

HB 1499 – Residential Partnership in Assisting Community Expansion Fund (RPACE)
House Industry, Business and Labor Committee
February 7, 2023
Rep. Shannon Roers Jones

As drafted HB 1499 would create a \$50M fund managed by the Bank of North Dakota to be utilized to support homeownership in North Dakota. The fund would create a program that would buy down interest rates on home loan for a principle residence, within North Dakota, up to 2% below the market rate, but not lower than 4%. The interest rate buydown would be available for home loans originated by a local lender, up to \$400,000, and the cost of the funds to buy down the interest rate would be forgiven 20% per year, so they would be completely forgiven after 5 years.

The purpose of the bill is to make homeownership more affordable, especially during periods of high interest rates, and to serve as a tool to recruit workforce to the state.

The fund is not intended to apply only to lower income or first-time homebuyers, but to all potential homeowners in the state. This is because, not only do we have programs to assist first-time buyers, and income restricted buyers, but programs directed only at entry level buyers consume all the inventory available at that price point. By making the buy down funds available for a higher loan amount it will help buyer move up into a larger home, freeing up much needed entry level homes. For higher price point homes, the \$400,000 loan amount can be bundled with equity and potentially a second mortgage.

I see many benefits to this type of loan program. First we are helping our North Dakota residents buy a home, which is the single most accessible means of building personal wealth. Secondly, we are providing a tool to help the state's businesses, economic development corporations, and chambers compete with other cities and states around the nation to attract desperately needed workforce to North Dakota.

Beyond that, home purchase transactions create value for the state through the taxes generated by realtors, lenders, home builders, title companies, and all the ancillary services and purchases required when a family buys a new home.

While I was working with local mortgage lenders, the Bank of North Dakota, North Dakota Housing Finance and other lender representatives to work out the details of this program, it has recently come to my attention that this fund may not be quite ready for prime time. It appears that some of the assumptions that I was working with related to the costs to buy down interest rates, and whether the loans can be sold on the secondary market may not be workable. While I think the idea is worthy of further research, I don't believe it can be properly vetted in time to construct a fund that will function to serve the citizens of North Dakota this session.

I am asking the committee to amend my bill into a study to consider the feasibility and desirability of creating an interest rate buydown program for a primary residence mortgage, as well as the potential impact on workforce, and increasing access to homeownership.

I have submitted the proposed amendment and the marked-up version with my testimony.