

2009 HOUSE POLITICAL SUBDIVISIONS

HB 1165

2009 HOUSE STANDING COMMITTEE MINUTES


Bill No. HB 1165

House Political Subdivisions Committee

Check here for Conference Committee

Hearing Date: January 22, 2009

Recorder Job Number: 7549, 7554

Committee Clerk Signature 

Minutes:

Chairman Wrangham opened the hearing on HB 1165.

Michael Anderson, Executive Director, Housing Finance Agency: (see testimony #1).

This is a tool probably being targeted in rural areas.

Rep. Headland: Isn't this legislation going to lead to troubles that we have had nationally, but isn't this guarantee going to allow financial institutions to offer more risky loans because they have a guarantee?

Michael Anderson: We have underwriting standards and are not looking at putting people in homes that would otherwise be in those homes in these financial situations. The prudent underwriting with fixed rates vs. variable rate interest loans using common sense, this should not get to that. It is not intended to get to that. It is trying to deal with an optimal to find financing for a deserving home buyer. This is not intended to get to that.

Rep. Headland: That is the same thing we heard on the federal level; they were not doing anything wrong. It was a power fee to allow people that could not afford particular housing that they were buying and they were getting the loans regardless. I have some real concerns to the way the bill is written.

Rep. Koppelman: Two questions; are there no lenders in the area for manufactured homes in a particular community or is it because the people wanting the loans did not qualify so then we are coming along and guaranteeing these loans?

Michael Anderson: The agency is putting its assets on the table and it would not be prudent for use to do that to provide financing where they should not have that financing. Our first real estate loan program; historically and today even as the economy is starting to slide even though ND is still doing good; when you look at the performance of our programs. Our loan programs are better than the ND statistics or as good the regional or national statistics. The only way we are going to stay in business is that there be approved lending. Explained program and how it works and the history and that we have been successful. The Industrial Commission would approval the final program so there are restrictions in place. It is more difficult in rural areas to get financing for mobile type homes simply because of the size of the market and values etc. For real estate mobile homes it is our responsibility and priority in helping housing across the state of ND to find ways to help with prudent financing for our people who need it.

Rep. Koppelman: Are you coming in and shoring up lenders who might not qualify otherwise or is it just an absence of available lenders. What is the difference between purchasing a loan and guaranteeing and servicing the loan? Is your exposure the same and you also mentioned guaranteeing a portion of the loan; I am not sure how that works?

Michael Anderson: If we are purchasing a loan the servicing does not come with the loans through the agency. We have a couple conservators on our real estate program that service for us. In terms of the guarantee today; we would anticipate, they would service the loans.

Explained in detail how this works and how the servicing works and that everyone have a stake in having this work.

Rep. Klemin: Your written testimony is geared toward the guaranteed part of the loan. Would you describe the purchase part of this program a little more?

Michael Anderson : The purchase part was already in chapter 2. We can purchase or we can do the guarantees so it gives us the flexibility in trying to create mobile homes that work. Explained in depth of how the process would work and how they would only come in if there was no one else available. Also explained that the asset value would have to be there. Would be working with the lender and be sure every guideline would be followed.

Rep. Klemin: If there is a foreclosure and the assets are disposed of would you get the difference after everything else has been paid?

Michael Anderson: That is correct. There is some fine tuning as far as working with the lender for servicing and what might be the most efficient and fiscally prudent. I don't think our fee we charge would completely off set out cost. After the collateral is whatever the percentage of guarantee you would get a percentage of that.

Rep. Conrad: It is my understanding that if you have someone purchase in home in Stanley or Berthold or move a home in; the value of that home as collateral; that that house is not equal to what it costs to furnish it so the guarantee comes in and buys it?

Michael Anderson: That could be the result of a guarantee, but that is not the intended purpose here. Mobile homes are sold to an individual and they will move it and set it up. The underwriting standards for mobile home mortgages there are limitations on the maximum financing based on the manufactured costs to the dealer. The cost is tied onto the manufacturing cost of building itself.

Rep. Conrad: How does this facilitate getting homes into these areas where we need them?

Michael Anderson: It will help. We work at trying to provide housing where it is needed. This is a tool we can bring to a community and its local lender in terms of here is one way, if we can figure out how to get the financing, so that home can be placed there. Then it should help with those housing needs.

Rep. Zaiser: An important aspect is the low or moderate income segment or the merging population in developing rural areas.

Michael Anderson: That is correct. We can certainly serve our rural areas where they can't get a builder in town to build homes with sites development. It could work for both market rates and housing concerns.

Rep. Kretschmar: Under the proposed mobile home financing situation would you establish maximum amounts?

Michael Anderson: I don't know if we would go the maximum. Our guarantee may be limited on a percentage handed down in places.

Rep. Kretschmar: Has your agency established fixed rates on these loans?

Michael Anderson: Again we would like to do that, but again working with lenders, it certainly has to be affordable.

Rep. Kilichowski: On mobile or manufactured homes now some are entitled to real estate mortgage loans if they are put on foundations or a basement. How does the finance agency work now; are they in your guaranteed loans?

Michael Anderson: If a manufactured home is attached to a foundation it is considered converted to real estate that home is considered real estate that property would be eligible for a first home ownership loan or any other real estate loan that was accepting that type of a housing project.

Chairman Wrangham: what is the definition to a low or moderate income?

Michael Anderson: I will give you the definition on what we have in the program. Low or moderate income under our HUD program is 80% of the income for the area or the state. Some of our home ownership programs the Industrial Commission has used a higher definition of a low or moderate income; that can be up to 115%.

Rep. Jerry Kelsh: You ever cooperate with other agencies other than primary lenders in a local community. Are you just talking about mobile homes that use their collateral, not real estate?

Michael Anderson: We do partner allot with federal housing agencies and other state agencies as well as non projects in the private sector. We could look at them as partners for this type of thing also.

Bill Halhoob: Economic Development Assoc. of N D: (testimony #2)

Don Forsberg: Independent Community Bank's of ND: We are here to throw our support behind this bill. The questions on details will have to be worked out. We are willing to work with the housing financing authority to come up with workable rules. We do see a shortage of housing in a numbers of small rural areas. Builders are wanting to do multiple housing instead of one stick house in growing communities in bigger cities. Manufactured housing is very high quality so we are hoping that a program like this might spur additional housing for smaller rural communities.

Rep. Conrad: Are there any programs for mobile homes?

Don: I am not a banker myself so I am not aware of any particular programs that might be available, but there is certainly manufactured housing qualifies for financing in different programs now. The committee has addressed some of the problems with financing like appraisal gap.

Opposition: None

Neutral:

Ken French, ND Manufactured Housing Association: (see testimony #3).

Rep. Conrad: When you referred to Williston; were you talking about the last boom or this one?

Ken French: The last boom I myself took about a \$2 million lose up there. This time I don't want to take millions of dollars lose up there. That was the dealers up there and they had questions and they wanted to know about this because of the amount of homes going in there and how they are financed? Everything that is set up can be financed as real property. It has to be new or used homes that go into parks and communities because every other home according to the standards our association has set for the state; they are all real property now. Every house that is on a foundation so I don't understand where that talk is coming from. That is why a person from Williston wanted to know if this is a bail out for the large number of homes that are in the park up there that need to get financed. That is a Minot dealer that had a question about that and they wanted answered.

Rep. Conrad: The city of Berthold has a mobile home area. The mobile homes that have been attached to the ground in other parts of the community; are those that it is directed?

Ken French: that is what I believe housing finance wants. Because the homes have to be on foundations anyway, the probability that they are going into the communities gets smaller because it doesn't make sense to spend an extra \$5,000 to build a mobile community because in a community homes have to be on foundations also.

Rep. Zaiser: Do you not believe the primary objective was to buy that moderately priced or affordable in those merging and developing areas or rural areas?

Ken French: I am trying to understand this, and I can't. I can tell you that the last bust we had we took out 3200 homes and moved them to South Dakota, Minnesota and Montana.

I just found out about this bill the other day. I heard people were going as far away as Wisconsin to buy homes to bring into ND so there isn't housing setting all around here that are ready to be financed this way. As I talked with all the other dealers I said we don't want to do something wrong here. We finally have an agency that wants to help us, but we don't know where they are coming from because they never asked us. They know nothing about our industry.

Rep. Zaiser: Would you be interested in amending this bill to make it more pliable for you?

Kent French: I first would like to know why they sponsored this bill and who it is really for because it isn't for us. It may help us in the future, but it isn't for us.

Rep. Klemin: Is there financing now for those mobile homes with moderate income?

Kent French: If they meet the qualifications. You have to have a credit score. If they are thinking they want to help people with low credit scores that is another thing. If they say there is no financing out there. That is not necessarily true. We do not have a major problem.

Rep. Kretschmar: Is there a firm who does financing for you?

Kent French: If the individual cannot get financing we will take a look at it. If we have a situation initially we want all the people to come in. This is for used mobile homes that we are talking about. If they can't we don't want to lose the deal so we would take a look at the credit application and if there is something like all medical or a situation where they had no control over things and they paid their bills other than having a bad credit score because of medical or something like that I will take the loan.

Rep. Hatlestad: do you have a difference on getting financing to where the homes will be located. If you were in Wildrose, ND would you have more trouble than getting financing than you do in Bismarck?

Kent French: Actually most of the housing we sell is in the rural areas. If we have a problem in ND it is the lack of units. The problem we have is getting financing in the local community and they shouldn't rely on the rest of ND to take the risk. I had a letter written six years ago to all the national lenders in the US and I threatened them because I knew we were going to have a meltdown. I think they all knew that so I am here to protect ND.

Rep. Corey Mock: Why weren't these posed to the Housing Financing Agency prior to the bill coming here?

Kent French: that is a good question. I just found out about the bill. We have never been a part of any of this. They don't come to us asking questions and now we are here.

Chairman Wrangham: I am assuming the Housing financing Agency conducted some public hearing before they came up with this plan. Were you made aware of any meetings?

Kent French: We do have an individual that sits on our board that has not been active and we have asked for a replacement so we can be more proactive.

Rep. Zaiser: The individual wasn't engaged and wasn't aware of this program?

Kent French: We were not informed of it. She is not really active in our industry and is in process of selling out her dealership. We have asked the Industrial Commission to select someone else. I live here in Bismarck and am two blocks and I am easy to get a hold of if they have questions they should have contacted us. We should have been a solid part of this so we know where we are going.

Rep. Koppelman: I have been looking at the bill and how this bill would change existing law. Current law says in the statute to persons or family of low or moderate income. Proposed replacement says assistance in development of low income to moderate income housing.

Otherwise assist to develop a community, so it seems more focused on housing development in communities. The current statute dealing with real estate in subsection I of this section

specifies owner occupier and I see neither the current law nor those changes in the bill specifies that. In noticed in your testimony you talked about leaving finances chattel rather than real estate as anchored down as real estate. Please address those issues.

Michael Anderson: We tend to find other ways to finance housing, but the reference to provide purchasing; the reason for this bill is we wanted flexibility to provide funds to facilitate the financing; that is why we wanted to guarantee it. When we get down to the low or moderate income as well as others we were trying to get flexibility. Paragraph I of that particular section deals specifically with rural financing programs that were contemplated with the first home owner program. Chapter II talks about mobile homes that are not real estate that are not attached to a foundation. The mobile home section is dealing with other than real property.

Rep. Koppelman: First you said you set priorities and then moved forward from there. It does raise the question that we need to set priorities by the Legislature or were you saying let's craft legislation to make that ok.

Michael Anderson: We work with the public sector and public entities in terms where there are housing needs. We crafted a proposal that was recommended by the Chester Commission and eventually adopted by the Industrial Commission. If we are going to meet some of those priorities this is what it is going to take to do that, as we are finding out we need to have some flexibility in terms of what this bill needs.

Rep. Headland: Can you explain the effective date of this legislation and if it only applies to loans that would be made after that date.

Michael Anderson: We have no emergency clause attached to this so I would assume it would take affect August 2009 and only for new loans.

Rep. Zaiser: Why did you not communicate with one of the vital agencies that you would work with? We have not ignored the industry. They are a member of our advisory board and does represent that association. When we were working on Paragraph II we were working within the confines of our guidelines. We assumed that it would have been handled through our representative. We have working on and thinking about this and working with the advisory board for 4-5 months and that representative has been in on this since day one. Back about a year and a half ago working with Williston there was a mobile home park up there that they were trying to put back into service. Talking with the developer and dealer whether there was anything we could do to help with this to get this park up and running we can up to the idea if we worked with a lender to insure credit enhancement for the units for financing would that help you he said yes. We discovered after the fact that we had to fix the mobile home piece of our mobile home legislation that had not been done in the last session so then we went to a minimum loan purchase program using agency assets and we got that approved. As it turned out the developer found another source so we did not have to use this other source. We recognized that we needed the authority so maybe we could use it in the future.

More neutral testimony.

Hearing closed.

Job #7554

Chairman Wrangham reopened the hearing on HB 1165.

Rep. Headland moved a Do Not Pass. Seconded by Rep. Koppelman

Rep. Jerry Kelsh: When we got into financing for regular homes and now working with mobile homes they kind of do the same thing to give them that flexibility for rural areas where they have more trouble with financing so I think there is some merit to the bill.

Rep. Zaiser: There is a tight lending policy out there in banks. I think the guarantee by the state would be helpful in those rural areas where it is harder to get loans. I understand what Rep. Hatlestad said. I don't think this is going to cause in the state where lending is a problem and there is a need out there. If we are going to expand housing there is a need.

Rep. Kilichowski: the lending institutions can do it now and when it is questionable this might help to get this loan in place. Rural bankers are pretty conservative and I think this would help allot of low to middle income people. I have no problem with this.

Rep. Conrad: I am concerned about a different section. They need someone to help them on the state level. They talk about housing and how they are going to develop and what kind of establishment they need to put it in place. I am ready to amend out the guarantee and just look at that last sentence. We need something in housing and this might be an area where we can get help and some resolution.

Chairman Wrangham: I did ask for the definition of low to moderate income as used in Section 54. Persons and families of low or moderate income means persons or families financial needs are insufficient taking into account such factors as Industrial Commission shall deem relative to secure decent safe and sanitary housing provided by private industry without the financial assistance afforded by the housing and finance program of the commission.
Translated anybody.

Rep. Headland: It is a new policy that is basically developed to put people into homes that are risky loans and it is going to give the lending institutions an out. So they are guaranteed and they are going to go ahead and make loans and it is all well meaning, but is opening up a can of worms that has gotten this country into the problem that they are in today.

Rep. Koppelman: I would encourage the committee to look at the current law. It is almost opposite Rep. Headland of what you are saying because the current law specifically talks

about providing financing of loans made by lenders to purchase for families of low or moderate income. I have no problem with the purchase or guarantee. The new sentence on line 10 – 13 is the policy change in this bill. Currently what the bill says to me is they are allowed to provide financing for low or moderate income people to buy a mobile home or manufactured home; this bill says they would be able to provide assistance in development of low to moderate income housing in trailer courts or otherwise in a developing community in the state. To me they are taking the focus from individual low income people. I think as I read this bill I would kill this.

Rep. Conrad: I think we got into this because of Williston and I think we need to have someplace that we are talking about it before we get to that project and need to adopt a strategy that will work.

Rep. Koppelman: I think it is saying we want to help this individual buy this mobile home and real estate and help finance that. That is current law deals with helping individuals and this law is development.

Rep. Zaiser: The purpose for guarantee a loan. They are talking about individual homes; they are not talking about general development.

Rep. Koppelman: It sticks the low or moderate income for that type of income. That says to me we can help anyone finance a mobile home if this passes.

Rep. Zaiser: I think there is a need for that in this in areas where there is merging development.

Chairman Wrangham: does anyone disagree that under present law they have full authority to assist in provide financing to lenders to purchase of families of low or moderate income anywhere in the state. All this bill does is expand to otherwise assist a developing community.

Do we want to expand this?

Rep. Kretschmar: With this bill you would be able to make a loan now on personal property and not just real estate so I think it should be passed. See the language on line 10.

Rep. Klemin: Subsection 4 is saying statue but it is not in this bill. So they are allowed to do that if it is attached to real estate. I thought I understood him to say the financing was not the biggest problem?

Rep. Conrad: We need someone looking at what will help us get where we want to be on housing.

Rep. Kilichowski: In regards to Rep. Klemin they did say there is a local lender at a decent interest rate or some of these other dealers take it upon themselves or go to a specialty lender the interest rates are higher.

Vote on Do Not Pass: 5 Yes 8 No 0 absent Did not pass

Motion made By Rep. Zaiser Do Pass Seconded By Rep. Kilichowski

Discussion: None

Vote: 10 Yes 3 No 0 Absent Carrier: Rep. Zaiser.

Hearing closed.

Roll Call Vote #: /

Date: 1-22-09

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1165

House Political Subdivisions Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass Do Not Pass Amended

Motion Made By Rep Headland & Seconded By Rep Koppelman

Representatives	Yes	No	Representatives	Yes	No
Rep. Dwight Wrangham, Chairman	✓		Senator Kari Conrad		✓
Rep. Craig Headland, Vice Chairman	✓		Senator Jerry Kelsh		✓
Rep. Patrick Hatlestad	✓		Senator Robert Kilichowski		✓
Rep. Nancy Johnson		✓	Senator Corey Mock		✓
Rep. Lawrence Klemin	✓		Senator Steve Zaiser		✓
Rep. Kim Koppelman	✓				
Rep. William Kretschmar		✓			
Rep. Vonnie Pietsch		✓			

Total (Yes) 5 No 8

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Roll Call Vote #: 2

Date: 1-22-09

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1125

House Political Subdivisions Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass Do Not Pass Amended

Motion Made By Rep Zaiser Seconded By Rep Kilichowski

Representatives	Yes	No	Representatives	Yes	No
Rep. Dwight Wrangham, Chairman		✓	Senator Kari Conrad	✓	
Rep. Craig Headland, Vice Chairman		✓	Senator Jerry Kelsh	✓	
Rep. Patrick Hatlestad	✓		Senator Robert Kilichowski	✓	
Rep. Nancy Johnson	✓		Senator Corey Mock	✓	
Rep. Lawrence Klemin		✓	Senator Steve Zaiser	✓	
Rep. Kim Koppelman	✓				
Rep. William Kretschmar	✓				
Rep. Vonnie Pietsch	✓				

Total (Yes) 10 No 3

Absent 0

Floor Assignment Rep Zaiser

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
January 22, 2009 12:44 p.m.

Module No: HR-13-0717
Carrier: Zaiser
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1165: Political Subdivisions Committee (Rep. Wrangham, Chairman) recommends DO PASS (10 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). HB 1165 was placed on the Eleventh order on the calendar.

2009 SENATE POLITICAL SUBDIVISIONS

HB 1165

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1165

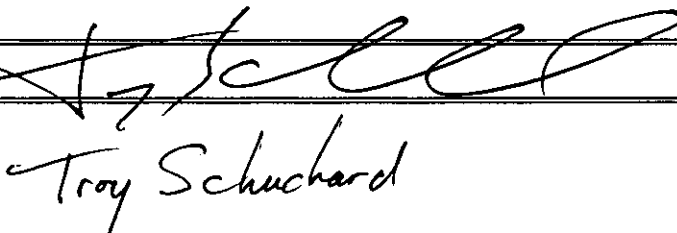
Senate Political Subdivisions Committee

Check here for Conference Committee

Hearing Date: February 26, 2009

Recorder Job Number: 9784

Committee Clerk Signature



Troy Schuchard

Minutes:

Chairman Andrist: Opened the hearing on HB 1165, all members present.

Michael Anderson: Executive Director of the North Dakota Housing Finance Agency, testified in support of HB1165. (See attachment #1)

Senator Olafson: Are you hearing from the people in the banking industry that there is a demand for this type of lending and they are not able to provide this type of lending on their own?

Michael Anderson: Over time what we have heard is the lending community has moved away from manufactured housing financing. A lot of the vendors do in-house financing as well as outside-the-state lenders. Very few lenders in the state are willing to take a look at this type of financing.

Senator Olafson: If this bill is passed, do you feel they will take a look at financing?

Michael Anderson: Yes we do. Some of the lenders have stated they would be willing to sit down and chat if we assumed some of the risk.

Jack MacDonald: testifying on behalf of the Independent Community Banks of North Dakota and the board of directors has reviewed HB 1165 and it will make financing easier for these smaller banks in the areas Mr. Anderson was referring to.

Ken French: testified in support of HB 1165. A few years ago we asked for and passed legislation requiring all new manufactured homes be placed on foundations so they become real property. Most of what this bill is intended for is those used units.

Senator Olafson: With your experience in the manufactured home business, can you make a comparison in the default rate on manufactured homes versus stick built homes with regards to lending?

Ken French: I just happened to look at Birkshire-Hathaways and there was one in North Dakota, two in South Dakota. We have them, but most likely they are in-house stuff. We would rather see good loans than to have banks board of directors eliminate these types of loans all together. I am happy that Mike (Anderson) said they would work with us on this so we make sure there are decent down-payments. I don't want to see our industry dragged down because of poor financial programming.

Senator Judy Lee: It is my impression from the original testimony that this is intended for mobile home in mobile home parks, not manufactured houses that are placed on foundations.

Michael Anderson: New may not necessarily mean a new unit that has never been occupied, but new for the buyer or resident. We are talking about creating a new residence not a new structure.

Senator Judy Lee: Does this apply to mobile home parks or manufactured homes on foundations?

Michael Anderson: We are talking about in a mobile home park, not those to be placed on foundations which are eligible for real estate loans.

Bill Shalhoob: Representing the Economic Development Association of North Dakota, testified in support of HB 1165. (See attachment #2)

Clause Lembke: Representing the North Dakota Association of Realtors, testified in support of HB 1165. Anything that increases financing opportunities for mobile homes will help.

Senator Dotzenrod: I have a question for Mike (Anderson), could you come back up. The way section 2 is written in the law now, do you feel that you cannot use your authority in your agency to guarantor, and is that what you are trying to be able to do?

Michael Anderson: That is correct.

Senator Dotzenrod: Does the ownership of the lot have any bearing on how the guarantee is offered?

Michael Anderson: I won't say it is not a factor, however it is important with regards to the covenanted and renting the lot. From that perspective it is important.

Senator Dotzenrod: it is conceivable that one loan may be used to guarantee the mobile home and in another it could be used to guarantee the purchase of the mobile home and the land together?

Michael Anderson: That is correct.

Senator Judy Lee: Made a motion for Do pass.

Senator Bakke: Second

Chairman Andrist: Motion for a Do Pass, 6-0, Senator Judy Lee will carry.

REPORT OF STANDING COMMITTEE

HB 1165: Political Subdivisions Committee (Sen. Andrist, Chairman) recommends DO PASS (6 YEAS, 0 NAYS, ABSENT AND NOT VOTING). HB 1165 was placed on the Fourteenth order on the calendar.

2009 TESTIMONY

HB 1165



North Dakota
Housing Finance Agency

PO Box 1535 · Bismarck, ND 58502-1535

INDUSTRIAL COMMISSION
JOHN HOEVEN, GOVERNOR
WAYNE STENEHJEM, ATTORNEY GENERAL
ROGER JOHNSON, AGRICULTURE COMMISSIONER

MICHAEL A. ANDERSON, EXECUTIVE DIRECTOR

1

HB 1165
North Dakota Housing Finance Agency
Division of the State Industrial Commission
Testimony of Michael Anderson, Executive Director
House Political Subdivisions Committee

January 22, 2009

Chairmen Wrangham and members of the Political Subdivisions Committee, my name is Mike Anderson, executive director of the North Dakota Housing Finance Agency (North Dakota Housing). We have been authorized by the Industrial Commission to introduce HB 1165 and to appear before you in support of the bill.

HB 1165 proposes amending Chapter 54-17-07.3 paragraph 2 of the North Dakota Century Code to allow the Agency to guaranty mobile home loans. The proposed amending language is similar to amendments to paragraph 4 of this subsection that was proposed and passed during the last legislative session. Unfortunately, paragraph 4 only references real property loan financing programs.

Paragraph 2 refers to the Agency "provide financing programs" for the purchase of mobile homes and manufactured housing other than on a real property basis. These would be chattel mortgages, not real estate mortgages.

We are seeking these changes to allow the Agency flexibility, when appropriate, on how we structure our programs. The "provide financing" language used throughout our statutes has been interpreted to mean providing loan purchase programs. Thus, this is considered a technical fix to afford the Agency that. Providing loan guaranties would be less capital intensive for the Agency, could be more efficient in delivering our assistance, and may be the only option when raising outside capital for a program is not an option.

To date, the Agency has not offered any programs under paragraph 2. Unlike our FirstHome program, which is capitalized by the periodic sale of tax-exempt mortgage revenue bonds, we do not have an external source of capital for a mobile home loan purchase program. Without an external source, the Agency does not have the capacity, the financial resources, for a sustainable loan purchase program for mobile homes.

North Dakota Housing recognizes the important role mobile homes and manufactured homes can play in developing communities in our rural areas. However, private sector financing in these areas is very limited if available at all. By providing a guaranty it is our hope that local lenders would be more willing to originate these loans. This added credit enhancement could also make it easier for the lender to find a secondary market for the loans. We believe a loan guaranty may also serve to reduce financing costs.

We would envision our guaranty to cover only a percentage of the loan, likely no more than 50 percent of the outstanding principal. Limiting the level of guaranty would minimize the exposure to the Agency's reserves and increase our capacity on the number of loans we could guaranty.



Initially, we would likely pledge our reserves dollar-for-dollar of guaranties outstanding. As we gain experience with portfolio performance, we hope to be able to reduce that pledge.

Before implementing a program, to insure that it is an effective product, the Agency intends to sit down with private lenders and manufactured housing industry representatives to work out the details. Program parameters would include minimum underwriting standards and maximum loan terms. We also expect to charge a nominal guaranty fee to offset administration and processing costs.

Again, we see this as another tool to assist rural communities in addressing their housing needs. We believe there are sufficient financing options available for mobile homes in our urban areas. Therefore, at least initially, we would focus the program on rural North Dakota.



#2

Testimony of Bill Shalhoob
Economic Development Association of North Dakota
HB 1165
January 22, 2009

*Same given
to Senate.*

Mr. Chairman and members of the committee, my name is Bill Shalhoob. I am representing the Economic Development Association of North Dakota (EDND).

EDND is the voice of the state's economic development community and provides networking for its 80 members, which include development organizations, communities, businesses and state agencies. Our mission is to increase economic opportunities for residents of the state by supporting primary sector growth, professionalism among economic development practitioners and cooperation among development organizations. With economic growth, however, comes an increasing need to provide housing to the growing workforce. For this reason EDND has taken a position on creating housing development opportunities in our communities, especially our smaller communities. By providing affordable housing we create opportunities to sustain communities by retaining people in the community and at the same time, create jobs. Providing any kind of development in our rural communities, however, is always difficult, and this has proven especially true with housing. Therefore, we are asking that you support HB 1165.

Last session several bills were heard that attempted to address this problem. Unfortunately, all of them failed and our rural areas are still trying to address the issue. Last winter I traveled to eight meetings around the state for a tourism congress on behalf of the Tourism Alliance Partnership. Aside from the tourism issues two common themes were prevalent. The first was lack of workforce, which is being addressed through bills developed by the Workforce Congress that met throughout the interim. The second was the lack of housing in general and affordable housing in particular in rural areas that are starting to see growth for the first time in years. This is echoed often and loudly by the members of EDND who are charged with growing opportunity for these areas.

EDND believes HB 1165 will aid development in North Dakota and start to address a persistent development need in our state. We urge a do pass. I would be happy to answer any questions.

Kent French

N.D.M.H.A is one of the most respected associations in the US, and we have worked with the State Legislature to improve our industry by making the consumers of our product assured each house while they may be different will be installed exactly the same, and set to manufacture's specification . Our homes are inspected on setup by inspectors licensed by the State of North Dakota.

#3

NDMHA has never had a real working relationship with NDHFA therefore, when this House Bill 1165 came out, we in our industry were shocked but happy the NDHFA finally realized we are a vital part of the housing needs for ND. But then their came some doubt as to why after all these years would NDHFA want to help our industry which has been down for over 6 years? We did not go to them for Legislation; they did not come to us on House Bill 1165. This brings our association to ask some questions and we are having second thoughts:

Why was the Bill Drafted?

Who sowed the seed?

We want a clarification of what they want to accomplish.

Is there a monetary exposure to the NDHFA?

Are you using the reserves of NDHFA to fund loans?

Are these loans for new or used units?

What will the % of Interest be on the loan?

What Participation will the local banks take?

What are the standards and who will implement the loan policy?

Will this be wide open like Fanny May and Freddy Mack?

Will the tax payers have to pickup the debt if this fails?

Did NDHFA back some loans in Williston?

If so, by what authority did they do this?

Was the Industrial Commission involved in this?

Was the AG Office involved if there was a guaranty on loans?

The questions that I have asked are fair and need to be answered. Our Association, by asking these questions, does not infer any wrong by anybody, including NDHFA.



North Dakota
Housing Finance Agency

PO Box 1535 · Bismarck, ND 58502-1535

INDUSTRIAL COMMISSION
JOHN HOEVEN, GOVERNOR
WAYNE STENEHJEM, ATTORNEY GENERAL
ROGER JOHNSON, AGRICULTURE COMMISSIONER

MICHAEL A. ANDERSON, EXECUTIVE DIRECTOR

#1

HB 1165
North Dakota Housing Finance Agency
Division of the State Industrial Commission
Testimony of Michael Anderson, Executive Director
Senate Political Subdivisions Committee

February 26, 2009

Chairmen Andrist and members of the Senate Political Subdivisions Committee, I am Mike Anderson, executive director of the North Dakota Housing Finance Agency (North Dakota Housing). The Industrial Commission as authorized the Agency to introduce HB 1165 and authorized me to appear in support of the bill.

HB 1165 proposes amending paragraph 2 of Chapter 54-17-07.3 of the North Dakota Century Code to allow the Agency to guaranty mobile home loans. These would be chattel mortgages, not real estate mortgages. Paragraph 2 currently authorizes the Agency to "provide financing programs" for the purchase of mobile homes and manufactured housing other than on a real property basis.

The "provide financing" language, which is used throughout our statutes, including paragraph 2, has been interrupted by our Assistant Attorney General to mean providing loan purchase programs. Thus, adding guaranty language would be considered a technical fix that will provide the Agency flexibility on structuring programs contemplated under this paragraph. Last session, we successfully introduce similar guaranty language to other sections of our statute dealing with real estate financing programs.

To date, the Agency has not been able to offer any mobile home programs under paragraph 2. Unlike the Agency's FirstHome™ program, which is capitalized by the periodic sale of tax-exempt mortgage revenue bonds, we do not have an external source of capital for a mobile home loan purchase program. Without an external source, the Agency does not have the financial capacity for a sustainable mobile home loan program. Therefore, we are looking at other ways to approach it.

Providing loan guaranties would be less capital intensive for the Agency since we would not have to raise the capital equivalent to the aggregate principal amount of the loans to be purchased. Rather, we would pledge Agency reserves based on the level of the guarantees issued and the perceived level of risk.

A guarantee program could be more efficient since we would only have to perform quality control underwriting prior to issuing a guarantee commitment and would not be serving a loan portfolio. We would only be monitoring the lender's servicing activity. And with respect to mobile homes, this may be our only program option since the Agency does not have an external source of capital for a loan purchase program.



North Dakota Housing recognizes the important role mobile homes and manufactured housing can play in developing communities, particularly in rural areas. Many rural communities have mobile home parks with a handful of vacant lots. However, without a financing mechanism these sites cannot become part of the housing solution.

Private sector financing in rural areas is very limited if available at all. And active mobile home lenders are reluctant to lend in rural areas for many of the same reasons real estate lenders shy away.

By providing a guaranty, the Agency would be sharing the risk with the lender. It is our hope that this credit enhancement would entice local lenders to originate these loans when appropriate. It could also attract existing active mobile home lenders from outside North Dakota. We believe a loan guaranty will also serve to reduce financing costs.

We envision the guaranty would cover only a percentage of the loan, maybe no more than 50 percent of the outstanding principal. We are also considering whether our guarantee should be only a secondary level of coverage. The lender would be responsible for 100% of the loss up to defined level and the Agency's guaranty would cover the loss above that level. This is a concept we had experience with in the early years of the FirstHome program. We purchased a pool policy from a private mortgage insurer that covered 100% of the loss after the property was sold and the primary insurance claim from PMI, FHA or VA was settled. Private mortgage insurers do not offer pool or secondary insurance for mobile home loans.

Limiting the level of guaranty would minimize the exposure to the Agency's reserves and increase our capacity on the number of loans we could guaranty. Initially, we would likely pledge our reserves dollar-for-dollar of outstanding guaranties. As we gain experience with portfolio performance, we likely would be able to reduce that pledge.

Before implementing a guaranty program, we will work with private lenders and manufactured housing industry to develop the program parameters. These parameters would include minimum underwriting standards and maximum loan terms. A minimum borrower contributed down payment requirement and maximum loan to values would be included. We have already talked with a couple of existing active mobile home lenders from outside North Dakota to find out what works for them.

The program proposal will be presented to our Advisory Board for their review and their recommendation will be presented to the Industrial Commission for final approval.

Guarantying mobile home loans can be another tool in our tool box for assisting rural communities. Given the well chronicled obstacles rural communities face in addressing their housing issues, they need to have many options and solutions as possible at their disposal regardless of how far reaching or small they may be. Since the land is not being financed with the mobile home, it could be more affordable than real property and the value gap typically would not come into play. Thus, chattel mortgages for mobile homes can be a very important solution.

There appears to be sufficient financing options available for mobile homes in our urban areas. Most dealers have an in house financing program or have an established relationship with an existing lender. Therefore, at least initially, we would focus the program on rural North Dakota.

Thank you for your time and attention. I will be glad to answer any questions.