

Maryland Department of Housing and Community Development (DHCD)

Homeownership: Empowering New Buyers

House Keys 4 Employees: A Workforce Housing Initiative

Snapshot

Maryland experienced sharp increases in home prices while incomes remained stagnant. Many Maryland workforce households began to have difficulty in purchasing a first home – the greatest obstacle for many families turned out to be saving enough money for down payment and other closing costs. In its efforts to serve all Marylanders with housing needs, the Maryland Department of Housing and Community Development (DHCD) designed and launched an innovative partnership program called House Keys 4 Employees (HK4E). This matching partnership program relies on relationships and funding among employees seeking to purchase a home they can afford, employers seeking to attract and retain quality employees, and the State. The program is a win-win solution for everyone.

Challenge

Many Marylanders could not assemble sufficient cash for the down payment and settlement costs that are necessary to take that first step to buying a home and beginning to accumulate equity and legacy wealth – something to pass on to future generations. Many families needed to move farther away from their jobs and communities to be able to afford a home purchase and many were even leaving the State. At the same time, many employers key to Maryland's successful economy and providers of critical services to communities (schools, emergency first responders, local governments, etc.) were finding it increasingly difficult to attract and retain valuable employees.

Solution

DHCD launched HK4E with funding from the State and the participation of Maryland employers who were willing to provide funds to their own employees for the downpayment and closing costs. The employers' contribution was matched *dollar-for-dollar*, up to \$5,000, by the State through DHCD's Downpayment and Settlement Expense Loan Program (DSELP), an existing zero-percent deferred loan program that received additional funding for HK4E. An added benefit could also come from others willing to contribute funds, including the homebuyers' local governments, unions, and/or nonprofit agencies. With everyone contributing, workforce households were able to use the HK4E money for closing costs along with an affordable fixed-rate mortgage from DHCD through the Maryland Mortgage Program (MMP) homeownership lending unit. The result was many new homeowners in Maryland, working close to their jobs and in their own communities, and building wealth and providing stability for their families. To date over 500 employees have purchased homes using HK4E closing cost assistance. Each borrower employee received funding from their employer for closing costs, leveraging more than \$1.6 million in total matching funds from employers and other organizations.

The partnership and leveraging opportunities provided by this highly successful model provided DHCD with the means to meet other objectives. Smart Growth is one of the objectives that the State of Maryland values. In 2007 DHCD was able to expand HK4E by adding a "Smart Growth" component, which was naturally called *Smart Keys 4 Employees*. *Smart Keys 4 Employees* provides borrowers with additional matching funds

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from DHCD if the property the borrower is purchasing is located in a Priority Funding Area and if the property is also within ten miles of the borrower's place of employment or within the boundaries of the local jurisdiction (county). Priority Funding Areas (PFA) are existing communities and places where local governments want State investment to support future growth, such as incorporated municipalities, areas inside the Washington, D.C. and the Baltimore beltways; and other areas such as designated enterprise zones, neighborhood revitalization areas, heritage areas and existing industrial land.

Utilizing HK4E, *Smart Keys 4 Employees*, along with an MMP mortgage with traditional downpayment and settlement expense loan program (DSELP) funds, the example below shows what a typical borrower could receive when purchasing a home through the Maryland Mortgage Program using an example purchase price of \$175,000.

Example: Maryland Workforce Family Buys \$175,000 Home

Downpayment & Settlement Expense Loan Program <i>(a standard downpayment/closing cost assistance product)</i>	\$3,500
Employer Contribution	5,000
House Keys 4 Employees match	5,000
Smart Keys 4 Employees doubling match	5,000
TOTAL CLOSING COST ASSISTANCE TO BORROWER	\$18,500
<i>Percentage of Purchase Price:</i>	<i>10.6%</i>

DHCD made it easy for an employer to become a partner in the program. The employer simply completes a one-page "Employer Participation Agreement." As soon as their agreement is received by DHCD, their employees can immediately begin taking advantage of the program. Participating employers set up their own criteria and guidelines for their employees in a manner that suits their needs (i.e., length of time with company, within certain radius of employment, amount of contribution). It is the employer's responsibility to ensure that their contribution is made available at the settlement table.

Once an employer signs up as a partner in the program, all the employee needs to do is present the employer with a Verification of Partner Contribution Form, which the employer uses to indicate how much of a contribution they are providing. The employee then gives the form to a private lender who participates in DHCD's MMP homeownership lending program. Closing is easy – adding little to no additional complications at the settlement table.

Success was assured by allowing employers a great amount of flexibility and by using DHCD's existing homeownership programs. Employers can choose to contribute as little or as much as they deem necessary under HK4E; actual amounts provided range anywhere from \$1,000 to \$40,000, with the average contribution being \$3,200. The majority of contributions are in the form of outright grants to the employees; the others are typically in the form of a zero-percent deferred loan.

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Funding for the initiative comes is provided under DHCD's existing DSELP, but additional funds were appropriated by the State legislature and support and response for the program has been extremely positive. DHCD markets the program and encourages employer participation through a variety of channels, including visiting employers one-on-one, advertising in business and trade journals, hosting regional breakfast events for employers and economic development officials, and making presentations at events hosted by various trade and advocacy organizations (such as Maryland Hospital Association, Maryland Municipal League, Maryland Association of Counties, local Chambers of Commerce, and local chapters of the Society of Human Resource Managers).

Measurable Results

The program has been a great success. More than 500 families have purchased a home with HK4E cash assistance and over 80 employers (with a total employee pool of more than 180,000 employees) are signed up. Employers cover a wide range and include hospitals and higher education institutions (such as Johns Hopkins Health System and University – the largest private employers in the State) and very small employers with as few as two employees. Other participants are Under Armour (known to athletes worldwide), eight municipal governments and ten county governments and school systems and the State of Maryland (assisting police, teachers, firefighters and other key service employees).

HK4E has become a major component of the State's commitment to promote, create, and sustain affordable/workforce homeownership opportunities for Marylanders through the Maryland Mortgage Program (MMP) and has added to the great success of that program as well. MMP recently achieved the highest annual volume of loan reservations in over 20 years. In FY 2007, MMP mortgage purchases reached a record-breaking ¾ billion in total dollars loan amount.

The HK4E partnership concept with employers has been so well-received and efficient for DHCD that we have recently expanded the "partner-match" model to builders and developers and to foundations or nonprofits (called "community partners"). Under these partnerships if a builder/developer or a community partner provides a contribution to a homebuyer, we will match the partner's contribution up to \$5,000.

The HK4E model can be easily replicated and quickly implemented. It leverages non-State resources and makes effective use of partnerships with both private and public sector employers and with economic development officials. It will allow DHCD to be prepared for anticipated increased demand for workforce housing in Maryland resulting from the U.S. military's Base Realignment and Closure (BRAC). And we believe that this model is one we can share with other state housing finance agencies around the nation.