



## HOUSE BILL 2872

House Bill 2872 directs Oregon Department of Administrative Services (DAS) to submit a report related to outstanding bonds issued at request of Housing and Community Services Department, and programs and efforts supported by outstanding bonds, in event of reorganization or abolishment of Housing and Community Services Department to interim legislative committees no later than December 31, 2013.

## OREGON HOUSING AND COMMUNITY SERVICES TRANSITION PLANNING

Oregon Housing and Community Services (OHCS) has been called upon by the Governor to develop a plan that improves upon the current housing and community service delivery model. Specifically, the Governor's Balanced Budget (GBB) asks OHCS to develop "a new model of state governance, service delivery, and community partnership" for housing and safety net services. While OHCS will be developing a new way of delivering services, it will not be done at the expense of its fiduciary responsibilities to its funders or its bondholders. The proposed transition plan for OHCS will include plans for how the State of Oregon will fulfill its obligations as a bond issuer and to its bondholders.

## OHCS SINGLE FAMILY AND MULTIFAMILY BOND PROGRAMS

OHCS serves as the State of Oregon's Housing Finance Agency (HFA). As an HFA, OHCS sells tax-exempt housing bonds, the proceeds from which are used to finance low-rate mortgages for eligible first-time homebuyers or the production of apartments at rents affordable to lower income families. As an issuer of housing bonds, OHCS is responsible for fulfilling its obligations to its bondholders and to manage the single and multifamily loan portfolios in a responsible manner which protects the interests of its bondholders. As OHCS undergoes changes in its service delivery model, it will not neglect the ongoing responsibilities related to our obligations as a bond issuer or to our bondholders.

## SINGLE FAMILY BOND PROGRAM

OHCS has offered the **Residential Loan Program**, also known as the Oregon Bond program, since 1977. During this time OHCS, in partnership with participating lenders, has helped more than 35,800 households finance and purchase a home, for more than \$2.9 billion in total loans.

The program primarily serves first-time homebuyers at or below area median income (AMI), adjusted for family size and federal targeted area designations. The price of a home purchased with a MRB mortgage is limited by a local purchase price and income limits which vary by county.

The program currently offers two 30-year fixed rate loan options: Rate Advantage and Cash Advantage. Rate Advantage offers borrowers our lowest interest rate (currently 3.125% with loan and origination fees of 1.75%); Cash Advantage provides borrowers with cash of 3% of the loan amount to be used for closing cost and down payment assistance at an attractive interest rate (currently 3.625% with loan and origination fees of 1.75%).

As of February 28, 2013, OHCS's single family loan portfolio was made up of 6,945 loans for a total loan portfolio of approximately \$814 million. These loans are secured by properties in 34 of Oregon's 36 counties. Approximately 74% of the loans in OHCS' loan portfolio have mortgage insurance with the most common type of insurance being FHA



(approximately 41%). The remaining loans are insured by the USDA, private mortgage insurance or uninsured loans with an original loan-to-value of less than 80%.

As of 2/28/2013, OHCS' single-family delinquency rate is 7.76% and 4.19% of OHCS' single family loans are in foreclosure. OHCS' delinquency rate is relatively low compared to the national delinquency rate for commercial bank's residential real estate loans of 10.18% as of 4th Quarter 2012.

## MULTIFAMILY BOND PROGRAMS

Since 1977, OHCS has also administered a number of multifamily bond programs. These programs primarily involve the sale of multifamily tax-exempt bonds and using the proceeds from these bond sales to fund affordable multifamily housing projects throughout the State of Oregon. In general multifamily housing bond developments must set aside at least 40 percent of their apartments for families with incomes of 60 percent of AMI or less, or 20 percent for families with incomes of 50 percent of AMI or less.

The **Elderly and Disabled (E & D) Loan Program** provides below-market interest rate permanent mortgage loans by issuing pooled tax-exempt bond financing for affordable multi-unit rental housing projects. Borrowers may apply for this loan for construction of new affordable housing or for acquisition and/or rehabilitation of existing properties. This program finances apartments, congregate care, residential care, and assisted living facilities for elderly persons, as well as group care homes for mentally and physically disabled persons. OHCS provides credit enhancement, plus bond issuance.

Through the **Risk Sharing Loan Program** OHCS provides below-market interest rate permanent mortgage loans by issuing pooled tax-exempt bond financing for affordable multifamily rental housing projects. OHCS and HUD share the loan risk and through HUD's FHA mortgage insurance program, allowing the bonds to receive an Aaa bond rating.

The **Pass-Through Revenue Bond ("Conduit") Program** provides funds to finance the construction, rehabilitation and acquisition of multi-unit affordable housing for lower-income Oregonians through OHCS's issuance of tax-exempt, "no obligation" debt of the Department of the State of Oregon. The program provides borrowers with additional flexibility in selecting their finance team and financing structure.

As of 2/28/2013, OHCS's total multifamily loan portfolio (excluding conduit financed projects) is made up of 329 loans for a total loan portfolio of approximately \$301 million. These loans are secured by multifamily properties in 35 of Oregon's 36 counties. In all, OHCS' multifamily bond programs have financed the creation of 14,695 affordable housing units in 523 affordable housing developments across the state.

As of 2/28/2013, OHCS' multifamily delinquency rate is 0.26% and none of OHCS' multifamily loans are in foreclosure.

## IMPLEMENTING HB 2872

Upon the passage of HB 2872, OHCS will work closely with DAS to provide detailed information and full access to related information pertaining to OHCS' single family and multifamily bond programs, in order to prepare the report required by HB 2872. OHCS will continue work closely with DAS on the agency transition planning effort, with extra consideration given to bond programs, in order to honor continuing fiduciary obligations to bondholders.