



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)

In support of

LD 2127: An Act to Increase the Cap on Bonds Issued by the Maine State Housing Authority to Reflect Current Housing Production Needs in the State

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 support of **LD 2127: An Act to Increase the Cap on Bonds Issued by the Maine State Housing Authority to Reflect Current Housing Production Needs in the State**

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.

First I would like to thank Senator Curry for submitting this bill on our behalf. LD 2127 is, on the one hand, a completely routine bill – it's a housekeeping bill of sorts, it does not cost the state money and does not create new direct liabilities for the state. At the same time, it is critical, and without it, MaineHousing would quickly come to a stop in terms of our banking activities. We need this limit change now due to a combination of 5 conditions that started a few years ago and which continue today:

1. **Fewer Prepayments:** Single family loan prepayments (which reduce our bonds outstanding as we use the prepayments to retire bonds) were \$160 million in 2021. Prepayments dropped to \$87.5 million in 2022, \$51 million in 2023, only \$46.2 million of prepayments in 2024, and

are projected to rebound only modestly to \$62.8 million for 2025. Most homeowners are not refinancing or selling their homes because a new mortgage would almost certainly be at a much higher rate. The significant decrease in prepayments has meant that MaineHousing is not retiring bonds due to prepayments at our usual pace – homeowners are holding on to their old mortgages.

2. **Extraordinary State investments:** The State's recent investments in housing over the past seven years have generated an unprecedented production pipeline at MaineHousing, which means we are issuing an unprecedented number of mortgages. Our combined single and multifamily lending activity in calendar year 2021 was \$167 million in new loans. That has grown significantly; in 2025 our lending activity was just over \$500 million.
3. **Construction Cost Increases:** Multifamily projects, on average, cost 25 - 30% more than they did 3-4 years ago (meaning that around 25% - 30% more bonds need to be issued);
4. **Size of Projects:** In the first six months of 2025 MaineHousing made the two largest construction loans in our history: \$69.7 million and \$54 million, for a combined 387 units; and
5. **Average Single Family Loan Size and Volume:** Our average single-family loan was \$252,574 in 2025, up from \$157,175 in 2021. The average loan is up by more than \$95,000 in four years. MaineHousing purchased 1,274 first-time home loans valued at over \$321 million in 2025; this compares to 925 first-time home loans in 2024, and, to show the trend, 721 loans in 2021.

All of these factors are pushing us upwards toward our moral obligation limit, which we will likely hit within the next year in the absence of the change specified in this bill. Our bonds are paid back solely from the monthly mortgage payments we receive from our borrowers; no State funds are used to repay MaineHousing's bonds.

We did not expect to be before the Legislature again this year for a moral obligation limit increase, but for these particular reasons, most of which relate to the larger economic environment, we expect to hit the limit again by the end of 2026, and we do not want this to become a crisis. These numbers will certainly come down again once interest rates are lower and first-time homebuyers refinance their homes for lower rate mortgages, but for now all these factors have combined to create a situation where MaineHousing's outstanding debt is growing as we make more and larger loans to further the State's affordable housing goals.

It's a good story and the agency is fiscally healthier than ever. We would greatly appreciate your support for this.