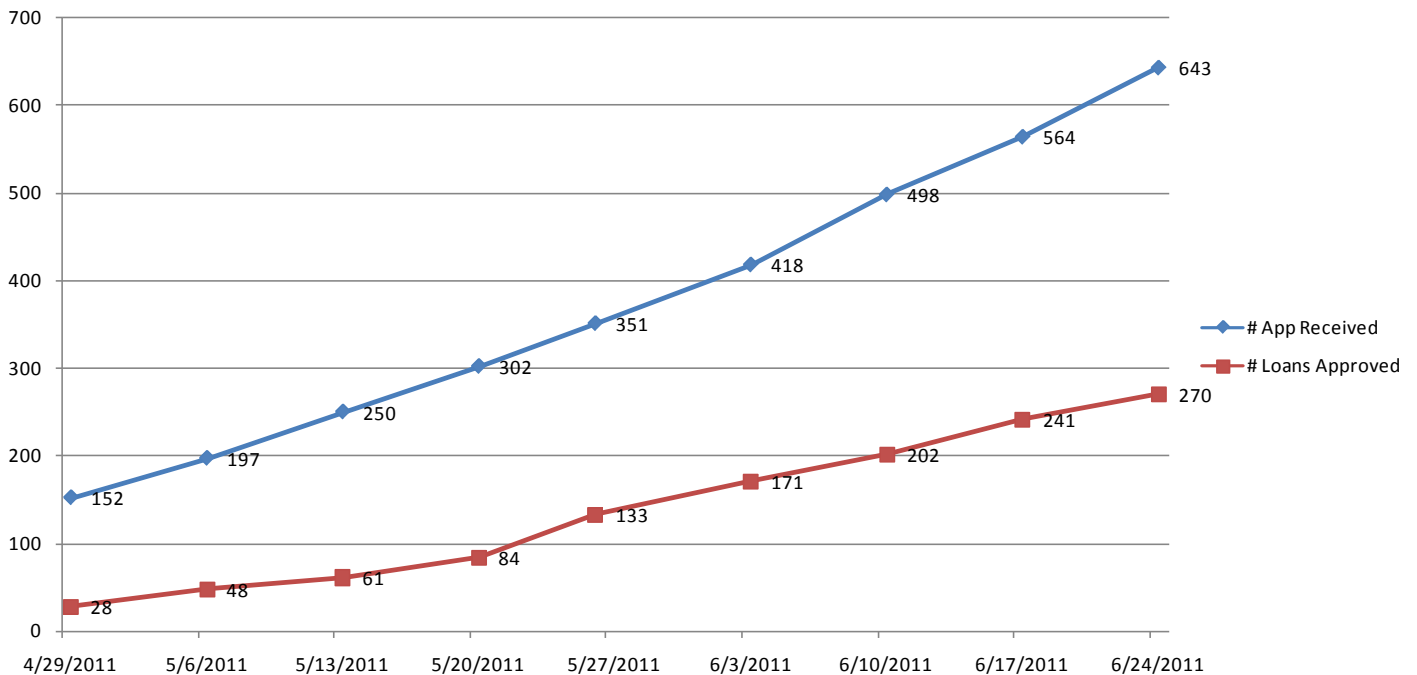


Meeting Summary

Following is a summary of issues discussed at the DHCD Stat on July 5, 2011. Analysis is provided by StateStat and the Governor's Delivery Unit (GDU).

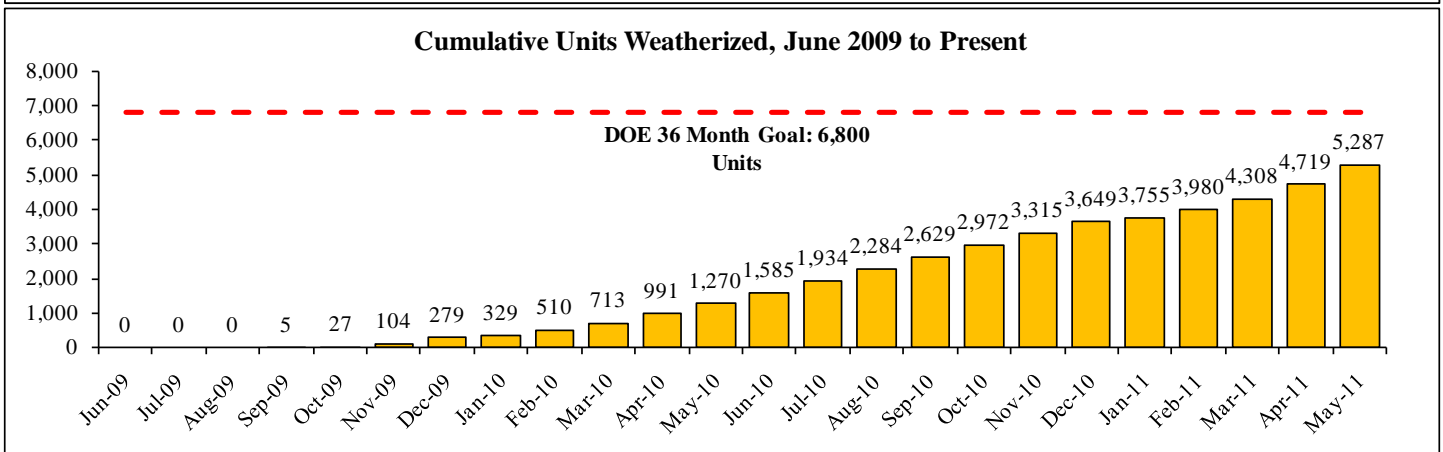
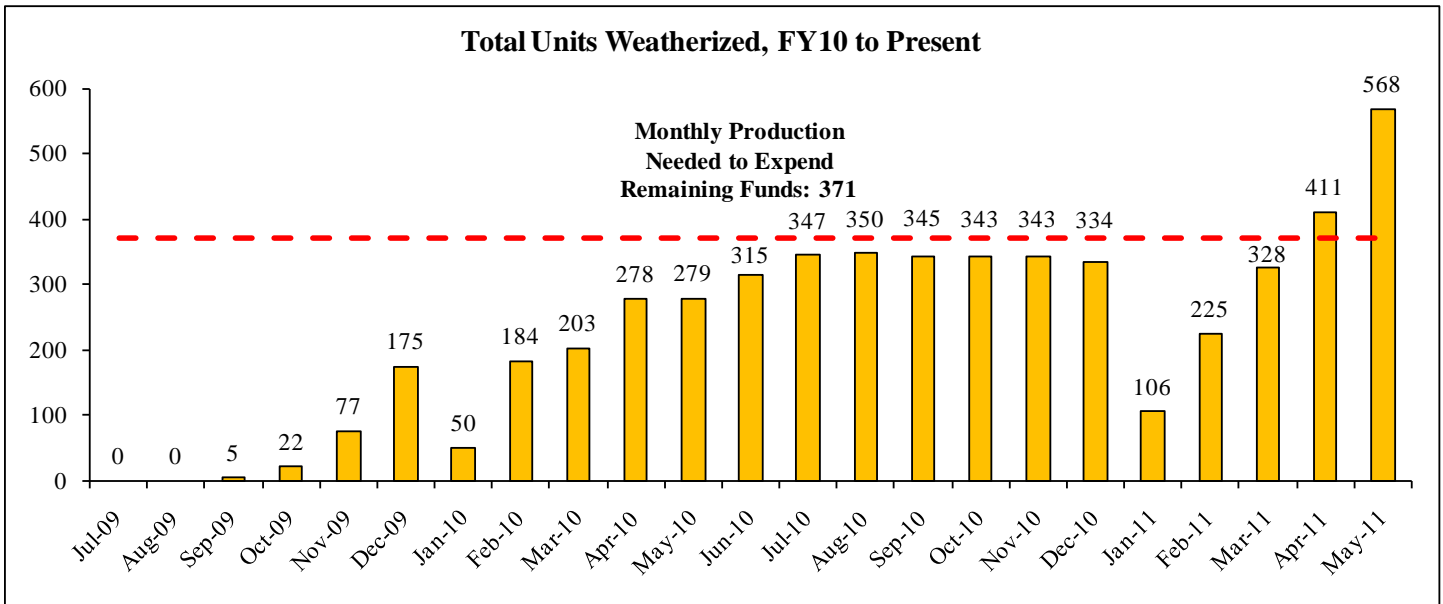
Follow-Up

- **Emergency Mortgage Assistance (EMA) Program.** The agency received a grant from the federal government for \$36 million to assist homeowners in getting current with back mortgage payments through the EMA program. The agency rolled-out its EMA program on April 1, and was the first in the country to close an EMA loan in mid-May. The agency reported at the last StateStat meeting that it was accepting applications at 12 counseling agencies and had brought on 6 temporary employees to help accommodate the rush of activity. Through the week of June 24, the agency reported that \$10 million of its grant had been allocated, coming from the approval of 270 EMA loans. The agency has also received 643 applications, and expects to allocate funds to most applicants as they work to process submitted applications. Additionally, the agency promoted the EMA program on WJZ on June 30, and will have teams knocking on doors in Baltimore City on July 14 to heighten awareness. The agency believes these activities will increase application activity, and that the agency should comfortably expend the \$36 million grant by the federal deadline in September.

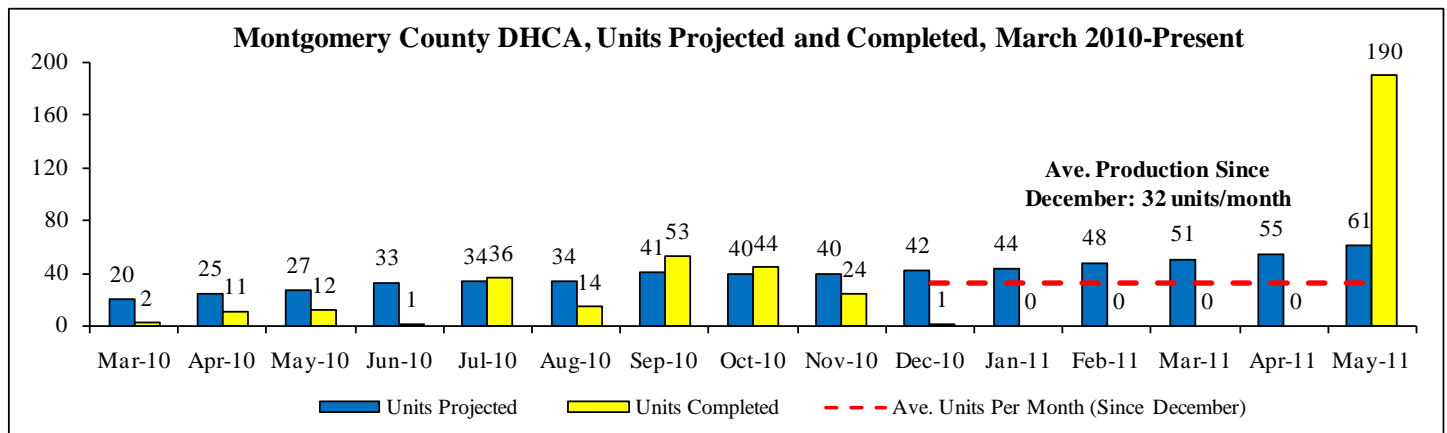


Weatherization

- Production.** The agency completed 568 units in May, virtually completing catch-up efforts after production was slowed dramatically by DOE (Dept. of Energy) audits occurring at the beginning of this year. DOE audits slowed production in January and February because state and local auditors were pulled away from their normal invoice processing duties in order to respond to DOE requests. In 2011 to date, the agency has now completed an average of 328 units per month, which is close to on par with weatherization production during the last several months of 2010. May's dramatic production increase was largely driven by the resumption of ARRA invoice processing by Montgomery and Prince George's County. The agency is projecting that it will need to produce 371 units per month over the next 10 months in order to completely expend its ARRA weatherization grant. The agency is well above pace to meet the DOE 36 month production goal of 6,800 units. The agency reported that it expected weatherization production to easily exceed 400 units again in June for a third consecutive month.



- Montgomery County DHCA.** As noted above, Montgomery County was a primary driver of May's substantial production increase. In December, the agency stopped processing Montgomery County DHCA invoices until it was able to secure access to weatherized units in Montgomery County in order to perform quality control inspections. A unit is not considered completed until the agency processes an invoice submitted by the LWA. The agency also insisted that Montgomery County DHCA resolve other internal issues, notably allowing contractors that weatherized units to perform audits on their own work, before the agency would resume processing their invoices. After several meetings with Montgomery County DHCA, the agency reported that it was satisfied with the internal changes made and processed 190 invoices in May. The 190 invoices processed in May should indicate that Montgomery County DHCA maintained production at approximately 32 units per month since December. Montgomery County DHCA will need to produce 53 units per month over the next 10 months to expend its total weatherization allocation. The agency reported that Montgomery County ceased performing work from December through February, so the 190 units processed in May were from work that occurred over a three month period. The agency further reported that 62 additional units were processed by Montgomery County in June. The agency is satisfied with the progress and changes made in Montgomery County, and expects production to easily exceed 53 units per month over the next 10 months.



- LWA (Local Weatherization Agency) Funding Reallocations.** In October, the agency decided that it would consider reallocating funds from 10 LWAs that were expending funds below expected levels. The agency submitted their plan to reallocate funds to DOE, who instructed the agency that funds could only be reallocated through a public competitive bidding process, and that funds could not be directly reallocated to an existing LWA. The agency received 5 bids for reallocated funds on May 5, and has selected three organizations (C&O Conservation, Allegheny Community Action Agency, and Howard County Community Action Agency) to receive reallocated funds and perform weatherization work statewide. Some funding has already been reallocated, as shown below. While many of the LWAs initially targeted by the agency have now increased their expenditures to an acceptable level, the agency remains concerned about Frederick CAA, Shore-Up! (serving Somerset, Wicomico and Worcester Counties) and Southern Maryland Tri-County CAC (serving Calvert, Charles and St. Mary's Counties). The agency reported that it was reallocating additional funds from Southern Maryland Tri-County CAC to C&O Conservation for a two month trial period. If C&O produces at anticipated levels, then it will assume all weatherization work responsibilities in St. Mary's County. Both Shore-Up and Frederick CAA will remain on watch as indicated below, and the agency will provide further updates on reallocations as they monitor production.

Howard County CAA Expenditures				
LWA	Total Allocation	Projected Spent Amount	Amount Spent	% Projected Spent
Howard County CAA	\$1,008,171	\$688,000	\$509,841	74.10%

Weatherization: Funds Reallocated or Shifted Between LWAs

LWA	Amount	Recipient
Frederick Community Action Agency	\$300,000 (training funds)	Allegheny County CAA
Washington County CAC	\$260,000 (funds volunteered)	Allegheny County CAA
Shore Up!	\$400,000 (training funds)	Howard County CAA
Southern Maryland Tri-County CAC	\$400,000 (training funds)	C&O Conservation

Weatherization: Proposed LWA Reallocations

LWA	Proposed Reallocation	Status
Frederick Community Action Agency	Not yet determined	Under watch until September
Shore-Up!	\$500,000 to Howard County CAA	Decision at end of July
Southern Maryland Tri-County CAC	Not yet determined	Decision after June 29 meeting

- DOE Inspector General (IG) Audits.** The IG's Office performed desk audits of weatherization processes and field audits of weatherized units during the first several months of 2011. Detailed site visits were performed at Baltimore City HCD, Montgomery County DHCA and Prince George's County DHCD. IG auditing activity concluded in early April. The next step will be for the IG's to issue a preliminary written report. The agency will then have 30 days to respond to the preliminary report, and the IG will issue a final report within 30 of receipt of the agency's written report. The agency is reporting that the IG's office has made requests for additional documents in recent weeks, but that it has yet to receive the preliminary audit report. The agency informed the panel that IG's Office requested a July 12 interview with the agency, but that a preliminary audit report is still yet to be issued.

ARRA

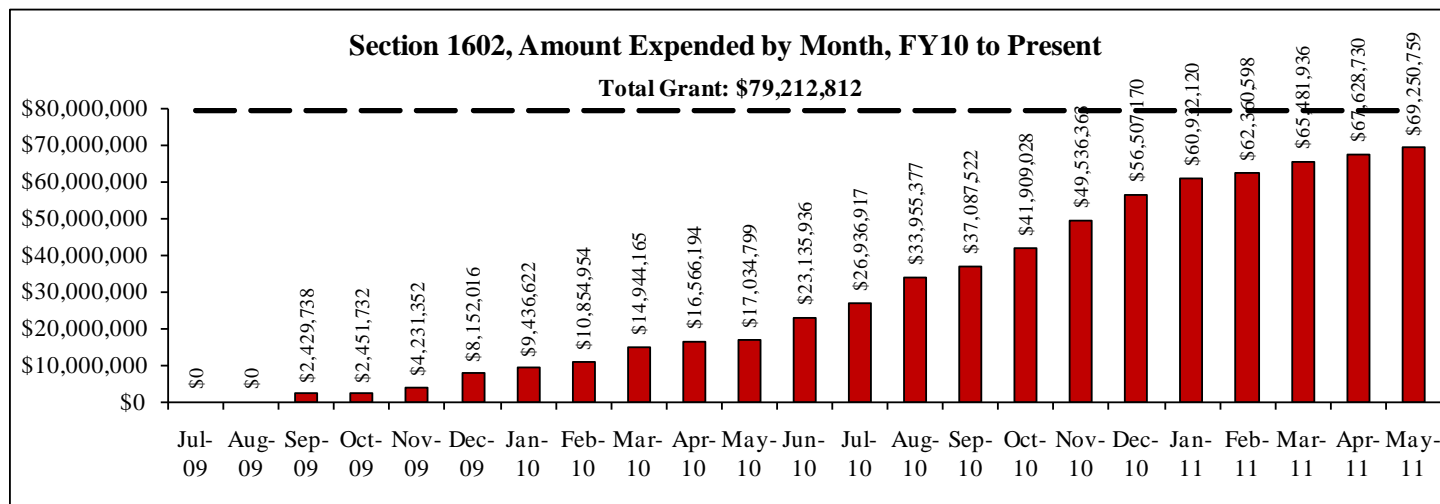
- Energy Efficiency Community Block Grant (EECBG).** The EECBG program (also known as Better Buildings or Be SMART) will provide financing for retrofits and the installation of energy efficiency measures in up to 640 single family homes, 540 commercial buildings and 14 multifamily buildings. EECBG will also fund 60 training sessions on updated energy efficiency building codes. The program held its formal launch on May 12 at DHCD headquarters, and has until June 2013 to complete expenditure of its \$20 million grant. To date, the agency has closed on one multifamily loan in Takoma Park, sub-granted \$2 million to Habitat for Humanity to perform work on single family homes, and is in discussions to close a commercial building loan in Cambridge. Roughly 10 percent of EECBG funds have been expended. The agency provided an update on commercial project activity, indicating that the Cambridge project was at committee and that a decision would be made by the end of the week. Additionally, the agency had viewed 6 potential commercial projects since the last StateStat meeting.

EECBG/Better Buildings Program

Award	Award Amount	Amount Expended	% of Award	Expiration Date
EECBG	\$20,000,000	\$1,949,869	9.7%	June 30, 2013

- Multifamily Loans.** As noted above, the agency closed on a multifamily loan in Takoma Park in May. The loan for just over \$2 million will support energy efficiency retrofits to be installed at the Edinburgh House Apartments, a 45 unit, 10-story high-rise apartment building. Of the \$20 million EECBG grant, \$6 million has been set aside for multifamily projects, with \$2 million going to the Edinburgh House project. The agency is reporting that after its MEEHA (Multifamily Energy Efficiency and Housing Affordability) program has fully committed its funds, which it expected would be complete on June 30, the remaining applications not receiving funds would be considered for EECBG. The agency reported that MEEHA funding was fully committed by June 30 as anticipated, and that 10 unfunded projects remained, valued at \$3.7 million. The agency will begin reviewing these applications for EECBG loans in July.

- Section 1602 (Tax Credit Exchange Program).** The agency's Section 1602 grant is currently 87.4 percent expended. The agency was able to satisfy the federal government requirement that 30 percent of each 1602 project's 'eligible basis' was expended by December 31, 2010. The deadline for complete expenditure is December 31, 2011. As of May 18, 5 of the agency's 14 Section 1602 projects are complete, with several remaining projects near completion. The agency reported that many of the projects near completion may require a few additional months to complete expenditures.

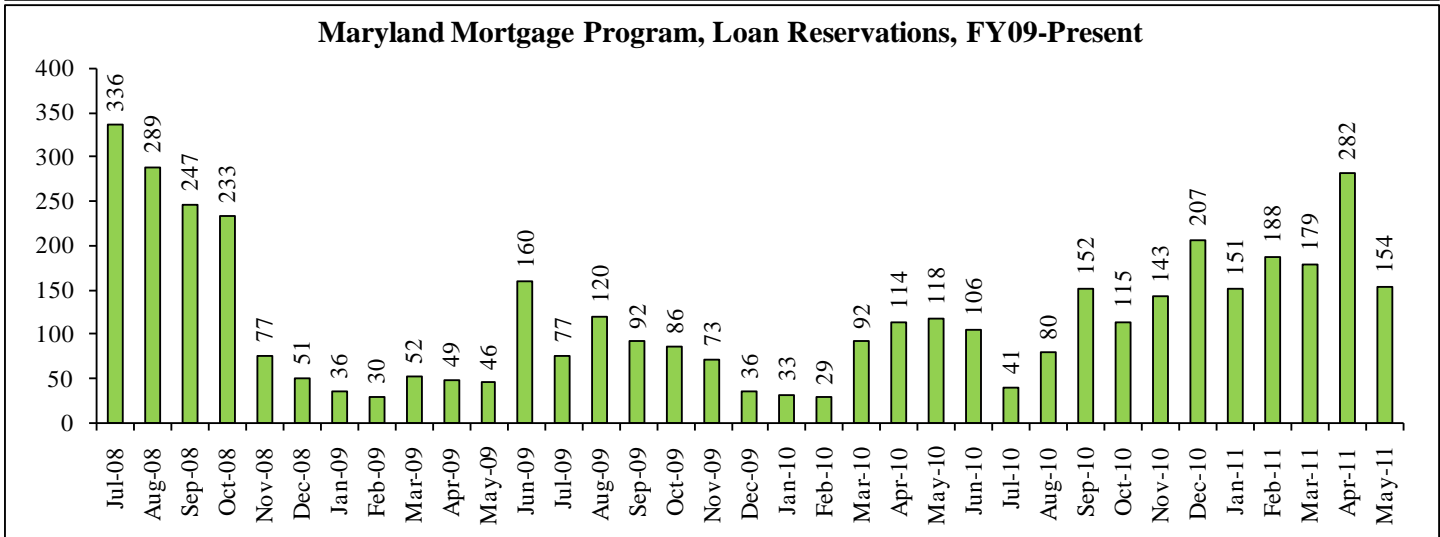
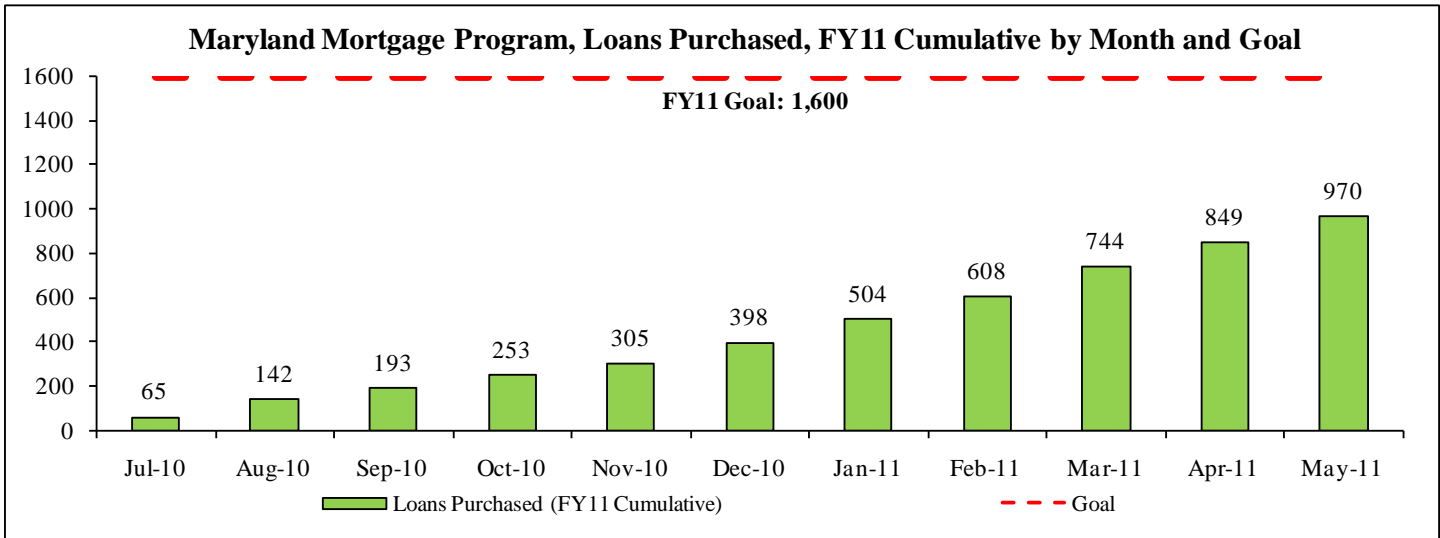


Section 1602 Projects		
Project Name	% Complete	Construction Start Date
Gilbert Highlands	100%	November 12, 2009
Calvert Heights	100%	September 29, 2009
Somerset Commons	100%	November 24, 2009
Annapolis Gardens/Bowman Court	100%	September 30, 2009
St. Stephen's Apartments	100%	July 22, 2010
Liberty Mews	96%	November 20, 2009
Braddock's Greene	95%	December 23, 2009
Woods Edge (aka Bay Woods)	95%	December 16, 2009
Penn Square	99%	March 24, 2010
Barclay Telesis	80%	June 14, 2010
Klot's Mill	87%	April 20, 2010
Hampden Lane Apartments	65%	June 28, 2010
Elkton Senior	80%	July 16, 2010
Indian Bridge Apartments	93%	July 22, 2010

Maryland Mortgage Program

- Loan Purchases and Reservations.** The agency announced at the beginning of the fiscal year that it was making a number of changes to improve the performance of the Maryland Mortgage Program (MMP). Among the changes made was the lowering of interest rates to 4.25 percent, the increase of the maximum loan offered by the Down Payment and Settlement Expense Loan Program (DSELP) from \$3,500 to \$5,000 and advertising efforts. While loan purchases under MMP have steadily increased throughout the fiscal year and picked up specifically after the transition to a mortgage-backed security (MBS), the agency is still well below its FY11 goal. Loan reservations under MMP have recently picked up, with reservations in April reaching its highest one-month total since August 2008. Over 100 loans have been purchased in each of the

last 5 months. The agency reported that its current interest rate was right on par with standard market rates, and that it anticipated growth in the program to continue over the next several months.

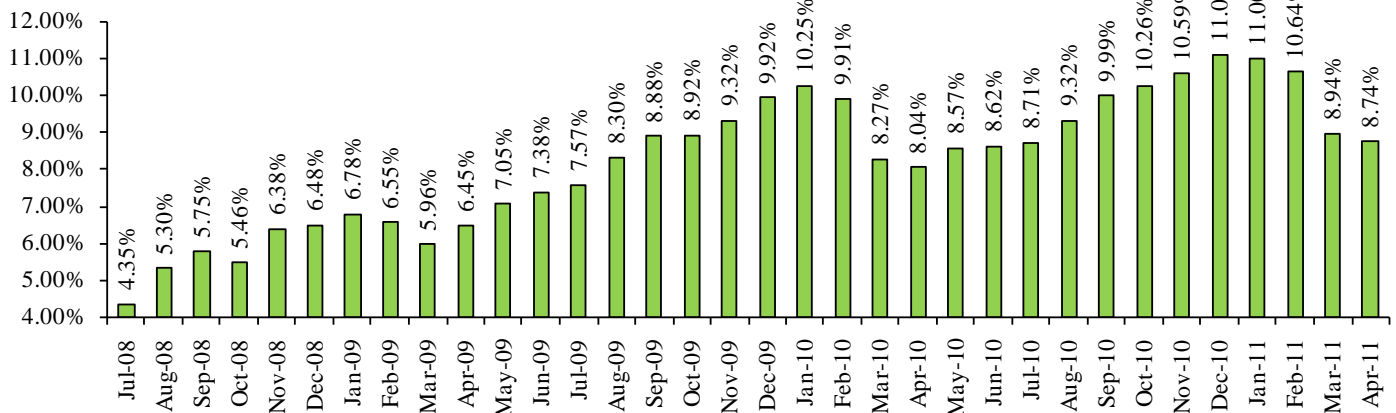


- Marketing.** At the February 9 StateStat meeting, the agency indicated that it had held back on specifically marketing the Maryland Mortgage Program during the first half of FY11 while the program transitioned to the mortgage-backed security platform. Following the February 9 meeting, the agency indicated that it planned to run 100 radio spots a week during a three week period in May, and use transit signage at Baltimore area bus shelters during May. The agency reported that MMP specific advertising had been curbed, as resources had been diverted toward promoting the EMA program discussed earlier.
- Delinquencies.** The agency reported at the February 9 StateStat meeting that it was working with its loan modification contractor, Bogman, Inc., to make a series of changes to mortgage servicing protocols in order to improve delinquency and default rates within MMP. Among the proposed changes was the selection of a second sub-servicer to assist in handling delinquencies. The RFP target date was in early May. After peaking in the winter, the '60 days delinquent + in foreclosure' rate has begun to decline slightly. Loan modification applications also grew during the winter, but have begun to decline. The agency reported that the RFP to bring on a sub-servicer had been advertised, and that the addition of a sub-servicer should greatly improve efforts to reduce delinquencies.

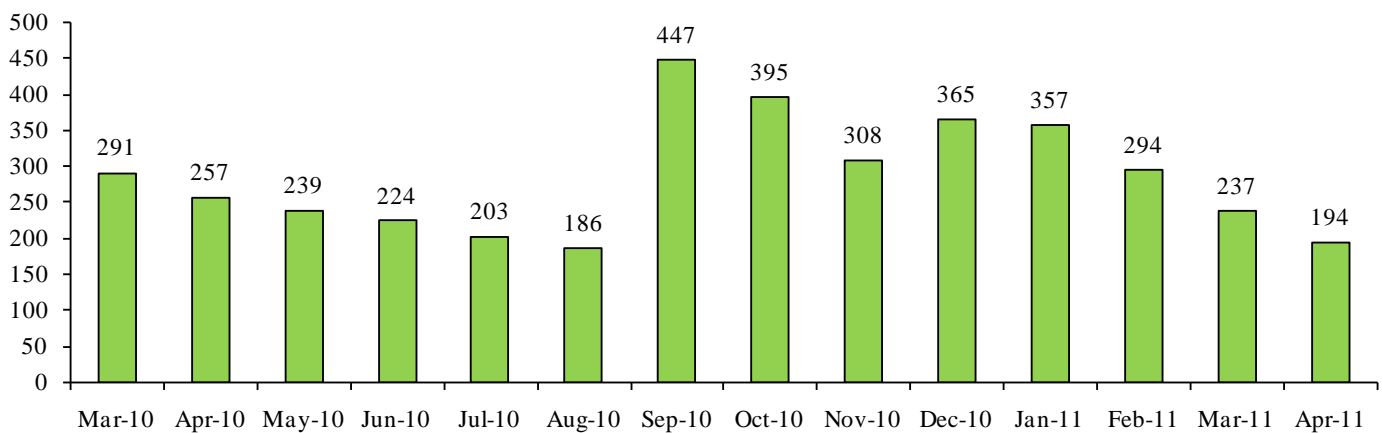
Maryland Mortgage Program: Efforts to Improve Delinquency/Default Rates

1. Bogman reorganized its collection unit and added two additional staff
2. Bogman tightened collections protocols and DHCD modified strategies related to partial payments
3. Bogman has streamlined its procedures for approving short term payment plans
4. Bogman designed a new post card to attract and motivate delinquent borrowers to contact them
5. DHCD added staff to Bogman to reach new 30-day delinquent borrowers to improve and alter outreach efforts
6. DHCD has instituted formal weekly calls with Bogman to monitor progress and results
7. DHCD discussed EMAP with Bogman and will mail info on program to all delinquent borrowers about EMAP
8. DHCD is in the process of selecting a second sub-servicer to augment its servicing resources

Maryland Mortgage Program, 60 Day + Delinquent and In Foreclosure Rate

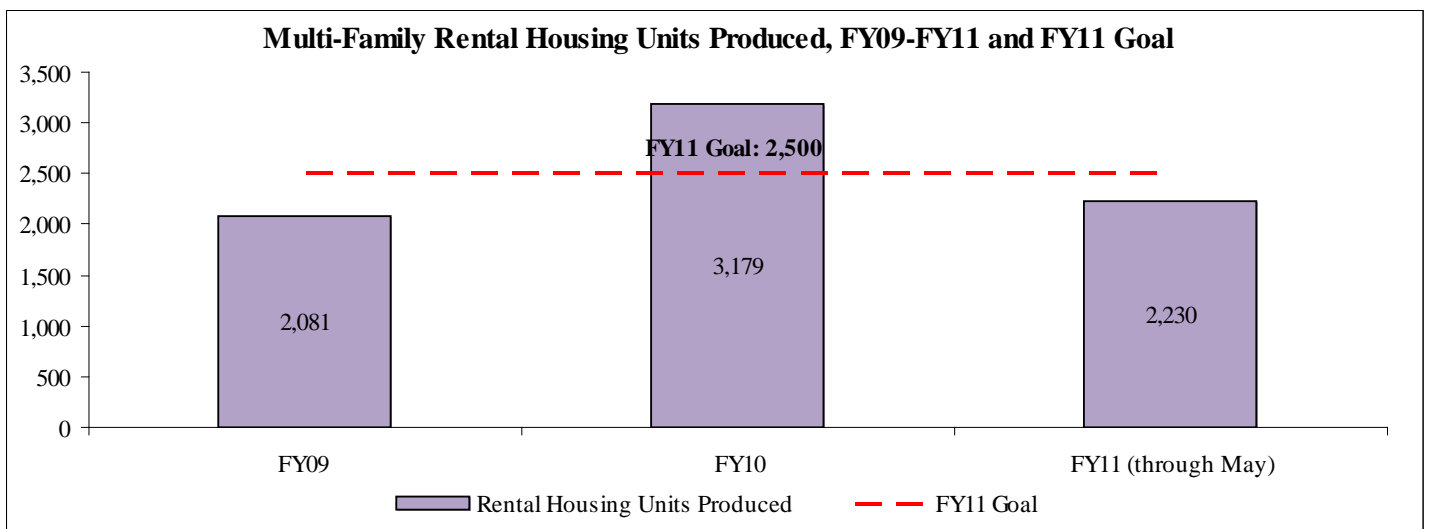
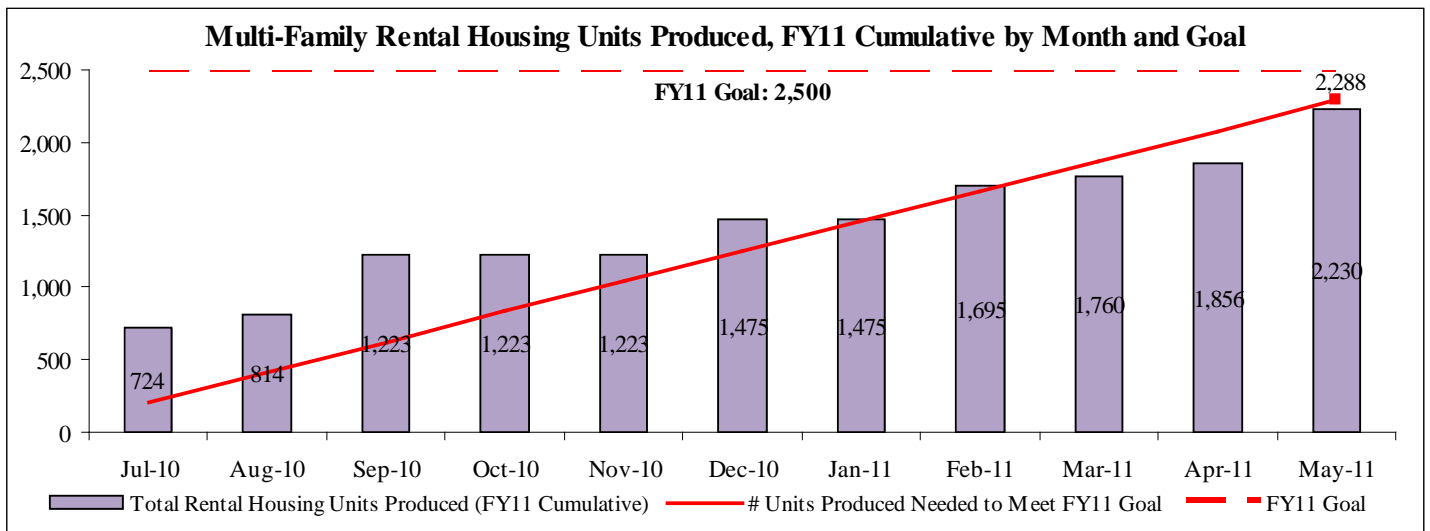


Maryland Mortgage Program, Loan Modification Applications Received



Multifamily Housing

- **Rental Housing Unit Production.** A primary goal of the agency is to expand affordable rental housing. The agency accomplishes this goal by either providing financing for the development or preservation of multifamily housing projects, or by providing rental assistance to low-income households. Rental housing units produced is a metric based on projects where the agency and borrower have closed on financing for a project and construction is about to begin. Total unit production has fluctuated over the past few fiscal years, with the spike in FY10 occurring as a result of ARRA funds that are now exhausted. Total unit production through May of FY11 is on pace to fall just short of its FY11 goal of 2,500 units produced. The agency did close the gap toward reaching its FY11 goal in May, producing 374 family housing units. The agency reported that it will end the year at 2,255 units produced, short of its FY11 goal. The agency elaborated, stating that there were two specific projects in Baltimore City that were held up by consent decrees, but are expected to close in July to begin FY12.



- Transitional Housing Unit Production.** As part of its goal to expand affordable rental housing, the agency offers grants for the construction and rehabilitation of shelters to benefit individuals in danger of becoming homeless. The agency previously indicated that it expects to close a project at the House of Freedom in late June/early July, which should produce 110 transitional housing units. The agency reported that the House of Freedom project should close in July, leaving the agency well short of its FY11 goal. However, House of Freedom is now projected to produce 150 units, exceeding earlier projections.

Transitional Housing Units Produced, FY10 and FY11 Cumulative by Month and Goal

