

SB 937 A STAFF MEASURE SUMMARY

Senate Committee On Housing and Development

Action Date: 03/22/23

Action: Do pass with amendments. Refer to Ways and Means by prior reference. (Printed A-Eng).

Vote: 5-0-0-0

Yeas: 5 - Anderson, Jama, Knopp, Patterson, Sollman

Fiscal: Fiscal impact issued

Revenue: No revenue impact

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Meeting Dates: 3/1, 3/22

WHAT THE MEASURE DOES:

Requires Oregon Housing and Community Services Department (OHCS) to provide grant to Network for Oregon Affordable Housing (NOAH) to establish a revolving loan fund with the purpose of allowing first-time home buyers to establish equity at a faster rate. Requires loans from fund be used for purchase of dwellings subject to affordability restrictions which limit equity and require purchaser be from a low-income household earning 80 percent or less of area median income. Sets loans at terms of 20 years or less and with a fixed interest rate no higher than the greater of 0.5 percent, or whichever rate allows monthly payments to be equal to a 30-year fixed-rate amortized mortgage at the current national average rate. Appropriates \$10 million from General Fund to OHCS for grants, and requires NOAH to dedicate no less than \$10 million of additional private moneys to a loan fund prior to making a grant under the Act. Specifies applicants must have met with approved or certified housing counseling agency which offers a first-time home buyer program. Sunsets Act January 2, 2026. Requires OHCS provide report on use of loan funds to appropriate interim committee of Legislative Assembly on or before September 15, 2025, and on or before September 15, 2027. Declares emergency, effective July 1, 2023.

ISSUES DISCUSSED:

- Criteria to qualify for loan
- Examples of eligible statewide nonprofits
- Location and number of households potentially impacted
- Comparison of limited equity to "soft" second mortgage

EFFECT OF AMENDMENT:

Requires Oregon Housing and Community Services Department (OHCS) to provide grant to Network for Oregon Affordable Housing (NOAH) instead of one or more nonprofit institutions. Requires NOAH to dedicate to a loan fund of no less than \$10 million of additional private moneys prior to making a grant under the Act. Adds to loan conditions that applicants must have met with approved or certified housing counseling agency which offers a first-time home buyer program. Changes years of required OHCS reports to Legislative Assembly from 2024 and 2026, to 2025 and 2027.

BACKGROUND:

Shared equity programs, including community land trust models or limited-equity cooperatives, allow income-eligible families to purchase homes below market rates while the programs keep a share of the home's equity. This allows the home to remain affordable for low- or moderate-income buyers, but the model may limit these homeowners from gaining equity if market value increases. The Joint Task Force on Addressing Racial Disparities in Home Ownership (2022) heard concerns that shared equity programs may limit wealth accumulation for homeowners, adversely impacting racial wealth gaps. With lower interest rates, buyers can gain equity faster, matching or exceeding the equity they otherwise would have gained through typical home value appreciation.

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The Network for Oregon Affordable Housing (NOAH) is a statewide, nonprofit corporation that supports the acquisition, renovation, and construction of affordable housing. NOAH is a federally certified Community Development Financial Institution (CDFI), an institution which provides financial products and services to local residents and businesses in low-income communities.

Senate Bill 937 A provides lower interest rates to low-income, first-time home buyers through a revolving loan fund, established by grants from the of Oregon Housing and Community Services Department (OHCS) to NOAH. Loans from the fund must be used for dwellings subject to limited-equity and affordability restrictions, with terms of 20 years or less. The measure allocates to OHCS \$10 million from the General Fund for the grants, requires NOAH to dedicate \$10 million or more in private moneys to a loan fund prior to making a grant, and requires OHCS to provide reports to the Legislative Assembly on the use of loan funds on or before September 15, 2025, and on or before September 15, 2027.