

SENATE BILL REPORT

SB 5558

As of February 14, 2013

Title: An act relating to down payment assistance for single-family homeownership.

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 History:

Committee Activity: Financial Institutions, Housing & Insurance: 2/12/13.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

Staff: Alison Mendiola (786-7483)

Background: The Washington State Housing Finance Commission (Commission) was created by the Legislature in 1983. The Commission however, is not a state agency, does not receive or lend state funds, and its debt is not backed by the full faith and credit of the state. In addition to other power and duties, the Commission's purpose is to provide decent, safe, sanitary, and affordable housing for eligible persons.

The Commission acts as a conduit of federal financing for housing, nonprofit facilities, and beginning farmers and ranchers. It issues both tax-exempt and taxable bonds to provide below market-rate financing to nonprofit and for-profit housing developers who set aside a certain percentage of their units for low-income individuals and families. The Commission also issues tax-exempt bonds to provide below market-rate financing for non-housing nonprofit facilities and for beginning farmers and ranchers.

In December 2012, the Department of Housing and Urban Development (HUD) published an interpretive rule that requires the Commission to provide down payment assistance to home buyers using Federal Housing Administration mortgage insurance directly at the closing table and not through a third-party, or non-governmental entity. HUD has since provided further guidance that down payment assistance loans should be closed in the name of the Commission and not in the name of the first mortgage lender.

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.

Currently, the Commission can purchase a down payment assistance loan from a participating mortgage lender, but cannot make a direct down payment assistance loan to a borrower.

Summary of Bill: In addition to other power and duties in furtherance of the purpose to provide decent, safe, sanitary, and affordable housing for eligible persons, the Commission is empowered to make loans for down payment assistance to homebuyers in conjunction with other Commission programs.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony: PRO: The Commission has a great relationship with lenders who make loans to the Commission's specifications. The Commission currently purchases the loans after closing. Due to problems by unscrupulous lenders nationwide, HUD is requiring that two things be done: that the down payment assistance be brought to the table at closing, and the loan be in the name of the Commission. The Commission has until June 1 to comply, which is why this bill is needed, to give the Commission permission to make down payment loans in their name. Down payment assistance helps many families get into their first home – it helps them get started. This bill is not just for the thousands who have gotten down payment assistance but also for the seller of homes who become buyers of homes. This type of assistance helps the housing economy.

Persons Testifying: PRO: Senator Benton; Kim Herman, Dee Taylor, WA State Housing Finance Commission; Bob Mitchell, WA REALTORS.