

# GROUND RENT REDEMPTION LOAN PROGRAM

## FREQUENTLY ASKED QUESTIONS

### **What is a Ground Lease and Ground Rent?**

A “ground lease” is a lease for a term of years (usually 99 years) that is renewable forever and is subject to the periodic payment of “ground rent” by the leasehold tenant to the ground lease holder. Ground rents are most prevalent in Baltimore City, but are held in some other counties as well.

### **How does a homeowner know if there is a Ground Rent?**

When a property is sold, the seller is required to disclose the existence of ground rent. Ground rents are usually confirmed when a detailed title search is conducted by a title company. However, some ground rents have been in existence since the late 1800’s and accurate records may be difficult to locate.

### **What is the Ground Rent Redemption Loan Program?**

The Ground Rent Redemption Loan Program was created by the Maryland General Assembly in 2007 to provide loans to homeowners to buy out (redeem) the ground leases. The program cannot provide grants for this purpose.

### **Who is eligible for the program?**

An applicant must own the subject property, occupy it as their principal residence and meet the household income limits established for the Program.

### **What are the income limits?**

The income limits are based on household size and cannot exceed 80 percent of the Statewide median. Examples of current 2007 limits: 1 person - \$44,296; 2 persons - \$50,624; 3 persons - \$56,952; 4 persons - \$63,280

### **How is the redemption amount calculated?**

The redemption amount (purchase price) of the ground lease is calculated by dividing the annual ground rent fee by the capitalization rate, which is based on the year the ground rent was established.

<u>Date of Original Lease</u>	<u>Capitalization Rate</u>
April 8, 1884 to April 5, 1888	.04
April 6, 1888 to July 1, 1982	.06
July 2, 1982 or later	.12
Prior to April 9, 1884	May have been established as “Irredeemable”

**Is there a maximum loan amount and what if the redemption exceeds that amount?**

The maximum loan amount is \$3,500, including transactional costs of up to \$1,000. Transactional costs are costs associated with the title search and loan closing

*Examples:*

- a) Ground rent redemption of \$800 + transactional costs of \$500 = \$1,300 (\$1,300 loan)
- b) Ground rent redemption of \$2,500 + transactional costs of \$1,100 = \$3,600 (\$3,500 loan and homeowner pays the remaining \$100)
- c) Ground rent redemption of \$1,500 and transactional costs of \$1,100 = \$2,600 (\$2,500 loan and homeowner pays the \$100 transactional costs over \$1,000)

**Who does the title search and loan closing?**

The borrower will choose any qualified title company to do the work.

**What are the Loan Terms:**

0%, 30 years

**Is a lien recorded against the property for the loan amount?**

Yes.

**What if the leaseholder has an irredeemable Ground Rent?**

If the ground lease was established as irredeemable in the terms of the lease, law passed in 2007 requires that a notice of intention to preserve irredeemability be recorded in the land records by December 31, 2010. If a notice is filed, irredeemability continues through 2020 unless another 10 year notice is filed. If a notice is not filed or if a notice lapses, the ground rent then becomes redeemable.

**If a homeowner is behind in paying Ground Rent, can they still apply?**

Yes.

**What if there are others named on the deed but who do not live at the subject property?**

Anyone whose name appears on the deed but does not occupy the property must provide proof that they live elsewhere (i.e., copy of driver’s license, utility bill, notarized statement or other evidence they live elsewhere).

**How does a homeowner apply?**

An applicant must complete a DHCD Ground Rent Redemption Loan application and provide evidence of ownership and the ground rent (copy of recorded document with ground rent) as well as documentation of household income.

**Where do I get the application?**

The application is available on DHCD’s website at [www.mdhousing.org](http://www.mdhousing.org) or by calling 410-514-7530 or 1-800-756-0119.



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