9 family income, by State, county, or region, whichever is greater, [by] BASED ON the
10 most current Census Bureau Report of the United States Department of Commerce.

11 2-611.

12 (g) With full disclosure to the borrower at the time the loan is made, the
13 Department may:

14 (1) [make] MAKE adjustable interest rate mortgages, where any rate
15 adjustment follows written notice to the borrower and is based on an increase or
16 decrease in the household's income; OR

17 (2) INCREASE THE INTEREST RATE OF THE LOAN;

18 (I) IF THERE IS A TRANSFER OF THE MORTGAGED PROPERTY OR
19 AN ASSUMPTION OF THE MORTGAGE WHETHER OR NOT ALLOWED UNDER
20 SUBSECTION (I) OF THIS SECTION; OR

21 (II) IF ONE OF THE ORIGINAL BORROWERS NO LONGER OWNS OR
22 OCCUPIES THE PROPERTY.

23 2-612.

24 The Department may:

25 (1) Contract for services relating to the Program;

26 (2) Contract with private mortgage servicers to perform on behalf of the
27 Department functions ordinarily performed by private mortgage servicers, including
28 foreclosures and employment of counsel;

29 (3) Require payment of a nonrefundable application fee;

30 (4) Purchase, and make commitments to purchase, from mortgage
31 lenders notes or mortgages that evidence residential mortgage loans made in
32 conformance with the requirements of this subtitle and any regulations or Program
33 directives, as appropriate, that govern the Program; [and]

1 (5) SELL, AND MAKE COMMITMENTS TO SELL, PROGRAM LOANS TO
2 MORTGAGE LENDERS, FANNIE MAE, OR OTHER SIMILAR ENTITIES, IN
3 CONFORMANCE WITH PROGRAM REGULATIONS OR DIRECTIONS, AND ANY
4 AGREEMENTS WITH PURCHASING ENTITIES, AS APPROPRIATE; AND

5 [(5)] (6) Without approval or execution by the Board of Public Works:

6 (i) Assign a mortgage for value;

7 (ii) Release a mortgage;

8 (iii) Foreclose a mortgage;

9 (iv) Acquire property securing a loan in default; or

10 (v) Encumber, sell, or otherwise dispose of property acquired in
11 connection with a loan in default.

12 SECTION 3. AND BE IT FURTHER ENACTED, That for fiscal years 2003 and
13 2004, the Department of Housing and Community Development shall allocate from
14 its annual appropriation for the Maryland Home Financing Program an amount
15 equal to its fiscal year 2002 allocation for homeownership opportunities for
16 individuals with disabilities.

17 SECTION 4. AND BE IT FURTHER ENACTED, That Section 1 of this Act shall
18 remain effective for a period of 3 years and, at the end of September 30, 2004, with no
19 further action required by the General Assembly, Section 1 of this Act shall be
20 abrogated and of no further force and effect.

21 SECTION ~~2.~~ 5. AND BE IT FURTHER ENACTED, That this Act shall take
22 effect July 1, 2001.