

CREDIT UNIONS

Support for HB3188 - Oregon Welcome Home House Committee on Housing and Homelessness February 12, 2025

Chair Marsh, Vice Chairs Anderson and Breese-Iverson and Members of the Committee, I am Pam Leavitt, and I represent the GoWest Credit Union Association and Oregon Credit Unions.

Credit unions throughout the region continue to focus on workforce housing hurdles within their communities – creating products, services, and partnerships that are directly tackling the problem. I have included some examples of our work at the end of this testimony.

As a top priority for Oregon credit unions in the 2025 legislative session, we worked to develop a legislative concept modeled after a program in Arizona. The goal of the concept is to support overall homeownership goals in Oregon and help make homeownership more accessible in Oregon communities.

We are asking the state for funding support to create a loan loss reserve fund which will act as the first source of loss recovery at \$2.5 million. HB3188 is being sponsored by House Majority Leader Ben Bowman and House Republican Leader Christine Drazan along with sponsors on this Committee.

Background

Homeownership is an important goal for all of us in this state. A home is the single biggest investment most people ever make. Passing a home on to the next generation is an amazing gift that builds generational wealth. Saving even 5% for a down payment can be challenging. Many homebuyers juggle additional financial obligations, like student loan or car payments, family expenses, household costs, and more.

The goal of the Oregon Welcome Home program is to create a statewide loan program to expand home financing options for families at or below 130% of the median household income level. Members of participating financial institutions would be able to achieve homeownership through this program with a 100% financed mortgage loan. When a borrower's income and debt-to-income ratios meet certain criteria, this program can provide an avenue to overcome affordability, down payment and credit qualification challenges, and enable families to escape the cycle of renting and build wealth.

No Mortgage Insurance Required

Typically, borrowers making a down payment of less than 20% of the purchase price of a home will need to pay mortgage insurance. This is usually included in the total monthly payment to the lender and can add up to hundreds of dollars. This mortgage program has no mortgage insurance requirement, saving consumers considerable amounts of money every month.

Loan Loss Fund

Loan loss reserve (LLR) funds are a type of credit enhancement used to improve the credit risk profile of a lender or its investors to obtain better terms of debt repayment. This type of funding mechanism provides partial risk coverage to lenders, meaning that the reserve will cover a pre-specified amount of loan losses. Thus, an LLR is also an effective credit enhancement to use if the objective of the state or local government plans to broaden access to financing for underserved communities.

The loan loss reserve funds will be pledged to a loan for a term of 5 years. At that point the funds will be returned to the loan fund and those funds can be pledged again for a new loan origination. This type of loan loss reserve has the potential to be self-perpetuating and can help Oregonians for generations.

These 100% loan-to-value mortgage loans are outside of the Federal National Mortgage Association (FNMA) secondary guidelines, so the loans would be funded and serviced by our local Oregon credit unions. The loan loss reserve fund is essentially creating a mortgage loan product that does not currently exist in the marketplace and would enable borrowers to achieve homeownership, where a current path does not exist.

Recommended Features:

- *Mortgage Insurance Not Required*
- *Participating financial institutions set their own interest rates, but APR may not exceed 1% of a similar FNMA product.*
- *First-time homebuyers only and purchase transactions only*
- *Minimum Credit Requirements*
- *30-Year Fixed*
- *Eligible Properties: 1 unit attached or detached single family, townhome or Manufactured home on land owned by borrower*
- *Homebuyer Education Class Requirements*
- *Maximum Loan of \$500,000 and 680 FICO Score*
- *Two months in reserves for taxes and insurance*

Examples of Credit Union work in Oregon in support of workforce housing and homeownership through the GoWest Credit Union Foundation

Mid Oregon Credit Union Pioneers Workforce Housing Land Acquisition Fund

Mid Oregon Credit Union is stepping up to address the critical shortage of workforce housing in Bend, Oregon. A grant from the GoWest Foundation will aid the planning and launch of the Workforce Housing Land Acquisition Fund, established with an initial \$500,000 investment from Providence Health Care. The initiative focuses on providing low-interest loans for essential workers – teachers, healthcare professionals, and others – enabling them to afford homes closer to their workplaces. In addition to funding affordable housing, the project will engage local stakeholders, advocate for supportive housing policies, and partner with developers to create housing for workers earning 80 to 120% of the Area Median Income. This program exemplifies Mid Oregon's commitment to fostering community stability, economic success, and quality of life for the region's essential workforce.

Consolidated Community Credit Union Increases Access to ITIN Mortgages and ADU Loans

In the Portland metro area, Consolidated Community Credit Union utilized grant funds from GoWest Foundation to help the community of northeast Portland by expanding its residential lending programs. It aims to increase availability and access to workforce housing options, including accessory dwelling units (ADU) and ITIN mortgages. ADUs include tiny homes, basement income properties, and cottage cluster developments. The credit union has partnered with government and community stakeholders that support these goals to identify and develop public policy changes that are needed from city building and zoning codes focused on affordable housing. ITIN mortgage loans will provide undocumented immigrants with the opportunity for home ownership. Consolidated Community Credit Union has partnered with the Hacienda Community Development Corporation, Oregon's largest Latino-led housing organization, which refers clients to the credit union for mortgage services.

Credit Union Collaborations in Oregon and Washington Drive Solutions for Private Market Renters

The Open Doors security deposit loan program assists renters with rising rentals costs in communities across Washington state. The GoWest Foundation partnered with Point West, Consolidated, and Trailhead Credit Unions to support renters by offering low-rate loans, allowing them to spread the cost of their security deposit over the course of their lease. As rents have increased significantly throughout the region, collaborating with other credit unions to tackle barriers to workforce housing.

Central Willamette Credit Union Creates Innovative 80/20 Mortgage and Down Payment Assistance

GoWest Foundation provided a grant to Central Willamette Credit Union to create an 80/20 mortgage product for down payment assistance and to expand its

community outreach throughout Oregon. Saving a down payment is a huge hurdle, and with home prices out of reach for families in the communities it serves, Central Willamette sees this product as a potential solution to combat this issue.

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