

Testimony
SB 445
Education, Energy, and the Environment Committee
February 21, 2023
Position: FAVORABLE

Dear Chairman Feldman and Members of the Education, Energy and Environment Committee:

Habitat Chesapeake builds homeownership affordability in Central Maryland, with nearly 800 homes having been built and settled with affordable mortgages for families within Anne Arundel County, Baltimore City, Baltimore County, and Howard County over our forty-year history in the region. Our model for partnership starts with a unique connection with our homebuyers; they aid in building their own homes and otherwise undertake 250 hours of hours in “sweat equity” and a fifty hour homeowner education curriculum. We also partner with volunteers, and donors and supports in both the public and private sphere in order to build homes and equip first-time homebuyers with tools needed for their success, beginning with a zero-interest mortgage and then the assurance of a monthly mortgage payment that will not exceed 30% of their household income.

In order to make affordable homeownership possible for hundreds in Central Maryland, we cover two gaps: the first is the gap between what it costs to build the home and its appraisal. The second is the gap between our homebuying partner’s affordable mortgage payment and the actual total of the appraised value of the home.

While the Habitat model is distinct within the affordable housing community, it shares the concerns and burdens regarding the increasingly high cost to build—and the reality of how investing in historically disinvested communities creates an immediate gap between cost to build and appraisal amounts—with other developers and community organizations. The will to create opportunity for homeownership at lower income ranges would be greatly amplified and ensured to become a reality in production of homes if the ability to do so were aided by funding for the Appraisal Gap. The fact is that there is very little ability to provide for affordable homeownership without addressing the reality of the shortfall between the cost to build and home appraisals.

HB 625 - Expands the forms of financial assistance available under the Appraisal Gap From Historic Redlining Financial Assistance Program; altering eligibility requirements for projects that may receive financial assistance under the Program; altering the time period when applications may be submitted under the Program; repealing certain restrictions on the amount of financial assistance that may be provided under the Program; etc.

In 2021, the Maryland General Assembly passed legislation that created a public funding tool to address the stubbornly problematic appraisal gap in historically redlined and disinvested neighborhoods across Maryland. This legislation removes restrictions of the original legislation, which would make access to funds in order to establish homeownership for low to moderate income households possible in a way that is rare, or not achievable now.

Homeownership is key in rebuilding and stabilizing communities across the state, and is the key factor for establishing a path toward greater financial stability for families. It is the single largest factor in creating financial equity and the potential for intergenerational wealth for our state's families, and the crucial element in wealth creation with an eye toward racial equity. We see funding this bill as a major step toward creating homes for families in Maryland.

We respectfully request a favorable report for SB 445.

Sincerely,



Mike Posko,
Chief Executive Officer