

MARYLAND

AFFORDABLE HOUSING TRUST

Maryland's Affordable Housing Trust (MAHT), one of more than 600 trust funds nationwide, uses an innovative source of funding to generate needed resources for affordable housing. The Maryland state legislature created the Trust in 1992 to establish a fund to enhance the availability of affordable housing throughout the state.

✓ Housing trust funds

Funding comes from a portion of the interest generated by title company escrow accounts. In Maryland, these accounts can generate over \$5 million in annual revenue, which is used to leverage nearly 20 times that amount of funding from other sources. In total, the combined funding is used to produce hundreds of housing units each year.

The funding mechanism is modeled after Interest On Lawyers Trust Accounts (IOLTA), which were first established as an innovative way to generate funds for legal services to the poor. Under IOLTA, lawyers are required to create trust accounts for the funds they receive from clients. If client funds are too small or held for too short a time to earn interest for the client, they are placed in a pooled interest-bearing trust account that generates interest that neither the client nor the lawyer would have otherwise received. The interest generated from the pooled account is distributed through local grants to nonprofit organizations.

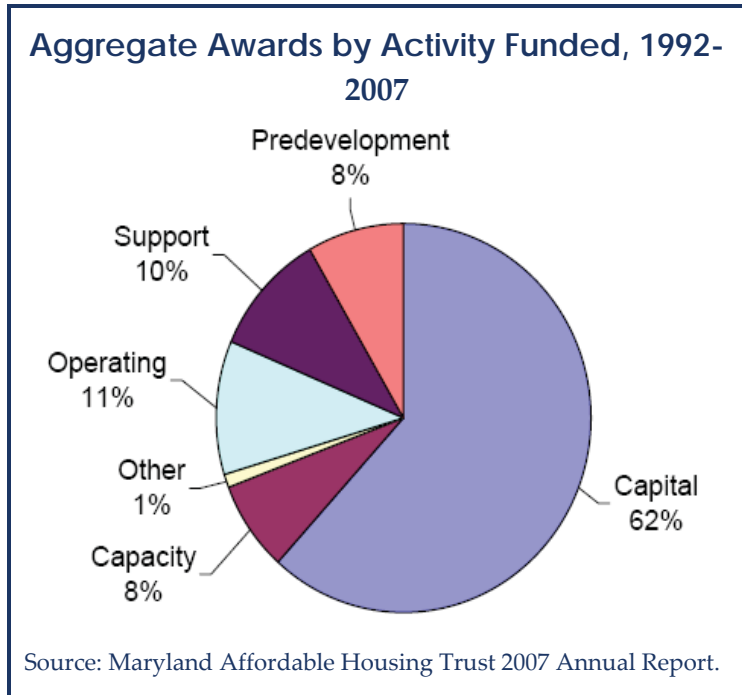
Similarly, the MAHT Act requires each title insurer or title insurance agent to pool individual client trust accounts if they are not expected to generate sufficient interest (usually \$50 or less) to warrant opening a separate interest-bearing account. Interest on the pooled account is paid to MAHT, which distributes funds via a competitive application process.

The MAHT is governed by an 11-member board of trustees and is staffed by the State Department of Housing and Community Development. The board includes representatives from eight different groups: title companies, the Maryland Low Income Housing Coalition, financial institutions, local governments, nonprofit

housing developers, for-profit housing developers, public housing authorities, social services providers. In addition, three representatives of the general public serve on the board.

Funds are distributed in two annual funding rounds in which local nonprofit organizations, public housing authorities, government agencies, or for-profit entities can apply for loans or grants. MAHT funds may be used for a variety of activities including capital costs, operating expenses, capacity building, supportive services, or predevelopment costs (see figure).

Projects eligible for MAHT funding must contribute to affordable housing targeted at households earning less than 50 percent of the area median income (AMI), with preference given to projects targeting households earning less than 30 percent AMI. Preference is also given to:



- ❖ Housing development projects that offer the longest term affordability
- ❖ Capital projects serving those most in need
- ❖ Projects providing both housing and self-sufficiency assistance for families with children
- ❖ Projects serving single adults needing single-room occupancy permanent housing

Examples of 2007 award recipients include Habitat for Humanity local affiliates, local homeless shelters, the City of Westminster Affordable Housing Initiative, and the Housing Authority of the City of Annapolis.

During FY07, the MAHT received \$5.3 million in revenue – an increase of \$1.1 million from 2006. Since 1992, they have received a total of \$29.4 million in trust account revenue and have awarded 467 grants in 53 jurisdictions. Because MAHT awards tend to only cover a portion of project costs, their goal is to use its funds to leverage dollars from other sources. During FY07 MAHT used \$4.6 million of their own funds to leverage over \$96 million in total project and program development costs. Leveraged monies came from public funds at the local, state, and federal levels as well as private financing and foundation grants.

The funding structure of the trust fund makes it vulnerable to conditions in the local real estate market. With the recent slowdown in the housing market, MAHT has seen a downturn in revenues. In addition, the structure of the trust fund, which gives control to the Maryland Insurance Administration,¹²¹ presents a challenge to managing the fund. For example, MAHT must ask permission to audit title account activities.

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-Ron Callison

Regardless, the Trust has been successful at filling a funding gap for affordable housing development by providing a stable and flexible funding source that supports a variety of activities. In the past 10 rounds of funding, the MAHT has funded 69 percent of its applicants and 51 percent of the requested funds. While

in some cases award amounts may be relatively small, Callison notes, “Some places don’t have many places to go for resources. For them, a little money goes a long way.”

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