
Financial Institutions & Insurance Committee

ESB 6033

Brief Description: Creating the prevent or reduce owner-occupied foreclosure program.

Sponsors: Senators Berkey, Fairley, Kauffman, McAuliffe, Tom, Marr, Prentice, Shin, Fraser, Kohl-Welles, Eide, McDermott, Jarrett, Regala, Hobbs, Kline, Jacobsen, Murray, Franklin, Hatfield, Kilmer, Haugen, Hargrove and Sheldon.

Brief Summary of Engrossed Bill

- Replaces the Smart Home Ownership Program with the Prevent or Reduce Owner-Occupied Foreclosure (PROOF) Program and makes unspent funds available to the new program.
- Establishes a pool of unpaid volunteers from relevant professions, such as certified public accountants, bankers, and attorneys, to advise borrowers in the work-out process.
- Creates a committee to advise the Housing Finance Commission on implementation of the PROOF Program.

Hearing Date: 3/17/09

Staff: Alison Hellberg (786-7152)

Background:

Legislation enacted in 2008 created the Smart Homeownership Choices Program to provide grants or loans to assist qualifying homeowners who are delinquent on their mortgage payments. Under this program, the Department of Financial Institutions (DFI) funds the Washington State Housing Finance Commission (Commission), as needed, to implement and operate the program to prevent foreclosures. The Commission assists homeowners who are delinquent on their mortgage payments in bringing their mortgage payments current so they may refinance the purchase of their homes.

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 Commission determines the terms and conditions of the assistance. Financial assistance received by homeowners must be repaid at the time of refinancing. Homeowners receiving financial assistance must agree to participate in a Residential Mortgage Counseling Program.

Not more than 4 percent of the total appropriation for the program may be used for administrative expenses of the DFI and the Commission. The Commission must also establish and report upon measures to gauge program's efficiency and effectiveness and customer satisfaction. The funds appropriated for the Smart Homeownership Choices Program remain largely unspent.

A Financial Literacy and Education Program was also created during the last legislative session to provide counseling and education to prospective homeowners and homeowners facing foreclosure.

Summary of Bill:

The unspent funds for the Smart Homeownership Choices Program are made available to the Prevent or Reduce Owner-Occupied Foreclosure Program (PROOF). The Smart Homeownership Choices Program is replaced by PROOF. This program is created in DFI to assist borrowers facing foreclosure in achieving work-outs. Qualifying borrowers are those with incomes up to and including the county median income level.

PROOF provides a pool of unpaid volunteers from relevant professions, such as certified public accountants, bankers, and attorneys, who advise borrowers in the work-out process. A "work-out" is defined as an agreement made between the borrower and mortgagee or beneficiary under a deed of trust that results in the borrower's continued residence in the mortgaged residential property. The Commission implements the program to pair volunteers and borrowers in the most productive manner. Not more than 4 percent of the total appropriation for PROOF may be used for administrative expenses of DFI and the Commission.

The Prevent or Reduce Owner-Occupied Foreclosure Oversight Committee (Committee) is created to oversee the PROOF program. The Committee is established and staffed by the Commission and serves without compensation. The Committee's duties include:

- advising the Commission;
- developing criteria for measuring the success of PROOF, including: the number of homeowners served, number of workouts achieved, amount of federal funds received for homeowner stabilization, decreases in foreclosure rate, and number of volunteer professionals participating;
- evaluating the effectiveness of PROOF;
- developing and maintaining an inventory of state and federal assistance programs; and
- coordinating all state efforts related to prevention or reduction of owner-occupied foreclosures.

The committee is comprised of:

- two members of the Senate and two alternate members, appointed by the President of the Senate;

- two members of the House of Representatives and two alternate members, appointed by the Speaker;
- the Director of the DFI;
- the Executive Director of the Commission;
- a representative of the Washington State Bar Association;
- a representative of the Office of Civil Legal Aid;
- a representative of the Washington Banker's Association; and
- a representative of the State Board of Accountancy.

Appropriation: None.

Fiscal Note: Available.

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