

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

Senate Bill 60 (Chair, Education, Health, and Environmental Affairs
Committee)(By Request - Departmental - Housing and
Community Development)

Education, Health, and Environmental Affairs

Environmental Matters

**Community Development Administration - Residential Mortgage Loans -
Financial Assistance for Families of Limited Income**

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 financial assistance to a family of limited income, subject to terms and qualifications as determined by the Secretary of Housing and Community Development. Financial assistance, including grants, may be made (1) for maintaining or modifying an existing residential mortgage loan or (2) in conjunction with a new residential mortgage loan to enable a homeowner to refinance an existing residential mortgage loan.

The bill takes effect July 1, 2013.

Fiscal Summary

State Effect: None. Overall funding for DHCD is not affected. Any administrative changes can 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). The Department of Legislative Services concurs with this assessment.

Analysis

Current Law: In general, CDA may only provide a *grant* of land or money to a political subdivision, a local development entity, a local development agency, or a nonprofit organization. The lone exceptions are for grants that may be awarded to CDA under federal law, and grants to home buyers for settlement expenses.

CDA may make, participate in making, and undertake a commitment for a residential mortgage loan (*not* other financial assistance) to a family of limited income (1) for a family that has a disabled member who will reside in the dwelling; (2) for an emergency housing need; (3) for down payment and settlement costs; or (4) that is made in conjunction with a loan that consists of at least 20% of State appropriated funds. CDA may also purchase a note, mortgage, or partial interest in a note or mortgage that evidences specified types of loans, including a residential mortgage loan to a family of limited income.

CDA may make, participate in making, purchase, and undertake a commitment for (1) a mortgage loan or other financial assistance secured by a mortgage lien for a community development project or public purpose project and (2) a reverse equity mortgage loan secured by a mortgage lien for housing-related expenses for an elderly household that qualifies as a family of limited income.

Background: CDA, which is part of DHCD's Division of Development Finance, issues nonbudgeted revenue bonds to support its financial assistance programs. As of July 2012, CDA had \$2.0 billion outstanding in residential revenue bonds alone (for its single-family program). CDA uses the bond proceeds to purchase specified types of loans, make direct mortgage loans, and offer other types of financial assistance under specified circumstances.

DHCD advises that the bill enables CDA to make financial assistance available to families of limited income where the terms of repayment are flexible. Currently, CDA does not have the ability to offer flexible financing such as a grant or unsecured loan. By assisting families of limited income to refinance or modify existing mortgages when needed to maintain homeownership, the bill may alleviate some foreclosures and prevent neighborhood and community deterioration.

State Fiscal Effect: Overall funding for DHCD is not affected. A portion of CDA's existing nonbudgeted bond funds may be used to provide additional types of financial assistance to families of limited income. Any administrative changes can be handled with existing resources.

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 - January 11, 2013
ncs/lgc

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Housing – Community Development Administration – Residential
Mortgage Loans – Financial Assistance for Families of Limited Income

BILL NUMBER: SB 60

PREPARED BY: Maryland Department of Housing and Community Development

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.