

# SENATE BILL REPORT

## SB 5452

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As of April 20, 2009

**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:** Senators Kauffman, Kohl-Welles, Tom, Delvin, Kline, Honeyford, Kilmer, Jarrett, McCaslin, Fraser, Prentice, Shin and McDermott.

**Brief History:**

**Committee Activity:** Financial Institutions, Housing & Insurance: 1/27/09.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

**Staff:** Philip Brady (786-7460)

**Background:** The Housing Finance Commission (Commission) was created by the Legislature 25 years ago to assist in making affordable and decent housing available throughout the state and to encourage the use of Washington forest products in residential construction. At that time, Washington was the only state without a housing finance agency. Now, as then, federal law authorizes state housing finance agencies to issue tax-exempt revenue bonds to fund low-cost housing assistance.

The Commission has the authority to issue up to \$5 billion in outstanding indebtedness. This limitation began in 1983 as \$1 billion and was raised five times since then, including in 2006 when the limitation of \$4.5 billion was enacted, and 2008 when the current limitation was enacted.

The Commission is a financial conduit. It issues nonrecourse revenue bonds and participates in federal, state, and local housing programs, making additional funds available at affordable rates to help provide housing throughout the state.

The Commission's bonds are not debts of the state or any agency of the state, except the Commission. The Commission has no powers of eminent domain or taxation. Its administrative costs may not be paid from state funds.

**Summary of Bill:** The limitation on the Commission's outstanding indebtedness is raised to \$7 billion.

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*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.*

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony:** PRO: In a normal year, the HFC uses about \$500,000 of its debt limit, but it varies depending on demand. In 2007, it used slightly more than \$1 billion. Raising the debt limit this amount would mean the HFC won't have to come back in the near future. The state is not liable for the debts of the HFC, and those debts are usually covered by letters of credit or bond insurance. HFC activities jump-start the economy with little or no risk to the state. First-time home buyers are the key to getting the economy back on track. The biggest problem for first-time home buyers is the down payment, and the HFC helps them avoid the problem. This increase in the debt limit would allow 12,000 new home buyers, create 8,500 jobs, \$130M in tax revenue, and \$340M in wages in Washington.

**Persons Testifying:** PRO: Kim Herman, Housing Finance Commission; Phil Harlan, Washington Realtors; Erik Hand, Responsive Mortgage/John L. Scott Real Estate.