



Howard County

Internal Memorandum

Subject: Testimony – Revisions to Settlement Downpayment Loan Program (SDLP)

To: Lonnie R. Robbins, Chief Administrative Officer

From: Kelly A. Cimino, Director *K. Cimino*
Housing and Community Development

Date: March 18, 2021

Council Resolution -2021 requests approval of revisions to the rules governing the Settlement Downpayment Loan Program (“SDLP”) established under Title 13, Subtitle 9 of the Howard County Code; to update and add certain definitions; to remove language related to lending pools and participating lenders; to add a method of calculation to determine self-employment; to update minimum down payment requirements and qualification for certain loan types; to update loan subordination requirements; and generally relating to the Settlement Downpayment Loan Program.

Background

The SDLP program rules, which establish the criteria and procedures for settlement expense loans for income-eligible homebuyers, were first enacted in 1992 (CR 46-1992), and revised in 1996 (CR 38-1996), 1998 (CR 102-1998), 2000 (CR 152-1999), 2009 (CR80-2009) and 2011 (CR147-2011).

Based on changes in mortgage lending standards, staff has determined that several revisions to the regulations are necessary. These changes will help to clarify the qualification requirements and mitigate some of the lending risk inherent in a homeownership assistance program. The changes are also consistent with the regulations of the DSELP program administered by MD DHCD.

Proposed Revisions

The proposed program revisions are described on the attached chart.

Fiscal Impact

An analysis of SDLP loan activity for FY18 – FY20 is attached. For FY21 through 2/28/21, 13 MIHU buyers received SDLP loans, including 7 Workforce Initiative loans, totaling \$312,151 and 24 non-MIHU buyers received SDLP loans, including 6 Workforce Initiative loans, for a total of \$499,518.

See attached. The Department is budgeting \$1,500,000 for SDLP loans in FY22 as part of a continued commitment to increase the rate of homeownership in Howard County. Loan funds are

derived from the Department's Community Renewal Fund.

The Department of Housing and Community Development and the Housing and Community Development Board recommend approval of this legislation.

Encl.

cc: Calvin Ball, County Executive
Jennifer Sager, Legislative Coordinator

ATTACHMENT 1

Proposed Changes to Settlement Downpayment Loan Program:

Update Definitions	Annual household income
	Self-employed and business income
	Child support payments
	Income from full-time students
	Co-signers and co-borrowers
	Housing choice voucher
	Homeownership revitalization area
	Liquidable assets
	Primary lender
	Other loans
Use of loan	Minimum downpayment required by loan type
	Revitalization loan for short sale or bank owned property
Due on sale, default, change in occupancy	Loan due at end of term of primary mortgage
Remove language	Participation by lenders and lending pool

ATTACHMENT 2

SDLP ANALYSIS:

	FY20		FY19		FY18		Total	
	Amount	Loans	Amount	Loans	Amount	Loans	Amount	Loans
<u>SDLP Loans</u>								
Non MIHU	600,790	54	885,151	75	645,339	57	2,131,280	186
MIHU	472,070	29	468,028	33	580,984	36	1,521,082	98
	1,072,860	83	1,353,179	108	1,226,323	93	3,652,362	284

<u>SDLP Loans</u>								
SDLP	1,014,001	56	1,282,597	73	1,165,224	65	3,461,822	194
Workforce	58,859	27	70,582	35	61,099	28	190,540	90
	1,072,860	83	1,353,179	108	1,226,323	93	3,652,362	284

<u>SDLP Loans</u>								
Households served		59		75		68		202

<u>SDLP Loans</u>								
Grant Funded	120,000	5	166,222	6	84,497	4	370,719	15

<u>SDLP Loans</u>								
	<u>ZIP</u>	<u>District</u>						
	20723	3	3	10	11			24
	20759	4	0	1	0			1
	20794	3	2	5	9			16
	21036	5	0	0	1			1
	21042	1	3	0	2			5
	21043	2	12	13	5			30
	21044	4	7	19	7			33
	21045	4	7	16	16			39
	21046	2	5	2	2			9
	21075	1,2	21	18	29			68
	21076	1	22	22	11			55
	21104	5	1	0	0			1
	21163	5	0	2	0			2
			83	108	93			284