

## **CHAPTER 485**

**(House Bill 74)**

AN ACT concerning

### **Maryland Housing Rehabilitation Program – Loans to Members of Cooperative Housing Corporations**

FOR the purpose of authorizing the Department of Housing and Community Development to take certain actions in connection with certain housing assistance program loans made to members of cooperative housing corporations; providing that certain housing assistance program loans made to members of cooperative housing corporations may be secured by perfected security interests in the members' cooperative interests under certain circumstances; requiring the Department of Housing and Community Development, in connection with certain housing assistance program loans made to members of housing cooperatives, to enter into an agreement with the cooperative housing corporation regarding the parties' rights and obligations with respect to the secured cooperative interest under certain circumstances; defining certain terms; and generally relating to Maryland Housing Rehabilitation Program loans.

BY repealing and reenacting, with amendments,  
Article – Housing and Community Development  
Section 4–901 and 4–917  
Annotated Code of Maryland  
(2006 Volume and 2007 Supplement)

BY adding to  
Article – Housing and Community Development  
Section 4–909.1  
Annotated Code of Maryland  
(2006 Volume and 2007 Supplement)

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

#### **Article – Housing and Community Development**

4–901.

(a) In this subtitle the following words have the meanings indicated.

**(B) “COOPERATIVE HOUSING CORPORATION” HAS THE MEANING STATED IN § 5-6B-01 OF THE CORPORATIONS AND ASSOCIATIONS ARTICLE.**

**(C) “COOPERATIVE INTEREST” HAS THE MEANING STATED IN § 5-6B-01 OF THE CORPORATIONS AND ASSOCIATIONS ARTICLE.**

**[(b)] (D)** (1) “Family of limited income” means a family or individual whose income does not exceed the limits that the Secretary establishes under § 4-915 of this subtitle.

(2) “Family of limited income” includes a trust described in 42 U.S.C. § 1396p(d)(4), or a trust established for the benefit of an individual with a disability by an individual other than the beneficiary and that is funded with assets that were never owned or controlled by the beneficiary, if:

(i) the income of the trust does not exceed the upper income limits established by the Secretary under § 4-915 of this subtitle; and

(ii) the beneficiary of the trust is an individual who resides in the residential building owned by the trust.

**[(c)] (E)** “Local rehabilitation program” means a rehabilitation program that uses Program loans and is administered by a political subdivision.

**(F) “MEMBER” HAS THE MEANING STATED IN § 5-6B-01 OF THE CORPORATIONS AND ASSOCIATIONS ARTICLE.**

**[(d)] (G)** “Minimum livability code” means a regulation, statute, or ordinance that establishes minimum property maintenance standards that the State or a political subdivision adopts under § 12-203 of the Public Safety Article.

**[(e)] (H)** “Nonprofit sponsor” means:

(1) a nonprofit organization;

(2) a political subdivision; or

(3) a limited partnership formed to undertake a rehabilitation project that is eligible wholly or partly for federal programs or incentives, including low-income housing tax credits, if:

(i) each general partner is a nonprofit organization or a political subdivision; or

(ii) 1. each general partner is a wholly owned subsidiary of a nonprofit organization or political subdivision; and

2. a nonprofit organization or political subdivision manages the rehabilitation project or will receive net cash flow or the residual sale proceeds on the sale of the rehabilitation project.

[(f)] (I) “Program” means the Maryland Housing Rehabilitation Program.

[(g)] (J) “Program loan” means a loan under the Maryland Housing Rehabilitation Program or a special loan program.

[(h)] (K) (1) “Rehabilitation project” means a project to repair, reconstruct, renovate, redevelop, improve, modify, or add to a building for a purpose listed in § 4-923 of this subtitle.

(2) “Rehabilitation project” includes providing utility submetering for dwellings in a residential rental building.

[(i)] (L) “Special loan program” means:

- (1) the Accessory, Shared, and Sheltered Housing Program;
- (2) the Indoor Plumbing Program;
- (3) the Lead Paint Abatement Program;
- (4) the Migratory Worker Housing Program; or
- (5) the Radon and Asbestos Abatement Pilot Program.

[(j)] (M) “Sponsor” means an owner who receives a loan to rehabilitate a building for residential rental purposes or nonresidential purposes.

**4-909.1.**

**(A) IF A PROGRAM LOAN TO A MEMBER OF A COOPERATIVE HOUSING CORPORATION IS SECURED BY A SECURITY INTEREST IN THE MEMBER’S COOPERATIVE INTEREST, THE DEPARTMENT MAY:**

**(1) FORECLOSE ON THE SECURITY INTEREST OR OTHERWISE ENFORCE THE SECURITY INTEREST AS PERMITTED UNDER TITLE 9 OF THE COMMERCIAL LAW ARTICLE;**

**(2) TAKE POSSESSION OF THE PREMISES IN LIEU OF FORECLOSURE;**

**(3) OBTAIN AND ENFORCE DEFICIENCY JUDGMENTS;**

**(4) TRANSFER THE COOPERATIVE INTEREST;**

**(5) ALLOW ASSUMPTION OF THE SECURITY AGREEMENT; AND**

**(6) CONTRACT WITH PRIVATE LOAN SERVICERS TO PERFORM ON BEHALF OF THE DEPARTMENT ANY FUNCTIONS THE PRIVATE LOAN SERVICERS ORDINARILY PERFORM.**

**(B) WITHOUT APPROVAL OR EXECUTION BY THE BOARD OF PUBLIC WORKS, THE DEPARTMENT MAY:**

**(1) ASSIGN A SECURITY INTEREST FOR VALUE;**

**(2) RELEASE A SECURITY INTEREST WHEN PAID;**

**(3) FORECLOSE ON A SECURITY INTEREST;**

**(4) TAKE POSSESSION OF THE PREMISES IN LIEU OF FORECLOSURE; OR**

**(5) TRANSFER A COOPERATIVE INTEREST AFTER ACQUISITION.**

4-917.

(a) A Program loan:

(1) may not be made if the Department determines that comparable private financing is available to the prospective borrower; and

(2) may not exceed an amount the Secretary establishes by regulation.

(b) (1) Except as provided under paragraphs (2), [and] (3), **AND (4)** of this subsection, a Program loan of more than \$5,000 shall be secured wholly or partly by a recorded mortgage or deed of trust on real property.

(2) A Program loan to a political subdivision may be secured by a recorded mortgage, deed of trust on real property, or other security device acceptable to the Department.

(3) A Program loan to a trust described in 42 U.S.C. § 1396p(d)(4) may be secured by a recorded mortgage, deed of trust on real property, or other security device acceptable to the Department.

**(4) (I) SUBJECT TO SUBPARAGRAPH (II) OF THIS PARAGRAPH, A PROGRAM LOAN TO A MEMBER OF A COOPERATIVE HOUSING CORPORATION MAY BE SECURED BY A PERFECTED SECURITY INTEREST IN THE MEMBER'S COOPERATIVE INTEREST.**

**(II) BEFORE A PROGRAM LOAN IS SECURED BY A PERFECTED SECURITY INTEREST IN THE MEMBER'S COOPERATIVE INTEREST, THE DEPARTMENT SHALL ENTER INTO AN AGREEMENT WITH THE COOPERATIVE HOUSING CORPORATION THAT ESTABLISHES THE RIGHTS AND OBLIGATIONS OF THE DEPARTMENT AND THE COOPERATIVE HOUSING CORPORATION WITH RESPECT TO THE SECURED COOPERATIVE INTEREST.**

(c) Program loans shall be made to:

(1) families of limited income owning and occupying the building to be rehabilitated; or

(2) sponsors or nonprofit sponsors.

(d) The Department may require that Program loans be insured.

(e) A Program loan may cover:

(1) costs of a rehabilitation project, including implementation costs such as appraisal, architectural, and engineering fees; and

(2) closing costs of the Program loan.

(f) The Department may modify the interest rate, the time or amount of payment, or any other term of a Program loan that is in default to facilitate repayment of the Program loan and achieve the purposes of the Program.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2008.

**Approved by the Governor, May 13, 2008.**