

# A-Engrossed House Bill 3236

Ordered by the House April 3  
Including House Amendments dated April 3

Sponsored by Representative NATHANSON; Representatives ANDERSEN, GAMBA, HUDSON (at the request of Network for Oregon Affordable Housing) (Pre-session filed.)

## 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. The statement includes a measure digest written in compliance with applicable readability standards.

**Digest: The Act makes changes to the tax credit for banks that lend for housing. (Flesch Readability Score: 89.8).**

*[Digest: The Act makes changes to the tax credit for banks that lend for housing, to allow credit for loans for buyers. (Flesch Readability Score: 76.7).]*

Expands purposes for the corporate excise tax credit allowed for affordable housing lending. *[Establishes the Affordable Housing Lender Fund.]* Allows a tax credit for contributions to *[the]* a **qualified mortgage loan** fund with the purpose of assisting certain home buyers. **Allows credit for loans for preservation or rehabilitation of distressed properties without requiring typical rent reductions.**

Applies to loans made and tax years beginning on or after January 1, 2026.

Takes effect on the 91st day following adjournment sine die.

## A BILL FOR AN ACT

1  
2 Relating to tax credits for lending for affordable housing; creating new provisions; amending ORS  
3 317.097; and prescribing an effective date.

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

5 **SECTION 1.** ORS 317.097, as amended by section 25, chapter 75, Oregon Laws 2024, is amended  
6 to read:

7 317.097. (1) As used in this section:

8 (a) "Annual rate" means the yearly interest rate specified on the note, and not the annual per-  
9 centage rate, if any, disclosed to the applicant to comply with the federal Truth in Lending Act.

10 (b) "Bonds" means a bond, as defined in ORS 286A.001, if issued on behalf of the Housing and  
11 Community Services Department, or bonds, as defined in ORS 456.055, if issued by a housing au-  
12 thority.

13 (c) "Finance charge" means the total of all interest, loan fees, interest on any loan fees financed  
14 by the lending institution, and other charges related to the cost of obtaining credit.

15 (d) "Lending institution" means any insured institution, as that term is defined in ORS 706.008,  
16 any mortgage banking company that maintains an office in this state or any community development  
17 corporation that is organized under the Oregon Nonprofit Corporation Law.

18 (e) "Limited equity cooperative" means a cooperative corporation formed under ORS chapter 62  
19 whose articles of incorporation, in addition to the other requirements of ORS chapter 62, prohibit  
20 members from selling their ownership interests:

21 (A) To any person other than a low income person; or

22 (B) For a sales price that exceeds the sum of:

**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 (i) The price the member paid for the ownership interest;
- 2 (ii) The cost of any permanent improvements the member made to the housing unit during the  
3 member's ownership;
- 4 (iii) Any special assessments the member paid to the limited equity cooperative during the  
5 member's ownership that were expended to make permanent improvements to the building in which  
6 the member's housing unit is located; and
- 7 (iv) A return on the amounts described in sub-subparagraphs (i) to (iii) of this subparagraph,  
8 computed from the year in which the respective amount was paid, that equals the greater of the  
9 result of adjusting each amount by the percentage increase, if any, in the Consumer Price Index for  
10 All Urban Consumers, West Region (All Items), as published by the Bureau of Labor Statistics of the  
11 United States Department of Labor, or of increasing each amount by three percent compounded  
12 annually.
- 13 (f) "Manufactured dwelling park" has the meaning given that term in ORS 446.003.
- 14 (g) "Nonprofit corporation" means a corporation that is exempt from income taxes under section  
15 501(c)(3) or (4) of the Internal Revenue Code as amended and in effect on December 31, 2023.
- 16 (h) "Preservation project" means housing that was previously developed as affordable housing  
17 with a contract for rent assistance from the United States Department of Housing and Urban De-  
18 velopment or the United States Department of Agriculture and that is being acquired by a spon-  
19 soring entity.
- 20 (i) "Qualified assignee" means any investor participating in the secondary market for real estate  
21 loans.
- 22 (j) "Qualified borrower" means any borrower that is a sponsoring entity that has a controlling  
23 interest in the real property that is financed by a qualified loan. A controlling interest includes a  
24 controlling interest in the general partner of a limited partnership that owns the real property.
- 25 (k) "Qualified loan" means:
- 26 (A) A loan that meets the criteria stated in subsection (5) of this section or that is made to re-  
27 finance a loan that meets the criteria described in subsection (5) of this section; *[or]*
- 28 (B) The purchase by a lending institution of bonds, the proceeds of which are used to finance  
29 or refinance a loan that meets the criteria described in subsection (5) of this section~~]; or~~
- 30 **(C) A qualified mortgage loan fund.**
- 31 **(L) "Qualified mortgage loan fund" means a fund that:**
- 32 **(A) Is operated by a lending institution described in subsection (12) of this section;**
- 33 **(B) Makes mortgages to first-time home buyers;**
- 34 **(C) Makes mortgages for homes subject to a land trust mortgage; and**
- 35 **(D) Makes mortgages to households that, at the time of mortgage origination, have in-**  
36 **come that is 80 percent or less of area median income as defined in ORS 458.610.**
- 37 *[(L)]* **(m)** "Sponsoring entity" means a nonprofit corporation, nonprofit cooperative, state gov-  
38 ernmental entity, local unit of government as defined in ORS 466.706, housing authority or any other  
39 person, provided that the person has agreed to restrictive covenants imposed by a nonprofit corpo-  
40 ration, nonprofit cooperative, state governmental entity, local unit of government or housing au-  
41 thority.
- 42 (2) The Department of Revenue shall allow a credit against taxes otherwise due under this  
43 chapter for the tax year to a lending institution that makes a qualified loan certified by the Housing  
44 and Community Services Department as provided in subsection (7) of this section. The amount of the  
45 credit is equal to the difference between:

1 (a) The amount of finance charge charged by the lending institution during the tax year at an  
2 annual rate less than the market rate for a qualified loan [*that is made before January 1, 2026,*] that  
3 complies with the requirements of this section; and

4 (b) The amount of finance charge that would have been charged during the tax year by the  
5 lending institution for the qualified loan for housing construction, development, acquisition or re-  
6 habilitation measured at the annual rate charged by the lending institution for nonsubsidized loans  
7 made under like terms and conditions at the time the qualified loan for housing construction, de-  
8 velopment, acquisition or rehabilitation is made.

9 (3) The maximum amount of credit for the difference between the amounts described in sub-  
10 section (2)(a) and (b) of this section may not exceed four percent of the average unpaid balance of  
11 the qualified loan during the tax year for which the credit is claimed.

12 (4) Any tax credit allowed under this section that is not used by the taxpayer in a particular  
13 year may be carried forward and offset against the taxpayer's tax liability for the next succeeding  
14 tax year. Any credit remaining unused in the next succeeding tax year may be carried forward and  
15 used in the second succeeding tax year, and likewise, any credit not used in that second succeeding  
16 tax year may be carried forward and used in the third succeeding tax year, and any credit not used  
17 in that third succeeding tax year may be carried forward and used in the fourth succeeding tax year,  
18 and any credit not used in that fourth succeeding tax year may be carried forward and used in the  
19 fifth succeeding tax year, but may not be carried forward for any tax year thereafter.

20 (5) To be eligible for the tax credit allowable under this section, a lending institution must make  
21 a qualified loan by either purchasing bonds, the proceeds of which are used to finance or refinance  
22 a loan that meets the criteria stated in this subsection, or making a loan directly to:

23 (a) An individual or individuals who own a dwelling, participate in an owner-occupied commu-  
24 nity rehabilitation program and are certified by the local government or its designated agent as  
25 having an income level when the loan is made of 80 percent of the area median income or less;

26 (b) A qualified borrower who:

27 (A) Uses the loan proceeds to finance construction, development, acquisition or rehabilitation  
28 of housing, including housing in the form of a limited equity cooperative; and

29 (B) Provides a written certification executed by the Housing and Community Services Depart-  
30 ment that the:

31 (i) Housing created by the loan is or will be occupied by households earning 80 percent of the  
32 area median income or less; and

33 (ii) Full amount of savings from the reduced interest rate provided by the lending institution is  
34 or will be passed on, in the form of reduced housing payments, to the tenants or to the holders of  
35 proprietary leases in a limited equity cooperative;

36 (c) Subject to subsection (14) of this section, a qualified borrower who:

37 (A) Uses the loan proceeds to finance construction, development, acquisition or rehabilitation  
38 of housing consisting of a manufactured dwelling park; and

39 (B) Provides a written certification executed by the Housing and Community Services Depart-  
40 ment that the housing will continue to be operated as a manufactured dwelling park during the pe-  
41 riod for which the tax credit is allowed;

42 (d) A qualified borrower who:

43 (A) Uses the loan proceeds to finance acquisition or rehabilitation of housing consisting of a  
44 preservation project; and

45 (B) Provides a written certification executed by the Housing and Community Services Depart-

1 ment that the housing preserved by the loan:

2 (i) Is or will be occupied by households earning 80 percent of the area median income or less;  
3 and

4 (ii) Is the subject of a rent assistance contract with the United States Department of Housing  
5 and Urban Development or the United States Department of Agriculture that will be maintained by  
6 the qualified borrower; [or]

7 (e) A qualified borrower who:

8 (A) Uses the loan proceeds to finance construction, development, acquisition or rehabilitation  
9 of housing; and

10 (B) Provides a written certification executed by the Housing and Community Services Depart-  
11 ment or the governmental party to the rent assistance contract that the housing preserved by the  
12 loan:

13 (i) Is or will be occupied by households earning 80 percent of the area median income or less;  
14 and

15 (ii) Is the subject of a rent assistance contract with the federal government or with a state or  
16 local government that will be maintained by the qualified borrower and that limits a tenant's rent  
17 to no more than 30 percent of their income[.];

18 **(f) A qualified borrower who:**

19 **(A) Uses the loan proceeds to finance preservation or rehabilitation of housing; and**

20 **(B) Provides a written certification executed by the Housing and Community Services**  
21 **Department that the housing preserved or rehabilitated by the loan:**

22 **(i) Is or will be occupied by households earning 80 percent of the area median income or**  
23 **less; and**

24 **(ii) Is currently characterized by financial or physical distress that threatens its ongoing**  
25 **viability as an affordable housing resource; or**

26 **(g) A qualified mortgage loan fund.**

27 (6) A loan made to refinance a loan that meets the criteria stated in subsection (5) of this sec-  
28 tion must be treated the same as a loan that meets the criteria stated in subsection (5) of this sec-  
29 tion.

30 (7) For a qualified loan to be eligible for the tax credit allowable under this section, the Housing  
31 and Community Services Department must execute a written certification for the qualified loan that:

32 (a) States that the qualified loan is within the limitation imposed by subsection (8) of this sec-  
33 tion; and

34 (b) Specifies the period, as determined by the Housing and Community Services Department,  
35 during which the tax credit is allowed for the qualified loan, not to exceed:

36 (A) 30 years, for a qualified loan with a contract for rent assistance or financing resources from  
37 the United States Department of Agriculture, for new housing construction, acquisition of housing  
38 or a preservation project; or

39 (B) 20 years, for any other type of qualified loan.

40 (8) The Housing and Community Services Department may certify qualified loans that are eligi-  
41 ble under subsection (5) of this section if the total credits attributable to all qualified loans eligible  
42 for credits under this section and then outstanding do not exceed \$35 million for any fiscal year. In  
43 making loan certifications under subsection (7) of this section, the Housing and Community Services  
44 Department shall attempt to distribute the tax credits statewide, but shall concentrate the tax  
45 credits in those areas of the state that are determined by the Oregon Housing Stability Council to

1 have the greatest need for affordable housing.

2 (9) The tax credit provided for in this section may be taken whether or not:

3 (a) The financial institution is eligible to take a federal income tax credit under section 42 of  
4 the Internal Revenue Code with respect to the project financed by the qualified loan; or

5 (b) The project receives financing from bonds, the interest on which is exempt from federal  
6 taxation under section 103 of the Internal Revenue Code.

7 (10) For a qualified loan defined in subsection (1)(k)(B) of this section financed through the  
8 purchase of bonds, the interest of which is exempt from federal taxation under section 103 of the  
9 Internal Revenue Code, the amount of finance charge that would have been charged under sub-  
10 section (2)(b) of this section is determined by reference to the finance charge that would have been  
11 charged if the federally tax exempt bonds had been issued and the tax credit under this section did  
12 not apply.

13 (11) A lending institution may sell a qualified loan for which a certification has been executed  
14 to a qualified assignee whether or not the lending institution retains servicing of the qualified loan  
15 so long as a designated lending institution maintains records, annually verified by a loan servicer,  
16 that establish the amount of tax credit earned by the taxpayer throughout each year of eligibility.

17 (12) Notwithstanding any other provision of law, a lending institution that is a community de-  
18 velopment corporation organized under the Oregon Nonprofit Corporation Law may transfer all or  
19 part of a tax credit allowed under this section to one or more other lending institutions that are  
20 stockholders or members of the community development corporation or that otherwise participate  
21 through the community development corporation in the making of one or more qualified loans for  
22 which the tax credit under this section is allowed.

23 (13) The lending institution shall file an annual statement with the Housing and Community  
24 Services Department, specifying that it has conformed with all requirements imposed by law to  
25 qualify for a tax credit under this section.

26 (14) Notwithstanding subsection (1)(j) and (L) of this section, a qualified borrower on a loan to  
27 finance the construction, development, acquisition or rehabilitation of a manufactured dwelling park  
28 under subsection (5)(c) of this section must be:

29 (a) A nonprofit corporation, manufactured dwelling park nonprofit cooperative, state govern-  
30 mental entity, local unit of government as defined in ORS 466.706 or housing authority; or

31 (b) A nonprofit corporation or housing authority that has a controlling interest in the real  
32 property that is financed by a qualified loan. A controlling interest includes a controlling interest  
33 in the general partner of a limited partnership that owns the real property.

34 (15) The Department of Revenue may require that a lending institution that has earned the  
35 credit and a lending institution that intends to claim the credit jointly file a notice, as prescribed  
36 by the Department of Revenue. The notice must comply with ORS 315.056 (2) or 315.058 (2).

37 (16) The Housing and Community Services Department shall provide information to the Depart-  
38 ment of Revenue about all certifications executed under this section, if required by ORS 315.058.

39 (17) The Housing and Community Services Department and the Department of Revenue may  
40 adopt rules to carry out the provisions of this section.

41 **SECTION 2. The amendments to ORS 317.097 by section 1 of this 2025 Act apply to loans**  
42 **made on or after January 1, 2026, and to tax years beginning on or after January 1, 2026.**

43 **SECTION 3. This 2025 Act takes effect on the 91st day after the date on which the 2025**  
44 **regular session of the Eighty-third Legislative Assembly adjourns sine die.**