

**Department of Legislative Services**

Maryland General Assembly

2007 Session

**FISCAL AND POLICY NOTE**

**Revised**

House Bill 1418 (Chair Environmental Matters Committee) (By Request –  
Departmental – Housing and Community Development)

Environmental Matters

Education, Health, and Environmental Affairs

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**Community Development Administration - Direct Residential Mortgage Loans -  
Families of Limited Income**

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This departmental bill authorizes the Community Development Administration (CDA) of the Department of Housing and Community Development (DHCD) to make, participate in making, and undertake a commitment for a residential mortgage loan to a family of limited income. • for a family that has a disabled member who will reside in the dwelling; • for an emergency housing need; • for down payment and settlement costs; or • that is made in conjunction with a loan that consists of at least 20% of State appropriated funds.

The bill takes effect July 1, 2007.

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**Fiscal Summary**

**State Effect:** None. The bill alters the purpose for which existing funds may be used. Any administrative changes could be handled with existing resources.

**Local Effect:** None.

**Small Business Effect:** DHCD has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

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## Analysis

**Current Law:** CDA may make, participate in making, purchase, and undertake a commitment for a mortgage loan or other financial assistance secured by a mortgage lien for a community development project or public purpose project, and a reverse equity mortgage loan secured by a mortgage lien for housing-related expenses for a elderly household that qualifies as a family of limited income.

CDA may also purchase a note, mortgage, or partial interest in a note or mortgage that evidences specified types of loans, including a mortgage loan to a family of limited income.

**Background:** CDA administers DHCD's nonbudgeted tax-exempt bonds. As of June 2005, CDA had \$1.3 billion outstanding in residential revenue and single-family program bonds alone. CDA uses the proceeds of these bonds to purchase specified types of loans, including single-family residential mortgage loans from specified lenders. According to DHCD, its authority to make loans for mortgage loan or other financial assistance secured by a mortgage lien for a community development project or public purpose project permits it to make direct mortgage loans for residences located in a community development project or a public purpose project, but not outside such projects.

**State Fiscal Effect:** The bill primarily alters the purpose for which existing funds may be used. Overall issuance of mortgage revenue bonds would not increase; rather, some of the proceeds would be used to originate mortgages under specified circumstances as opposed to purchasing such mortgages from lenders. It is assumed that the rate of return and default would be similar to loans for families of limited income that CDA would otherwise purchase. In addition, DHCD advises that using the bond proceeds for this purpose would not require DHCD to amend its trust agreements with its bondholders.

DHCD advises that the mortgages would be made through CDA's existing Maryland Mortgage Program, and utilize existing personnel and resources.

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## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 20, 2007  
mll/jr Revised - House Third Reader - April 3, 2007

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Analysis by: Nora C. McArdle

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510