



Testimony of
Erik C. Jorgensen
Senior Director of Government Relations & Communications
Maine State Housing Authority

Before
The Joint Standing Committee on Housing and Economic Development (132nd)

**LD 1238: An Act to Establish a Small-cap Loan Guarantee Program
for Affordable Housing Investments**

Senator Curry, Representative Gere, and members of the Joint Standing Committee on Housing and Economic Development, I am Erik Jorgensen Senior Director of Government Relations and Communications at the Maine State Housing Authority (MaineHousing) and I am submitting this testimony in respectful opposition to **LD 1238: An Act to Establish a Small-cap Loan Guarantee Program for Affordable Housing Investments**.

MaineHousing has been helping Maine people own, rent, repair, and heat their homes since 1969. We are an independent state authority (not a state agency) created to address the problems of unsafe, unsuitable, overcrowded, and unaffordable housing. We are authorized to issue bonds to finance single family mortgages for first time homebuyers and for affordable multi-family housing.

We are also authorized to administer a number of state and federal programs, including rental subsidies, weatherization, fuel assistance, two housing block grants, the low-income housing tax credit program, and homeless grant programs. We receive state general fund revenue for homeless programs and receive a dedicated portion of the real estate transfer tax for the Housing Opportunities for Maine (HOME) Fund.

LD 1238 Establishes a program of loan guarantees based at MaineHousing or conducted by a 3rd party contractor. These guarantees would apply to commercial bank loans made to developers of small affordable housing projects. As we read the bill, there were several concerns that came to mind:

- (1) First and foremost, our agency does not have professional knowledge on our staff about loan guarantees or how they should be assessed or administered. For this same reason, we don't know how we could effectively hire or oversee a third party engaged in that work.
- (2) MaineHousing is the only entity in the state that regularly finances housing for 60%-80% AMI, because developers building for this income level can't charge enough rent to carry the

debt. For loans that we issue, we don't need loan guarantees. So we are not sure who would be looking for this product if they were in fact building for these income levels.

- (3) It's not clear where the funding for this program would come from – In section 2 the bill specifies that “the state” will provide the backing for the loans – but there is not a fiscal note provided. As for MaineHousing, we do not have a way to fund something like this. We cannot issue bonds against non-paying loans, because there would be no way to pay those bonds off. So there is no source of funding here at MaineHousing that could cover if some of the guarantees were to go bad.

None of this is to say that the idea of loan guarantees is in itself is a bad one – it's just that we don't have enough information or knowledge to thoroughly assess what is being proposed. We would welcome a chance to learn more about the sponsor's vision for the program, but in its current form, the program is not something that we can offer support for.