

SENATE BILL REPORT

SB 6711

As Reported By Senate Committee On:
Consumer Protection & Housing, February 05, 2008
Ways & Means, February 12, 2008

Title: An act relating to preventing foreclosures by creating the smart homeownership choices program.

Brief Description: Creating the smart homeownership choices program.

Sponsors: Senators Kauffman, Kilmer, Kohl-Welles, Keiser and Kline.

Brief History:

Committee Activity: Consumer Protection & Housing: 1/29/08, 2/05/08 [DPS-WM].
Ways & Means: 2/11/08, 2/12/08 [DPS(CPH), w/oRec].

SENATE COMMITTEE ON CONSUMER PROTECTION & HOUSING

Majority Report: That Substitute Senate Bill No. 6711 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Weinstein, Chair; Kauffman, Vice Chair; Honeyford, Ranking Minority Member; Delvin, Haugen, Jacobsen, Kilmer, McCaslin and Tom.

Staff: Alison Mendiola (786-7483)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6711 as recommended by Committee on Consumer Protection & Housing be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Hatfield, Hewitt, Hobbs, Honeyford, Keiser, Kohl-Welles, Parlette, Rasmussen, Regala, Rockefeller and Tom.

Minority Report: That it be referred without recommendation.

Signed by Senators Roach and Schoesler.

Staff: Maria Hovde (786-7710)

Background: In September of 2007, the Governor convened the Task Force for Homeowner Security to evaluate instability in the national subprime mortgage market and to make recommendations to minimize the impact of this national trend in Washington.

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.

As one of its many recommendations, the Task Force recommended providing grants or loans to assist low- and moderate-income homeowners who are delinquent on their mortgage payments, to bring their loan current to be eligible to refinance into a different loan product. Draft legislation creating the Smart Homeownership Choices program was submitted as part of the final task force report in December, 2007.

Summary of Bill (Recommended Substitute): The Smart Ownership Choices program is created to assist low-and moderate-income households facing foreclosure.

The program is created within the Department of Financial Institutions, administered by the Washington State Housing Finance Commission (Commission).

The Commission will assist homeowners who are delinquent on their mortgage payments to bring their mortgage payments current in order to refinance into a different loan product. Homeowners must repay any funds received at the time of refinancing, and the homeowner must participate in a mortgage counseling program.

Funds may also be used for outreach activities to raise awareness of the program.

The smart homeownership choices program is created in the custody of the state treasurer. State appropriated funds may be used only to serve low-income households. Contributions from private and other sources may be used to serve both low-and moderate-income households.

Two-hundred-fifty-thousand dollars is appropriated from the general fund for deposit in this account.

EFFECT OF CHANGES MADE BY CONSUMER PROTECTION & HOUSING COMMITTEE (Recommended Substitute): Homeowners must repay any funds received at time of refinancing and the homeowner must participate in a mortgage counseling program.

Language is clarified that the funds are for refinancing as opposed to helping a homeowner "become eligible to" refinance.

Appropriation: \$250,000.

Fiscal Note: Requested on January 25, 2008.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Original Bill (Consumer Protection & Housing):
PRO: This bill helps low and moderate income households facing foreclosure become current on their mortgage and refinance. This program works in cooperation with the Governor's financial literacy bill which provides counseling for victims of subprime lending. There are six to eight housing finance commissions nationwide using the model, spending \$5,000 to \$10,000 per household. This bill also allows for private contributions and where feasible, the Commission would seek repayment of funds.

Persons Testifying (Consumer Protection & Housing): PRO: Kim Herman, Washington State Housing Finance Commission.

Staff Summary of Public Testimony (Ways & Means): None.

Persons Testifying (Ways & Means): No one.