

# HOUSE BILL REPORT

## SB 5558

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### As Passed House:

April 3, 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:

Community Development, Housing & Tribal Affairs: 3/19/13 [DP].

#### Floor Activity:

Passed House: 4/3/13, 59-38.

### Brief Summary of Bill

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

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## HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT, HOUSING & TRIBAL AFFAIRS

**Majority Report:** Do pass. Signed by 9 members: Representatives McCoy, Chair; Appleton, Vice Chair; Angel, Ranking Minority Member; Johnson, Assistant Ranking Minority Member; Haler, Pike, Ryu, Santos and Sawyer.

**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

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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.

#### The United States Department of Housing and Urban Development 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 contains an emergency clause and takes effect immediately.

#### **Staff Summary of Public Testimony:**

(In support) The HFC has loaned out over \$68 million in the down payment assistance program. There were some concerns raised on the companion bill, House Bill 1861, about the down payment loan program. The HFC does not make risky or bad loans. There is only one bad loan servicer in its portfolio. The HFC has four servicers for its loans portfolio. One of the servicers was a party to the settlement with the state over lending practices. Due to poor servicing, this particular loan provider has a very high percentage of seriously delinquent loans in its portfolio. That servicer is no longer taking new loans from the HFC. All other servicers are doing well in comparison to the national standard.

The HFC down payment assistance loans are an important part of homeowner market continuum. There are thousands of sellers and buyers up the chain of homeownership that benefit from these loans.

(Opposed) None.

**Persons Testifying:** Kim Herman, Housing Finance Commission; and Bob Mitchell, Washington Realtors.

**Persons Signed In To Testify But Not Testifying:** None.