

HB 1499 – Residential Partnership in Assisting Community Expansion Fund (RPACE)
Senate Industry, Business and Labor Committee
March 8, 2023
Rep. Shannon Roers Jones

Homeownership is the single most accessible way for North Dakotans to build personal wealth. HB 1499 would study the feasibility of creating an interest rate buydown program which would make homeownership more accessible for North Dakotans.

As originally drafted HB 1499 would have created a 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 principal residence, within North Dakota. The purpose of the bill would be 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 already 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 would help buyers move up into a larger home, freeing up much needed entry level homes.

I see many benefits to this type of loan program. First, we are helping our North Dakota residents buy a home, which as I mentioned, 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 of commerce 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 worked 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 became apparent that this fund may not be quite ready for prime time. More research is required related to the costs to buy down interest rates, and whether the loans can be sold on the secondary market. The idea is worthy of further research, but it couldn't be properly vetted in time to construct a fund that would function to serve the citizens of North Dakota this session.

For these reasons, I am asking the committee to pass this study which would 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.