Review of Housing Counselor Programs and the Potential for A Revolving Loan Fund for Payment of Security Deposits



Department of Legislative Services August 2016

Review of Housing Counselor Programs and The Potential for a Revolving Loan Fund for Payment of Security Deposits

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

August 24, 2016

Writers
Jason A. Kramer
Kaitlyn S. Shulman
Tonya D. Zimmerman

Reviewer
Jennifer B. Chasse

Other Staff Who Contributed to This Report
Katylee M. Cannon
Kimberly J. Landry
Kamar Merritt

For further information concerning this document contact:

Library and Information Services
Office of Policy Analysis
Department of Legislative Services
90 State Circle
Annapolis, Maryland 21401

Baltimore Area: 410-946-5400 • Washington Area: 301-970-5400
Other Areas: 1-800-492-7122, Extension 5400
TTY: 410-946-5401 • 301-970-5401
Maryland Relay Service: 1-800-735-2258
E-mail: libr@mlis.state.md.us
Home Page: http://mlis.state.md.us

Department of Legislative Services
Office of Policy Analysis
Maryland General Assembly

Warren G. Deschenaux
Executive Director

August 24, 2016

The Honorable Thomas V. Mike Miller, Jr., President of the Senate
The Honorable Michael E. Busch, Speaker of the House of Delegates
Members of the General Assembly

Ladies and Gentlemen:

The attached report, titled *Review of Housing Counselor Programs and the Potential for a Revolving Loan Fund for Payment of Security Deposits*, provides background information for the Joint Committee on Ending Homelessness for its efforts to conduct an interim study on these matters. The 2016 *Joint Chairmen's Report* included committee narrative expressing intent that the joint committee, with the cooperation of the Department of Human Resources (DHR) and the Department of Housing and Community Development (DHCD), study housing counselor programs, including available funding as well as the feasibility of developing a revolving loan fund to assist individuals in paying security deposits.

The report provides information on the current housing counselor programs operated by DHR and DHCD, information on a pilot project proposed by the Department of Health and Mental Hygiene, a review of other states homelessness programs, and a review of potential funding sources for housing counselor programs. The report also includes information on security deposit assistance programs, including security deposit loan and guarantee programs in other states and a local government in Maryland, and discusses the feasibility of developing a revolving loan fund.

This report was prepared by Jason A. Kramer, Kaitlyn S. Shulman, and Tonya D. Zimmerman, under the general direction of Jennifer B. Chasse. Katylee M. Cannon and Kamar Merritt provided administrative support. Your questions and comments are welcomed.

Sincerely,

Warren G. Deschenaux
Executive Director

WGD/KSS:TDZ /kmc

Legislative Services Building · 90 State Circle · Annapolis, Maryland 21401-1991
410-946-5530 · FAX 410-946-5555 · TTY 410-946-5401
301-970-5530 · FAX 301-970-5555 · TTY 301-970-5401
Other areas in Maryland 800-492-7122

Maryland General Assembly
Joint Committee on Ending Homelessness
2016 Interim Membership Roster

Senator Richard S. Madaleno, Jr. (Senate Chair)
Delegate Mary L. Washington (House Chair)

Senators

Joanne C. Benson.
Delores G. Kelley
James N. Mathias, Jr.
Victor R. Ramirez

Delegates

Shelly Hettleman
Carol L. Krimm
Brooke E. Lierman
Mike McKay
Edith J. Patterson
Barbara Robinson
Geraldine Valentino-Smith

Committee Staff

Kaitlyn S. Shulman
Tonya D. Zimmerman

Support Staff

Katylee M. Cannon
Kamar Merritt

Contents

Review of Housing Counselor Programs and The Potential for a Revolving Loan Fund for Payment of Security Deposits

Background

The 2016 *Joint Chairmen's Report* requested that the Joint Committee on Ending Homelessness, with the cooperation of the Department of Human Resources (DHR) and the Department of Housing and Community Development (DHCD), study housing counselor programs, including available funding, as well as the feasibility of developing a revolving loan fund to assist individuals in paying security deposits. This report provides information to the joint committee to assist in its study and consideration of these issues.

The report begins with a description of Maryland's two very different housing counselor programs, one in DHR and one in DHCD, followed by a discussion of the proposed Medicaid Limited Housing Support Services pilot program, which contains elements similar to DHR's Housing Counselor Program. The report also includes information on housing-related programs in other states, including funding sources. The report concludes with a description of security deposit assistance programs in other states and a discussion of the feasibility of developing a revolving loan program in Maryland.

Housing Counselor Programs in Maryland

Department of Human Resources

Overview

DHR's Housing Counselor Program was established by regulation in 1985. The program provides grant funds to certain jurisdictions to fund a housing counselor staff position. The staff position is generally based within an emergency shelter program or a local department of social services. The housing counselor assists homeless individuals or families (or those in imminent danger of homelessness) to obtain and maintain permanent housing. Eligible individuals and families must be receiving Temporary Cash Assistance or in the process of applying for assistance. Activities of the housing counselor include housing search assistance; developing lists of available housing resources; establishing a working relationship with landlords, property managers, and realty companies; coordinating services with clients' case managers; and assisting with issues contributing to chronic housing problems (*i.e.*, budgeting and other life skills). DHR reports that, due to staffing and caseload concerns, emergency shelter case managers are not able to provide the types of housing support services provided through the program.

In addition to funding the housing counselor position, grant funds may be used for client-related expenses such as first and last month's rent, transportation for housing searches, moving expenses, essential furnishings, credit checks, housing application fees, security deposits, utility deposits, storage, and arrearages. Each jurisdiction receiving a grant may determine whether any funds are used for client expenses. In practice, few of the grant dollars are used in this way. DHR reports that, in fiscal 2016, all funding was used for housing counselor salary costs only. However, in fiscal 2015, Baltimore City used a limited amount of funds (5%) for client expenses.

Funding

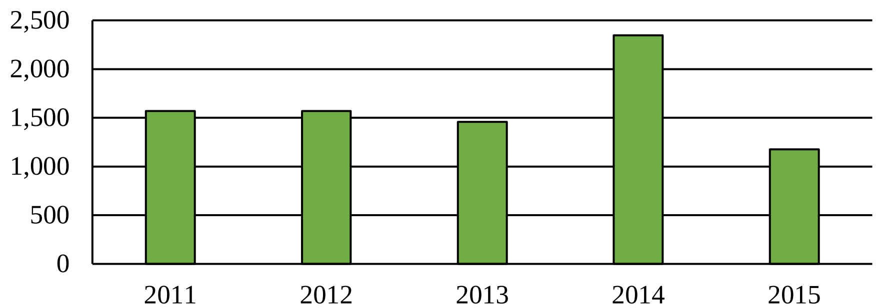
The program historically operated in five jurisdictions (Baltimore, Harford, Montgomery, and Washington counties; and Baltimore City). Limited information is available from DHR on the early operations of the program, including the reason the program was limited to these jurisdictions. The program has been level funded since fiscal 2012 at $258,414 annually. The majority of funds budgeted in DHR for the program are general funds. Annually, some funding is also budgeted from federal Temporary Assistance for Needy Families (TANF) funds; however, these funds are typically not spent due to the need for this funding in other areas of the budget. Beginning in fiscal 2016, unused funds from Baltimore City resulting from staff vacancies allowed expansion to a sixth county (Caroline). Caroline County will also receive grant funds in fiscal 2017.

Funding is used to support either one or two staff positions in each jurisdiction, with $36,916 available for each position in fiscal 2016. One jurisdiction (Baltimore County) had two positions funded in fiscal 2016. In any individual year, some funds may not be spent due to staff vacancies. Jurisdictions may supplement the funding provided by DHR with other sources. DHR requests that grantees provide information on the source of any other supplemental funding used and the percent of funding expected to come from these sources, which include funding from the U.S. Department of Housing and Urban Development (HUD), federal Emergency Solutions Grant (ESG) awards, or local funds. ESG is a grant awarded by HUD by formula. Certain metropolitan areas and urban counties receive an allocation directly. States are also eligible to receive funding, but must distribute the funds to local governments and nonprofits. ESG funds must be used for one of the following categories: (1) street outreach; (2) rapid re-housing; (3) homelessness prevention; (4) the homeless management information system; or (5) administration.

Individuals Served

Since 2011, an average of 1,624 individuals have been served annually through the program. The number of individuals served each year can be impacted by factors outside of the funding allotted such as household size or staff vacancies. **Exhibit 1** shows the number of individuals served by the program from fiscal 2011 through 2015. From fiscal 2011 through 2013, the number of individuals served was relatively stable, followed by a sizable increase in fiscal 2014 (61%) and a sharp decrease in fiscal 2015. DHR indicates that the large number of individuals served in fiscal 2014 was due to larger family sizes and that the lower number in fiscal 2015 was due in part to staff vacancies in Baltimore City.

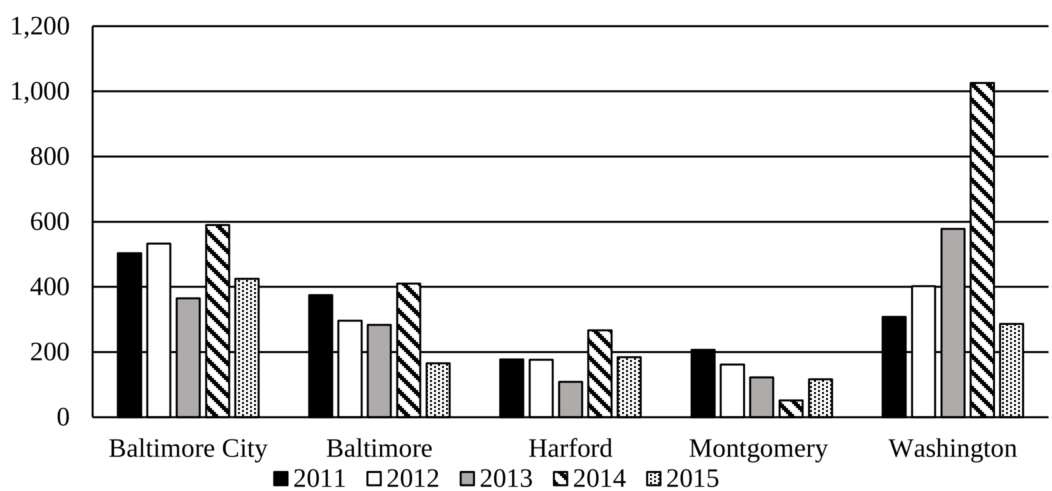
Exhibit 1
Individuals Served
Fiscal 2011-2015



Source: Department of Human Resources

The number of individuals served varies among jurisdictions, as shown in **Exhibit 2**. Most jurisdictions experienced a substantial increase in the number of individuals served in fiscal 2014. Washington County served more than 1,000 individuals, an increase of 233.0% compared to fiscal 2011, and 77.5% compared to fiscal 2013.

Exhibit 2
Individuals Served by Jurisdiction
Fiscal 2011-2015



Source: Department of Human Resources

Program Monitoring

To monitor jurisdictions' housing counselor programs, DHR's Bureau of Homeless Services visits each grantee in person at least once every two fiscal years and monitors at least 50% of grantees annually. In addition, grantees submit a monthly activity report on (1) the number of open, closed, and reopened cases; (2) case demographics (with and without children, gender, housing status, and age); (3) the number of cases receiving certain services (housing, eviction prevention, income, health, training/education, and other); (4) outcomes (the number of individuals placed into permanent housing, the number that received aftercare services, and the number who experienced a new episode of homelessness); (5) the number of individuals connected to certain services (Veterans Affairs Supportive Housing, and ongoing or temporary housing/rental subsidy); (6) destination at case closure (permanent, temporary, institutional, and other); (7) reasons for closure; (8) the number of individuals that applied for services but were not eligible; and (9) the number of individuals eligible but unable to receive services due to limited funding.

Grantees must submit monthly expenditure forms and may be asked to submit a financial audit. Grantees must also maintain case records for each client that include the client application, certain verification and declaration forms (including verification of identity and need), proof of payment for services provided, and documentation of services provided.

Department of Housing and Community Development

DHCD funds housing counseling organizations in the State; however, DHCD-funded services differ greatly from the housing counselor services under DHR's program. Unlike DHR, DHCD-funded housing counseling services do not focus on households at risk of or experiencing homelessness as State law limits the housing counseling agencies to assisting current homeowners who are experiencing foreclosure and supporting first-time homebuyer and financial education courses. While the DHCD program may have the effect of reducing homelessness by assisting those in foreclosure, its purposes are of a very different nature than the housing search assistance, landlord mediation, and connections to supportive services provided through the DHR program. In addition, permanent housing obtained through the DHR program tends to focus on the rental market rather than the homeownership market.

The National State Attorneys General Settlement, agreed to in 2012, provided a large influx of funding to the State, some of which was used for housing counseling efforts. That funding was last used in fiscal 2015 and was in addition to funds available from the Maryland Housing Counseling Fund (MHCF). In fiscal 2016, DHCD awarded approximately $4.5 million to foreclosure and homebuyer counseling agencies (the fiscal 2017 budget includes authority to award up to $4.5 million from the MHCF). Awards are provided to nonprofit organizations and local governments and range from $26,000 to $500,000. The MHCF gets funds via servicer foreclosure filing fees and borrower foreclosure mediation request fees.

These services are available through organizations in all areas of the State. A list of DHCD-supported housing counseling agencies can be found at http://dhcd.maryland.gov/Residents/Pages/HOPE/CounselorsList.aspx

Potential for Expansion of the Department of Human Resources Housing Counselor Programs

DHR indicates that, although currently limited to six jurisdictions, all jurisdictions could benefit from the program. However, given level funding of the DHR program in recent years, expansion to additional jurisdictions would result in decreased funding for jurisdictions currently receiving grants. However, with increased funding, the program could be expanded. Due to the different purposes of the two housing counselor programs and the statutory limitations on the use of the fund source for DHCD's program, the MHCF is not a viable fund source to expand the DHR Housing Counselor Program under existing statutes.

Medicaid Limited Housing Support Services Pilot

On June 30, 2016, the Department of Health and Mental Hygiene (DHMH) submitted a waiver renewal application for HealthChoice – Maryland's mandatory Medicaid managed care program. As part of the waiver renewal, DHMH is seeking federal matching funds to provide limited housing support services. The goals of the pilot are to improve integration among entities, increase coordination and access to care, reduce inappropriate medical utilization, improve data collection and sharing, increase access to housing and support services, and improve health outcomes.

Under the pilot, which, if approved, would begin July 1, 2017, local entities (such as local health departments, local housing authorities, and community organizations) would apply to deliver housing support services to up to 300 Medicaid enrollees statewide. Local entities must provide the nonfederal share of funding. According to DHMH, up to $3 million in federal matching funds will be made available over the course of the two and a half year pilot.

Pilot projects must target high-risk, high-utilizing Medicaid beneficiaries who are at risk of homelessness or currently experiencing homelessness. Target populations must meet both health and housing status criteria. Health criteria include but are not limited to (1) repeated incidents of avoidable emergency department use, hospital admissions, or nursing facility placement; (2) two or more chronic conditions; (3) mental health and/or substance use disorders; and/or (4) other complex health care needs. Housing criteria include but are not limited to (1) individuals who are currently experiencing homelessness; or (2) individuals who will experience homelessness upon release from hospitals, subacute facilities, skilled nursing facilities, rehabilitation facilities, county jails, State prisons, or other institutions. Housing interventions under the pilot would be tailored to individual needs and may include (1) tenancy-based care management services (housing search assistance, ongoing tenancy supports, and eviction prevention); and (2) housing case management services (service planning support, coordination and linkage to services, assistance in obtaining entitlements, and provision of skills coaching, financial counseling, and/or individual and family counseling). Funds from the pilot cannot be used for room and board costs.

While the pilot proposal would cover only certain Medicaid beneficiaries, the housing interventions are similar to those available under DHR's Housing Counselor Program. The pilot could be coordinated with the program to ensure either more individuals could be served in jurisdictions with existing housing counselor staff or as an opportunity to expand the program to additional jurisdictions. DHMH anticipates that the federal Centers for Medicare and Medicaid Services will decide whether to approve or disapprove the pilot program by the end of calendar 2016.

Housing Services for the Homeless in Other States

Homeless services programs vary among states and include offerings of federally funded programs (*i.e.*, distribution of ESG funds or housing vouchers), emergency shelter and/or transitional housing capital or operating funds, rental assistance, eviction or foreclosure prevention, and emergency short-term assistance (including security deposit assistance or crisis funds). However, few states appear to offer standalone housing placement and other services similar to DHR's Housing Counselor Program.

A number of states offer a consolidation of homeless services programs. These consolidated services include a variety of offerings and may include features typically found under ESG such as rapid rehousing or homeless prevention programs. States typically solicit applications from grantees designating the programs that match the services that the grantee offers. Some states designate a certain amount of funding to particular activities. For example, a number of different activities are funded under the Ohio Housing Trust Fund with a specific distribution of the funding to program areas such as Homeless Crisis Response, Support Housing, Housing Assistance, and Housing Development Assistance (see **Appendix 1** for excerpts from the 2015 Annual Report of the Ohio Housing Trust Fund that explain the funding set-asides and income targeting requirements).

In several states, it is often under an umbrella grant or fund where housing placement, search assistance, and other types of housing counseling are offered (particularly through rapid rehousing or homeless prevention components). These types of consolidated funds or block grants are offered in Missouri, Nebraska, North Dakota, Ohio, Pennsylvania, Rhode Island, and Vermont.

Consolidated programs may also be offered in conjunction with the federal ESG program. As a result, many of the requirements and funding categories are similar to ESG. Permissible uses of the funds may vary, as do the services selected to be provided by grantees. Nebraska noted that ESG guidelines allow housing stability case management as an eligible activity, but not all agencies seek funding for that activity. Housing stability case management covers costs associated with assessing, monitoring, and coordinating individualized services to promote housing stability or overcome barriers to housing for clients. Missouri noted that while housing counselor services are an eligible service under its programs, the funding (outside of a limited 10% for administrative expenses) must be spent on actual housing costs. Virginia explained that the costs of staff in a housing locator role are an eligible cost for rapid rehousing funding, but that the funding provided for this service (and other housing stabilization case management) is relatively small, with most funding provided for rent assistance and housing stabilization financial assistance.

Only three states offer homeless prevention or rapid rehousing programs as standalone programs. These programs tend to include components similar to services offered under DHR's Housing Counselor Program. Specifically, these programs (offered in the District of Columbia, Hawaii, and Rhode Island) focus on housing counseling, housing placement/location, or other housing resource staff funding. These programs are summarized briefly below:

District of Columbia: In Washington, DC, community-based organizations provide housing counseling services to renters, homebuyers, and homeowners. These services are broader than those offered in Maryland and include features found under the DHCD program rather than the DHR program. Services include foreclosure prevention and mitigation, credit counseling, budget management, managing the home purchase process, apartment locating, and education on the rights and responsibilities of tenants.

Hawaii: Hawaii offers a number of programs including a state homeless shelter program, a state homeless outreach program, a state homeless emergency grants program, and a Continuum of Care (CoC) homeless assistance program, in addition to a standalone Housing Placement Program. Hawaii's Housing Placement Program provides support in several areas: (1) cultivating and providing outreach to landlords; (2) providing client assessments, linking individuals to appropriate landlords, and landlord/client intervention; (3) providing security deposit and other monetary support to secure housing; and (4) providing counseling on becoming a responsible tenant, understanding a lease, life skills, and budgeting. The Housing Placement Program is provided by only a limited number of local agencies. The program is funded with federal TANF funds.

Rhode Island: Rhode Island has offered emergency housing staff for approximately 10 years. Staff provide information on housing resources and guidance on eligibility for programs and may also assist in completing applications for housing resources (particularly affordable housing options). The emergency housing staff are funded with state general funds. As with Hawaii, emergency housing services are only one component of the homeless services offered in Rhode Island. Through a rental assistance initiative, Rhode Island also offers an Intensive Housing Stabilization Program under which case management, budget and financial counseling, financial assistance, and housing search and placement assistance may be provided. In addition, emergency shelters and/or other services are available in every county in the state.

Funding Opportunities

Other states that provide funding to support either standalone housing counselor programs or as an eligible use of funding for a broader program (such as homeless prevention or rapid rehousing) typically use a combination of federal and state funds, likely, in part, as some federal funds require a match. Federal fund sources used by other states supporting these activities include:

- Temporary Assistance for Needy Families;
- Emergency Solutions Grant;
- Continuum of Care;
- Community Development Block Grant (CDBG);
- Social Services Block Grant (SSBG); and
- HOME Investment Partnership.

State funding for housing programs tend to come from two primary sources: (1) general fund appropriations; or (2) an additional (or share) of the tax on real estate transactions or recording fees. Nebraska dedicates a portion of its transfer tax to its Homeless Assistance Program ($0.25 per $1,000 of real estate value) and Missouri has a $3.00 recording fee on real estate documents that supports the state's Housing Trust Fund. Other state funding options include an income tax checkoff (Colorado) and unclaimed lottery funds (Arizona).

Current State Use of Potential Federal Fund Options in Maryland

A number of federal fund options noted are available in Maryland, with the exception of CoC funding, which is not administered through the State of Maryland. CoC funding is available to nonprofits, State and local governments, and public housing agencies, but the applicant must be designated by the CoC to receive the funds. CoC funding may be used for permanent housing, transitional housing, homelessness prevention, supportive services, or the homeless management information system.

Temporary Assistance to Needy Families Funding

Annually, Maryland receives approximately $229.1 million in TANF funds. In recent years, the State has also received TANF contingency funds, which are available to states with certain unemployment rates or growth and/or certain food stamp caseload growth. The amount of these funds that the State has received has varied (in fiscal 2015, the State received $25.5 million in TANF contingency funds). TANF funds are used for a variety of activities, primarily for cash assistance ($120.5 million in fiscal 2015). Funds are also used for administrative activities, child and adult social services, foster care maintenance payments, the Work Opportunities Program, and other family investment activities. As noted earlier, a small portion of these funds are budgeted annually for DHR's Housing Counselor Program, but these funds are not used for the program. DHR reports that this is the result of budgetary challenges that have required the use of additional TANF in other areas of the budget.

Hawaii uses TANF funds to support a dedicated Housing Placement Program – the program most similar to Maryland's Housing Counselor Program, while other states (including Hawaii and Oregon) use TANF dollars for other homeless services. Thus, it appears that more TANF dollars could be directed to the DHR Housing Counselor Program. However, the funds are a set amount and any use of funds for this activity would reduce available funds for other activities.

Emergency Solutions Grants

This is the most common source of federal funding as housing placement and location and support services are an eligible use of funds in programs supported by ESG. DHCD currently administers the ESG program in Maryland to support homeless shelters and services programs in 19 counties and 3 municipalities. The larger jurisdictions in Maryland (Anne Arundel, Baltimore, Montgomery, and Prince George's counties, and Baltimore City) receive ESG funds directly from HUD and are generally ineligible to apply for ESG funds distributed by DHCD. These jurisdictions are eligible to apply for funding for unaccompanied homeless youth programs only. All jurisdictions must apply for funding annually. Fiscal 2017 grants will be administered over an 18-month period. Providers of the program apply for funding through their local government, which may be used to support either local government or nonprofit programs. Jurisdictions are limited to $145,000 annually. Jurisdictions that receive funds directly from HUD but apply for funding for unaccompanied homeless youth are limited to $80,000. The grants require at least a 50% match. In fiscal 2017, DHCD has approximately $2.7 million of ESG funds available, including approximately $1.0 million of federal ESG and $1.7 million of State funds used for the program. The amount of federal funds is based on a federal allocation and may vary.

ESG funds may be used for five types of activities: (1) rapid rehousing; (2) engaging homeless individuals/families living on the street; (3) providing emergency shelter and providing essential services to shelter residents; (4) preventing homelessness; and (5) data collection of clients and services. DHCD's application notes that federal rules limit the use of funds for emergency shelter and street outreach to 60% of federal funds. Federal officials have encouraged (and Maryland is prioritizing) the use of funds for rapid rehousing.

As noted earlier, a number of states provide certain housing counselor services through ESG or similar state-funded programs; however, the services are funded as part of a comprehensive rapid rehousing program and are not funded as standalone services. The current competitive process for awarding these funds would make it difficult to isolate a share of funds to support

DHR’s Housing Counselor Program in its current structure, although the funds could be used to support these types of activities.

Community Development Block Grant

As with ESG, DHCD administers the CDBG for nonentitlement counties with a population under 200,000 or nonentitlement cities and towns with a population of less than 50,000. Entitlement jurisdictions (Anne Arundel, Baltimore, Harford, Howard, Montgomery, and Prince George’s counties and Annapolis, Baltimore City, Bowie, Cumberland, Frederick, Gaithersburg, Hagerstown, and Salisbury) receive funds directly and projects/programs in those jurisdictions apply to the local government for funding.

Maryland funds projects under two categories: community development and special projects. Projects must meet one of the national objectives including benefiting persons of low- and moderate-income and eliminating slum and blight. Additionally, Maryland’s program objectives include revitalizing older neighborhoods and established communities, leveraging funds with other programs, directing growth to existing population centers, providing essential services to low- and moderate-income persons, and supporting capital investments that support the homeless. DHCD indicates that projects typically are in one of three areas (housing, public facilities, or economic development). Community development project funding is awarded through a competitive process. Special projects may be funded throughout the year on a first come first served basis. In fiscal 2017, approximately $7.2 million of CDBG funds are available, with $4.7 million available for community development, $2.2 million for special projects, and $316,180 for administration and technical assistance. Funds may be awarded to government agencies, nonprofits, or community-based development organizations.

Eligible activities for CDBG funds include housing services (*i.e.*, counseling, energy auditing, loan processing, inspections, tenant selection, or tenant-based rental assistance), demolition or rehabilitation of buildings and improvements, acquisition of real properties, construction of public works facilities, code enforcement, and direct assistance to facilitate and expand homeownership.

Social Services Block Grant

The SSBG, as described by the federal Administration for Children and Families (ACF), allows states and territories to meet the needs of residents through locally relevant social services. SSBG funds support programs for achieving or maintaining economic self-sufficiency to reduce, prevent, or eliminate dependence on social services. DHR administers the SSBG in Maryland. Funds are primarily used in DHR’s Social Services Administration, which provides child welfare and adult services such as in-home child welfare services, foster care for children and adults, in-home aide service, adult protective services, and social services to adults. In fiscal 2015, DHR spent $29.8 million of the SSBG funds.

While ACF lists housing among the initiatives for which the funds are used (along with employment services, independent/transitional living, home-delivered meals, substance abuse, foster care, transportation, health services, case management, adoption, services to individuals with disabilities, protective services, and daycare), given the current use of funds, it is unlikely that these funds would be available for the Housing Counselor Program without a significant change in the State's priorities for use of the funds.

HOME Investment Partnerships Program

DHCD administers the HOME Investment Partnerships Program (HOME) for Maryland. This program is available to states and local governments for affordable housing. DHCD describes eligible uses of HOME funds as financing construction, acquisition and rehabilitation of rental housing, owner-occupied housing, and special needs housing. Rental housing unit projects are targeted to residents with incomes below 50% of the area median income and owner-occupied unit projects are targeted to residents with incomes below 55% of area median income. The funds are generally provided as zero interest loans and nonprofits, local governments, local housing agencies, and State government agencies are eligible applicants for the funds. HUD indicates that HOME funds may be used for direct rental assistance or security deposit assistance in addition to those activities already described; however, Maryland does not use funds in this way. DHCD spent approximately $6.5 million of HOME funds in fiscal 2015, primarily in the Special Loans Program Capital Appropriation and Rental Housing Programs Capital Appropriation in the Division of Development Finance.

Observations

DHR's Housing Counselor Program appears somewhat unique among states; however, as used by other states, there are federal and state funding options for these services. Maryland would need to determine whether this program or other programs are priorities for additional funding. Alternatively, Maryland could consider pooling its various funding streams together and allow local agencies to apply for those services that best meet that areas' needs rather than offering them as discrete programs.

Should Maryland choose to expand DHR's Housing Counselor Program, TANF, ESG, CDBG, and other funding sources could be options for additional funding. While federal funding options are available through State government agencies, these funds are used for other activities. Directing funds in this manner may require a reprioritization of the funding as the current use does not include these activities (particularly with SSBG, but also, to some extent, with TANF). In addition, a few of the funding options are administered through competitive awards and serve multiple purposes not just housing counseling services. This aspect of the program is not likely to be changed. As a result, housing counseling programs funded through these federal funds would need to qualify and receive awards under these annual processes and would not be spent directly through a dedicated housing counselor program.

Security Deposit Assistance

Security Deposits May Be Barriers to Permanent Housing

For low-income families experiencing, or at risk of, homelessness, security deposits for rental housing can be a substantial barrier to permanent housing as they require significant savings in addition to a monthly rental expense. Security deposit assistance may be targeted to individuals receiving other rental assistance or to low-income families who may be able to afford monthly payments but lack sufficient savings for a security deposit. Families may need time to build up savings or in some circumstances just need a short loan until they receive a security deposit from a prior landlord.

Federal Funding Sources for Security Deposit Assistance

Several sources of federal funding can be used for grants for security deposits including federal funds under the HOME Program, ESG funds, CDBG, and the CoC Program. The Rural Housing Stability Grant Program could also be used for security deposits when it begins operating, but currently remains unfunded. These programs vary in eligibility requirements and implementation and are granted to agencies that may have additional eligibility requirements. For example, HOME tenant-based rental assistance (TBRA) may provide loans or grants to income-eligible households for security deposits, but ESG funds may only be used for grants. HUD recommends that HOME-funded security deposit assistance be provided in the form of a grant, since loan servicing can be administratively burdensome while providing little return. In addition, the HOME Program does not permit the establishment of revolving loan funds, so the opportunity to recycle the funds is somewhat limited.

Available Assistance in Maryland

Maryland has two State programs, the Rental Allowance Program in DHCD and the Emergency and Transitional Housing and Services program in DHR, which, in part, are used for rental assistance and security deposit assistance, but this assistance is provided in the form of grants.

Security Deposit Programs

At least 26 states have state-funded security deposit programs, although many states co-mingle state and federal funds. Most security deposit programs are grant programs. In addition to these state programs, some local governments and nonprofits operate security deposit programs. Nongrant programs appear to either provide loans, guarantees, or surety bonds. There is great variation in funding, eligibility, maximum benefit amounts, and administration among these programs. A few programs in other states are described below.

New Hampshire

New Hampshire operates a Security Deposit Guarantee Fund and a Homeless Housing and Access Revolving Loan.

Security Deposit Guarantee Fund: The Security Deposit Guarantee Fund began in 1995 and receives about $30,000 from the New Hampshire general fund annually, though it has received as much as $100,000 in recent fiscal years. The program is designed to assist individuals and families in obtaining permanent housing by issuing certificates of guarantees of security deposits to landlords. To be eligible, a family/individual must be deemed a "qualified tenant," defined as a person whose household income does not exceed HUD's definition of "very low income." Qualified tenants do not need to be homeless to be eligible for the program. An applicant may be denied if the applicant lacks the monthly net income to carry the ongoing cost of rent.

Participating landlords receive a certificate that guarantees payment of the security deposit upon default by the qualified tenant. The qualified tenant pays flexible fractional payments of the security deposit to the local housing security provider until the total amount of the security deposit is paid. These payments may not exceed 5% of the tenant's net monthly income. Once the tenant pays the total deposit, the funds are transferred to the landlord and the security deposit is treated as a standard security deposit.

A landlord may make a claim to the local housing security provider for payment on a housing security guarantee with sufficient documentation. The local housing security provider has 30 days to approve, propose an adjustment, or reject the claim, and the landlord has an opportunity to appeal the decision. Of total guaranteed funds, the state pays out, at least in part, on about 20% of cases, generally in connection with evictions. If the tenancy is terminated before all periodic payments have been made, the tenant will receive a refund of the payments, provided that no claim is made by the landlord or the landlord's claim is less than the amount paid by the tenant.

The New Hampshire Department of Health and Human Services (DHHS) contracts with community action agencies (CAA) to serve as local housing security providers. DHHS provides agencies with an administrative stipend based on the number of guarantees issued in the prior year. Agencies are required to report to the department on a monthly basis, as well as provide a cumulative report in the middle of the fiscal year and at the end of the fiscal year. The stipend for each agency is split in half and distributed after DHHS receives each cumulative report.

CAAs vary in collection techniques and the ability to collect. Some agencies are diligent about following up with tenants on payments and have a higher repayment rate, while others have lost administrative funding in the past due to poor management. Tenants who have defaulted on their repayments are not allowed to participate in the program until those funds are paid back; however, the lack of data exchange between agencies makes enforcement of this policy difficult. New Hampshire reports that landlords were initially hesitant to participate, but agencies have built relationships with landlords through community outreach and reliable management of guarantees.

Homeless Housing and Access Revolving Loan Fund: The Homeless Housing and Access Revolving Loan Fund started in 2008 and is used for loans for security deposits and/or first month's rent. There is no maximum loan amount and loans will generally cover at least the full security deposit or a full month's rent. Unlike the Security Deposit Guarantee Program, currently homeless applicants, regardless of income, are eligible for this program. Thus, the program is available to help families who are experiencing homelessness due to a catastrophic event, even if they do not meet the income eligibility requirements for the guarantee program. The fund is administered by DHHS with advice and recommendations from the Governor's Interagency Council on Homelessness.

DHHS contracts with six agencies to operate the program, generally the same agencies that operate the Security Deposit Guarantee Program. The New Hampshire general fund provides $50,000 to the fund annually. Funds are for loans and may not be used for administrative purposes. Each agency sets up its own collection system. New Hampshire indicates that agencies vary greatly in collection rates and many loans are not repaid.

Connecticut

Connecticut's Security Deposit Guarantee Program provides a security deposit guarantee of up to two months of rent to landlords who rent to families who meet financial or categorical eligibility requirements. Families with gross incomes under 150% of the federal poverty level and current recipients of certain public benefits are considered financially eligible. Families may be categorically eligible if they are living in emergency shelters or hold a federal Section 8 housing voucher or a Rental Assistance Program certificate.

The Connecticut Department of Housing (DOH) enters a signed agreement with the landlord that DOH will guarantee payment of the agreed upon security deposit, in part or in whole, if the tenant moves out of the apartment and there is any damage caused by the tenant that requires repair or if the tenant owes back rent. The landlord must submit a claim for payment within 45 days after the tenant moves out. In fiscal 2017, DOH defunded the program due to budget cuts. DOH is currently amending the program to continue it in some form, which may include limiting intake to only individuals and families who are currently homeless and managing the program through the state's coordinated access networks.

Delaware

Delaware's Statewide Security Deposit Loan Program was developed to provide low-interest loans for security deposits, utility deposits, and relocation costs for income-eligible applicants. Since its inception in 1992, the program has distributed $1.7 million to 2,100 families. The program is run by a nonprofit, West End Neighborhood House. West End Neighborhood House has an arrangement with M&T Bank, which enters into a loan agreement for a maximum loan of $975 with market interest rates. This arrangement enables the borrower to establish credit. The program, through a partnership with other nonprofits, provides budget counseling and credit education to applicants who apply for loans or grants and full comprehensive case management for those who are approved. The Delaware State Housing Authority maintains a loan-loss reserve fund, managed by West End Neighborhood House, which is used to reimburse M&T Bank if the borrower defaults on the loan. If the income of an applicant is 30% of the area median income or lower, the applicant is eligible for a grant from the reserve fund.

Delaware provides about $50,000 to $60,000 for the Statewide Security Deposit Program annually. This program provides loans to about 75 people annually, with a default rate of just under 25%.

Montgomery County, Maryland

The Housing Opportunities Commission (HOC), the public housing agency for Montgomery County, Maryland, began the Rental Assistance Security Deposit Loan Program in 1998 with one-time funding. HOC stopped issuing new loans in March 2016, and instead helps families through surety bonds. Agency staff indicate that HOC continues to collect on outstanding loans.

Average annual funding for the program in recent years was $22,800, which provided funding for loans to an average of 40 households. Under the loan program, approved families could apply for a no-interest loan of up to $500. The average loan per household was $475. A 12-month loan repayment plan was set up for households. Tenants who experienced a change in income could request a change in the repayment agreement. If the change was approved, the tenant would receive an amended repayment agreement.

HOC's accounting department had technical oversight over repayments but struggled with the administration requirements of issuing reminders, tracking payments, and creating new payment plans. When an account became 60 days past due, HOC required the tenant to pay the debt in full instead of in monthly payments. In many cases, clients would move out of the apartment and tracking became impossible. The accounting department made efforts to recalculate monthly payments and bring the residents out of delinquency. Delinquency also meant a tenant could not recertify and continue living in HOC housing. Resident counselors, responsible for case management, life-skills training, and benefit coordination for clients, would often take on the task of tracking down clients and encouraging them to catch up on repayment or renegotiating a repayment plan. The Security Deposit Loan Program activities consumed a lot of the time of resident counselors and repayment rates were still low. As a result, the compliance department recommended ending the loan program in favor of helping clients with surety bonds.

In Maryland, a landlord may accept a surety bond as an alternative to a security deposit. A tenant purchases a surety bond to protect a landlord from damages to the rental premises in excess of ordinary wear and tear, lost rent, or damages due to breach of lease. Renter surety bond premiums typically cost a tenant about 10% to 20% of the deposit. A tenant may pay a landlord directly for damage or have the damages paid from the surety bond. The tenant must reimburse the surety bond for the amount paid to the landlord. While tenants who purchase surety bonds have similar protections extended for security deposits (inspection, right to receive a list of damages, *etc.*), the premium paid of a surety bond is not refundable, and the premium is not credited toward the payment of damages. The tenant also does not benefit from interest rates that would accumulate on a security deposit.

Feasibility of Developing a Revolving Loan Fund

Security deposit assistance can help low-income residents experiencing homelessness or at risk of homelessness in obtaining permanent housing by providing funds that are not held in savings by the recipient. Security deposit assistance can be employed along with other assistance programs that help individuals and families secure and maintain permanent housing. Security deposit assistance may make these programs more accessible to eligible families. Loan and guarantee programs can also help families with sufficient income but who have experienced a catastrophic event or need temporary assistance. Government loan and guarantee programs with affordable repayment terms are a better alternative for families than turning to predatory loans, but they may leave families with debts and create additional barriers to self-sufficiency. Thus, many providers may prefer awarding security deposit grants over other types of security deposit assistance.

From an administrative standpoint, security deposit loans and guarantee programs represent attractive alternatives to grants because they could require smaller assistance payments or the eventual return of funds, which could then be lent again (for loan programs), assisting more people at a lower overall cost. However, the administrative cost of these programs can be significant, especially when administrative funding for homelessness programs is more difficult to obtain. Even with sufficient administrative resources, repayment is not guaranteed. Partnerships with banks, credit unions, and community development financial institutions may allow programs to share administrative costs and could yield additional benefits such as establishing a credit history. To the extent that repayment rates are a function of administrative efforts and tenant situations, eligibility requirements can play a large role in the success of a loan program. Therefore, a tiered eligibility system of grants and loans may be worth pursuing to target loan programs and reduce administrative costs. Existing federal fund sources do not lend themselves to setting up revolving loan programs because of use restrictions, income-eligibility restrictions, and administrative restrictions. Even when federal funds may be used for loans, there are additional restrictions and documentation requirements on program income.

Surety bonds are an alternative way to help low-income families secure housing at a lower cost while providing sufficient assurance to landlords. Because families are likely less familiar with surety bonds, it is important that adequate tenant, landlord, and surety responsibility information be provided to tenants (as is required under Maryland law), if this option is used. For example, Maryland law requires that, prior to making a claim against a surety bond, the landlord must send the tenant a written list of damages to be claimed, and a statement of the costs actually incurred. Maryland law also protects a tenant’s right to dispute a landlord’s claim to the surety bond and other tenant rights in connection to surety bond providers.

Issues for Consideration in Expansion of the Housing Counselor Program and/or Development of a Security Deposit Assistance Program

In early calendar 2016, DHR and DHCD announced that there would be efforts to consolidate the administration of homelessness programs into one agency. With this effort, there is an opportunity to evaluate Maryland's program offerings. Maryland currently offers a variety of discrete programs with specific funding sources. In DHR, the funding source is primarily general funds, even when other sources are included in the State budget for this purpose. Some programs are available only in a limited number of jurisdictions, while others are available more broadly. These programs, such as the Housing Counselor Program, could be expanded, but the expansion would require additional funding to provide the same level of service in additional jurisdictions as currently exists in participating jurisdictions.

The discussion surrounding the consolidation of administration of homeless services programs could also provide an opportunity to determine whether the current programs best serve the needs of the communities, or whether some programs could be eliminated while others are expanded or new programs are offered (such as a dedicated security deposit assistance program). Another option would be to pool funding sources into a consolidated fund that provides options for communities. This flexibility could allow communities to determine which type of activity best meets local needs, similar to funding of programs for children, youth, and families through local management boards. A variety of funding sources were identified that could allow Maryland to implement options chosen in this review (*i.e.*, additional general funds, creating a dedicated revenue stream/special fund, and using available federal funds).

For the addition of a security deposit assistance program, a review would need to examine whether a dedicated program is desirable or whether current program offerings are sufficient. If a separate program is desired, a decision on whether the assistance should be provided as grants or some other structure (loan, guarantee, or surety bond) is needed. This consideration should include the administrative burdens of attempting to capture loan repayments.

Ohio | Development Services Agency

Ohio Housing Trust Fund

State Fiscal Year 2015 Annual Report

July 1, 2014 to June 30, 2015

Prepared By:
Ohio Development Services Agency
Community Services Division
Office of Community Development

John R. Kasich, Governor of Ohio
David Goodman, Director
Ohio Development Services Agency

Note: Ohio Housing Trust Fund: State Fiscal Year 2015 Annual Report. Ohio Development Services Agency. https://development.ohio.gov/files/cs/2015%20OHTF%20Annual%20Report%20Final.pdf

Funding Set-Asides

The Ohio Housing Trust Fund appropriation authority is restricted by Ohio Revised Code Section 174.02, as follows:

1	No more than 5 percent of the current year appropriation authority[1] for the fund shall be allocated between grants to community development corporations for the community development corporation grant program and grants and loans to the Ohio Community Development Finance Fund, a private, nonprofit corporation.
	In State Fiscal Year 2015, the Ohio Development Services Agency allocated **5 percent ($2.65 million)** of Ohio Housing Trust Fund appropriation authority to Community Development Corporations and the Ohio Community Development Finance Fund.
2	In any year in which the amount in the fund exceeds $100,000, not less than $100,000 shall be used to provide training, technical assistance, and capacity building assistance to nonprofit development organizations.
	In State Fiscal Year 2015, the Ohio Development Services Agency awarded **$165,000** to provide training, technical assistance, and capacity building assistance to nonprofit development organizations.
3	No more than 10 percent of any current year appropriation authority for the fund shall be used for the emergency shelter housing grants program to make grants to private, nonprofit organizations and municipal corporations, counties, and townships for emergency shelter housing for the homeless and emergency shelter facilities serving unaccompanied youth 17 years of age and younger.
	In State Fiscal 2015, the Agency allocated **10 percent ($5.3 million)** of the Ohio Housing Trust Fund appropriation authority to the emergency shelter grants program to make grants to private, nonprofit organizations and municipal corporations, counties, and townships for emergency shelter housing for the homeless and emergency shelter facilities serving unaccompanied youth 17 years of age and younger.
4	In any fiscal year in which the amount in the fund exceeds $250,000, at least $250,000 from the fund shall be provided to the Ohio Department of Aging for the Resident Services Coordinator Program.
	In State Fiscal Year 2015, the Department awarded **$315,000** of Ohio Housing Trust Fund dollars, including administration, to the Ohio Department of Aging for the Resident Services Coordinator Program.
5	Of the current year appropriation authority for the fund, not more than 5 percent shall be used for administration.
	In State Fiscal Year 2015, **4.5 percent ($2,635,000)** was expended for administration.
6	No less than 45 percent of the funds awarded during any one fiscal year shall be for grants and loans to nonprofit organizations.
	In State Fiscal Year 2015, **96 percent** of the Ohio Housing Trust Fund awarded dollars was awarded to nonprofit organizations.
7	No less than 50 percent of the funds awarded during any one fiscal year, excluding the 5 percent and 10 percent restrictions listed above, shall be for grants and loans for activities that provide housing and housing assistance to families and individuals in rural areas and small cities that are not eligible to participate as a participating jurisdiction under the HOME Investment Partnerships Act[2].
	In State Fiscal Year 2015, **61.5 percent ($ 28.4 million)** of the funds awarded[3], excluding the 5 percent awarded for Community Development Corporations and the 10 percent awarded for emergency shelter grant restrictions listed above **($7.69 million),** was for grants or loans that provide housing and housing assistance to families and individuals in rural areas who are not eligible to participate as a participating jurisdiction under the HOME Investment Partnerships Act.

[1] In State Fiscal Year 2015, the Ohio Housing Trust Fund appropriation authority was $58 million.
[2] "Rural area and small cities" means political subdivision of the state that is not designated as a participating jurisdiction under the HOME Investment Partnerships Act, 104 Stat. 4094 (1990), 42 U.S.C. 12701 note, 12721.
[3] In State Fiscal Year 2015, a total of $53, 860,207 was awarded.

Income Targeting

Ohio Revised Code Section 174.03 also includes the following income targeting requirements:

1	No more than 20 percent of the current year's appropriation authority, excluding the 5 percent and 10 percent restrictions listed previously, may be awarded for supportive services.
	In State Fiscal Year 2015, **4.2 percent ($1.97 million)** of the appropriation authority, excluding the 5 percent and 10 percent restrictions listed previously ($7.69 million), was awarded for supportive services.
2	No less than 75 percent of the money granted and loaned in any fiscal year shall be for activities that provide affordable housing/housing assistance to families and individuals whose incomes are equal to or less than 50 percent of the area median income.
	In State Fiscal Year 2015, **92.7 percent ($49.96 million)** of the money granted and loaned was dedicated to activities that provide affordable housing/housing assistance to families and individuals whose incomes are equal to or less than 50 percent of the area median income.
3	The remainder of funds not granted or loaned above shall be for activities that provide affordable housing and housing assistance to families and individuals whose incomes are equal to or less than 80 percent of the area median income.
	In State Fiscal Year 2015, **7.3 percent ($3,900,000)** of all funds granted or loaned benefitted families and individuals whose incomes are greater than 50 percent of the area median income but less than or equal to 80 percent of the area median income.
4	The Department shall give preference to viable projects and activities that benefit those families and individuals whose incomes are equal to or less than 35 percent of the area median income.
	In State Fiscal Year 2015, **19.8 percent ($10.5 million)** of the Ohio Housing Trust Fund awarded dollars were awarded to projects and activities benefiting those families and individuals whose incomes were equal to or less than 35 percent of the area median income.

Eligible Housing and Housing Assistance Award Recipients and Activities

The Ohio Housing Trust Fund provides funding to nonprofit organizations, public housing authorities, private developers and lenders, local governments, and consortia of eligible applicants that are interested in increasing affordable housing opportunities, expanding housing services, and improving housing conditions for low- and moderate-income residents in Ohio.

Grants, loans, loan guarantees, and loan subsidies may be used for:

- Acquiring, financing, constructing, leasing, rehabilitating, remodeling, improving and equipping publicly or privately owned housing;
- Providing matching money for federal funds received by the state, counties, municipal corporations, and townships;
- Providing to counties, townships, municipal corporations, and nonprofit organizations technical assistance, design and finance services, and consultation and payment of predevelopment and administrative costs related to any of the activities listed above; and
- Providing supportive services related to housing and the homeless, including counseling.