



April 11, 2024

The Honorable Marvin Abney
Chair, House Committee on Finance
Rhode Island State House
Providence, Rhode Island 02903

RE: H7276, *An Act Relating to State Affairs and Government – Rhode Island Housing and Mortgage Finance Corporation*

Dear Chair Abney, First Vice Chair Slater, Second Vice Chair Marszalkowski, and Distinguished Committee Members:

Thank you for the opportunity to comment on House bill 7276, *An Act Relating to State Affairs and Government – Rhode Island Housing and Mortgage Finance Corporation*, sponsored by Representative Patricia Morgan. This bill would establish a new revolving fund to assist first-time home buyers and veterans to purchase a home in Rhode Island by issuing grants of up to \$40,000. This fund would be administered by RIHousing.

RIHousing appreciates the goal of this bill which is to provide assistance to first-time homebuyers and veterans in purchasing a home. Like many states across the country, Rhode Island is facing a critical housing shortage which has contributed to significant increases in housing prices. When combined with higher interest rates, many first-time home buyers may find themselves priced out of the current housing market. Programs that provide down payment and closing cost assistance can be crucial to many homebuyers purchasing their first home.

RIHousing administers several programs providing financial assistance to homebuyers, including FirstGenHomeRI, 15kDPA, and the Extra Assistance program. The FirstGenHomeRI program is a pilot program that provides a grant of \$25,000 for downpayment and/or closing cost assistance. This program is open to first-generation homebuyers currently residing in certain municipalities. 15kDPA provides \$15,000 in downpayment and/or closing cost assistance in the form of a zero-percent interest rate loan to first-time homebuyers. The Extra Assistance program provides a loan for down payment assistance to eligible first-time homebuyers. The loan is 6% of the purchase price or \$15,000, and for 3 or 4 unit properties the limit is \$9,000 to be applied to closing costs.

RIHousing also administered the Statewide Down Payment Assistance (DPA) grant program. Launched in January 2023, the Statewide DPA Grant program was designed to address significant financial barriers to homeownership. Funded with federal American Rescue Plan Act (ARPA) State Fiscal Recovery Funds (SFRF), the program was available to low- and moderate-income first-time homebuyers. The program closed to new applicants on March 5, 2024. As of February 29, the DPA program had assisted over 1,500 first-time

home buyers with \$17,500 in downpayment and closing cost assistance. The Statewide DPA program was very effective at helping first-time homebuyers into their first home despite challenging market conditions. RIHousing would support recapitalizing the program if additional SFRF resources are available. In 2023, 96% of our borrowers took advantage of downpayment or closing cost assistance programs.

RIHousing does have several comments on the proposed legislation. First, we would ask for clarification if it is the intent of the legislation to provide assistance to veterans whether or not they are first-time homebuyers. Under the legislation, applicants who qualify for this grant would also be eligible for a loan at a special rate of interest at 1% less than any other loan RIHousing is offering buyers who are not first-time homebuyers. As a state Housing Finance Agency (HFA), RIHousing already provides low interest rates to our borrowers. Several of our loans are government insured and use tax exempt Mortgage Revenue Bonds as the source of funds allowing us and other HFAs to consistently offer lower interest rates than market rate. Any further reduction in interest rates would require a funding source. Most of RIHousing's mortgages are originated by our Participating Lenders. Assuming a home sales price of \$440,000, to maintain their customary margin and revenue per loan, the originating Participating Lender would need to be compensated \$6,369 per loan in order to offer a 1% reduction in the note rate. The fund also describes the assistance to be provided as a match of up to \$40,000 in down payment assistance. It is unclear if the bill intends the program to provide \$20,000 in assistance to be matched with \$20,000 from the homebuyer. We would also comment that our borrowers generally struggle to contribute a significant down payment when purchasing a home. That is why grant programs like the Statewide DPA program and FirstGenHomeRI as well as deferred 0% interest loans such as the 15KDPA program, are so effective.

Thank you for your consideration.

Sincerely,



Carol Ventura
Executive Director