



OREGON HOUSING *and*
COMMUNITY SERVICES

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March 17, 2023

House Committee on Housing and Homelessness
900 Court Street NE
Salem, OR 97301

RE: HB 3492 Follow Up

Chair Dexter, Co-Chairs Helfrich and Gamba,

While OHCS does not have a position on HB 3492, I was happy to be on hand to answer technical questions related to OHCS programs. Thank you for your time.

Background on Special Purpose Credit Programs

Special Purpose Credit Programs (SPCPs) are made available by the Equal Credit Opportunity Act. SPCPs are an important tool in expanding fair access to credit, particularly for consumers and communities impacted by discrimination. SPCPs fulfill the letter and spirit of our nation's fair housing and lending laws. Lenders establish and administer their SPCP according to a written plan that identifies the class of persons that the program is designed to benefit and sets forth the procedures and standards for extending credit following program guidelines. The program is established and administered to extend credit to a class of persons who have historically been denied access to credit or would receive it on less favorable terms than are ordinarily available to other applicants applying to the organization for a similar type and amount of credit.

Based on OHCS' read of the introduced bill, lenders would be able to establish SPCPs on any criteria compliant with federal fair housing law, including Individual Tax Identification Number (ITIN) holders, subject to OHCS approval for participation in the program. OHCS will support lenders who have created an SPCP lending program where lenders approved through OHCS' Flex Lending Program can reserve funds for an SPCP mortgage. Lenders will close the mortgage according to the terms reserved. As part of the closing, the lender purchases LPMI (Lender Paid Mortgage Insurance), which is a single premium mortgage insurance policy at no cost to the borrower, monthly or otherwise. Lenders will reserve funds and lock in an interest rate for a 90% first mortgage loan with a corresponding 10% second mortgage loan. Financing for ITIN mortgage loans will also be supported by the program where the approved lender provides a first mortgage or combination of mortgages amounting to 90% of the purchase price, also requiring no mortgage insurance payments by the borrower, and OHCS' program will provide a 10% second mortgage to complete the total financing. Lenders will present the closed mortgage loans to OHCS' servicer, Idaho Housing and Finance Association (IHFA), who will purchase the mortgages on behalf of the lender, reimbursing the lender for the LPMI costs in addition to purchasing the mortgages according to the terms of the Flex Lending program.

ITINs are issued to those who pay U.S. taxes but are not Social Security number (SSN) holders. They may be U.S. residents, temporary residents, or nonresidents who need to pay U.S. taxes.



OHCS' mission is to provide safe, affordable housing to Oregonians. Our mortgage products, Flex Lending and the Oregon Residential Bond Loan Program, provide affordable mortgages to low- to moderate-income Oregonians. An SPCP would operate in the same vein, providing an affordable, nonpredatory mortgage product to Oregonians. Loans issued under an SPCP to SSN holders would be issued at the same interest rate as the Flex Lending program. Loans issued to ITIN holders may have different terms as they would be bank portfolio loans. While this bill does not contain provisions to cap the interest rate, if this bill is implemented, OHCS will investigate the best path via rule to ensure that SPCPs offered by lenders are affordable and fair to homebuyers.

Representative Levy asked how servicing would work for the Special Purpose Credit Program.

For standard first-mortgage loans and all second-mortgage loans, servicing will be performed on OHCS' behalf by OHCS' servicer, which is Idaho Housing and Finance Association (IHFA). ITIN mortgages will be serviced by the lender providing the ITIN mortgage.

Representative Levy asked who pays for the Private Mortgage Insurance.

Private mortgage insurance will be paid in a lump sum by the lender. When the mortgage loan is purchased by IHFA on OHCS' behalf, the lender will be reimbursed using the General Funds allocated to the program.

Background on the Flex Lending program

OHCS has developed a first-of-its-kind lending program to help fulfill OHCS' mission of providing homeownership opportunities for low- to moderate-income Oregonians. Paired with Down Payment Assistance (DPA), Flex Lending helps Oregonians buy homes in partnership with our approved mortgage lenders. The Flex Lending program provides a fixed-rate first mortgage in combination with a second mortgage in the form of either a silent forgivable second lien or an amortizing repayable second lien. DPA funds may be used for up to 100% of the borrower's cash requirement to close, including down payment, closing costs, prepaid items, upfront borrower-paid mortgage insurance, and other related loan fees and expenses.

Flex Lending will launch March 22. Below are the terms for the OHCS Flex Lending program and associated DPA. The interest rates below are for the DPA. Flex Lending provides up to 5% DPA with the mortgage product, and homebuyers are permitted to contribute other down payment resources. Mortgage product interest rates for the overall program will be updated frequently on [OHCS' Flex Lending webpage](#) after program launch.



OHCS Response to House Housing Committee Questions – March 17, 2023

| OHCS Terms | Forgiven DPA Focused Demographics | Forgiven DPA | Repayable DPA Focused Demographics | Repayable DPA | Repayable DPA |
|----------------------|--|---------------------|---|----------------------|---------------------------|
| Max. DPA | 5.000% | 4.000% | 5.000% | 4.000% | 4.000% |
| Rate | 0.000% | 0.000% | First +1% | First +1% | First +1% |
| Payments | None | None | Amort. | Amort. | Amort. |
| Term (months) | 120 | 240 | 360 | 240 | 120 |
| AMI Limits | Up to 80% AMI Focused Demographics | Up to 80% AMI | 80.01-120% AMI Focused Demographics | 80.01-120% AMI | >120% AMI up to \$125,000 |

Sincerely,
 Alexandra Ring
 OHCS Legislative Coordinator (Homeownership & Disaster Recovery and Resilience)

