

HOUSE BILL REPORT

HB 2627

As Reported By House Committee On:
Trade, Economic Development & Housing

Title: An act relating to housing finance.

Brief Description: Promoting single-family home ownership.

Sponsors: Representatives Quall, Ballard, Valle, Foreman, Shin, Sehlin, Campbell, Johanson, Voloria, Peery, Hansen, G. Cole, Lemmon, Brumsickle, Heavey, Finkbeiner, Dunshee, R. Johnson, Karahalios, Springer, Mastin, Jacobsen, Chappell, R. Meyers, Basich, Patterson, Linville, Grant, Fuhrman, Kremen, Dorn, Ogden, Caver, Scott, Moak, Kessler, Conway, Roland, King, Rayburn, Chandler and J. Kohl.

Brief History:

Reported by House Committee on:
Trade, Economic Development & Housing, February 3, 1994,
DPS.

HOUSE COMMITTEE ON TRADE, ECONOMIC DEVELOPMENT & HOUSING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Wineberry, Chair; Shin, Vice Chair; Schoesler, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Backlund; Campbell; Conway; Morris; Quall; Sheldon; Springer; Valle and Wood.

Staff: Kenny Pittman (786-7392).

Background: Encouraging and maintaining home ownership opportunities is one of the stated objectives of the Washington Housing Policy Act. To meet this objective, a variety of federal, state, and local programs were developed that attempted to increase home ownership for low- and moderate-income households.

Most of these programs focused on lowering the cost of home ownership through reductions in the interest rate or the loan amount. However, for most low- and moderate-income households, the three greatest barriers to home ownership are: (1) accumulating the down payment and closing cost; (2) establishing a credit history; and (3) managing housing expenses that often exceed standards permitted in traditional mortgage lending.

Summary of Substitute Bill: The Washington State Housing Finance Commission, in cooperation with the Department of Community, Trade, and Economic Development, and the State Investment Board, must develop and implement a housing finance program.

The housing finance program will: (1) provide subsidized or unsubsidized mortgage financing for single-family home ownership; (2) use resources of the State Investment Board, within its policies and guidelines, to purchase mortgage-backed securities collateralized by loans from the state of Washington; and (3) provide flexible loan underwriting guidelines.

Participation in the housing finance program is limited to first-time home buyers with incomes that do not exceed 115 percent of state or county median family income, whichever is higher, adjusted for household size. Priority is given to active participants of the state's retirement systems. Lower-income borrowers may be eligible for down payment or closing costs assistance.

The Washington State Housing Finance Commission is required to report, to the Governor and Legislature, on the status of the program by February 1 of each year beginning in 1995.

Substitute Bill Compared to Original Bill: The substitute bill: (1) requests the State Investment Board to make investments in mortgage-backed securities within their policies and guidelines; (2) limits the program to first-time home buyers; and (3) adds annual reporting requirements to the Governor and Legislature.

Fiscal Note: Available.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: A need exists for additional finance tools to help people become home owners. This program will provide us with that tool. Some first-time home buyers, due to educational debt, can not qualify for conventional mortgages. The bill will help teachers, fire fighters, law enforcement officers, and others take the first step into home ownership. This program is a win-win for the state.

Testimony Against: None.

Witnesses: Representative Dave Quall, prime sponsor (pro); Mike Ryherd, Low-Income Housing Congress (pro); John Smith, Skagit County Housing Authority (pro); Kim Herman,

Washington State Housing Finance Commission (pro); and
Denise Seavitt and Terri Hotvedt, Washington Association
Realtors (pro).