

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE

House Bill 38 (Delegate Manno)
 Environmental Matters

Heroes' Housing Fund of 2008

This bill establishes the Housing Program for First Responders and Teachers within the Department of Housing and Community Development. DHCD is required to promulgate regulations governing the purchase, sale, and insurance of loans made under the program, as well as eligibility standards for program applicants. DHCD is authorized to contract with lending institutions to make home loans on terms and conditions that it sets for the benefit of first responders and teachers. Unless otherwise determined by DHCD, 100% of the unpaid principal and interest will be insured on any home loan made through the program. In the course of negotiations with the lending institutions, DHCD will set the terms of the insurance agreement and the conditions of default for each loan. The program is to be operated with money from the Homeownership Programs Fund.

Fiscal Summary

State Effect: To ensure a viable program, general fund PAYGO or general obligation bond expenditures could increase by \$10 million annually beginning in FY 2009 to support new loans. DHCD could administer the Housing Program for First Responders and Teachers with existing resources.

(\$ in millions)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Revenues	\$0	\$0	\$0	\$0	\$0
GF/GO Expend.	10.0	10.0	10.0	10.0	10.0
Net Effect	(\$10.0)	(\$10.0)	(\$10.0)	(\$10.0)	(\$10.0)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law/Background: Several similar programs have been implemented by the State or by a municipality within Maryland. For example, DHCD operates the More Home 4 Less Mortgage Program, the Home Ownership for Individuals with Disabilities Program, and the Single Family Mortgage Insurance Program. Statute authorizes DHCD to develop a program with up to \$25 million over five years dedicated to attracting and retaining public school teachers by providing mortgage loans at low-interest rates. The State has also established a lending arrangement similar to the one in this bill to be implemented by the Maryland Agricultural and Resource-Based Industry Development Corporation.

Statute defines “first responder” as a fire fighter, emergency medical technician, rescue squad member, law enforcement officer, correctional officer, or sworn member of the State Fire Marshal’s office.

The Homeownership Programs Fund currently serves three housing programs: • the Maryland Mortgage Down-payment Program; • the Disabled Borrowers Loan Program; and • the Maryland Home Financing Program. DHCD advises that it does not track who is served by these three particular programs. However, in 2007, 343 home loans were provided to law enforcement officers, firefighters, and teachers from another source – the Maryland Mortgage Program. The total loan amount for these 343 loans was approximately \$71.8 million, for an average loan of approximately \$209,300.

The Homeownership Programs Fund was appropriated \$8.6 million for fiscal 2008, and the Governor’s proposed budget funds the program at the same level in fiscal 2009.

State Expenditures: The bill does not specify how State funding must be provided other than through the Homeownership Programs Fund. However, as all of the moneys in that fund have already been subscribed for existing programs, additional capitalization would be required to support the new program. It is assumed that at least \$10 million would be appropriated annually in GO bonds or through general fund PAYGO expenditures. If funded through GO bonds, it is assumed that the GO bonds would be within the State’s capital debt affordability limit and would not increase debt service costs further.

Based on information provided by DHCD, \$10 million reflects a level of funding that would be needed to support a minimum viable program. As noted above, the average loan size provided by the Maryland Mortgage Program was approximately \$209,300.

Therefore, \$10 million in funds for the Homeownership Programs Fund would enable an additional 47 loans to be made under the Maryland Housing Program for Teachers and First Responders. DHCD could administer the provision of these additional loans with existing staff and resources. DHCD advises that a significant increase in the number of loans provided would likely require additional staff including an underwriter and administrative assistant.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Housing and Community Development; Department of Labor, Licensing, and Regulation; Department of Legislative Services

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ncs/hlb

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