

HOUSE BILL REPORT

HB 2846

As Reported By House Committee On:

Financial Institutions & Insurance

Title: An act relating to home equity financing for seniors.

Brief Description: Studying home equity financing for seniors.

Sponsors: Representatives McDonald, Ballasiotes, Radcliff and O'Brien.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/2/98, 2/5/98 [DP].

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass. Signed by 10 members: Representatives L. Thomas, Chairman; Smith, Vice Chairman; Zellinsky, Vice Chairman; Wolfe, Ranking Minority Member; Grant, Assistant Ranking Minority Member; Constantine; DeBolt; Keiser; Sullivan and Wensman.

Minority Report: Without recommendation. Signed by 1 member: Representative Benson.

Staff: Jim Morishima (786-7191).

Background: Persons over 62 can obtain reverse mortgages on their homes. A reverse mortgage is a type of mortgage that allows a person to convert the equity in their home into a lump sum payment, monthly income, or a line of credit. A person who borrows using a reverse mortgage does not make payments on the loan until they move or pass away. The loan balance on a reverse mortgage can never exceed the value of the borrower's home. Typically, loans obtained through reverse mortgages are more expensive than loans obtained through traditional means.

Summary of Bill: The Department of Community, Trade, and Economic Development along with the Washington State Housing Finance Commission will solicit proposals from nonprofit entities to develop a pilot program. The purpose of the pilot program will be to help the elderly use their home equity to obtain needed home, health, or social service care. The department, along with the Washington State Housing Finance Commission

must develop criteria to evaluate the programs with an emphasis on implementing the program on a state-wide basis.

Appropriation: The sum of \$300,000 is appropriated for the fiscal year ending June 30, 1999, to the Department of Community, Trade, and Economic Development.

Fiscal Note: Requested on January 29, 1998.

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

Testimony For: There is a large number of elderly people who need health care and other services. These people need someone to help them through the process of obtaining loans against their equity.

Testimony Against: None.

Testified: Pam Mead, Task Force on Financing Techniques for Seniors (pro); and Majken Ryherd Keira, Washington Low Income Housing Congress (pro).