

Senator Pierce, Representative Gere, and Distinguished Members of the Joint Committee on Housing:

My name is Anne Gass and I'm writing to oppose LD 611, an Act to Create the Whole Home Repairs Program.

First, let me state that I'm wholeheartedly in support of a home repair program for Maine, because low- and moderate-income homeowners are the least served by existing housing programs. Furthermore, low-income homeowners often struggle to get affordable loans for necessary home improvements from private lenders. We absolutely do need a program focused on their needs.

However, I do not support using scarce public subsidies to provide grants or forgivable loans to the lucky few who are able to obtain them. Instead, I would like to see the legislature resurrect the Housing Preservation Loan Program (HPLP). HPLP was a secondary market for home improvement loans which I helped launch when I worked at MaineHousing from 1990 to 1993. We created a network of nonprofit lenders statewide and provided them with grants of loan capital which they used to originate loans. MaineHousing then used a combination of bonds, subsidized with federal HOME funds, to purchase the loans from the nonprofit lenders. This is roughly the same model as their first-time homebuyer program.

The loans were fixed and typically had interest rates from 0% to 4%, with repayment lengths of five to fifteen years. They were carefully underwritten to be affordable to the borrower.

The nonprofit lenders, chiefly community action agencies, initially predicted HPLP would be unpopular. They said people wanted grants, not loans. What astonished almost everyone involved was the extent to which low-income homeowners were happy to repay loans made on terms they could afford. They weren't looking for handouts, they just needed a little help.

Another interesting outcome was that, because clients were paying for the loan, it changed their relationship with the nonprofit lenders. Of particular note was that the lenders, who had nearly all managed home improvement grant programs in the past, realized that they had to improve their performance because they were now dealing with paying clients rather than recipients of charity. It transformed the lenders' sense of how they could and should do business.

With the cost of repairs increasing much more quickly than the availability of public subsidy, I would prefer to see Maine re-establish the HPLP program. Over the years HPLP was in existence MaineHousing purchased millions of dollars of loans, helping thousands of homeowners all over the state, and the default rate was much lower than comparable loans made in the private banking sector, well under 5%. Taxpayers would get a much bigger bang for our collective buck if we used public funds to buy down the interest rate of the loans and/or used them within the bonds as credit enhancement.

I would be happy to discuss my experience with HPLP further, although my involvement with the program ended in 1992 so I might not be the best informant. MaineHousing would be more likely to have information about the number of loans made.

Thanks for considering an alternative to LD 611 as proposed.