

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE
Revised

House Bill 975

(Chair, Environmental Matters Committee) (By Request –
Departmental – Housing and Community Development)

Environmental Matters

Education, Health, and Environmental Affairs

**Department of Housing and Community Development - Authorization for Sales
of State-Funded Mortgages or Other Obligations - Servicing Rights**

This departmental bill authorizes the Department of Housing and Community Development to sell any mortgage or other obligation that it holds, and retain the servicing rights and charge servicing fees for any obligation it sells. The proceeds from any sale and servicing fees earned would go to the Homeownership, Rental Housing, Partnership Rental Housing, Special Loan, and Workforce Housing funds.

The bill takes effect July 1, 2008.

Fiscal Summary

State Effect: Special fund revenues would increase by an indeterminate amount annually due to the sale of mortgages and other obligations, and the servicing fee charged. Special fund expenditures would increase commensurately to service existing loans or issue additional loans.

Local Effect: None.

Small Business Effect: DHCD has determined that the 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.)

Analysis

Current Law: The Community Development Administration is responsible for coordinating several community development programs. Notably, under Title 4, Subtitle 5, of the Housing and Community Development Article there are five dedicated funds: • the Homeownership Programs Fund; • the Partnership Rental Housing Fund; • the Rental Housing Fund; • the Special Loan Programs Fund; and • the Workforce Housing Programs Fund. To support these programs the General Assembly has provided for a variety of financing procedures including the foreclosure of properties and sale of mortgages held by CDA.

Background: Because purchasers of State funded loans and CDA bond-funded loans may decide not to service these loans, DHCD needs to retain the right to service the loans after they are sold and to assess a fee for this service.

In recent months there has been a slow-down in repayments on State funded loans. In order to keep pace with the demand for such loans, DHCD requires additional sources of funding.

State Fiscal Effect: DHCD advises that this bill would have no net fiscal impact on State finances. Special fund revenues would increase due to the sale by DHCD of mortgages and other obligations, as well as the loan servicing fees authorized by the bill. However, DHCD advises that it has no information on the number of loans that would be sold or that would need to be serviced, and it has not yet set the fee levels that would be charged. Any increase in special fund revenues due to the sale of obligations and the servicing fees charged would be expended in order to service existing loans and to meet the demand for new loans. In addition, DHCD advises that this bill could be handled within existing budgeted resources and would not require any additional staff.

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 3, 2008
ncs/hlb Revised - House Third Reader - March 19, 2008

Analysis by: Evan M. Isaacson

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