

# A-Engrossed House Bill 3492

Ordered by the House April 7  
Including House Amendments dated April 7

Sponsored by Representative RUIZ, Senator MANNING JR; Representatives DEXTER, GAMBA (at the request of Joint Taskforce on Addressing Racial Disparities in Home Ownership)

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Directs Housing and Community Services Department by rule to establish and implement pilot program through which department cooperates with qualified lending institutions to provide 100 percent financing for residential property purchases to persons who qualify for special purpose credit programs. Authorizes department to enter into agreements with qualified lending institutions for purpose of implementing pilot program and specifies required terms and conditions of agreements.

Specifies bases on which lending institution may become qualified lending institution.

Requires department to offer second **position** mortgage loan for purchase of residential property to participants in amount that qualified lending institution does not fund with first mortgage loan. Specifies terms and conditions of second **position** mortgage loan.

Establishes Special Purpose Credit Program Loan Fund in State Treasury, separate and distinct from General Fund. Appropriates moneys in fund continuously to department for purpose of making mortgage loans in connection with pilot program.

Appropriates moneys from General Fund to department for purpose of making mortgage loans in connection with pilot program.

Declares emergency, effective on passage.

## A BILL FOR AN ACT

1  
2 Relating to special purpose credit programs; and declaring an emergency.

3 **Be It Enacted by the People of the State of Oregon:**

4 **SECTION 1. Sections 2 and 3 of this 2023 Act are added to and made a part of ORS**  
5 **chapter 456.**

6 **SECTION 2. (1) As used in this section and section 3 of this 2023 Act:**

7 (a) **“Individual taxpayer identification number mortgage loan” means a mortgage loan**  
8 **that a lending institution makes to an individual using an individual taxpayer identification**  
9 **number from the Internal Revenue Service in lieu of requiring the individual to have or use**  
10 **a Social Security number in any mortgage loan application or mortgage loan documents.**

11 (b) **“Lending institution” has the meaning given that term in ORS 456.548.**

12 (c) **“Participant” means a person to whom a lending institution extends credit under a**  
13 **special purpose credit program.**

14 (d) **“Qualified lending institution” means a lending institution that qualifies in the man-**  
15 **ner described in subsection (4) of this section to take part in the pilot program described in**  
16 **subsection (2) of this section.**

17 (e) **“Residential property” means real property upon which is situated four or fewer**  
18 **dwelling units designed for residential use.**

19 (f) **“Special purpose credit program” means a lending institution program that grants**

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 credit for the purposes, and in accordance with the requirements, set forth in 12 C.F.R.  
2 1002.8, as in effect on the effective date of this 2023 Act.

3 (2) The Housing and Community Services Department by rule shall establish and imple-  
4 ment a pilot program through which the department cooperates with qualified lending insti-  
5 tutions to provide 100 percent financing for residential property purchases to persons who  
6 qualify for special purpose credit programs. The department shall integrate the pilot program  
7 with existing lending programs the department operates and, to the extent practicable, shall  
8 use existing departmental resources, personnel, contractors and agreements to originate,  
9 negotiate, disburse funds for, receive and process repayments of, service and administer  
10 mortgage loans the department makes in connection with the pilot program.

11 (3)(a) To implement the pilot program described in subsection (2) of this section, the de-  
12 partment shall enter into agreements with qualified lending institutions, the terms and con-  
13 ditions of which must provide that each qualified lending institution shall:

14 (A) Develop and implement a special purpose credit program that extends credit to par-  
15 ticipants on the basis of common characteristics of race, sex or national origin that the  
16 participants share;

17 (B) Provide up to 90 percent of the financing, less the amount of any down payment the  
18 participant makes, and pay all required private mortgage insurance necessary for partic-  
19 ipants to purchase residential property;

20 (C) Sell mortgage loans that the lending institution originates, other than individual  
21 taxpayer identification number mortgage loans, to the department;

22 (D) Retain and service all first mortgage loans that are individual taxpayer identification  
23 number mortgage loans that the qualified lending institution makes in connection with the  
24 pilot program and provide in loan documents for retained mortgage loans that the partic-  
25 ipant shall make repayments of principal and interest on the first mortgage loan to the  
26 lending institution's servicer and any payments on any second position mortgage loan to a  
27 servicer the department designates;

28 (E) Specify in all mortgage loan agreements the qualified lending institution executes  
29 with participants and sells to the department that participants shall make all repayments  
30 of principal and interest on the mortgage loan to a mortgage loan servicer the department  
31 designates; and

32 (F) Permit the department to offer to the participant a second position mortgage loan for  
33 the purchase of residential property in any amount that the department determines is ap-  
34 propriate.

35 (b) In combination with each first mortgage loan that a qualified lending institution  
36 makes in connection with the department's pilot program, the department shall offer each  
37 participant a second position mortgage loan with the same repayment term as the first  
38 mortgage loan and at an interest rate that does not exceed one percentage point more than  
39 the interest rate for the first mortgage loan. The department shall specify in any loan doc-  
40 uments the department executes with a participant that the participant shall direct all re-  
41 payments of the loan principal and interest to a servicer the department designates.

42 (c) The department shall service each loan the department makes under paragraph (b)  
43 of this subsection and shall deposit into the Special Purpose Credit Program Loan Fund es-  
44 tablished under section 3 of this 2023 Act all proceeds from repayments of principal and in-  
45 terest on each second position mortgage loan.

1 (d) The department shall purchase any mortgage loan a qualified lending institution of-  
2 fers to sell to the department under subsection (3)(a)(C) of this section, but may negotiate  
3 with the qualified lending institution to obtain terms of sale that are advantageous to the  
4 state.

5 (4)(a) To become a qualified lending institution, a lending institution must be a lending  
6 institution that the department approves in connection with lending programs the depart-  
7 ment administers and must:

8 (A) Create a special purpose credit program that complies with the requirements set  
9 forth in 12 C.F.R. 1002.8, as in effect on the effective date of this 2023 Act, and administer  
10 the special purpose credit program according to a written plan that identifies the class of  
11 persons that the program will benefit and specifies the procedures and standards for ex-  
12 tending credit under the program;

13 (B) Document the community need for the lending institution's special purpose credit  
14 program and the lending institution's reasons for identifying the class of persons the lending  
15 institution intends to serve with the special purpose credit program and make the doc-  
16 umentation available to the department at the department's request;

17 (C) Attest to the department in a notarized writing by an officer of the lending institution  
18 that the lending institution's special purpose credit program meets the requirements set  
19 forth in 12 C.F.R. 1002.8, as in effect on the effective date of this 2023 Act;

20 (D) Establish and implement a written policy of offering and providing up to 90 percent  
21 of the financing that participants in the special purpose credit program need to purchase  
22 residential property and of paying all needed private mortgage insurance;

23 (E) Provide homebuyer education in accordance with criteria the department specifies in  
24 connection with lending programs that the department administers; and

25 (F) Track, compile and report to the department information the department specifies  
26 for the purpose of determining whether the lending institution's special purpose credit pro-  
27 gram is meeting the needs of participants and the community.

28 (b) If the department determines that a lending institution no longer qualifies under  
29 paragraph (a) of this subsection, the department may disqualify the lending institution until  
30 the department determines that the lending institution is qualified.

31 (5) The department shall adopt rules and policies that are necessary to implement the  
32 pilot program described in this section.

33 **SECTION 3.** (1)(a) The Special Purpose Credit Program Loan Fund is established in the  
34 State Treasury, separate and distinct from the General Fund. Interest that the Special Pur-  
35 pose Credit Program Loan Fund earns must be credited to the fund.

36 (b) Moneys in the Special Purpose Credit Program Loan Fund may be invested and rein-  
37 vested as provided in ORS 293.701 to 293.857.

38 (2) Moneys in the Special Purpose Credit Program Loan Fund consist of:

39 (a) Appropriations to the Housing and Community Services Department for the purpose  
40 of funding the pilot program described in section 2 of this 2023 Act;

41 (b) Repayments the department receives from participants in the pilot program with  
42 second position mortgage loans that the department makes in connection with the pilot  
43 program;

44 (c) Interest and other earnings on moneys in the fund; and

45 (d) Other amounts the department receives from any source and deposits into the fund.

1           **(3) Subject to subsection (4) of this section, moneys in the Special Purpose Credit Pro-**  
2 **gram Loan Fund are continuously appropriated to the department for the purpose of making**  
3 **loans in connection with the pilot program described in section 2 of this 2023 Act.**

4           **(4) The department may not during any biennium expend more than 10 percent of the**  
5 **average quarterly balance of the Special Purpose Credit Program Loan Fund to pay the costs**  
6 **of administering the fund or the pilot program described in section 2 of this 2023 Act.**

7           **SECTION 4.** **There is appropriated to the Housing and Community Services Department,**  
8 **for the biennium beginning July 1, 2023, out of the General Fund, the amount of \$30,000,000**  
9 **for the purpose of carrying out the provisions of sections 2 and 3 of this 2023 Act.**

10           **SECTION 5.** **(1) Sections 2 and 3 of this 2023 Act become operative on January 1, 2024.**

11           **(2) The Housing and Community Services Department may adopt rules and take any**  
12 **other action before the operative date specified in subsection (1) of this section that is nec-**  
13 **essary to enable the department, on and after the operative date specified in subsection (1)**  
14 **of this section, to undertake and exercise all of the duties, functions and powers conferred**  
15 **on the department by sections 2 and 3 of this 2023 Act.**

16           **SECTION 6.** **This 2023 Act being necessary for the immediate preservation of the public**  
17 **peace, health and safety, an emergency is declared to exist, and this 2023 Act takes effect**  
18 **on its passage.**

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