

# HOUSE BILL REPORT

## HB 2098

---

---

**As Reported by House Committee On:**  
Capital Budget

**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:**

**Committee Activity:**

Capital Budget: 2/1/22, 2/4/22 [DP].

**Brief Summary of Bill**

- Modifies the low-income home rehabilitation loan program interest rate to equal the lesser of inflation or 1.5 percent.
- Applies the new interest rate to all applicable loans issued on January 1, 2022, and thereafter.
- Contains a retroactive effective date.

---

### HOUSE COMMITTEE ON CAPITAL BUDGET

**Majority Report:** Do pass. Signed by 22 members: Representatives Tharinger, Chair; Callan, Vice Chair; Hackney, Vice Chair; Steele, Ranking Minority Member; Abbarno, Assistant Ranking Minority Member; McEntire, Assistant Ranking Minority Member; Bateman, Dye, Eslick, Gilday, Kloba, Kraft, Leavitt, MacEwen, Mosbrucker, Peterson, Riccelli, Rule, Santos, Sells, Shewmake and Volz.

**Staff:** Richelle Geiger (786-7139).

---

*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.*

## **Background:**

### Low-income Home Rehabilitation Loan Program.

The Department of Commerce (Department) administers the low-income home rehabilitation loan program, offering 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 (home rehabilitation loans). Examples of essential improvements include rot removal, foundation or structural improvements, energy-related improvements, lead-based paint and asbestos work, improvements for handicapped persons, 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 live in the house that is going to be repaired;
- have an income at or below 200 percent of the federal poverty level as adjusted for family size, as defined by the United States Department of Health and Human Services; 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.

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 (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 due and payable when the home is sold or upon the change of ownership of the home. All repayments must be deposited into the state low-income home rehabilitation revolving loan program account.

The Department 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 the Department 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 home rehabilitation loans is modified to the lesser of inflation or 1.5 percent. The act is remedial, curative, and retroactive, and it applies to all loans issued on or after January 1, 2022. To this extent, the act applies retroactively, but in all other respects applies prospectively.

---

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) The interest rate of the low-income home rehabilitation revolving loan program is based on inflation. When the program was created, inflation had ranged between 1 and 2 percent for many years. Last year, inflation was 7 percent. This is a barrier for eligible homeowners to access these loans and essential rehabilitation services for their homes. The new inflation rates recently took effect and there are multiple families in the pipeline for these loans who are afraid they will not be able to afford the interest rate. The scenario of high inflation rates deterring access to these funds was not the intention when the program was created. This program was modeled after other programs with a 0 percent interest rate.

This program is targeted at rural homeowners. There is no obligation to pay the loan back until the sale or transfer of ownership of the property. The intent of this program is to establish a revolving fund, but this will not happen if the current conditions continue to discourage participation.

This program has saved lives in rural counties.

(Opposed) None.

**Persons Testifying:** Representative Sharon Shewmake, prime sponsor; Ryan Donohue, Habitat for Humanity of Seattle-King and Kittitas Counties; Jeff DeLuca, Washington State Community Action Partnership; and Ross Quigley, Opportunity Council.

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