NCSHA 2009 AWARDS
Maryland Department of Housing and Community Development

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."

BACKGROUND

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 have a son or daughter who is disabled.

The Maryland *Homeownership for Individuals with Disabilities Program* increases homeownership opportunities for households in which the borrowers or their children have a disability. For this program, disability is defined 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 bonds with these state funds.

DHCD developed specific criteria to determine the amount of tax-exempt mortgage revenue bond proceeds that it would 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 successfully complete housing counseling prior to entering into a contract of sale. In most parts of the state, a local housing or nonprofit agency packages the loans and submits them to DHCD for approval; in the remaining areas of the state, borrowers apply directly to DHCD.

In addition to providing the mortgage financing for these homes, DHCD 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 the 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 suggested energy improvements.

Since July of 2007, when the department started blending bond funds with state funds and expanded the program to include borrowers with disabled children, the department has been able to help 51 families receive loans totaling $3.3 million. The average purchase price for the program during 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.