

House Bill 3492

Sponsored by Representative RUIZ, Senator MANNING JR (at the request of Joint Taskforce on Addressing Racial Disparities in Home Ownership)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Directs Housing and Community Services Department by rule to establish and implement pilot program through which department cooperates with qualified lending institutions to provide 100 percent financing for residential property purchases to persons who qualify for special purpose credit programs. Authorizes department to enter into agreements with qualified lending institutions for purpose of implementing pilot program and specifies required terms and conditions of agreements.

Specifies bases on which lending institution may become qualified lending institution.

Requires department to offer second mortgage loan for purchase of residential property to participants in amount that qualified lending institution does not fund with first mortgage loan. Specifies terms and conditions of second mortgage loan.

Establishes Special Purpose Credit Program Loan Fund in State Treasury, separate and distinct from General Fund. Appropriates moneys in fund continuously to department for purpose of making mortgage loans in connection with pilot program.

Appropriates moneys from General Fund to department for purpose of making mortgage loans in connection with pilot program.

Declares emergency, effective on passage.

A BILL FOR AN ACT

1
2 Relating to special purpose credit programs; and declaring an emergency.

3 **Be It Enacted by the People of the State of Oregon:**

4 **SECTION 1. Sections 2 and 3 of this 2023 Act are added to and made a part of ORS**
5 **chapter 456.**

6 **SECTION 2. (1) As used in this section and section 3 of this 2023 Act:**

7 (a) **“Individual taxpayer identification number mortgage loan” means a mortgage loan**
8 **that a lending institution makes to an individual using an individual taxpayer identification**
9 **number from the Internal Revenue Service in lieu of requiring the individual to have or use**
10 **a Social Security number in any mortgage loan application or mortgage loan documents.**

11 (b) **“Lending institution” has the meaning given that term in ORS 456.548.**

12 (c) **“Participant” means a person to whom a lending institution extends credit under a**
13 **special purpose credit program.**

14 (d) **“Qualified lending institution” means a lending institution that qualifies in the man-**
15 **ner described in subsection (4) of this section to take part in the pilot program described in**
16 **subsection (2) of this section.**

17 (e) **“Residential property” means real property upon which is situated four or fewer**
18 **dwelling units designed for residential use.**

19 (f) **“Special purpose credit program” means a lending institution program that grants**
20 **credit for the purposes, and in accordance with the requirements, set forth in 12 C.F.R.**
21 **1002.8, as in effect on the effective date of this 2023 Act.**

22 (2) **The Housing and Community Services Department by rule shall establish and imple-**

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 ment a pilot program through which the department cooperates with qualified lending insti-
 2 tutions to provide 100 percent financing for residential property purchases to persons who
 3 qualify for special purpose credit programs. The department shall integrate the pilot program
 4 with existing lending programs the department operates under ORS 456.561 and, to the extent
 5 practicable, shall use existing departmental resources, personnel, contractors and agree-
 6 ments to originate, negotiate, disburse funds for, receive and process repayments of, service
 7 and administer mortgage loans the department makes in connection with the pilot program.

8 (3)(a) To implement the pilot program described in subsection (2) of this section, the de-
 9 partment shall enter into agreements with qualified lending institutions, the terms and con-
 10 ditions of which must provide that each qualified lending institution shall:

11 (A) Develop and implement a special purpose credit program that extends credit to par-
 12 ticipants on the basis of common characteristics of race, sex or national origin that the
 13 participants share;

14 (B) Provide up to 90 percent of the financing, less the amount of any down payment the
 15 participant makes, and pay all required private mortgage insurance necessary for partic-
 16 ipants to purchase residential property;

17 (C) Sell mortgage loans that the lending institution originates, other than individual
 18 taxpayer identification number mortgage loans, to the department;

19 (D) Retain all first mortgage loans that are individual taxpayer identification number
 20 mortgage loans that the qualified lending institution makes in connection with the pilot
 21 program and provide in loan documents for retained mortgage loans that the participant
 22 shall make repayments of principal and interest on the first mortgage loan to the lending
 23 institution's servicer and any payments on any second mortgage loan to a servicer the de-
 24 partment designates;

25 (E) Specify in all mortgage loan agreements the qualified lending institution executes
 26 with participants and sells to the department that participants shall make all repayments
 27 of principal and interest on the mortgage loan to a mortgage loan servicer the department
 28 designates; and

29 (F) Permit the department to offer to the participant a second mortgage loan for the
 30 purchase of residential property in any amount that the qualified lending institution does not
 31 finance with the qualified lending institution's first mortgage loan and with a lien that is
 32 junior to the qualified lending institution's first mortgage loan.

33 (b) In combination with each first mortgage loan that a qualified lending institution
 34 makes in connection with the department's pilot program, the department shall offer each
 35 participant a second mortgage loan with the same repayment term as the first mortgage loan
 36 and at an interest rate that does not exceed one percentage point more than the interest
 37 rate for the first mortgage loan. The department shall specify in any loan documents the
 38 department executes with a participant that the participant shall direct all repayments of
 39 the loan principal and interest to a servicer the department designates.

40 (c) The department shall service each loan the department makes under paragraph (b)
 41 of this subsection and shall deposit into the Special Purpose Credit Program Loan Fund es-
 42 tablished under section 3 of this 2023 Act all proceeds from repayments of principal and in-
 43 terest on each second mortgage loan.

44 (d) The department shall purchase any mortgage loan a qualified lending institution of-
 45 fers to sell to the department under subsection (3)(a)(C) of this section, but may negotiate

1 with the qualified lending institution to obtain terms of sale that are advantageous to the
 2 state.

3 (4)(a) To become a qualified lending institution, a lending institution shall:

4 (A) Create a special purpose credit program that complies with the requirements set
 5 forth in 12 C.F.R. 1002.8, as in effect on the effective date of this 2023 Act, and administer
 6 the special purpose credit program according to a written plan that identifies the class of
 7 persons that the program will benefit and specifies the procedures and standards for ex-
 8 tending credit under the program;

9 (B) Document the community need for the lending institution's special purpose credit
 10 program and the lending institution's reasons for identifying the class of persons the lending
 11 institution intends to serve with the special purpose credit program and make the doc-
 12 umentation available to the department at the department's request;

13 (C) Attest to the department in a notarized writing by an officer of the lending institution
 14 that the lending institution's special purpose credit program meets the requirements set
 15 forth in 12 C.F.R. 1002.8, as in effect on the effective date of this 2023 Act;

16 (D) Establish and implement a written policy of offering and providing up to 90 percent
 17 of the financing that participants in the special purpose credit program need to purchase
 18 residential property and of paying all needed private mortgage insurance;

19 (E) Provide homebuyer education in accordance with criteria the department adopts by
 20 rule; and

21 (F) Track, compile and report to the department information the department specifies
 22 for the purpose of determining whether the lending institution's special purpose credit pro-
 23 gram is meeting the needs of participants and the community.

24 (b) If the department determines that a lending institution no longer qualifies under
 25 paragraph (a) of this subsection, the department may disqualify the lending institution until
 26 the department determines that the lending institution is qualified.

27 (5) The department shall adopt rules and policies that are necessary to implement the
 28 pilot program described in this section.

29 **SECTION 3.** (1)(a) The Special Purpose Credit Program Loan Fund is established in the
 30 State Treasury, separate and distinct from the General Fund. Interest that the Special Pur-
 31 pose Credit Program Loan Fund earns must be credited to the fund.

32 (b) Moneys in the Special Purpose Credit Program Loan Fund may be invested and rein-
 33 vested as provided in ORS 293.701 to 293.857.

34 (2) Moneys in the Special Purpose Credit Program Loan Fund consist of:

35 (a) Appropriations to the Housing and Community Services Department for the purpose
 36 of funding the pilot program described in section 2 of this 2023 Act;

37 (b) Repayments the department receives from participants in the pilot program with
 38 second mortgage loans that the department makes in connection with the pilot program;

39 (c) Interest and other earnings on moneys in the fund; and

40 (d) Other amounts the department receives from any source and deposits into the fund.

41 (3) Subject to subsection (4) of this section, moneys in the Special Purpose Credit Pro-
 42 gram Loan Fund are continuously appropriated to the department for the purpose of making
 43 loans in connection with the pilot program described in section 2 of this 2023 Act.

44 (4) The department may not during any biennium expend more than 10 percent of the
 45 average quarterly balance of the Special Purpose Credit Program Loan Fund to pay the costs

1 of administering the fund or the pilot program described in section 2 of this 2023 Act.

2 **SECTION 4.** There is appropriated to the Housing and Community Services Department,
3 for the biennium beginning July 1, 2023, out of the General Fund, the amount of \$30,000,000
4 for the purpose of carrying out the provisions of sections 2 and 3 of this 2023 Act.

5 **SECTION 5.** (1) Sections 2 and 3 of this 2023 Act become operative on January 1, 2024.

6 (2) The Housing and Community Services Department may adopt rules and take any
7 other action before the operative date specified in subsection (1) of this section that is nec-
8 essary to enable the department, on and after the operative date specified in subsection (1)
9 of this section, to undertake and exercise all of the duties, functions and powers conferred
10 on the department by sections 2 and 3 of this 2023 Act.

11 **SECTION 6.** This 2023 Act being necessary for the immediate preservation of the public
12 peace, health and safety, an emergency is declared to exist, and this 2023 Act takes effect
13 on its passage.

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