

# SENATE BILL REPORT

## SB 5647

---

As of May 12, 2017

**Title:** An act relating to creating a low-income home rehabilitation revolving loan program.

**Brief Description:** Creating a low-income home rehabilitation revolving loan program.

**Sponsors:** Senators Honeyford, Takko, Schoesler and Saldaña.

**Brief History:**

**Committee Activity:** Human Services, Mental Health & Housing: 2/15/17.

**Brief Summary of Bill**

- Creates the Low-Income Home Rehabilitation Revolving Loan Program within the Department of Commerce for the rehabilitation of homes owned by low-income homeowners in rural areas.

---

### SENATE COMMITTEE ON HUMAN SERVICES, MENTAL HEALTH & HOUSING

**Staff:** Alison Mendiola (786-7444)

**Background:** Housing Trust Fund. The state Housing Trust Fund (HTF), managed by the Department of Commerce (Commerce), is a source of funding to help meet the basic housing needs of low-income households. Through a competitive grant process, the HTF distributes funding to eligible organizations for projects that serve individuals and families with special needs, and can serve people with incomes up to 80 percent of area median income (AMI). Although, a majority of projects funded serve households with special needs or incomes below 30 percent of the AMI. At least 30 percent of the HTF dollars must be used for projects in rural areas. Organizations eligible to receive funding include local governments; local housing authorities; regional support networks; nonprofit community or neighborhood-based organizations; federally recognized Indian tribes; and regional or statewide nonprofit housing assistance organizations.

Funding from the HTF may be used for various related purposes, including low-income housing construction and rehabilitation; rent subsidies, matching funding for housing-related social services; administrative and technical costs for housing assistance groups; homeless

---

*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.*

shelters; mortgage and down payment assistance; and accessibility in housing for persons with disabilities.

Federal Department of Health and Human Services. The Department of Health and Human Services (HHS) provides nationwide health and human services and oversees programs that provide advancement in medicine, public health, and social services. Each year the HHS issues poverty guidelines, also referred to as the federal poverty level (FPL), which are used as eligibility criteria for a number of federal assistance programs. The 2017 HHS poverty guidelines are as follows for Washington:

Persons in Family/ Household	Poverty Guideline
1	\$12,060
2	\$16,240
3	\$20,240
4	\$24,600

United States Department of Housing and Urban Development. The United States Department of Housing and Urban Development (HUD) provides affordable housing opportunities to states, local governments, and individual homebuyers. The HUD's Community Development Block Grant Program issues grants to state and local governments to provide assistance to non-entitled areas for housing and community development needs. The HUD defines non-entitlement areas as those that are not metropolitan cities or part of an urban county, cities with a population of less than 50,000, and counties with a population of less than 200,000.

**Summary of Bill:** Low-Income Home Rehabilitation Revolving Loan Program (Program). Subject to appropriation, the Program is created in the Commerce.

Under the Program, rural homeowners who earn less than 200 percent of the FPL would be eligible for a loan for the purpose of home rehabilitation. Senior citizens, persons with disabilities, families with children under the age of five, and veterans have priority for a loan under the Program. The cost of the home rehabilitation must be the lesser of 80 percent of the appraised value of the home or \$40,000, whichever is less. This amount is the most that can be loaned under the Program. Participating homeowners defer repayment of the loan principal, interest and any fees related to the loan. The interest rate of the loan must be variable to the previous calendar year's annual average consumer price index compiled by the Bureau of Labor Statistics, U.S. Department of Labor. Any amounts deferred become a lien on the property in favor of the state and has priority over any other interest in the real property, whenever incurred, filed, or recorded, except for local and special district property tax assessments. Any amounts due under the loan become due and payable when the home is sold, upon the change of ownership of the home, or if the homeowner no longer permanently resides in the home.

Commerce is to contract with rehabilitation agencies to provide home rehabilitation 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 7 percent of the rehabilitation loan amount. Any rehabilitation

agency receiving funding through this 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.

The Low-Income Home Rehabilitation Revolving Loan Program Account is created in the custody of the State Treasurer. Expenditures from the account may only be used for purposes of the Program. Only the Director or the Director's designee may authorize expenditures from the account. The account is subject to allotment procedures under statute but an appropriation is not required for expenditures.

Definitions. Home means a single-family residential structure. Home rehabilitation means residential repairs and improvements that address health, safety, and durability issues in existing housing in rural areas. Rehabilitation agency means any approved department grantee, tribal nation, or any public service company, municipality, public utility district, mutual or cooperative, or other entity that bears the responsibility for rehabilitating residences and has been approved by Commerce. Rural area means areas of Washington State defined as non-entitlement areas by HUD.

**Appropriation:** None.

**Fiscal Note:** Requested on February 13, 2017.

**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:** PRO: This loan program is a way preserve affordable housing in rural communities; this is a need expressed repeatedly by those in rural areas. To qualify homeowners are low-income and have equity in their home but due to their income, would not qualify for a market rate home equity loan. When we go out to do weatherization, over 50 percent of the projects cannot be done due to the condition of the home and the repairs otherwise needed. This model is tested as there is a similar program and it has been very successful, low defaults but allows the homeowner to borrow up to 90 percent of the equity, this bill allows for 80 percent as a result of lessons learned. This bill helps keep homeowners in their home—a loan becomes a priority lien on the home so when the home transfers ownership, the monies become due. We support some of the changes as recommended by Commerce such as clarifying the lien priority, having a fixed loan rate, clarifying appraised value vs. home equity and clarifying that the loan becomes due when cash changes hands.

**Persons Testifying:** PRO: Senator Jim Honeyford, Prime Sponsor; Dave Finet, Washington State Community Action Partnership; Merritt Mount, Washington State Community Action Partnership; Dale Wilson, Olycap.

**Persons Signed In To Testify But Not Testifying:** No one.