

HOUSE BILL ANALYSIS

HB 2846

Title: An act relating to home equity financing for seniors.

Brief Description: Studying home equity financing for seniors.

Sponsors: Representatives McDonald, Ballasiotes, Radcliff and O'Brien.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Meeting Date: February 2, 1998.

Bill Analysis Prepared by: Jim Morishima (786-7191)

Background: Persons over 62 can obtain reverse mortgages on their homes. A reverse mortgage is a type of mortgage that allows a person to convert the equity in their home into a lump sum payment, monthly income, or a line of credit. A person who borrows using a reverse mortgage does not make payments on the loan until he/she moves or passes away. The loan balance on a reverse mortgage can never exceed the value of the borrower's home. Typically, loans obtained through reverse mortgages are more expensive than loans obtained through traditional means.

Summary of Bill: The Department of Community, Trade and Economic Development along with the Washington State Housing Finance Commission will solicit proposals from nonprofit entities to develop a pilot program. The purpose of the pilot program will be to help the elderly use their home equity to obtain needed home, health, or social service care. The department, along with the Washington State Housing Finance Commission must develop criteria to evaluate the programs with an emphasis on implementing the program on a statewide basis.

Appropriation: \$300,000, or as much as may be necessary, is appropriated for the fiscal year ending June 30, 1999, from the general fund to the Department of Community, Trade and Economic Development.

Fiscal Note: Requested January 29, 1998.

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

Rulemaking Authority: Not addressed.