

SB 937 -1 STAFF MEASURE SUMMARY

Senate Committee On Housing and Development

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Sub-Referral To: Joint Committee On Ways and Means

Meeting Dates: 3/1, 3/22

WHAT THE MEASURE DOES:

Requires Housing and Community Services Department (OHCS) to provide grant to one or more nonprofit institutions to establish a revolving loan fund with the purpose of allowing first-time home buyers to establish equity at a faster rate. Clarifies eligible nonprofit institutions must be a community development financial institution operating statewide to support investment in affordable housing. Requires loans from fund be used for purchase of dwellings subject to affordability restrictions which limit equity and require purchaser be from a low-income household earning 80 percent or less of area median income. Sets loans at terms of 20 years or less and with a fixed interest rate no higher than the greater of 0.5 percent, or whichever rate allows monthly payments to be equal to a 30-year fixed-rate amortized mortgage at the current national average rate. Appropriates \$10 million from General Fund to OHCS for grants. Sunsets Act January 2, 2026. Requires OHCS provide report on use of loan funds to appropriate interim committee of Legislative Assembly on or before September 15, 2024, and on or before September 15, 2026.

Declares emergency, effective July 1, 2023.

FISCAL: Fiscal impact issued

REVENUE: No revenue impact

ISSUES DISCUSSED:

- Criteria to qualify for loan
- Examples of eligible statewide nonprofits
- Location and count of houses potentially covered
- Comparison of limited equity to soft-second mortgage

EFFECT OF AMENDMENT:

-1 Requires Housing and Community Services Department (OHCS) to provide grant to Network for Oregon Affordable Housing (NOAH) instead of one or more nonprofit institutions. Requires NOAH to dedicate to a loan fund of no less than \$10 million of additional private moneys prior to making a grant under the Act. Adds to loan conditions that applicants must have met with approved or certified housing counseling agency which offers a first-time home buyer program. Changes years of OHCS reports to Legislative Assembly from 2024 and 2026, to 2025 and 2027.

BACKGROUND:

Shared equity programs, including community land trust models or limited-equity cooperatives, allow income-eligible families to purchase homes below market rates while the programs keep a share of the home's equity. This allows the home to remain affordable for low or moderate-income buyers, but the model may limit these homeowners from gaining equity if market value increases. The Joint Task Force on Addressing Racial Disparities in Home Ownership (2022) heard concerns that shared equity programs may limit wealth accumulation for homeowners, adversely impacting racial wealth gaps. With lower interest rates, buyers can gain equity faster, matching or exceeding the equity they otherwise would have gained through typical home value appreciation.

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Senate Bill 937 provides lower interest rates to low-income, first-time home buyer through a revolving loan fund, established by grants from the Department of Housing and Community Services (OHCS) to one or more eligible nonprofit community development financial institutions. Loans from the fund must be used for dwellings subject to limited-equity and affordability restrictions, with terms of 20 years or less. The measure allocates to OHCS \$10 million from the General Fund for the grants and requires the agency to provide a report to the Legislative Assembly on use of loan funds on or before September 15, 2024, and on or before September 15, 2026.