Category: **Homeownership**
Sub-Category: **Empowering New Buyers**
Entry Name: **Homeownership for Individuals with Disabilities**

"The entire state is stronger when our citizens with disabilities fully participate in their communities."

- Governor Martin O'Malley

Maximizing Limited Resources

For more than a decade, the Maryland Department of Housing and Community Development offered a homeownership program for borrowers with disabilities. Using innovative financing, Maryland has been able to greatly expand that program to include households where one of the borrowers has a son or daughter who is disabled.

The new, expanded criteria have made it possible for working families such as that of 51-year-old Mark Nobel to enjoy the benefits of homeownership for the first time. Nobel and his wife are disabled and they have a disabled child. Thanks to the expanded criteria, Nobel's family was able to qualify for a $289,000 mortgage on a home in White Plains, Md. that they could not have gotten under the old rules.

These often are difficult cases, where the problems working families face because of low income are compounded by health complications. Their disability can sometimes limit opportunities to find better paying jobs. Individuals often find themselves rubbed raw and drained just trying to negotiate the health care bureaucracy. Meanwhile, they often find the availability of quality, affordable, housing equipped to meet their special needs severely limited.

For individuals with disabilities, the opportunity for homeownership can make a significant difference in their lives and in the lives of their families.

The Maryland *Homeownership for Individuals with Disabilities Program* defines a disability as a physical or mental impairment that substantially limits one or more major life activities (for example, hearing, seeing, speaking, sitting, standing, walking, concentrating or performing manual tasks). The definition does not include a person whose disability is based solely on any drug or alcohol dependence.

Until recently, the program was funded strictly through state funds that are appropriated through Maryland's legislature. In order to maximize limited state resources, the department began to blend tax-exempt mortgage revenue bond funds with state funds.

DHCD developed specific criteria to determine the amount of tax-exempt mortgage revenue bond proceeds that would be put into each loan. Based on that criteria, a financial model was developed that took various factors into consideration, such as the maximum underwriting ratios, loan-to-values that eliminate the need for mortgage insurance, and a target interest rate on the blended loan that will be affordable to the borrower. The interest rate for the bond-funded portion of the blended loan is set at the current Maryland Mortgage Program two-point, 40-year interest rate; the interest rate on the state-funded loan portion may be as low as zero percent. The goal of blending the two separate resources is to achieve an affordable interest rate on the blended loan that is within a range of three percent to five percent.

Maximum underwriting ratios of 30 percent / 38 percent are used as a factor in determining a borrower's eligibility so that borrowers with excessive long term debt would not be "rewarded" with a lower interest rate. Closing costs may be financed in the loan up to the maximum LTV/CLTV of 105 percent and a minimum cash contribution of only $500 is required from the borrower. All borrowers are required to attend housing counseling prior to entering into a contract of sale. In some parts of the state, a local housing or nonprofit agency packages the loans and submits them to DHCD for approval; in the remaining areas, borrowers apply directly to DHCD.

Expanding Opportunity

In addition to providing the mortgage financing for these homes, we can offer these clients assistance through the state's housing rehabilitation programs, if during the life of the loan, our asset management team determines that a homeowner may be able to benefit from one of our favorable financing programs for home repairs and modifications. Another benefit that is available to borrowers under the Homeownership for Individuals with Disabilities Program is that after the loan closing, the borrowers are offered a free energy audit made possible through an interagency partnership between DHCD and the Maryland Energy Administration, called the Assisted Home Performance Program. If the audit indicates a need for energy saving improvements that would reduce household energy consumption, a grant of up to $5,000 is provided to the borrowers to make the energy improvements.

Since adopting the expanded criteria, DHCD has originated 51 loans totaling $3.3 million. The average purchase price of the program for this period was $184,679 and the average annual household income was $37,026.

As can be seen, the enhancements to the program and maximizing the available resources are making a real difference in the lives of persons with disabilities by opening up the doors to affordable and sustainable homeownership.

The Homeownership for Individuals with Disabilities Program is an excellent example of how innovative financing, such as the blending of state funds with the proceeds from the sale of tax-exempt mortgage revenue bonds, can successfully address the critical issue of providing opportunities for persons with disabilities who may not have otherwise been able to achieve the dream of affordable and sustainable homeownership through the conventional market.