

# FINAL BILL REPORT

## SB 5558

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Synopsis as Enacted

**Brief Description:** Creating loan-making authority for down payment assistance for single-family homeownership.

**Sponsors:** Senators Fain, Hobbs, Keiser, Shin and Kline; by request of Housing Finance Commission.

**Senate Committee on Financial Institutions, Housing & Insurance**  
**House Committee on Community Development, Housing & Tribal Affairs**

**Background:** The Washington State Housing Finance Commission (Commission) was created by the Legislature in 1983. The Commission however, is not a state agency, does not receive or lend state funds, and its debt is not backed by the full faith and credit of the state. In addition to other power and duties, the Commission's purpose is to provide decent, safe, sanitary, and affordable housing for eligible persons.

The Commission acts as a conduit of federal financing for housing, nonprofit facilities, and beginning farmers and ranchers. It issues both tax-exempt and taxable bonds to provide below market-rate financing to nonprofit and for-profit housing developers who set aside a certain percentage of their units for low-income individuals and families. The Commission also issues tax-exempt bonds to provide below market-rate financing for non-housing nonprofit facilities and for beginning farmers and ranchers.

In December 2012, the Department of Housing and Urban Development (HUD) published an interpretive rule that requires the Commission to provide down payment assistance to home buyers using Federal Housing Administration mortgage insurance directly at the closing table and not through a third-party, or non-governmental entity. HUD has since provided further guidance that down payment assistance loans should be closed in the name of the Commission and not in the name of the first mortgage lender.

Currently, the Commission can purchase a down payment assistance loan from a participating mortgage lender, but cannot make a direct down payment assistance loan to a borrower.

**Summary:** In addition to other power and duties in furtherance of the purpose to provide decent, safe, sanitary, and affordable housing for eligible persons, the Commission is

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empowered to make loans for down payment assistance to homebuyers in conjunction with other Commission programs.

**Votes on Final Passage:**

Senate	48	0
House	59	38

**Effective:** April 17, 2013.