



Testimony of David Flohr  
House Industry Business and Labor Committee  
HB 1378  
January 20, 2025

Chairman Warrey and Members of the Committee,

I am Dave Flohr, Executive Director of the North Dakota Housing Finance Agency (NDHFA) testifying in opposition to HB 1378. NDHFA is a state agency that was created by an initiated measure in 1980. We sell mortgage revenue bonds exempt from federal income tax. Private investors purchase these bonds and NDHFA uses the sale proceeds to purchase mortgages from North Dakota private sector mortgage lenders, primarily for first-time homebuyers. NDHFA services the loans (mortgage payments, tax and insurance payments) on behalf of the first-time homebuyers.

NDHFA loans provide benefits to North Dakota homebuyers.

- Lower than market interest rate – in 2024 it was 1.25% below the market creating a **monthly mortgage payment savings of \$180**
- Downpayment assistance provided in 2024 - over \$8 million

As required by federal law, loan servicers are required to pay any shortages or deficiencies in escrow accounts due to increased property insurance or property tax. Servicers must pay these increased costs from their funds and recoup the funds over the next 12 months or longer from the borrower with no interest charge.

HB 1378 would require a loan servicer to pay interest on funds held in escrow accounts at a minimum of 0.5%. As a state agency NDHFA deposits funds at the Bank of North Dakota which currently pays 0.25%. This would result in additional cost to NDFHA beyond the amounts paid out as described above for shortages or deficiencies in an escrow account.

Also, there would be added administrative costs for adding notices and reports to the escrow account process as described in the bill. The bill also requires disclosure of this process (including the opt out provision) in a loan agreement that would need to be done at loan closing with a separate document adding to the recording costs for the borrower.

NDHFA already provides significant savings to North Dakota homebuyers and respectfully requests HB 1378 be given a do not pass by this committee. Thank you.