

HOUSE BILL REPORT

HB 1384

As Reported by House Committee On:
Capital Budget

Title: An act relating to increasing the debt limit of the housing finance commission.

Brief Description: Increasing the debt limit of the housing finance commission.

Sponsors: Representatives Miloscia, O'Brien, Appleton, Springer, Ormsby, Liias, Chase, Flannigan, Sells, Simpson, Santos and Wood.

Brief History:

Committee Activity:

Capital Budget: 2/2/09, 2/3/09 [DP].

Brief Summary of Bill

- Increases the Housing Finance Commission's debt limit from \$5 billion to \$7 billion.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass. Signed by 8 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Blake, Chase, Jacks, Maxwell, Orwall and White.

Minority Report: Do not pass. Signed by 6 members: Representatives Warnick, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Anderson, Hope, McCune and Smith.

Staff: Nona Snell (786-7153)

Background:

The Housing Finance Commission (HFC) was created by the Legislature in 1983. The HFC, however, is not a state agency, does not receive or lend state funds, and its debt is not backed by the full faith and credit of the state.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The HFC acts as a conduit of federal financing for housing, nonprofit facilities, and beginning farmers and ranchers. It issues both tax-exempt and taxable bonds to provide below market-rate financing to nonprofit and for-profit housing developers who set aside a certain percentage of their units for low-income individuals and families. The HFC also issues tax-exempt bonds to provide below market-rate financing for non-housing nonprofit facilities and for beginning farmers and ranchers.

As of January 30, 2009, the HFC has financed more than 61,291 affordable housing units, including over 19,404 affordable elderly units/beds. They have provided over 40,621 loans for home ownership and financed 139 nonprofit facilities throughout the state. Eight loans have been provided to beginning farmers and ranchers.

When created in 1983, the HFC's statutory debt limit was \$1 billion. The debt limit is the total amount of debt the HFC is authorized to have outstanding at any one time. The debt limit was raised to \$2 billion in 1985, to \$3 billion in 1999, to \$4.5 billion in 2006, and to \$5 billion in 2008. As of December 2008, the HFC's outstanding debt is approximately \$4 billion.

Summary of Bill:

The Housing Finance Commission's debt limit is raised to \$7 billion.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Increasing the Housing Finance Commission's (HFC) debt limit does not require state funding because the HFC issues bonds through a federal program in which the interest on the bonds is exempt from federal taxes. Increasing the debt limit again will allow the HFC to continue issuing bonds for the construction of affordable housing, home ownership programs, and nonprofit facilities. The program allows for the leveraging of Washington Housing Trust Fund program funds, Seattle levy funds, and other public and private funds used to finance affordable housing, and the HFC understands the importance of measuring performance.

The outstanding balance of bonds issued by the HFC has continued to increase, causing the amount to bump up against the debt limit, which is the reason for repeated requests to increase the debt limit.

The beginning farmers and ranchers program is a federal program. The state passed a law allowing participation in the federal program. Washington is the twelfth state to participate in the program. The program allows low-interest loans to beginning farmers and ranchers in the amount of \$450,000, in cooperation with private lenders. So far the program has closed seven loans.

The first-time homebuyer loans, resulting from the HFC bond issuances, perform better than all other loans in the state. The program makes home ownership sustainable. The default rate is approximately 1 percent, about one-third of the state average.

(Opposed) None.

Persons Testifying: Rep. Miloscia, prime sponsor; Kim Herman, Housing Finance Commission; Donald Burton, Washington Mortgage Lenders; Nick Federici, Washington Low Income Housing Alliance; and Phil Harlan, Washington Association of Realtors.

Persons Signed In To Testify But Not Testifying: None.