Office of Policy and Legal Analysis

Date: March 3, 2022
To: Joint Standing Committee on Innovation, Development, Economic Advancement and Business
From: Rachel Olson, Legislative Analyst
Re: LD 1978, "An Act To Promote Home Ownership by Reducing Education Debt" (Curry)
            (Committee bill)

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Bill Summary

This bill, which is reported out by the Joint Standing Committee on Innovation, Development, Economic Advancement and Business pursuant to Resolve 2021, chapter 64, provides one-time funds for mortgages and student debt forgiveness for first-time home buyers with existing student loan debt through a program of the Maine State Housing Authority.

Testimony:
      Proponents: President Jackson;

      Opponents: No testimony provided

      Neither for nor against: William Norbert, FAME; Sam Warren, UMS; Erik Jorgensen, MaineHousing

Information Requests:

The committee requested that representatives from FAME and MSHA attend the work session.

Additionally, the committee asked a series of questions during the work session, which Mr. Jorgensen from MSHA was able to provide some answers to by email in advance of the work session today. His responses to committee questions are as follows:

> **Rep. Collamore asked if MSHA's usual first-time homebuyer requirements would apply to this new program, such as no renting out?**
> YES- All rules of the first time homebuyer program would be in effect – the buyer could not have owned a home in the prior three years; they'd need to meet income qualifications, and the home would need to be a primary residence.
>
> **Rep. Collamore also asked if one would need to have graduated/obtained a degree in order to participate?**
> As we envision it, the program would serve home buyers with student debt, regardless of degree status. People without degrees who have student debt are a particularly challenged population whom we feel we should not be punished. If, however, the committee wanted proof of graduation, we could probably add that without too much trouble.
>
> **Rep. Andrews asked what would happen if the person sold their house for a profit prior to completion of five years?**

If the House were to be sold before the completion of the 5 year period (and this can happen for various reasons, not just a desire for profit), a pro-rated amount of the forgiven student debt (dependent on the amount of time elapsed) would be re-assigned to the borrower, who would then be required to pay it back to FAME. The First Home Loan program does not have a residency length requirement.

Rep. Hasenfus asked if the program would give priorities to certain degree holders, such as STEM?
No. At least not as we have designed the program. People who work in business, public service, the trades and in service industries are critical to the economic function of the state. We would argue that an economy needs more than just STEM professionals.

Additional Information:

MSHA expressed a concern that given the large quantity of student debt among college graduates today, the program would likely experience demand well in excess of available funding. They noted that this program would require significant ongoing support from the State in order to continue to operate it after the pilot period.

The [proposed program](#) as outlined in the report provided to the committee earlier this session pursuant to Resolve 2021, chapter 64.

[MaineHousing's First Home Loan Program](#)

Among other things, this program has [household income limits and purchase price limits](#). The information at these links is up to date as of January 14, 2022. The information in the report was current as of November 1, 2021. The limits have been increased in all cases.

Fiscal Impact: Not yet determined.

The bill is requesting one-time funds in the amount of $10 million for mortgages and student debt forgiveness for first-time home buyers with existing student loan debt through a program of the Maine State Housing Authority.