

SENATE BILL 937

C8, N1

1lr2566

By: **Senator Ellis**

Introduced and read first time: February 12, 2021

Assigned to: Rules

A BILL ENTITLED

1 AN ACT concerning

2 **Housing and Community Development – Mortgage, Down Payment, and**
3 **Settlement Expense Assistance**

4 FOR the purpose of requiring the Secretary of Housing and Community Development to
5 take into consideration a family's student loan debt in developing eligibility
6 requirements for certain financial assistance; clarifying that the Community
7 Development Administration may purchase notes, mortgages, or partial interests in
8 notes or mortgages that evidence certain new residential mortgage loans for the
9 refinancing of existing residential mortgage loans; requiring eligibility standards for
10 certain Down Payment and Settlement Expense Program loans to include certain
11 considerations related to education level and student debt burden; authorizing
12 proceeds of a Program loan to be used to make certain payments related to
13 refinancing a personal residence; requiring the minimum level of assistance provided
14 under a Program loan to be at least a certain dollar amount; prohibiting the
15 Department of Housing and Community Development from restricting the ability of
16 a certain homeowner to use the proceeds of a Program loan for a certain purpose;
17 requiring the Department to consider an eligible homebuyer's education level and
18 student loan debt in reviewing an application for a Program loan; and generally
19 relating to financial assistance for mortgages, down payments, and settlement
20 expenses.

21 BY repealing and reenacting, with amendments,
22 Article – Housing and Community Development
23 Section 4–235(b), 4–237(a), 4–238(a)(1), 4–304(b), 4–305, and 4–307
24 Annotated Code of Maryland
25 (2019 Replacement Volume and 2020 Supplement)

26 BY repealing and reenacting, without amendments,
27 Article – Housing and Community Development
28 Section 4–301
29 Annotated Code of Maryland

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(2019 Replacement Volume and 2020 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

4–235.

(b) (1) The Administration may make, participate in making, and undertake
a commitment for:

(i) a residential mortgage loan to a family of limited income:

1. for a family that has a disabled family member who will
reside in the dwelling;

2. for an emergency housing need as determined by the
Secretary;

3. for settlement and down payment costs; or

4. that is made in conjunction with a loan funded with State
appropriated funds if the State appropriated funded loan comprises at least 20% of the total
amount loaned;

(ii) financial assistance to a family of limited income:

1. for maintaining or modifying its existing residential
mortgage loan; or

2. that is made in conjunction with a new residential
mortgage loan to enable a homeowner to refinance an existing residential mortgage loan;

(iii) the refinancing of a residential mortgage loan of a homeowner if
the loan was made by the Department or Administration; and

(iv) financial assistance to a homeowner for:

1. purchasing the homeowner's primary residence and
making payments on the homeowner's student loan debt; or

2. making payments on the homeowner's student loan debt
in conjunction with the homeowner obtaining separate financial assistance from a source
other than the Administration for purchasing the homeowner's primary residence.

(2) The Secretary shall determine the terms and qualifications for financial

1 assistance under paragraph (1) of this subsection.

2 **(3) IN DEVELOPING INCOME ELIGIBILITY REQUIREMENTS FOR**
3 **FINANCIAL ASSISTANCE UNDER PARAGRAPH (1)(I) AND (II) OF THIS SUBSECTION,**
4 **THE SECRETARY SHALL TAKE INTO CONSIDERATION A FAMILY'S STUDENT LOAN**
5 **DEBT.**

6 4-237.

7 (a) The Administration may:

8 (1) purchase or commit to purchase, from a mortgage lender that is eligible
9 under § 4-236 of this subtitle, a note, mortgage, or partial interest in a note or mortgage
10 that evidences:

11 (i) a residential mortgage loan to a family of limited income,
12 **INCLUDING A NEW RESIDENTIAL MORTGAGE LOAN FOR THE REFINANCING OF AN**
13 **EXISTING RESIDENTIAL MORTGAGE LOAN;**

14 (ii) a mortgage loan to a sponsor of a community development project
15 or a public purpose project;

16 (iii) a residential mortgage loan to a homeowner for the purchase or
17 rehabilitation of the homeowner's primary residence if the primary residence is located in
18 a sustainable community;

19 (iv) a residential mortgage loan for the refinancing of a residential
20 mortgage loan made by the Department or Administration; or

21 (v) a residential mortgage loan to a homeowner for:

22 1. purchasing the homeowner's primary residence and
23 making payments on the homeowner's student loan debt; or

24 2. purchasing the homeowner's primary residence in
25 conjunction with the homeowner obtaining separate financial assistance from the
26 Administration for making payments on the homeowner's student loan debt;

27 (2) make a loan to an eligible mortgage lender in accordance with this
28 subtitle;

29 (3) finance, with proceeds of its revenue bonds or notes, all or part of a
30 mortgage purchase program or a loan to a mortgage lenders program; and

31 (4) take any action necessary or convenient to carry out this subsection,
32 including:

1 (i) settling or compromising an obligation or debt to the
2 Administration, subject to any agreement with bondholders;

3 (ii) acquiring an interest in real or personal property by gift,
4 purchase, foreclosure, or otherwise, and selling or otherwise disposing of the property;

5 (iii) obtaining insurance against loss in connection with its property
6 and other assets, including mortgage loans, in the amount and from the insurer that the
7 Administration considers desirable;

8 (iv) contracting for servicing of a mortgage loan or an interest in a
9 mortgage loan that the Administration holds or takes as collateral; and

10 (v) making a contract or commitment that relates to the exercise of
11 any of the powers listed in this subsection.

12 4-238.

13 (a) (1) New mortgage loans that the Administration purchases shall be loans
14 to:

15 (i) families of limited income, **INCLUDING FAMILIES OF LIMITED**
16 **INCOME WHO USE THE NEW RESIDENTIAL MORTGAGE LOAN TO REFINANCE AN**
17 **EXISTING RESIDENTIAL MORTGAGE LOAN;**

18 (ii) sponsors of community development projects; or

19 (iii) homeowners:

20 1. with primary residences located in sustainable
21 communities;

22 2. who refinance a residential mortgage loan made by the
23 Department or Administration; or

24 3. who use the loan proceeds to:

25 A. purchase the homeowner's primary residence and make
26 payments on the homeowner's student loan debt; or

27 B. purchase the homeowner's primary residence in
28 conjunction with the homeowner obtaining separate financial assistance from the
29 Administration for making payments on the homeowner's student loan debt.

30 4-301.

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

2 (b) “Eligible homebuyer” means an individual who meets the qualifications under
3 § 4–305 of this subtitle.

4 (c) “Fund” means the Homeownership Programs Fund.

5 (d) (1) “Homebuyer education” means instruction in preparing for
6 homeownership, shopping for a home, getting a mortgage loan, loan closing, and life as a
7 homeowner.

8 (2) “Homebuyer education” includes housing counseling.

9 (e) “Program” means the Down Payment and Settlement Expense Loan Program.

10 (f) “Program loan” means a loan that the Department makes under this subtitle.

11 (g) (1) “Settlement expenses” means money that must be paid at the time of
12 the purchase of real estate.

13 (2) “Settlement expenses” includes:

14 (i) fees and premiums for title examination, title insurance, and
15 similar expenses;

16 (ii) fees for preparing deeds, settlement statements, and other
17 documents;

18 (iii) payments owed at settlement for property taxes and hazard
19 insurance coverage;

20 (iv) escrows for future payments of taxes and hazard insurance;

21 (v) fees for notarizing deeds and other documents;

22 (vi) appraisal fees;

23 (vii) fees for credit reports;

24 (viii) transfer and recordation taxes and fees;

25 (ix) fees and premiums for mortgage insurance; and

26 (x) loan discount points and origination fees.

27 4–304.

1 (b) The Department shall:

2 (1) administer the Program;

3 (2) attach to a Program loan the terms needed to carry out the Program;

4 (3) establish eligibility standards for Program loans, considering State,
5 regional, and county housing costs, median incomes, **STUDENT DEBT BURDENS**, and
6 household sizes;

7 (4) establish guidelines to determine what parts of the down payment and
8 settlement expenses may be covered by the Program loan; and

9 (5) adopt regulations to carry out the Program.

10 4-305.

11 (A) An individual qualifies as an eligible homebuyer if the individual:

12 (1) will purchase and occupy a single-unit principal residence and has
13 household income not exceeding upper limits that the Secretary establishes; or

14 (2) will purchase and occupy a residential building with no more than four
15 units and agrees to rent all units other than the owner's unit to households with income
16 not exceeding upper limits that the Secretary establishes.

17 (B) **IN ESTABLISHING ELIGIBILITY STANDARDS FOR HOMEOWNERS UNDER**
18 **THE PROGRAM, THE DEPARTMENT SHALL CONSIDER EDUCATION LEVEL AND**
19 **STUDENT LOAN DEBT, IN ADDITION TO HOUSEHOLD INCOME.**

20 4-307.

21 (a) (1) Proceeds of a Program loan shall be used only to make a down payment
22 or pay settlement expenses for an eligible homebuyer to purchase **OR REFINANCE** a
23 personal residence.

24 (2) **THE MINIMUM LEVEL OF ASSISTANCE PROVIDED UNDER A**
25 **PROGRAM LOAN SHALL BE AT LEAST \$10,000.**

26 (3) **THE DEPARTMENT MAY NOT RESTRICT THE ABILITY OF AN**
27 **ELIGIBLE HOMEBUYER TO USE THE PROCEEDS OF A PROGRAM LOAN FOR**
28 **SETTLEMENT EXPENSES.**

29 (b) A Program loan shall be secured by a mortgage lien that:

30 (1) may be subordinate to other mortgage liens; and

1 (2) may include terms, including deferred payment of principal and
2 interest, that the Department considers necessary to make housing purchases affordable
3 to eligible homebuyers.

4 (c) In reviewing an application for a Program loan, the Department shall:

5 (1) consider the eligible homebuyer's financial resources, including savings
6 available to make a down payment or pay settlement expenses, in relation to:

7 (i) the purchase price of the home; and

8 (ii) the down payment requirements of the lender; [and]

9 **(2) CONSIDER THE ELIGIBLE HOMEBUYER'S EDUCATION LEVEL AND**
10 **STUDENT LOAN DEBT; AND**

11 ~~[(2)]~~ **(3)** give high priority to eligible homebuyers of low income within the
12 income limits established under § 4-304(b)(3) of this subtitle.

13 (d) Notwithstanding any other law, the Department may require that Program
14 loans become due and payable on the later sale or transfer of the property, but the
15 Department may allow an eligible homebuyer who purchases the property to assume the
16 Program loan.

17 (e) If a borrower defaults, the Department may modify the interest rate, the time
18 or amount of payment, or any other term of a Program loan to facilitate repayment of the
19 Program loan and to achieve the purpose of the Program.

20 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
21 1, 2021.