

**Department of Legislative Services**  
Maryland General Assembly  
2014 Session

**FISCAL AND POLICY NOTE**

House Bill 1078 (Delegates Rosenberg and Niemann)  
Environmental Matters and Economic  
Matters

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**Task Force on Homeownership Strategy**

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This bill establishes the Task Force on Homeownership Strategy to (1) study the impact of the recent financial crisis on historically owner-occupied neighborhoods; (2) identify the resources and strategies available in both the private and public sectors to individuals and organizations attempting to preserve the stability of such neighborhoods; and (3) make recommendations regarding whether and how the State and its political subdivisions should take action to promote homeownership and the stability of such neighborhoods. By January 1, 2015, the task force must report its findings and recommendations to the Governor and the General Assembly. The Department of Housing and Community Development (DHCD) must provide staff for the task force.

The bill takes effect October 1, 2014, and terminates September 30, 2015.

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**Fiscal Summary**

**State Effect:** Any expense reimbursements for task force members and staffing costs for DHCD are assumed to be minimal and absorbable within existing resources, assuming the task force is appointed and can complete the report within the three-month period allotted.

**Local Effect:** None.

**Small Business Effect:** None.

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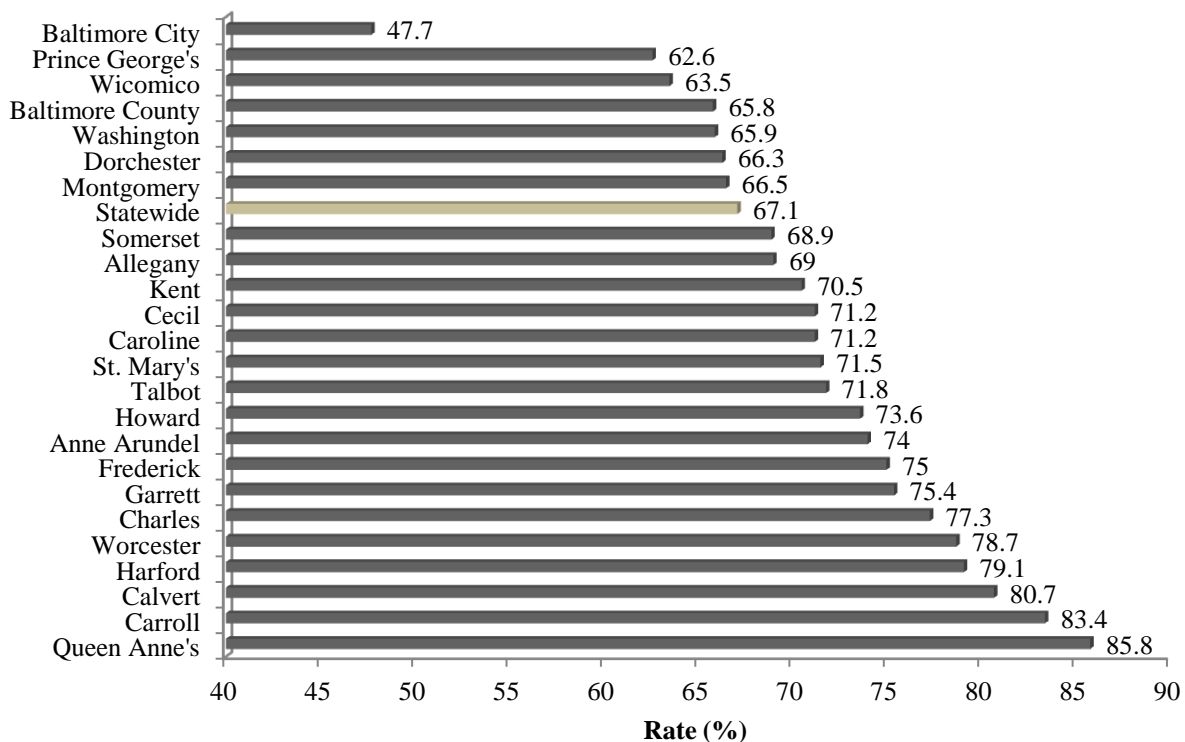
## Analysis

### Background:

*Owner Occupancy:* Owner occupancy rates vary greatly by Maryland jurisdiction. Statewide, the owner-occupancy rate was 67.1% between 2010 and 2012. Three jurisdictions had an owner-occupancy rate above 80%, while Baltimore City had the lowest owner-occupancy rate at 47.1%. **Exhibit 1** shows owner-occupancy rates by jurisdiction.

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**Exhibit 1**  
**Owner-occupancy Rate by Maryland Jurisdiction**  
**2010-2012 Three-year Estimate**

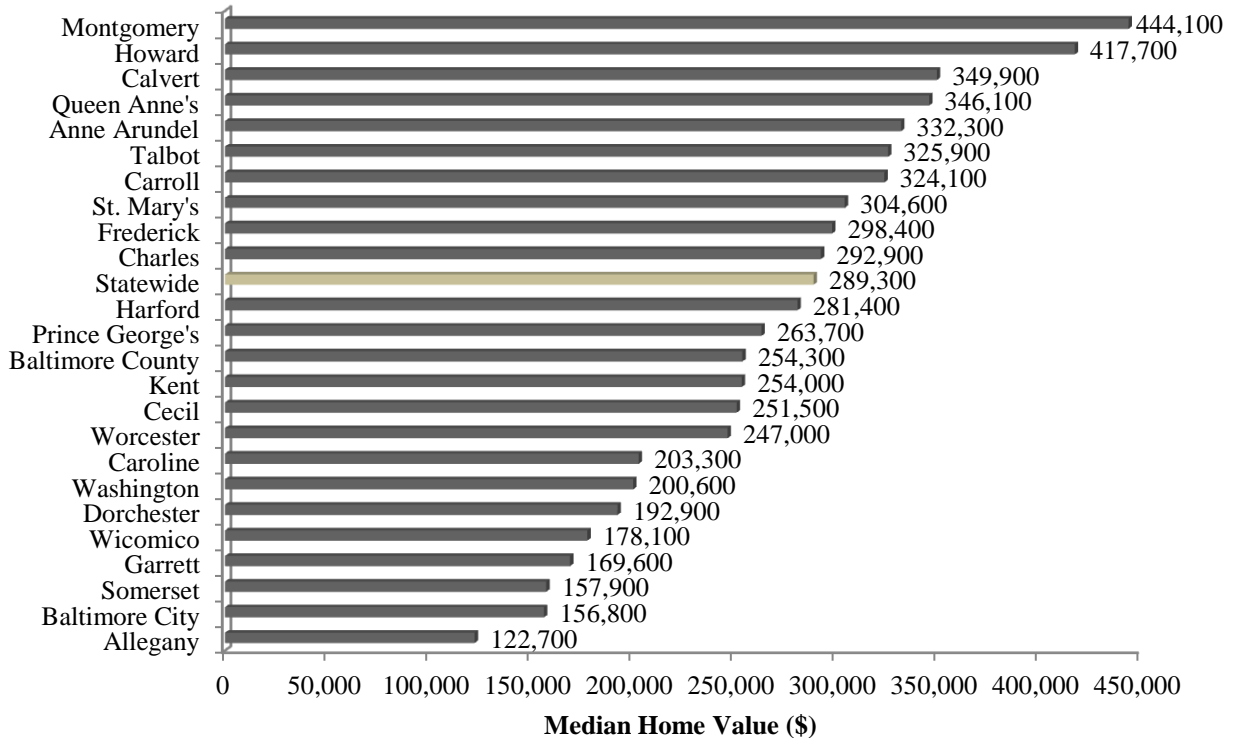


Source: Maryland Department of Planning; U.S. Census Bureau

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*Home Values:* Home values also vary greatly by Maryland jurisdiction. Between 2010 and 2012, the median home value in the State was \$289,300 as show in **Exhibit 2**. Montgomery County had the highest median home value at \$444,100, while Allegany County had the lowest median home value at \$122,700.

**Exhibit 2**  
**Median Home Value by Maryland Jurisdiction**  
**2010-2012 Three-year Estimate**



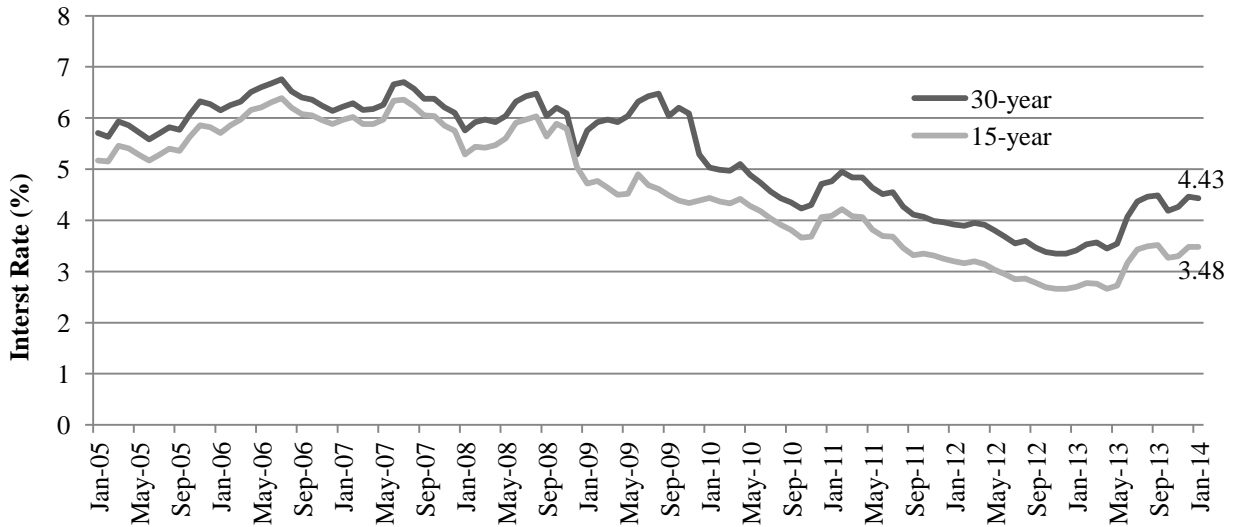
Source: Maryland Department of Planning; U.S. Census Bureau

*Existing Home Sales:* According to the National Association of Realtors, U.S. existing home sales in 2013 were 5.09 million, the highest level since 2006, when sales stood at 6.48 million. The 2013 existing sales levels were 9.1% higher than 2012 and nearly 20% higher than 2011 levels. In 2013, the national median existing home price was \$197,100, up 11.5% from 2012. That increase is the strongest gain since 2005, when prices rose 12.4%.

In Maryland, 2013 existing home sales were up 12.4% compared to 2012. Median sales prices for the month were 6.6% higher than 2012 levels.

*Mortgage Interest Rates:* Despite rising in recent months, mortgage interest rates are still near historic lows. In January 2014, 30-year fixed mortgage interest rates averaged 4.43%, more than one percentage point higher than January 2013 levels. However, the rate is more than two percentage points lower than July 2006, the highest rate in the last 10 years, but still a relatively low rate compared to the previous 30 years and earlier. Mortgage interest rate trends are exhibited in **Exhibit 3**.

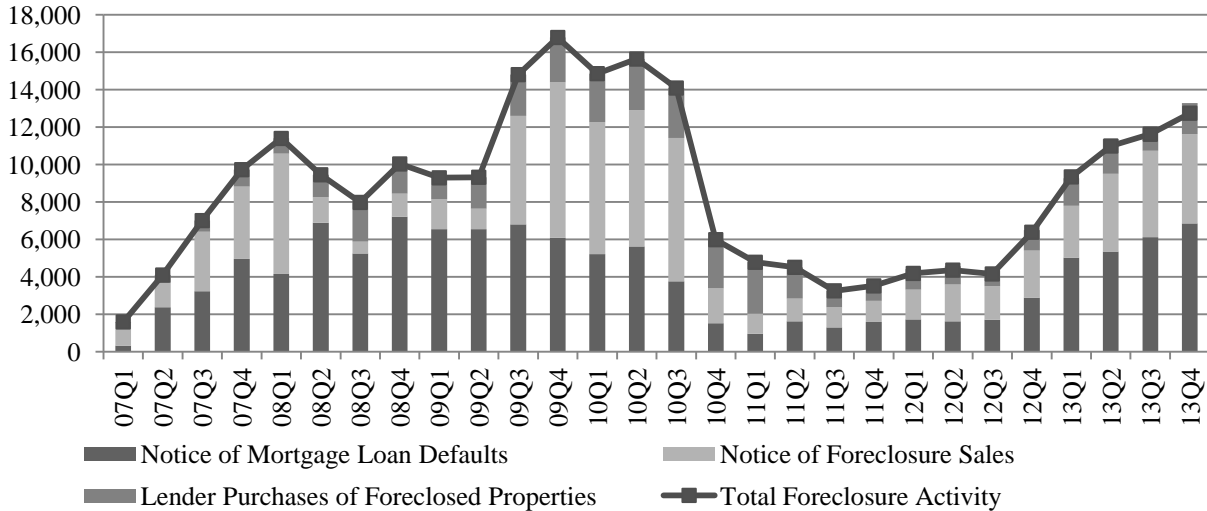
**Exhibit 3**  
**Conventional Fixed-rate Mortgage Interest Rates**  
**January 2005-January 2014**



Source: Federal Home Loan Mortgage Corporation

*Foreclosures:* The number of foreclosure events in Maryland has spiked markedly in three separate periods: the latter half of 2007, in 2009, and the latter half of 2012 into 2013. Foreclosure events encompass real estate-owned purchases (property acquired by a lender as a result of an unsuccessful foreclosure sale on the property), notice of foreclosure sales, and notices of mortgage loan default. After the period of high rates of foreclosures in 2009, the number of property foreclosures decreased significantly from 42,446 in 2010 to 14,321 in 2011. However, property foreclosures rose in 2012, totaling 17,126, up 18.8% from 2011 levels. Foreclosure activity began a more rapid increase in the fourth quarter of 2012, with the number of foreclosure events totaling 6,381. This rapid increase in foreclosure activity continued in 2013 with foreclosure activity reaching the highest level in three years during the third quarter. These trends are exhibited in **Exhibit 4**.

**Exhibit 4  
State Foreclosure Events  
2007-2013**



Source: Department of Housing and Community Development

The dramatic decrease in 2011 was due, in part, to two factors: (1) Maryland’s legislative response to the foreclosure crisis, which provided additional protections for homeowners at risk of losing their homes and (2) the delay by mortgage servicers to begin foreclosure procedures until the results of a foreclosure settlement between five of the largest mortgage servicers and the U.S. government were known. The results of the National Mortgage Settlement were announced in February 2012. The uncertainty surrounding the settlement and Maryland’s new additional consumer protections created a backlog of foreclosures which lenders have now begun to address. In the fourth quarter of 2013, Maryland had the second highest foreclosure rate in the nation. DHCD attributes the surge in foreclosure activity that began in 2012 to a “rebound in the housing market which encouraged lenders to return inventory of seriously delinquent loans to the market at an increasing pace,” allowing servicers to clear the backlog.

**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Housing and Community Development, Maryland Department of Planning, U.S. Census Bureau, National Association of Realtors, Maryland Association of Realtors, Federal Home Loan Mortgage Corporation, Department of Legislative Services

**Fiscal Note History:** First Reader - February 26, 2014  
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