

---

**Community Development, Housing &  
Tribal Affairs Committee**

---

**SB 5558**

**Brief Description:** Creating loan-making authority for down payment assistance for single-family homeownership.

**Sponsors:** Senators Fain, Hobbs, Keiser, Shin and Kline; by request of Housing Finance Commission.

**Brief Summary of Bill**

- Authorizes the Housing Finance Commission to make loans for down payment assistance to home buyers.

**Hearing Date:** 3/19/13

**Staff:** Sean Flynn (786-7124).

**Background:**

Housing Finance Commission.

The Legislature created the Washington State Housing Finance Commission (HFC) to provide available funding at affordable rates for financing low-to-moderate income single or multiple family housing. The HFC is not a state agency and does not provide financing with state funding. The HFC issues revenue bonds in its own name and its debt is not backed by the full faith and credit of the state.

The HFC may use funding in coordination with federal, state, and local housing programs for the new construction and rehabilitation of single or multiple family homes, including the refinancing of debt and home purchases. The HFC may purchase mortgages or mortgage loans, including down payment assistance loans, from mortgage lenders.

---

*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.*

### HUD Interpretive Rule.

The National Housing Act (NHA) requires single family homebuyers to make a minimum down payment for a mortgage in order to qualify for federal mortgage insurance. The NHA allows homebuyers to obtain funds for the down payment from third parties, but no part of the down payment may be financed by the seller or other party who benefits from the sale.

On December 5, 2012 the United States Department of Housing and Urban Development (HUD) issued an interpretive ruling of this provision of the NHA. The HUD rule provides that down payment assistance financed directly by a state or local government housing finance program is not a prohibited source of financing for purposes of qualifying for federal housing insurance. In January 2013 the HUD provided clarification of its rule that a down payment loan provided to a homebuyer by the mortgage lender or other entity that is later reimbursed by a government housing finance program is not a permitted source of financing for federal housing insurance qualification purposes.

### **Summary of Bill:**

The HFC is authorized to make loans for down payment assistance to home buyers in conjunction with other HFC programs.

**Appropriation:** None.

**Fiscal Note:** Available.

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