

May 18, 1981

LB 543

On this particular amendment I do have to speak because I think there is a misunderstanding as to what the amendment will do. The amendment will kill the Mortgage Finance Fund as it now exists and I would submit if that is what you want to do, fine, that's one of the options. But you have to understand the Nebraska fund is different than other states. Ours does not have one single penny, not one penny, of any government money, federal subsidy, and so on and so forth. Therefore, it operates in the following manner, and I am going to use an example that I kind of understand to illustrate it and why this amendment would kill it. Let's imagine you are a student in school and you're going through your classes and your first exam you get an A on, the next one you get an A on, the next one you get a B on, the next one you get a C on, and another one you get an A on, and the final exam you get a C minus on. The teacher averages them all out and he says, look, you only got a C minus on the final exam, which wasn't that great but overall you averaged out to a B plus or an A minus. The Nebraska Mortgage Finance Fund functions precisely in that manner. The only way you can help low and moderate income is by having a balanced average so that somebody will buy the lower ones. That's because, as I stated, we have no subsidy, so basically the people themselves have to subsidize the fund, so you have to have some good quality security to be able to take on the Cs and C minuses and Ds. Now, a new development has occurred within the last 48 hours that should enhance tremendously the low income peoples' ability to get loans through this fund at an even lower interest rate than in the past. What is that? And this is important that you understand because this will be the first time this has been used and it really could make this fund the greatest thing ever for low income. Two events...number one, the federal government decided to allow variable rate mortgages. So you say, what's that got to do with the price of houses in Nebraska? Subsequent to that the Mortgage Fund with some pressure from some members of the legislature, has agreed to do the following. To have a higher interest rate for the A category. In other words, the category that normally would get the best rate, we are going to get a slightly higher rate, one percent interest more. We are going to charge them more, and then we are going to be able to take that low income group and give them a cut of as much as 4 percentage points. So you really will see this fund, if you don't tamper with it now, become effective in making a lot of low income loans to people who wouldn't get it otherwise at very, very competitive rates. And who is going to be helping them? The very people that you are eliminating

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