



Statement of David Raphael, on behalf of the ***Alliance of Vulnerable Homeowners***

Regarding

HB 4039 Amendments to the Senior Property Tax Deferral Program

Before the

Senate Finance and Revenue Committee

Salem, Oregon

February 15, 2012

Senator Burdick and members of the Revenue Committee, my name is David Raphael. I am a member of the Southeast District Senior Advisory Committee (SEDSAC), a volunteer citizen's advisory and advocacy organization that oversees assistance programs serving older and disabled adults in Multnomah County. I am also representing the ***Alliance of Vulnerable Homeowners***, a new statewide group of citizens who have come together with shared concerns over the changes in Oregon's Senior and Disabled Property Tax Deferral program that were enacted last year. I appreciate the opportunity to submit these comments.

We believe that the amendments contained in HB 4039 will go a long way toward restoring assistance to some of the most adversely affected homeowners and former participants in the Senior Property Tax Deferral Program. While we had sought the permanent reinstatement of participants who had been disqualified last year from the program simply because of the type of mortgage they had on their property, we believe that the proposed reprieve in the House Bill to reverse mortgage holders is justified, and will serve, as the House Revenue Committee Co-Chair Vickie Berger pointed out, "as a two-year bridge to keep the program functioning until the housing market recovers".

Concerns

We are concerned, however, that although the proposal will apply to the 1,700 or so participants who were dropped from the program solely because of their reverse mortgages, it will exclude nearly 1,200 homeowners who were disqualified for other reasons, and ignores completely the roughly 1,900 households that were terminated because they didn't apply by the beginning of this month for recertification as directed by DOR.

Our Proposal

The LRO staff estimates that about one-third of group that has yet to reapply -- close to 600 households -- would be eligible to participate in the tax deferral program except for their reverse mortgages. Their situation is identical to that of the 1,700 former participants will receive a reprieve under HB 4039. Had they gotten their applications in by February 1st, they would have been covered under this Bill. Including this small group translates roughly into an additional \$1 million a year in tax payments, which we think is doable. So, in the interest of fairness, we want to urge the Committee to open the door a little wider to accommodate that additional contingent.

The Numbers

We believe that both the proposed reprieve contained in HB 4039 and our own proposal are feasible for two reasons: 1) the drastically reduced size of the program has resulted in a significant reduction in outlays; and 2) improvements in the housing market have resulted in higher than expected reimbursements to the fund. During the rest of this biennium, repayments to the revolving fund are expected to be \$1.5 million per month. Under provisions of current law (HB2543), that will result in a modest deficit of -\$700,000 this year, growing to a positive fund balance of \$5.7 million next year. Reinstating the 1,700 participants, as currently proposed in HB4039 will add \$3.3 million to this year's deficit, and result in a projected net deficit of -\$300,000 next year. Beginning in 2013, the program will be in the black, with surpluses rising annually, and expected to reach \$30 million by 2015. Under our proposal and the House Revenue Committee's plan, the \$19 million loan from the Common School Fund will be used only to meet short term cash flow needs this year and next, and would be fully repaid in 2013.

What the Senate Needs to Do

In order to restore the 600 or so people with reverse mortgages who missed the February 1st cutoff date, LRO estimates that would add an additional \$1 million to program costs each year. Given existing revenue projections, that clearly would be doable if DOR could hold onto just a portion of the \$19 million for an additional six months.

We believe that it is only fair to include this additional category of homeowners who are equally distressed as those being grandfathered into the program -- except for the fact that they failed or were advised not to reapply earlier. That should be fairly easy to accomplish by amending the application cutoff date established in Section 7. (1) (c) of the proposed amendments to HB 4039 to read as follows:

"(c) For which an application for recertification of deferral under ORS 311.666 to 311.701 , as required pursuant to chapter 723, Oregon Laws 2011, was submitted on or before May 1, 2012, for the property tax year beginning on July 1, 2011."

Again, we appreciate the opportunity to submit this statement, and thank you considering our views.