

House Bill 3188

Sponsored by Representative BOWMAN (Presession filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**. The statement includes a measure digest written in compliance with applicable readability standards.

Digest: Tells a state agency to back home loans that a lender makes to first-time buyers in this state. Says what kinds of loans qualify and how a lender must claim a loss from a loan. Creates a fund to hold moneys for the loan guarantees. (Flesch Readability Score: 88.3).

Directs the Department of Consumer and Business Services to establish a program to guarantee against losses in mortgage loans that lenders extend to first-time home buyers. Specifies which mortgage loans qualify for the guarantee and the qualifications and duties of first-time home buyers. Specifies circumstances under which a lender may make a claim and documentation a lender must provide as support for the claim.

Establishes the Welcome Home Assistance Program Fund and appropriates moneys in the fund to the department to carry out the purposes of the Act.

Declares an emergency, effective on passage.

A BILL FOR AN ACT

1
2 Relating to guarantees against losses in mortgage loans extended to first-time home buyers; and
3 declaring an emergency.

4 **Be It Enacted by the People of the State of Oregon:**

SECTION 1. (1) As used in this section:

5
6 (a) **“Borrower” means an individual who executes a mortgage loan with a lender to pur-**
7 **chase a dwelling.**

8 (b) **“Dwelling” means:**

9 (A) **A residence that is situated on and is part of real property and is intended for occu-**
10 **pation by a single family unit;**

11 (B) **A townhouse, as defined in ORS 197A.420; or**

12 (C) **A manufactured home, as defined in ORS 446.003, that is situated on and is part of**
13 **real property that the manufactured home owner also owns.**

14 (c) **“First-time home buyer” has the meaning given that term in ORS 316.796.**

15 (d) **“Lender” means a credit union, as defined in ORS 723.008.**

16 (e) **“Mortgage loan” means a loan, extension of credit or retail sales contract that a**
17 **lender provides to a first-time home buyer to purchase a dwelling that is secured by a**
18 **mortgage, deed of trust or lien interest with the consent of the first-time home buyer.**

19 (2) **The Department of Consumer and Business Services shall create a loan loss reserve**
20 **program to partially cover risks of loss for lenders that make mortgage loans that meet the**
21 **criteria specified in subsection (3)(a) of this section. The department shall fund the program**
22 **with moneys from the Welcome Home Assistance Program Fund established in section 2 of**
23 **this 2025 Act. The department may not pay a claim for a loss from the fund unless the de-**
24 **partment determines that a lender has demonstrated that the circumstances described in**
25 **subsection (4) of this section occurred and the lender provided the documentation required**

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 under subsection (5) of this section.

2 (3) The department may pledge not more than 20 percent of the purchase price of a
 3 dwelling as a guarantee against a lender's claimed loss of a sum due as a repayment of the
 4 mortgage loan. A mortgage loan qualifies for the department's guarantee only if:

5 (a) The mortgage loan:

6 (A) Finances 100 percent of a first-time home buyer's purchase of a dwelling without
 7 requiring the first-time home buyer to provide a down payment from the first-time home
 8 buyer's own funds and without requiring payment of mortgage insurance;

9 (B) Has a fixed interest rate and a repayment term of 30 years;

10 (C) Has an annual percentage rate that does not exceed one percentage point above the
 11 annual percentage rate that applies to a mortgage loan with similar terms that meets
 12 guidelines set by the Federal National Mortgage Association;

13 (D) Meets underwriting requirements that the lender applies in accordance with 12 C.F.R.
 14 1026.43, as in effect on the effective date of this 2025 Act; and

15 (E) Includes an escrow account that reserves the amount of funds necessary to pay
 16 property taxes and insurance for a minimum of two months; and

17 (b) The first-time home buyer:

18 (A) Has an income that does not exceed 130 percent of the median household income in
 19 the county or region in which the dwelling is located, as measured by the United States De-
 20 partment of Housing and Urban Development; and

21 (B) Completes a home buyer education class the Department of Consumer and Business
 22 Services offers or approves by rule.

23 (4)(a) A lender may claim from the amount the department pledged as a guarantee under
 24 subsection (3) of this section a loss of an outstanding sum due as a repayment of a mortgage
 25 loan described in subsection (3)(a) of this section only if:

26 (A) The lender has lawfully foreclosed on the mortgage loan that is subject to the
 27 department's guarantee not later than five years after the date on which the mortgage loan
 28 originally closed;

29 (B) The dwelling that secured the mortgage loan was:

30 (i) Sold in a trustee's sale under ORS 86.782, or an execution sale under ORS 18.930, as
 31 appropriate, and the sale proceeds paid to the lender were less than the full outstanding
 32 amount due to the lender as a repayment of the mortgage loan; or

33 (ii) Resold by the lender after the lender purchased the dwelling in a sale described in
 34 sub-subparagraph (i) of this subparagraph and the proceeds of the lender's resale did not
 35 repay all of the outstanding amount due as a repayment of the mortgage loan; and

36 (C) The lender can document the loss in accordance with subsection (5) of this section.

37 (b) A lender may make a claim under paragraph (a) of this subsection even if the lender
 38 resells a dwelling the lender purchased in a sale described in paragraph (a)(B)(i) of this sub-
 39 section more than five years after the closing date of the mortgage loan.

40 (c) A lender may claim as a loss only the lesser of the amount that the department
 41 pledged as a guarantee under paragraph (a) of this subsection or the actual amount of the
 42 lender's loss after applying the proceeds from a sale described in paragraph (a)(B) of this
 43 subsection toward repaying the outstanding sum due on the mortgage loan.

44 (5) A lender may show a loss of a sum due as a repayment of a mortgage loan described
 45 in subsection (3)(a) of this section by providing to the department:

1 (a) A copy of the mortgage note and trust deed or mortgage document;

2 (b) The borrower's repayment history for the mortgage loan;

3 (c) The outstanding balance on the mortgage loan;

4 (d) A copy of any agreement or other document the department issued as a guarantee
5 for the mortgage loan;

6 (e) A certificate of compliance that a service provider, as defined in ORS 86.707, issues
7 under ORS 86.736, if the certificate of compliance is required in connection with the fore-
8 closure; and

9 (f) A receipt or other documentation that shows the amount the lender received as pro-
10 ceeds from a sale of the dwelling under subsection (4)(a)(B) of this section and the amount
11 of the mortgage loan that remains unpaid after applying the proceeds toward repaying the
12 mortgage loan.

13 (6)(a) A lender shall release the department in writing from the pledge described in sub-
14 section (3) of this section not later than five years after the date on which the lender closed
15 the mortgage loan with the borrower or resold the property under subsection (4)(a)(B)(ii) of
16 this section. The department may pledge the amount the lender releases under this sub-
17 section as a guarantee for a different mortgage loan.

18 (b) The department may not pledge as guarantees of mortgage loans under this section
19 more than the balance of the moneys in the Welcome Home Assistance Program Fund.

20 (7) If a lender recoups all or a portion of a loss the lender claimed under this section
21 from sources other than the proceeds of a sale under subsection (4)(a)(B) of this section,
22 such as mortgage insurance or other loss mitigation, the department may seek a re-
23 imbursement from the lender of the lesser of the amount the lender received as a
24 recoupment of the loss or the amount the department paid to the lender to satisfy the
25 lender's claim under this section.

26 (8) The department shall adopt rules necessary to implement the provisions of this sec-
27 tion. The rules, at a minimum, must specify:

28 (a) The forms, formats and contents for:

29 (A) The department's pledge under subsection (3) of this section;

30 (B) A lender's claim under this section; and

31 (C) The release the lender must execute under subsection (6) of this section;

32 (b) The contents of the home buyer education class required under subsection (3)(b)(B)
33 of this section or an approval of the provider and contents of a class that another person
34 offers; and

35 (c) Criteria for verifying that a mortgage loan for which the department issues a pledge
36 under subsection (3) of this section meets the qualifications required under subsection (3)(a)
37 of this section.

38 **SECTION 2.** (1) There is established in the State Treasury the Welcome Home Assistance
39 Program Fund, separate and distinct from the General Fund. The Department of Consumer
40 and Business Services shall pay into the State Treasury to the credit of the Welcome Home
41 Assistance Program Fund all moneys the department collects or receives in connection with
42 the program described in section 1 of this 2025 Act, including appropriations to the depart-
43 ment, releases of amounts pledged as mortgage loan guarantees, and reimbursements of
44 claims the department pays from the fund under section 1 of this 2025 Act. Moneys in the
45 fund may be invested in the same manner as other state moneys and any interest earned

1 must be credited to the Welcome Home Assistance Program Fund.

2 (2) The department shall keep a record of all moneys deposited into the Welcome Home
3 Assistance Program Fund, indicating in the record by separate account the source of the
4 moneys, the interest earned and the activity against which the department charges any
5 withdrawal.

6 (3) If moneys credited to the Welcome Home Assistance Program Fund are withdrawn,
7 transferred or used for purposes other than the purposes for which the fund was established,
8 interest accrues on the amount withdrawn from the date of withdrawal until the date on
9 which the moneys are restored to the fund.

10 (4) Moneys in the Welcome Home Assistance Program Fund are continuously appropri-
11 ated to the department for the department's administrative expenses and the department's
12 duties under section 1 of this 2025 Act.

13 (5) The department may self-insure or obtain insurance or reinsurance against losses to
14 the fund from claims paid to lenders under section 1 of this 2025 Act.

15 **SECTION 3.** There is appropriated to the Department of Consumer and Business Ser-
16 vices, for the biennium beginning July 1, 2025, out of the General Fund, the amount of
17 \$2,500,000 for the purpose of carrying out the department's duties under sections 1 and 2 of
18 this 2025 Act.

19 **SECTION 4.** This 2025 Act being necessary for the immediate preservation of the public
20 peace, health and safety, an emergency is declared to exist, and this 2025 Act takes effect
21 on its passage.
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