



MEMORANDUM

To: The Honorable President and Members of the Baltimore City Council
c/o Natawna Austin, Executive Secretary

From: Alice Kennedy, Acting Housing Commissioner



Date: December 1, 2021

Re: City Council Bill 21-0174 Baltimore City Senior Homeowners Grant Program

Bill Background

If enacted, City Council Bill 21-0174 would establish the Baltimore City Senior Homeowners Grant Program and charge DHCD with the administration of the program. The purpose of the program is to stabilize Baltimore's neighborhoods and retain valuable long-term residents by providing grants to seniors who are vulnerable to the loss of their homes due to a reverse mortgage.

Reverse Mortgages

Reverse mortgages have been disproportionately marketed to lower income African Americans in urban cities such as Baltimore, Philadelphia, Pittsburgh, Detroit and St. Louis. Often, these mortgages are sold utilizing pressure tactics, and without providing older adults with clear understanding of terms of the loan product. Some of the common terms in reverse mortgages require that the homeowner continue to pay for homeowner's insurance and property taxes after a reverse mortgage is finalized. If these are not paid, the mortgage company can undertake foreclosure proceedings.

With a reverse mortgage loan, typically payment does not become due until the borrower:

- moves out
- sells the home
- passes away
- does not maintain the property
- doesn't pay taxes or insurance
- fails to follow the loan guidelines

The full amount of the loan becomes due when one of these events is triggered. The lender will start proceedings through requesting what is due and payable on the mortgage. If the borrower



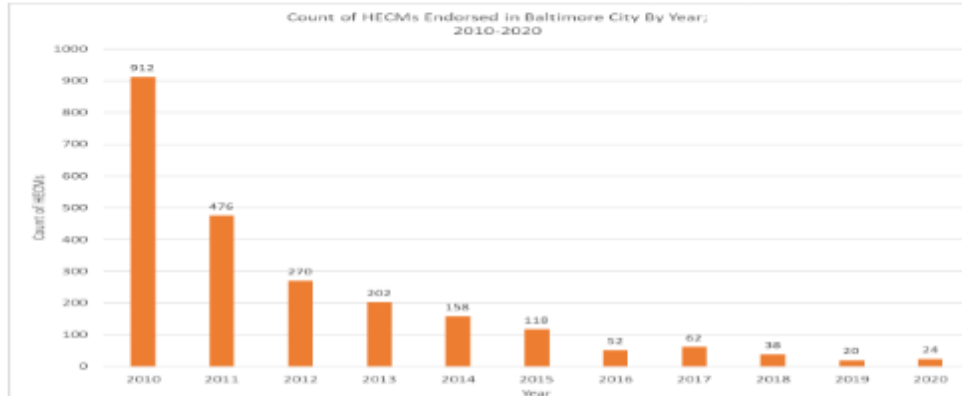
or heir cannot pay back the loan, which is typically the loan balance or 95% of appraised value, then the lender takes possession of the home through foreclosure proceedings.



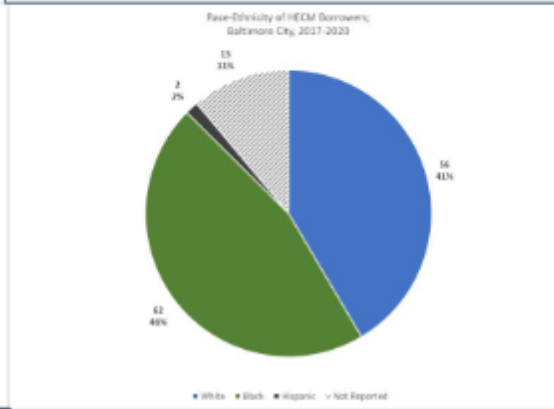
Figure 1, Reverse Mortgage Data

Data Analysis completed by DHCD's Research & Analytics Team. Data Source: MD State Foreclosure Database.

HOME EQUITY CONVERSION MORTGAGES (HECM) AKA REVERSE MORTGAGES



USA TODAY found that reverse mortgages end in foreclosure six times more often in predominantly black neighborhoods than in neighborhoods that are 80% white.



White	75th Pctl	25th Pctl	Median
Initial Principal Limit	\$ 122,049	\$ 63,945	\$ 93,585
Maximum Claim Amount	\$ 207,000	\$ 125,000	\$ 165,750
Black	75th Pctl	25th Pctl	Median
Initial Principal Limit	\$ 102,930	\$ 52,012	\$ 79,034
Maximum Claim Amount	\$ 170,000	\$ 100,000	\$ 136,500

Initial Principal Limit = Maximum amount borrowed
Maximum Claim Amount = Home Value

Existing DHCD Programs

DHCD supports the intent of the program, although we do not currently offer grants to seniors vulnerable to the loss of their homes due to a reverse mortgage, we currently offer several home repair assistance programs, all geared to assisting low- and moderate-income residents. These programs lessen other financial burdens of homeownership and free up resources that may decrease the chances of foreclosure caused by inability to maintain the property, pay taxes or insurance. DHCD programs aid seniors through both deferred loan and grant opportunities, depending on the program and available funds. The program prioritizes residents 50% AMI and below, with a high priority on residents 30% AMI and below, as well as residents with health problems, and children in the home. These programs provide up to \$25,000, and in some instances, can provide additional assistance depending on which program, and leveraging funds across programs.

DHCD also partners with thirteen non-profit and healthcare providers to offer our **Housing Upgrades to Benefit Seniors (HUBS)** program. HUBS serves residents of Baltimore with social workers based at HUBS sites who provide application assistance to older adults to determine home improvements that will make their houses healthier and more secure. Older adults may be eligible for Home Safety Improvements (e.g., grab bars, handrails); Home Rehab Services (e.g., roof repair, plumbing repair); Energy Efficiency Modifications (e.g., LED and CFL light bulbs); Weatherization Services (e.g., insulation, caulking of foundation.)

DHCD currently conducts a “no wrong door”, single point-of-entry for programs through the LIGHT Intake & Assessment Unit to best coordinate the delivery of a variety of no- and low-cost services to help Senior homeowners become more self-sufficient, safer, more stable and healthier in their homes.

The agency’s Office of Homeownership & Neighborhood Preservation, Office of Rehabilitation Services also offers the following programs:

- **Accessible Homes for Seniors** - Grants and Loans to assist homeowners make accessibility-related improvements.
- **Deferred Loan Program** - Deferred loans to assist homeowners correct major housing deficiencies and serious health, code and safety issues.
- **Emergency Roof Repair Program** - Forgivable loans (5 year) for roof repair or replacement to homeowners who are aged 62 and older or who have disabilities.
- **Energy Savings Loan Program** - Deferred loans to assist homeowners make their homes more energy-efficient.



- **Home Preservation Program** - Deferred loans and grants to assist homeowners correct major housing deficiencies and serious health, code and safety issues.
- **Lead Hazard Reduction Grant and Loan Program** - Loans and grants to assist homeowners and landlords lessen the risk of lead poisoning. For families with a pregnant woman or a child under age 6 living in the house or a child who does not live in the house but spends a specified period of time at the property. DHCD's Lead Hazard Reduction Program does a lot of work with older adults because they have multi-generational homes with children under age of six living with them, or they have qualifying visiting children under age of six.
- **Maryland Housing Rehabilitation Program** - Below market-rate and deferred loans to homeowners and landlords to correct major deficiencies and serious health, code and safety issues.

Homeowners without their names on their deeds is an all-too-common problem facing our legacy households. Without their names on the deeds to their property's individuals are ineligible for property tax credits, home improvement programs, and other sources of assistance that can lower household expenses and help make it easier to pay bills. Often times younger generations living in the family home are faced with large lump-sum property tax bills without the resources to pay them and find themselves ineligible for assistance programs because of "bad deeds." DHCD actively works with The *My Home, My Deed, My Legacy* initiative to help homeowners make changes to their deeds. Working with residents to do estate planning can assist with the avoidance of a reverse mortgage foreclosure and help promote generational wealth.

DHCD Analysis

DHCD has operational and fiscal concerns regarding the implementation of the proposed legislation which represents an unfunded mandate and is duplicative of many services and resources the agency already provides.

Eligibility

The Legislation calls on participants to meet certain eligibility requirements for participation in the program. The eligibility requirements for program participation are laid out on page 2, beginning on line 25 through page 3, line 15 of the proposed legislation. An applicant is eligible if they are;

- 62 years of age or older
- The home is the applicant's principal residence
- The applicant has never been in default with their reverse mortgage.
- The home is not an unsafe or unfit structure as described in the BFRC

- Provide documentation that they are able to pay or to secure other grants to pay any costs in the excess of the maximum grant amount awarded by the program
- Hold the title to the home, demonstrate that they will hold title to the home or reasonably expect that they will hold title to the home

This legislation defines principal residence as the location where an individual regularly resides and is the location designated by the individual for the legal purpose of voting, obtaining a driver's license and filing income tax returns. If the intent of this Bill is to provide grants for senior homeowners the Bill should be amended to clarify that it is for homeowner occupied properties. As written, proof of principal residence is open to tenants that could provide sufficient documentation that they meet the residency requirements.

Prioritization

The Legislation requires that funds be prioritized for applicants with a household income at or below 60% of Baltimore City's Area Median Income. This is higher than the thresholds currently used by DHCD, our programs prioritize residents 50% AMI and below, with a high priority on residents 30% AMI and below. Additionally, limiting the Household Income to at or below 60% of the City's median income or less, may limit the use of various funding sources with their own income limitations. Eligibility requirements should be left to the Department to develop Rules and Regulations to most effectively carry out the legislation geared towards those most in need.

Program Procedure

As drafted the Legislation calls on the Department to administer the Baltimore City Senior Homeowners Grant Program and provide funding to eligible residents who are vulnerable to the loss of their homes due to a reverse mortgage. Under the discretion of the Department the legislation allows for the issuance of a grant of up to \$5,000 to an accepted applicant and requires they provide proof of payment of costs associated with the reverse mortgage.

DHCD has concerns around the additional staffing capacity this program would require to evaluate grant applications and verify eligibility requirements laid out in the Bill. The Department of Finance anticipates the program would cost \$756,632 and additional staff would be needed to complete application verification and process grant distributions. Software upgrades may also be needed to manage the application process. DHCD anticipates a high demand for the Senior Homeowners Grants Program and would anticipate the need for at least additional staff including:

- (1) Operations Officer I
- (1) Office Support Specialist III
- (10) Grant Services Specialist II

Funding

It is unclear how this legislation will be funded, barring a funding source DHCD does not currently have the financial capacity to implement the Baltimore City Senior Homeowners Grant Program.

This legislation is a companion Bill to City Council Bill *21-0172 Baltimore City Legacy Residents – Urban Homesteading Program* the purpose of which is to revitalize and stabilize Baltimore City's neighborhoods by providing legacy residents with an affordable pathway to homeownership and City Council Bill *21-0173 Baltimore City Home Repairs Grant Program* which would provide grants for home repairs to eligible Baltimore City Homeowners. Taken together they are collectively referred to as "House Baltimore" and should be considered in tandem.

It has been suggested by the sponsor of the legislation that the Administration should designate \$200 million from the American Rescue Plan Act funding to pay for this legislation. It is unclear if Federal funds, which must be used for COVID related impacts, could be used for the purpose outlined in the legislation.

Other Considerations

As written the legislation would take effect on the 30th day after the date it is enacted. DHCD would recommend an amendment to move the effective date to 180 days after enactment to allow the agency time for additional hiring and program design. DHCD does not presently have the organizational capacity to stand up and implement the Baltimore City Senior Homeowners Grant Program in a 30-day time period.

Closing

DHCD is an active participant in the Baltimore City [Tax Sale Workgroup](#) which is charged with studying and making recommendations on improving the Baltimore City tax sale process. The workgroup is co-chaired by Baltimore City Deputy Chief Administrative Officer Daniel Ramos and Executive Director of Neighborhood Housing Services (NHS) Daniel Ellis and membership includes internal and external stakeholders key to the City's tax sale process. It is the agencies desire to help homeowners avoid tax sale, especially older adults and legacy residents by supporting programs that will help address a root cause of a reverse mortgage foreclosure - inability to pay property taxes. By helping residents afford property taxes, creating property tax payment plans, and other tools to assist with avoiding tax sale, we would be homeowners avoid reverse mortgage foreclosure.



Keeping low-income homeowners & Legacy Residents in their homes is a key strategy to preserving affordable housing in our city. DHCD supports the intent of this legislation however the proposal laid out in this Bill is in some ways duplicative of work already underway by the Department and does not address key root causes that result in reverse mortgage foreclosures. DHCD is committed to seeking additional funding to retain valuable long-term residents by providing programs to support seniors who are vulnerable to the loss of their homes.

DHCD **opposes** the passage of City Council Bill 21-0174.

AK/sm

cc: Ms. Nina Themelis, Mayor's Office of Government Relations