

SENATE BILL REPORT

SHB 2627

AS REPORTED BY COMMITTEE ON LABOR & COMMERCE, FEBRUARY 21, 1994

Brief Description: Creating a housing finance program.

SPONSORS: House Committee on Trade, Economic Development & Housing (originally sponsored by Representatives Quall, Ballard, Valle, Foreman, Shin, Sehlin, Campbell, Johanson, Veloria, 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)

HOUSE COMMITTEE ON TRADE, ECONOMIC DEVELOPMENT & HOUSING

SENATE COMMITTEE ON LABOR & COMMERCE

Majority Report: Do pass as amended.

Signed by Senators Moore, Chairman; Prentice, Vice Chairman; Amondson, Deccio, Fraser, McAuliffe, Newhouse, Pelz, Prince, Sellar, Sutherland and Wojahn.

Staff: Traci Ratzliff (786-7452)

Hearing Dates: February 21, 1994

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:

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.

SUMMARY OF PROPOSED COMMITTEE AMENDMENT:

The Housing Finance Commission may include the annual report on the housing finance program in the Housing Finance Commission's annual report provided to the Legislature.

Down payment or closing costs assistance is limited to available funds provided by the Housing Finance Commission or the housing trust fund.

Appropriation: none

Revenue: none

Fiscal Note: available

TESTIMONY FOR:

This program is designed to provide assistance to first time home buyers who face two common barriers to home ownership -- down payment costs or closing costs. This bill will provide the opportunity of home ownership to additional state residents at no cost to the state and at no risk to the pension fund.

TESTIMONY AGAINST: None

TESTIFIED: PRO: Representative Quall, original prime sponsor; Kim Herman, Housing Finance Commission; Basil Schwan, State Investment Board; Jeff Robinson, Department of Community Development, Housing Trust Fund; Glen Hudson, Washington Association of Realtors; Terri Hotvedt, Association of Realtors