SENATE BILL REPORT
HB 2098

As Reported by Senate Committee On:
Housing & Local Government, February 23, 2022
Ways & Means, February 28, 2022

Title: An act relating to modifying the interest rate for the low-income home rehabilitation revolving loan program.

Brief Description: Modifying the interest rate for the low-income home rehabilitation revolving loan program.

Sponsors: Representatives Shewmake, Ramel, Frame and Sutherland.

Brief History: Passed House: 2/9/22, 95-1.
Committee Activity: Housing & Local Government: 2/17/22, 2/23/22 [DP-WM].
Ways & Means: 2/26/22, 2/28/22 [DP].

Brief Summary of Bill

- Modifies the low-income home rehabilitation loan program interest rate to the lesser of the rate of inflation or 1.5 percent, as applied to all program loans issued on January 1, 2022, and thereafter.

SENATE COMMITTEE ON HOUSING & LOCAL GOVERNMENT

Majority Report: Do pass and be referred to Committee on Ways & Means.
Signed by Senators Kuderer, Chair; Das, Vice Chair; Fortunato, Ranking Member; Gildon, Assistant Ranking Member; Cleveland, Lovelett, Salomon, Sefzik, Trudeau, Warnick and Wilson, J.

Staff: Brandon Popovac (786-7465)

SENATE COMMITTEE ON WAYS & MEANS

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Majority Report: Do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Capital; Robinson, Vice Chair, Operating & Revenue; Wilson, L., Ranking Member; Brown, Assistant Ranking Member, Operating; Schoesler, Assistant Ranking Member, Capital; Honeyford, Ranking Minority Member, Capital; Billig, Braun, Carlyle, Conway, Dhingra, Gildon, Hasegawa, Hunt, Keiser, Mullet, Muzzall, Pedersen, Rivers, Van De Wege, Wagoner, Warnick and Wellman.

Staff: Wendy Brown (786-7359)

Background: The Department of Commerce (Commerce) administers the low-income home rehabilitation loan program, subject to amounts appropriated, which offers deferred loans to rural, low-income single-family residential households that need repairs and essential improvements for their primary residence for health, safety, or durability. Examples of essential improvements include rot removal, foundation or structural improvements, energy-related improvements, lead-based paint and asbestos work, improvements for persons with disabilities, repair or replacement of major housing systems, emergency storm repairs, seismic retrofits, or radon mitigation. The cost of the home rehabilitation may not exceed the lesser of 80 percent of the property's assessed value post-rehabilitation or $40,000.

To qualify for the program, a homeowner must:
- own and permanently reside in the house that is going to be repaired;
- have an income at or below 200 percent of the federal poverty level; and
- live in a non-entitlement area, as defined by the United States Department of Housing and Urban Development.

Homeowners who are senior citizens, persons with disabilities, veterans, or have families with children five years old or younger receive priority for home rehabilitation loans under the program.

All loans against the property, including the home rehabilitation loan, cannot exceed 80 percent of the assessed value of the property. The interest rate of the loan must be equal to the previous year's annual average consumer price index as determined by the Bureau of Labor Statistics, United States Department of Labor—rate of inflation.

Participating homeowners may defer repayment of the loan principal, interest, and any fees related to the loan. Any amounts due under the loan become a lien in favor of the state and are due and payable when the home is sold or upon the change of ownership of the home. All repayments must be deposited into the low-income home rehabilitation revolving loan program account.

Commerce must contract with local rehabilitation agencies to provide home rehabilitation services to participating homeowners. Preference is provided to local agencies delivering programs and services with similar eligibility criteria. A rehabilitation agency may charge a homeowner an administrative fee of no more than 7 percent of the rehabilitation loan amount. Any rehabilitation agency receiving funding through the program must report to Commerce at least quarterly or in alignment with federal reporting, whichever is the greater frequency, the project costs and the number of homes repaired or rehabilitated.

Summary of Bill: The interest rate for deferred loans under the low-income rehabilitation loan program is modified to the lesser of the rate of inflation or 1.5 percent, and applies to all such loans issued on or after January 1, 2022.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony (Housing & Local Government): PRO: The Legislature created the low-income rehabilitation loan program to keep people in their homes. The program can help when home repairs need to be aligned with energy efficiency standards. The current rate of inflation is almost at a 40-year high, and pinning program loans to the current rate of inflation makes the program not viable. No other loan programs in the state have interest rates attached to the rate of inflation. Home repair services for Habitat for Humanity projects are mostly funded through the program. The program has been a lifesaver for low-income persons in rural communities. High interest rates on the loan are scaring away eligible families from applying to the program or are forcing them to withdraw from the program. The program preserves housing in rural areas and helps protect persons from injury and other issues within the home. Other home repair loan programs operate at zero percent interest.

Persons Testifying (Housing & Local Government): PRO: Representative Sharon Shewmake, Prime Sponsor; Ryan Donohue, Habitat for Humanity Seattle-King & Kittitas County; Jeff DeLuca, Washington State Community Action Partnership; Ross Quigley, Opportunity Council.

Persons Signed In To Testify But Not Testifying (Housing & Local Government): No one.

Staff Summary of Public Testimony (Ways & Means): PRO: This is a simple bill that will make a large tangible impact for low-income homeowners. We're grateful for the support this bill has received.

Persons Testifying (Ways & Means): PRO: Jeff DeLuca, WA State Community Action Partnership.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.