



**Testimony HB 1178**

**Ways and Means Committee**

**March 9, 2021**

**Position: FAVORABLE**

Dear Chair Kaiser & Members of the Ways and Means Committee:

The Community Development Network of Maryland (CDN) is the voice for Maryland's community development sector and serves nearly 200 member organizations. CDN focuses on small affordable housing developers, housing counseling agencies and community-based non-profits across the state of Maryland. The mission of CDN is to promote, strengthen and advocate for the community development sector throughout Maryland's urban, suburban and rural communities. CDN envisions a state in which all neighborhoods are thriving and where people of all incomes have abundant opportunities for themselves and their families.

HB 1178 allows for a subtraction modification under the Maryland income tax for contributions to a certain first-time homebuyer savings account during the taxable year and certain earnings on the account; providing that an account holder may claim the subtraction modification under certain circumstances; providing that transfers of money to or from the account are subject to certain requirements and limitations; applying the Act to all taxable years beginning after December 31, 2020.

Today, black homeownership rate is at the same level it was in 1968. Homeownership remains key avenue for creating long-term wealth. Due to savings and family wealth differentials, black homeowners tend to make lower down payments, and start off with less equity than members of other groups. Maryland home owner savings account could help more black and Hispanic people save enough to purchase a home.

According to the National Association of Real Estate Brokers 2020 State of Housing in Black America report, racial gaps in income and wealth are the primary drivers of the homeownership gap. The cumulative effects of these disparities manifest themselves in access to mortgage credit and homeownership opportunities. In 2018, the median income for Black households was 40 percent lower than the median for White households, and White households had a median net worth that was 10 times higher than the median worth for Black households. The recent report by Senate Workgroup on Equity and Inclusion report completed in February acknowledges these same trends in Maryland. Homeownership is a key component of building generational wealth, as home equity can enable financing of education and entrepreneurial opportunities.

The racial homeownership gap has grown since the Great Recession and has contributed to the racial wealth gap. As minority households buy homes later in life than white households and are less likely to sustain their homeownership than white neighbors. To narrow the racial homeownership gap, homeownership savings account and other policies that focus on helping households gain access to sustainable homeownership earlier in life are critical.

We respectfully request a favorable report for HB 1178.

Submitted by Claudia Wilson Randall, Associate Director, Community Development Network