

130th Maine Legislature
Joint Standing Committee on
Innovation, Development, Economic Advancement and Business
Testimony of Erik C. Jorgensen, MaineHousing,
Neither For Nor Against

LD 1978: An Act to Promote Home Ownership by Reducing Education Debt

22 February 2022

Senator Curry, Representative Roberts, and esteemed members of the IDEA Committee: my name is Erik Jorgensen, and I serve as Senior Director of Government Relations and Communications at the Maine State Housing Authority (MaineHousing).

MaineHousing has been helping Maine people own, rent, repair, and heat their homes since 1969. MaineHousing is an independent state authority 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 as well as a dedicated portion of the real estate transfer tax for the Housing Opportunities for Maine (HOME) Fund.

MaineHousing worked with FAME over the course of the summer and fall of 2021 to design *Maine Smart Buy*, a program to combine homeownership with debt reduction. Together we authored a report on the subject that we submitted to you in December and presented to you in January. The program would provide income-qualifying first-time homebuyers the opportunity to purchase a home using MaineHousing's First Home Loan program, while enjoying student debt forgiveness of up to \$40,000 total over five years. FAME would work to collect on any loans owed by participants who do not comply with the terms of the program, i.e. those who do not actually leave or sell their home prior to the required five-year period of residency.

The report provides design and details on the proposed program. Were the committee and the Legislature to go forward with it and provide funding, MaineHousing and FAME are standing by to make it operational.

We do, however, have some concerns that we have already indicated to the Committee. Chief among these is that, given the large quantities of student debt among college graduates today, the program would likely experience demand well in excess of available funding. This program would provide a substantial publicly funded benefit in the form of debt relief and would require significant ongoing support from the State in order to continue to operate after the pilot period. It is not something that either MaineHousing or FAME would have the capacity to self-fund.

We testified in support of the original bill, LD 1709, that charged us with the task of researching and designing this program. We are testifying today neither for nor against LD 1978, simply because the policy and funding decisions are the legislature's to make. While we are confident that this program would be instrumental in improving the lives of those people fortunate enough to participate in it, we do have concerns that the program would ultimately award a substantial public benefit to a relatively small group of households.