

2015 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1349

2015 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Peace Garden Room, State Capitol

HB 1349
1/26/2015
Job Number 22571

- Subcommittee
 Conference Committee

Re Mae Kuehn

Explanation or reason for introduction of bill/resolution:

Establishment of an essential service worker home ownership incentive program and fund

Minutes:

Attachments #1-4

Representative Hatlestad~District 1, Bill Sponsor: Introduces HB 1349.
(Attachment 1)

(4:51)

Representative Ruby: Who would take primary position?

Representative Hatlestad: It would be the local lending institution. You would go to your bank in your community and apply for a loan. You would then work with North Dakota Housing Finance to pick up the down payment.

Representative Ruby: Would you have two loans?

Representative Hatlestad: There would be a silent second mortgage that would be carried by the North Dakota Housing Finance Agency.

Representative Ruby: Would that one be primary?

Representative Hatlestad: No the lending institution--the bank.

Representative Ruby: That would leave the Housing Agency at a high risk if one defaults. They can't get everything back by selling the house for the first one so the second one would take the hit.

Representative Laning: Your testimony said that you were asking for \$5 million. Yet the fiscal note shows \$140,000 per biennium. What is the \$5 million for?

Representative Hatlestad: That would be for approximately 100 essential worker home ownerships. We hope we would get 100 individuals. Then the \$5 million would take care of the 2nd mortgage down payment so you could avoid mortgage insurance.

Chairman Keiser: How would the financing work when you buy a home for \$250,000?
(To be answered by another testifier)

Representative Frantsvog: What about having the ability to get a home loan.

Representative Hatlestad: You would have to qualify for the first loan.

Joan Mainwaring~Real Estate Department Manager and Loan Officer at American State Bank, Williston, ND: (Attachment 2)

(11:57)

Representative Louser: Are these only loans that are housing finance agency loans or can they be out on the secondary market?

Joan Mainwaring: They are intended to be housing finance agency first mortgages through one of their programs with a silent second from the Housing Finance Agency Administered Program.

Matt Grimshaw, CEO of Mercy Medical Center: (Attachment 3)
Sent email read by Joan Mainwaring

(13:57)

Representative Beadle: The secondary silent mortgage I assume is intended to go to the down payment coverage to help with qualification. Representative Hatlestad commented that we want to make sure that we are able to cover enough of the down payment they are no longer required to pay principal and interest insurance. On a conventional loan if you have over 20% down, you don't have to have PMI (Private Mortgage Insurance) Insurance. Is that correct?

Joan Mainwaring: That is correct.

Representative Beadle: The example about an individual who got a loan for a \$200,000 house. Now they were able to qualify for a \$260,000 house. That would be a 30 percent down payment versus the 21 percent necessary in order to avoid PMI. Your viewing as the secondary mortgage, is there a cap on the valuation of the property? How high can that mortgage go or is it a sliding scale so it will keep going up until that individual now qualifies for the house they want.

Joan Mainwaring: The intent is for the down payment to be 20% of whatever the sales price is of the home the borrower has chosen.

The limit now is \$265,000 which follows the housing finance agency's maximum loan under their first home program. That is a \$212,000 first mortgage loan with 20% down. That equates at their current rate of 4.2% to about a \$1300 a month payment including taxes and insurance. So it would only be the 20%.

Representative Frantsvog: If I live in Williston and I have a house that I want to sell for \$265,000, does that qualify for your program?

Joan Mainwaring: Yes it would.

Representative Frantsvog: Who puts the value on it?

Joan Mainwaring: The free market sets the value between the buyer and seller. The appraiser has to verify that the property is worth what it is selling for in order to lend on it.

Representative Becker: The borrower needs to qualify for the first loan. That first loan then is based on the idea the buyer can afford a down payment. Doesn't it change if you go to a bank and not put money down? Doesn't that increase the risk to the bank and change what makes a person qualify?

Joan Mainwaring: Yes. For underwriting purposes we will be looking at the first mortgage only for the essential service worker to qualify because there is no payment due on the 2nd mortgage. With a 20% down payment even though it is from the state and a silent second it will be easier to qualify through automated underwriting. Most lenders use automated underwriting.

Representative Louser: If we talk front and back end ratios with FHA--29%, 41%. You are saying that if the applicant qualifies and maxes out at 29% assuming they have a 20% down payment, the second loan will not be included in their 29% ratio?

Joan Mainwaring: Correct. Because there is no interest and no payment due on it unless they leave the essential service work sector or they sell the home.

Representative Kasper: The essential service worker buys a home, qualifies for the silent second--it reminds me of the financial crises back 6 or 8 years ago. There is no lien on the mortgage or the home. Five years down the road, the buyer paid \$260,000 for it and sells it for \$280,000. There is a \$20,000 profit. He takes the \$20,000 profit and leaves the state. Can they profit on the sale of the house and not take care of the obligation?

Joan Mainwaring: It would be a recorded second mortgage against the property for whatever the 20% down payment was. It would have to be repaid. The plan is for 10% of the amount to be forgiven annually if they remain in public service work.

Representative Kasper: It is a silent second but it is recorded?

Joan Mainwaring: It is still a viable mortgage. There is no payment or interest on it. Therefore it doesn't compute into the underwriting ratios of the loan. It doesn't impact the borrower's monthly payment. But it is recorded.

Representative Frantsvog: There is no payment on the silent 2nd?

Joan Mainwaring: That is correct unless they leave essential service work.

Representative Frantsvog: Let's assume I go to work in Williston. I lived there for 30 years the length of the loan on the house. Does that silent 2nd ever go away?

Joan Mainwaring: Yes. The intention on the bill is for the silent second to be forgiven in full after the ten-year period if they are still in the essential service worker field.

Representative Becker: If oil prices stay low and we have laid-off workers, they can walk away. The bank gets the house and the state has the secondary and has nothing. Is that correct?

Joan Mainwaring: The housing finance agency would get the house back because they would be purchasing the first mortgage loan from whatever lender originates it.

Representative Hanson: If someone in the essential services industry is laid off, they get a double hit. They no longer qualify as a member of essential services. Is that correct?

Joan Mainwaring: That's correct. Hopefully they would be employable in another field of essential service work.

Chairman Keiser: We have all sorts of projections for the price oil. Have you noticed any changes in the market relative to housing?

Joan Mainwaring: I think things have slowed down for the winter. We don't see the bust that was in the 80's.

(25:35)

Arthur Walgren, Chief of Police in Watford City: (Attachment #4--letter to Housing Authority) We struggle to recruit and retain employees. One of the issues we have found is they have a family. A typical three-bedroom new house is \$319,000. We try to pay as well as we can, but they pull out. One bedroom apartments in Watford City are about 800 square feet. We try to come up with a solution for permanent housing for new employees. Everything is more expensive. Budgeting is a huge problem. The hope is to create a program to assist with the down payment process and get the essential service workers into permanent housing so they would stay.

Representative Frantsvog: I am told Bismarck has 12 vacancies on their police force. Where are these people going?

Arthur Walgren: We have four vacancies. It is because our department is growing. In 2010 we had four or five officers. We have 19 sworn officers this year. The other agencies are all the same. The school district added 400 new students. The jail had eight cells. The new jail will have 120 cells.

(31:05)

David Belisle, Assistant Chief of Police and Personnel Officer, Williston Police Department: The situation of officer retention is our primary concern. For every three officers we hire, we keep one. As soon as we train somebody, they leave. The new recruits want to stay but they can't afford the housing. HB 1349 would be very helpful in retaining employees.

Opposition:

None

Neutral:

Jolene Kline, Executive Director of the North Dakota Housing Finance Agency: We are using the Housing Incentive Fund to create affordable rental housing for essential service workers in oil impacted areas. We need the next step to keep these people as long-term residents. If the worker leaves essential service worker employment and stays in the home, the loan becomes an interest-bearing loan. When the home is sold, we are repaid for the portion of time that remains. If the home has depreciated in value there is nothing to recover. So it is a loss to the state.

An oil field worker would not be eligible for this. It will benefit law enforcement, teachers, cities, and counties, etc.

Representative Louser: Is there a deficiency judgment?

Jolene Kline: No.

Representative Louser: If the property is \$250,000, the borrower got an 80% loan with this program, and three years later the fair market value stayed at \$250,000. They could sell the house for \$225,000 and come out the same because they don't owe the 20%. How would anyone know that \$250,000 should have been the price?

David Flohr, Home Ownership Director for North Dakota Housing: You're correct. Someone could sell the home for \$225,000. The agency would have the 1st mortgage. They have to come to us to pay off both loans. In order for us to release the mortgage, we have to have enough funds to give clear title. They could not complete the sale.

Representative Louser: Previously it was said if they don't have the funds, that would be forgiven and that would be a loss to the state.

David Flohr: That would be up to us. If the market goes down and it is a fair price, we'll take what we can get.

Representative Louser: Are start funds available for this program?

David Flohr: No.

Representative Louser: How would the housing finance know they have left the job?

David Flohr: We service all the mortgages that we purchase from the lenders. We collect the payments. If they move or we notice any change on their account, we would follow up. Our plan is on an annual basis to follow up with them. That is part of the administrative fee.

Representative Becker: What if there is a down turn and there are workers that get laid off, what are we on the hook for? You indicated you have both the first and the second.

David Flohr: Joan's bank would originate the first mortgage. They would sell that loan to us. The second mortgage we would take out a lien and credit given to the borrower at closing. It is not a cash transaction. If they walk away, we get that property back and have to resell it. We take the best offer we can get. The soft second funds would have to be forgiven.

Representative Becker: If you have a zero-down loan, the risk is much higher. When buying the first loan, is that routine if someone falls under this program?

David Flohr: With this program we would be buying every first mortgage.

Representative Becker: Are you making the profit that the bank would have been making?

David Flohr: The bank originates the loan. They charge the origination and other fees. When we purchase the loan from the lender, we pay a servicing release premium. That is additional profit that the bank makes. So the bank is still getting what they normally get paid. We hold the mortgage. We get paid for servicing the loan. We make our profit between what we are paying our investor that invested in our bonds and what the mortgage rates are.

Representative Kasper: Worker buys a home for \$260,000. The 20% down from the fund is \$52,000. That is money the buyer doesn't pay. So the mortgage is \$208,000. Five years down the road the owner sells the house for \$230,000. The mortgage is now \$195,000. There is a \$35,000 profit to the seller. Also his \$52,000 was forgiven down to \$26,000. So does he pay back the \$26,000 or he is liable for the whole \$52,000?

David Flohr: He would pay back the \$26,000.

Representative Kasper: It is good way to make a profit even in a down market and the state pays the tab.

David Flohr: They have five years of service from the person that may have left after two years.

Representative Frantsvog: What positions are included? What area would this program encompass?

David Flohr: We have four counties which would be McKenzie, Williams, Mountrail, and Dunn

Chairman Keiser: Page 2, line 4-7 is the definition of essential workers.

Representative Ruby: The bill talks about a ten-year loan. I am hearing a forgiveness of five years. Where is that written in the bill?

David Flohr: It's a 10-year term on the second mortgage. We give them a credit for each year they work as an essential worker. Ten percent of that loan amount is forgiven each year through the tenth year.

Representative Ruby: I don't see that policy information in the bill.

Jolene Kline, North Dakota Housing Finance Agency: It says in there we will adopt guidelines for the implementation and administration of the essential service worker. We are overseen by a six-member advisory board and then ultimately the industrial commission. The advisory board has a representative from the lending community and a realtor. Then it goes to the Industrial Commission for final adoption.

Representative Ruby: If an amendment was put on here that says there is no forgiveness and there is no percentage of reduction you would have to abide by that?

Jolene Kline: Yes.

Representative Beadle: This bill is limited to the four counties. I'm looking at the Housing Finance Agency website. One of the things that came up is the Law Enforcement Housing Pilot Program that we did in the last two sessions. That has a larger group of counties. That was a rental program. How utilized has the law enforcement program been on the rental side?

Jolene Kline: The Law Enforcement Pilot Program was a one-time funding source that came to us through the mortgage service or settlement account. This was a nationwide settlement against major financial institutions following the melt down. The money actually came to the Attorney General and he asked us to administer it to provide rental housing for his law enforcement officers in energy impacted areas. The dollars were quickly put into projects. There are some in Minot, Dickinson, Williston, Watford City, Stanley, and Belfield.

Representative Beadle: Known you have looked at needs of law enforcement personnel, are we leaving out some counties that would have a need?

Jolene Kline: The reason the four counties were picked is because they were determined by the bill sponsor along with Joan and her community. Those are the areas with the fastest growing cost of housing prices.

For those concerned about the state--in order for the house to get down to a \$265,000 acquisition cost, which would be eligible for this program for essential service workers, that community has to get involved by helping buy down land and infrastructure. Everyone is going to have to share the risk.

Representative Beadle: You say the community has to come up with some local dollars. Do we have programs in place that allows those political subdivisions to use funds to go towards a private housing property? Or is there a problem with public money going to a private individual?

Jolene Kline: I would say that it's already happening. For example, Watford City is donating land to private developers for construction of affordable rental housing.

Representative Beadle: The intention of the program is for it to be a revolving loan fund. Is there a revolving nature or is it just forgiving the money so it becomes a one-time grant with no money coming back in?

With the purchase of the primary mortgage by the agency, would the interest from that feed into this revolving fund or would that go into the agency's other funds?

Jolene Kline: I hope we don't get any of that money back because then we have accomplished what we wanted. We write it off because that helps those communities if the workers stayed. Second question, the interest on the first mortgage is needed to service the bond debt that we issue to have the capital to purchase the loans from the participating lenders in the first place.

Representative Beadle: Do you have the funds currently in order to purchase the primary loan for any loans that originated as part of this program or would that be a separate funding authorization that we need to give you?

Jolene Kline: For this program, Home Ownership Incentive Program, we do not have the dollars.

Chairman Keiser: There is a \$5 million appropriation from the general fund in this bill.

Representative Beadle: Does the \$5 million appropriation go to the secondary silent mortgage or does it go to purchasing the primary mortgage.

Jolene Kline: Only the secondary mortgage. There would be no comingling of the funds.

Representative Becker: An electrician that works for the city and the local hospital would be considered an essential worker?

Jolene Kline: If they work for the city, they are considered an essential worker. If they are a contracted employee, they are not an essential service worker. They must be on the payroll of a city, county, or state because their wages can't be adjusted like the private sector.

Representative Becker: If a sheriff or mayor calls with someone who wants to open a daycare and they need a house. Do you have the ability to consider them an essential service worker?

Jolene Kline: There is some language that gives us some flexibility. It depends on the circumstances.

Representative Kasper: The forgiveness of the 20% down, it's 10% per year for 10 years. The person pays nothing as long as they abide by the terms.

Jolene Kline: That is correct. No interest accrues during the ten years as long as they stay.

Representative Kasper: What size square footage is a home for \$365,000?

Jolene Kline: I don't know. I don't think it is a luxury home.

Representative Kasper: Page 2, lines 6 & 7, gives you latitude to determine what an essential worker is.

Jolene Kline: That is correct. We have a history of being good stewards of public money. We need some flexibility to deal with the unknowns.

Representative Kasper: The word "or" gives your agency the latitude to declare any person as an essential worker.

Jolene Kline: That's correct.

Chairman Keiser: Would someone walk us through the fiscal note?

Jolene Kline: We anticipate we could assist about 100 home buyers in those four counties. Using the \$265,000 cap on the cost of the home and a 20% cap which is \$52,000 per home buyer. If you divide the \$5 million by \$52,000, about 100 individuals would benefit.

Chairman Keiser: The 20% could be referred to as a grant. The 20% is not interest bearing? Is interest paid on the 20% or only on the 80%?

Jolene Kline: Interest is paid only on the first mortgage which is 80%.

Chairman Keiser: We'll have to add in the bill that for each year employed, 10% of the loan is forgiven. If it is \$50,000 then it would be \$5,000/year for 10 years. At the end of ten years if the house is sold, I get to keep the \$50,000. It is a loan. There just is no interest like a grant.

David Flohr: Correct, except if the person stops being an essential service worker in year 5 and they stay in the house, they would start accruing interest on the half.

In answer to the size of home for \$365,000, it is around a 1,600 square foot home. If you compare that to Bismarck, the same type is \$185,000.

Chairman Keiser: What is the property tax rate on a \$300,000 house?

David Flohr: I'm not sure what Watford City mill levies are?

Chairman Keiser: We are creating a moral hazard. The hazard is that PMI insurance is required unless you put a certain amount of money down. Here there is no down payment and we are taking away the need for PMI. Is that a good policy? Wouldn't we be better to pay the PMI for them?

David Flohr: You could argue that you are creating a moral hazard. The servicers would have to charge a higher interest rate on the first mortgage in order to pay that.

Chairman Keiser: Some of our other programs have interest buy down in lieu of grants. What is the disadvantage of doing something like that?

David Flohr: That was the option that we proposed.

Chairman Keiser: Closed the hearing.

2015 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee
Peace Garden Room, State Capitol

HB 1349
1/27/2015
Job Number 22609

- Subcommittee
 Conference Committee

Re Mae Laeb

Explanation or reason for introduction of bill/resolution:

Establishment of an essential service worker home ownership incentive program and fund
(Committee work)

Minutes:

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Representative Kasper: Last session we had bills to help the people with the Minot flood and they were not passed. That was much more onerous for the Minot people than this. It may violate the Constitution gifting clause.

Representative Kasper: Moved Do Not Pass

Representative Ruby: Seconded the motion.

Representative Louser: I agree with Representative Kasper. This picks winners and losers.

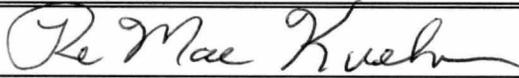
Chairman Keiser: Continue at another time

2015 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee
Peace Garden Room, State Capitol

HB 1349
1/28/2015
Job Number 22714

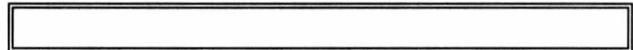
- Subcommittee
 Conference Committee



Explanation or reason for introduction of bill/resolution:

Establishment of an essential service worker home ownership incentive program and fund
(Committee work)

Minutes:



Chairman Keiser: This bill has a general fund appropriation for \$5 million and a financial note. It is designed to create a silent loan.

Vice Chairman Sukut: This is an honest effort to approach a problem. We have hundreds of young people that are making a salary that would have it easy to make a payment but are unable to qualify for a loan when the down payment request is in the \$50,000 area. We offer grants to physicians, dentists, agriculture, etc.

Representative Frantsvog: I received an email from the Dickinson area asking why they were left out.

Representative Lefor: In those communities that are impacted, it's a difficult situation. The Dickinson Police Force has five vacancies. I am going to support it but to have an amendment to include Stark County.

Vice Chairman Sukut: I know the intent was to be a pilot project to see if it works and then open it up to the entire state.

Representative Louser: First-time home buyer loan programs in North Dakota do not require 20% down. The 20% is to avoid mortgage insurance. North Dakota has the lowest foreclosure rate in the country so we are subsidizing the east coast and the west coast problems by paying mortgage insurance and never seeing a benefit. Mortgage insurance isn't even deductible on your income taxes. But the requirement for a down payment is 3½%. When there are competing offers, somebody now has an advantage because they have a grant and they can go even higher than the asking price. On a \$250,000 sale, an essential employee could go up to \$265,000 with no cash out of pocket. The grant after ten years wouldn't be taxable. I can't support this bill.

Representative Lefor: Moved to amend by adding Stark County to the four counties.

Representative Hanson: Seconded the motion.

A Roll Call vote was taken: Yes 10, No 5, Absent 0.

Motion passes. Amendment is adopted.

Representative Becker: Moved to amend by adding Morton and Burleigh Counties.

Representative Kasper: Seconded the motion.

Voice Vote. **Motion passes.** Amendment is adopted.

Representative Kasper: Moved to amend by adding Cass County.

Representative Hanson: Seconded the motion

Voice Vote. **Motion passes.** Amendment is adopted.

Representative Devlin: Moved to replace all previous motions and make it available to all counties in the state.

Representative Sukut: Seconded the motion.

Voice Vote. **Motion passes.** Amendment is adopted.

Representative Ruby: Moved Do Not Pass as amended.

Representative Laning: Seconded the motion.

Representative Ruby: It didn't matter to me if we added every county. There are still issues with the difference of employees. There are other businesses that have turnover in the state whether they are in oil country or not. I don't think this is the right approach.

Representative Laning: What is the PMI cost? Would that be a buy-down on that portion of loans for essential workers?

Chairman Keiser: Representative Louser is checking on that. I thought the testimony said around \$451.

Vice Chairman Sukut: Another major problem is the secondary workforce is still missing in western North Dakota. This was an effort to get families to move in and become permanent residents. If you are going to finance through the local banks in Williston, they are requiring a 20% down payment.

Representative Kasper: Are the first-time home buyer loans available regardless of the policies at the Williston banks?

Representative Louser: The North Dakota first-time home buyer program is something that they would have to qualify for based on income and normal underwriting standards. The down payment requirement is 3 ½%. The Bank of North Dakota also has a program to help people with closing costs.

Representative Kasper: Is the PMI \$400 a month or \$400 a year.

Representative Louser: On a \$265,000 purchase at 3 ½% over 30 years with 3% down, the mortgage insurance per month is \$246.

Representative Boschee: Why was PMI dropped?

Representative Louser: PMI is required when you have less than 20% equity. When you hit the 20%, which is around your 11th year of ownership, at that time you can get a new appraisal, and request to drop the mortgage insurance assuming the value of the property has stayed the same or gone up. It automatically drops off at 22% equity which usually takes another year and a half of payments.

Representative Kasper: Is the interest rate lower for the first-time homebuyer loan compared to the bank doing a conventional loan at 20%?

Representative Louser: The purpose of the first-time home buyer loan program was to have a lower interest rate. Now with the low rates the first-time home buyer rate is market rate. In testimony they said they are a good steward of the money. If the bank takes 100% of the risk, gives the loan for 80% and then gives the grant for 20%, that grant was going to charge an interest rate below market value if it had to be paid back. So the bank is taking 100% of the risk and lowering the interest rate. That is opposite of what they should be doing. That 20% should be above market not below market interest.

Chairman Keiser: The bank has the authority to make or not make a loan.

Representative Hanson: I find the real problem in the oil patch to be credit. I wish we would do a little more with the Bank of North Dakota. The public sector out in the oil producing counties has not kept up with the private sector.

Representative Louser: This bill would be better if the \$5 million was a loan at 1% interest amortized over 20 years and it is paid back. This could be a better bill by making it a true second mortgage with a low interest rate and terms that were similar to what we have done in the past.

Representative Kasper: We are not talking about low income people. We are talking about well-paid people and therefore it violates the gifting clause of the North Dakota constitution.

Chairman Keiser: Last session, Representative Louser came in with a grant program for the Minot devastated area. We killed the bill and said we are not giving money away in the form of a grant. Then we found a Senate bill that we could amend to make it into a loan. The Bank of North Dakota can still be profitable at a lower rate of return than the commercial market.

Vice Chairman Sukut: If the committee would allow me to work with Representative Louser and make it into a loan. Would that make a difference?

Chairman Keiser: Keep it targeted to an area.

Representative Ruby: Do you want to keep it narrow to the area? Do you want to keep it narrowed to just essential services? There are other people who live out there and then you get that disparity who can put in more for a loan and maybe pay a higher price for that property than one that isn't in that classification. The flooding is a different situation. They weren't competing for a new home. It was only on their existing property. I support my decision for a do not pass.

Chairman Keiser: They added medical and long-term care to essential services. The other people, they are going to pay taxes to pay this.

Representative Laning: The bill in its present form including the entire state would need a different Fiscal Note.

Chairman Keiser: The Fiscal Note would stay the same. They would just allocate the money statewide.

Representative Becker: It won't change my vote. This isn't our money. We are taking taxpayer money to fix what we think government might be able to fix. We don't take into consideration the unintended consequences.

A Roll Call vote was taken: Yes 11, No 4, Absent 0.

Do Not Pass as amended carries.

Representative Frantsvog will carry the bill.

20
1-28-15

January 28, 2015

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1349

Page 1, line 24, remove "in Dunn,"

Page 2, line 1, remove "McKenzie, Mountrail, and Williams counties"

Page 2, line 1, replace "After June 30, 2017, the" with "The"

Page 2, line 1, replace "may" with "must"

Page 2, line 3, remove "designated by the industrial"

Page 2, line 4, remove "commission"

Renumber accordingly

Date: Jan. 28, 2015

Roll Call Vote: 1

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1349

House Industry, Business & Labor Committee

Subcommittee Conference Committee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation

Other Actions: As Amended Rerefer to Appropriations
 Reconsider _____

Motion Made By Rep Lefor Seconded By Rep Hanson

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Representative Lefor	X	
Vice Chairman Sukut	X		Representative Louser	X	
Representative Beadle	X		Representative Ruby		X
Representative Becker		X	Representative Amerman	X	
Representative Devlin		X	Representative Boschee	X	
Representative Frantsvog		X	Representative Hanson	X	
Representative Kasper		X	Representative M Nelson	X	
Representative Laning	X				

Total (Yes) 10 No 5

Absent 0

Floor Assignment _____

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

add Stark Co

Date: Jan. 28, 2015

Roll Call Vote: 2

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1349

House Industry, Business & Labor Committee

Subcommittee Conference Committee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations

Other Actions: Reconsider _____

Motion Made By Rep. Rick Becker Seconded By Rep. Kasper

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser			Representative Lefor		
Vice Chairman Sukut			Representative Louser		
Representative Beadle			Representative Ruby		
Representative Becker			Representative Amerman		
Representative Devlin			Representative Boschee		
Representative Frantsvog			Representative Hanson		
Representative Kasper			Representative M Nelson		
Representative Laning					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

voice vote - passed
Morton + Burleigh
further amend

Date: Jan. 28, 2015

Roll Call Vote: 3

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1349

House Industry, Business & Labor Committee

Subcommittee Conference Committee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
Other Actions: Reconsider _____

Motion Made By Rep. Kasper Seconded By Rep. Ben Hanson

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser			Representative Lefor		
Vice Chairman Sukut			Representative Louser		
Representative Beadle			Representative Ruby		
Representative Becker			Representative Amerman		
Representative Devlin			Representative Boschee		
Representative Frantsvog			Representative Hanson		
Representative Kasper			Representative M Nelson		
Representative Laning					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Cass Co

Vote - passed

Date: Jan. 28, 2015

Roll Call Vote: 4

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1349

House Industry, Business & Labor Committee

Subcommittee Conference Committee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations

Other Actions: Reconsider _____

Motion Made By Rep. Devlin Seconded By Rep. Sukut

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser			Representative Lefor		
Vice Chairman Sukut			Representative Louser		
Representative Beadle			Representative Ruby		
Representative Becker			Representative Amerman		
Representative Devlin			Representative Boschee		
Representative Frantsvog			Representative Hanson		
Representative Kasper			Representative M Nelson		
Representative Laning					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

replace all motions + place all counties

voice vote - passed

Date: Jan 28, 2015

Roll Call Vote: 5

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1349

House Industry, Business & Labor Committee

Subcommittee Conference Committee

Amendment LC# or Description: 15.0346.02001

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations

Other Actions: Reconsider _____

Motion Made By Rep Ruby Seconded By Rep Laning

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Representative Lefor		X
Vice Chairman Sukut		X	Representative Louser	X	
Representative Beadle	X		Representative Ruby	X	
Representative Becker	X		Representative Amerman	X	
Representative Devlin	X		Representative Boschee		X
Representative Frantsvog	X		Representative Hanson		X
Representative Kasper	X		Representative M Nelson	X	
Representative Laning	X				

Total (Yes) 11 No 4

Absent 0

Floor Assignment Rep Frantsvog

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

REPORT OF STANDING COMMITTEE

HB 1349: Industry, Business and Labor Committee (Rep. Keiser, Chairman)
recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends
DO NOT PASS (11 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING). HB 1349 was
placed on the Sixth order on the calendar.

Page 1, line 24, remove "in Dunn."

Page 2, line 1, remove "McKenzie, Mountrail, and Williams counties"

Page 2, line 1, replace "After June 30, 2017, the" with "The"

Page 2, line 1, replace "may" with "must"

Page 2, line 3, remove "designated by the industrial"

Page 2, line 4, remove "commission"

Re-number accordingly

2015 TESTIMONY

HB 1349

Jan 26, 2015
Rep. Hatte stad

1

HB 1349 Industry Business and Labor

Chairman Keiser and Members of the IBL Committee. Thank you for the opportunity to bring HB 1349 before you for your consideration.

The Essential Service Worker (ESW) homeownership incentive program is a program designed to provide funding to assist in the purchase of a single-family home, at a reasonable monthly payment, in one of four pilot counties (Williams, McKenzie, Mountrail, and Dunn - 2015-2017 biennium). Program may be expanded by the Industrial Commission following the 15-17 biennium.

The ESW is defined as an individual employed by the state, city, county, school district, medical or long term care facility or an employee providing an essential public service (defined by Housing Finance Agency).

The home being purchased must be the primary residence of the ESW.

The Housing Finance Agency will provide a silent second mortgage (10 year), at a below market rate, in conjunction with a mortgage loan made by a local lender under an NDHFA homeownership program. The intent is to allow the ESW to purchase the home without having to obtain mortgage insurance, saving several hundred dollars a month in payments (attachment).

The max projected housing cost is pegged at \$265,000 with a maximum yearly income of \$110,000 (both subject to change) There are loans out there requiring lower down payments but with added dollars financed and the mortgage insurance costs, the payment would average an additional cost of approximately \$400 to \$450.

The ESW will receive a 10% credit, against the silent second mortgage for each year they remain employed as an ESW. If employment ceases, they will be responsible for the balanced owed with interest at the first home mortgage rate. If the is home is sold the total balance owed is subject to repayment. Funds repaid may be reused to assist other ESW's.

According to statistics from the Williston Board of Realtors, the average home sales price through November 2014 was \$266,531. The average sales price in Williston has increased 90% since 2009, from \$140,363 to \$266,531. In 2005 it was \$75,408.

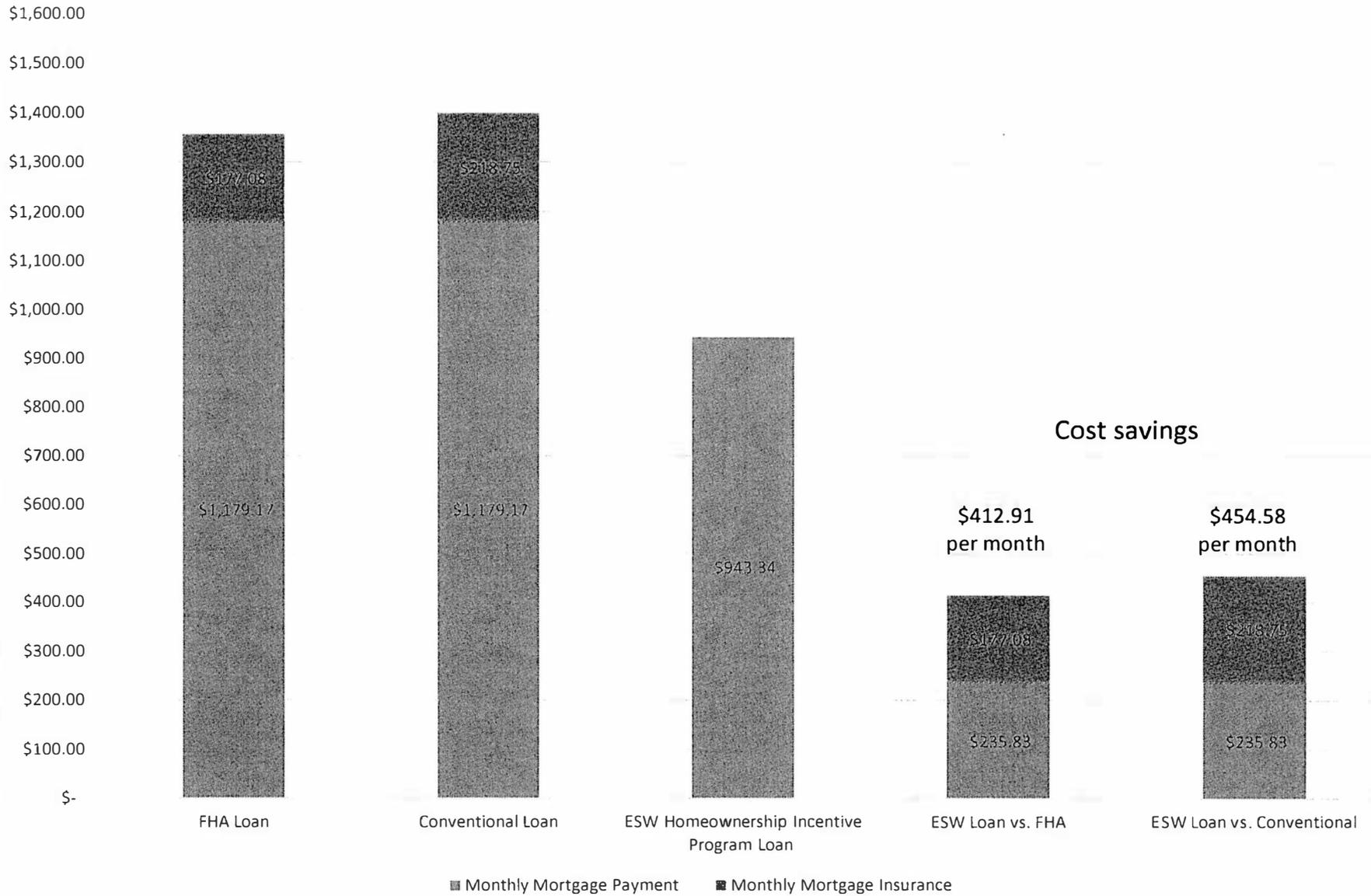
Williston City	Average Sale Price	Median Sale Price	
2005	\$75,408.00	\$67,900.00	
2006	\$96,036.00	\$87,000.00	
2007	\$115,368.00	\$103,000.00	
2008	\$132,085.00	\$122,750.00	
2009	\$140,363.00	\$136,500.00	
2010	\$165,613.00	\$160,000.00	
2011	\$196,486.00	\$192,500.00	
2012	\$233,698.00	\$230,000.00	
2013	\$246,774.00	\$245,000.00	
2014	\$266,531.00	\$263,000.00	Reflective through November

The fund is a special revolving fund at the Bank of ND and disbursed by the Housing Finance Agency (NDHFA). The Industrial Commission, acting as the Housing Finance Agency, shall adopt guidelines to implement this program.

\$5 million will be appropriated out of the general fund for the biennium beginning July 1, 2015.

NDHFA may deduct a reasonable fee for administering the fund.

Monthly Payment Expense Comparison Based on \$250,000 Loan



Pg 3

1/26/15 HB 1349

2

Joan Mainwaring

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Search Mail Search V

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- Contacts
- Notepad
- Calendar

Compose
Delete Reply Reply All Forward Actions Apply

- Inbox (4)
- Drafts
- Sent
- Spam (524) [Empty]
- Trash [Empty]



Force
Sponsored

How Older Men Are Building
Discover a safe, natural muscle

re 1349

Monday, January 26, 2015 11:30 AM

From: "Joan Mainwaring" <joanmainwaring@yahoo.com>

To: "Joan Mainwaring" <joanmainwaring@yahoo.com>

Full Headers Printable V

- My Folders [Edit]
- Notes

Sponsored



Force Factor
How Older Men Are Building
Muscle

Mr. Chairman and members of the Committee, my name is Joan Mainwaring from Williston. I am the RE Dept manager and a Loan Officer at American State Bank in Williston, and have lived and worked in Williston for 3.5 years.

During my 35+ years in the home loan business in multiple locations as a military spouse, I had worked in markets on the east and west coasts and in Montana before coming to ND. My husband and I came here for the job market, as have many families like us, and Williston has blessed us in many ways. In speaking with hundreds of people looking for a housing solution, we have seen unprecedented increases in selling prices in the past nine years, especially in the last five. For people making oilfield wages it hasn't stopped their ability to buy, however everyone else has been caught with very limited choices.

We are here today to make an appeal for our most necessary employee group in Williston; the essential service worker. Today we will hear from two top law enforcement officials in our area about the difficulties they face in recruiting and retention. We also have the endorsement of Matt Grimshaw, CEO of Mercy Medical in Williston. Every time I sit thru a Board meeting the housing discussion comes up. The Williston community leaders have done a great job of creating new apartment rental options for this sector with a subsidy, however apartment living is not a long term solution for families with children, and the subsidized rents often exceed market rents in other areas of the state.

page 1

Buying a home for these people is a long term solution for many families, and greatly benefits the employers with less turnover. However, until now we have been able to bridge the gap between their incomes and the house payments for a decent place to live.

Most underwriting programs recommend that no more 25% - 29% of a family's gross monthly income go to a housing payment, which includes real estate taxes and insurance but not utilities.

The typical State Trooper starting at about \$48k annually can afford about \$1160/mo for housing. That is about a \$200,000 loan WITHOUT MORTGAGE INSURANCE.

Finding a decent home in Williston under \$200,000 is rare. Most in that price range are huge fixer-uppers.

With this bill, a qualified ESW will be able to purchase a \$265k home for a payment of around \$1300 per month including real estate tax and insurance, instead of over \$1700 per month. When you are only earning a little over \$4000 monthly BEFORE taxes, a \$400 savings is a huge thing.

We want to help with the solution to these workers' problem, and help our public sector employers recruit and retain good people.

This idea was made so much better with the help of Jolene Kline and her staff at the ND Housing Finance Agency, who were so instrumental in making this viable.

It is important to point out that, if approved, any lender approved by NDHFA will be able to do these loans, subject to funds availability. It is my hope that my bank will be able to contribute to the program by saving these borrowers 1% on their closing costs or approximately \$2,000, by lowering our fees.

We thank you for consideration in this matter, and hope for a positive outcome, given the need in our area and the amount of funds requested.

Compose

Delete Reply Reply All Forward Actions

Apply

HB 1349

Matt Grimshaw
1/26/15

3

Hatlestad, Patrick R.

From: Joan <joanmainwaring@yahoo.com>
Sent: Monday, January 26, 2015 12:37 PM
To: Hatlestad, Patrick R.
Subject: Fwd: Testimony

Sent from my iPhone

Begin forwarded message:

From: "Grimshaw, Matt" <MattGrimshaw@catholicealth.net>
Date: January 26, 2015 at 11:51:01 AM CST
To: "'Mainwaring, Joan' (joanmainwaring@yahoo.com)" <joanmainwaring@yahoo.com>
Subject: Testimony

Joan,

If you could please present the following as my testimony, I would greatly appreciate it.

Matt

On behalf of Mercy Medical Center, I would like to strongly encourage passage of HB-1349. Home ownership is one important piece of community stability, and as we look at the many challenges we face in our Region, the cost of housing is at the top. Rent prices are simply unsustainable, but with so many people unable to secure a traditional mortgage, they have few options.

The Essential Worker program for apartments has been very successful, and we look at this proposed Pilot as a natural extension of this program. These workers form the backbone of our community, and if we are able to create a process that makes home ownership easier for these individuals then we feel it is worth a try.

I understand that there are lending risks associated with this program that are different than the rental program, but feel that it is important enough to our communities' long term stability for it to be tried.

Thank you for all that you have done and will continue to do in support of our Region.

Matt Grimshaw

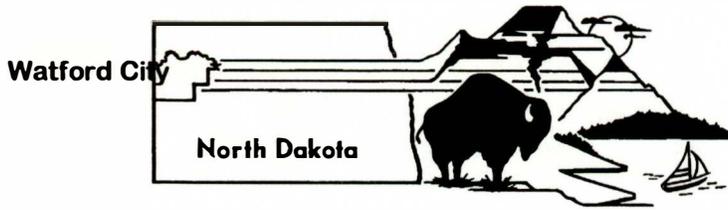
Matt Grimshaw, President
Mercy Medical Center
Williston, ND
(701) 774-7401

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AB1349

Arthur Walgren
1/26/15

#4



Chief of Police Arthur D. Walgren
Watford City Police Department
213 2nd Street NE / P.O. Box 283
Watford City, ND 58854
Telephone: (701) 842 - 2280
Fax: (701) 842 - 2495

North Dakota Housing
Finance Agency
2624 Vermont Avenue
PO Box 1535
Bismarck, ND 58502

09-30-14

To whom it may concern,

I am writing today because I have an extreme concern about my ability to hire enough people to police the community I serve. The biggest problem is not a lack of interest from potential officers, but rather a fear of living condition due to the housing shortage. The City of Watford City has been proactive in its approach to housing and has built Wolf Run apartments as well as purchased at least one mobile home. There was hope that this would make a big difference, but the reality is that it is lacking to even be a stop gap in the problem.

Watford City will be hiring 13 new employees after the first of the year, which includes 6 new police officers. This would be on top of two openings the police department needs to fill yet this year. That means at least 15 new employees, just for Watford City and Wolf Run is already full.

As a result, the city is putting more pressure on its employees to find permanent housing. With "cheap" housing selling for around \$250,000.00. That means new employees must have a good credit history, at least 5% down (\$12,500.00), plus additional costs and 2 months reserves or about \$20,000.00 total. In this scenario, they would finance about \$237,500.00 and have a payment around \$1,275.00 a month, not counting taxes and insurance which would put the total monthly payment between \$1,400.00 and \$1,500.00 per month. I would also note that good family housing is running between \$300,000.00 and \$400,000.00, which would put payments much higher as well as needing much more for a down payment.

These payment would be at least twice what officers pay for current city housing rent (which includes utilities) and has a formula that would require an officer to have a minimum of \$20,000.00 saved up. I don't think that this is realistic, especially considering how young most of these officers are. This amount of money is scary to anyone, much less a young person who has never owned a home before.

As a result, new officers and even experienced officers in the Bakken who have families are leaving and going to places where housing is more affordable. Four of our five HP Troopers from the area are leaving because of the cost of housing. Here at the police department, we have several planning on leaving because they cannot afford to buy their own housing.

So, I would like to propose a program I hope would be well received and would ultimately be implemented to help all public employees in the area and as a result, help to stabilize the public employee workforce.

1

I would propose that the housing authority offer "grants" to emergency service employees that would pay for the employees down payment, allowing them to purchase housing in the Bakken and set the stage for them being a long term employee/resident. The grant would be awarded contingent on a contract by the employee that they live in the house at least 5 years. During that time the housing authority would forgive 20% of the grant per year (\$10,000) until the entire amount is forgiven.

Furthermore, if the amount of the award was \$50,000.00 per household (\$10,000 per year for 5 years). This would not only help the employee with the down payment, but help to bring the monthly payments to a more reasonable level.

I have completed a limited amount of checking around for support and found that my city council was very much in support of the idea. Also supportive was my initial check with other law enforcement in which I hope to obtain letters of support. Finally, I also found out that OneOK inc, offers the same type of program to its employees and could be a resource for its effectiveness.

Therefore, I would respectfully request that you seriously consider implementing what I think will become a very successful program for adding permanent public employees.

Let me know if you have any questions.

Sincerely,

Arthur D. Walgren
Chief of Police