City of Oak Harbor (Doug Merriman) 6/01/17 4:22 PM

Thank you for the opportunity to comment on the proposed rule changes. The rule changes propose the ability for applying entities to ask for loan terms up to 30 years in duration. For certain hardship entities, the proposed rule change incorporates a proposed interest rate benchmark for 21 to 30 year loans at 80% of market rate (WAC 173-98-300(5) Table 1). This reflects a 33% rate increase (80%/6%= .3333) over the rate benchmark for 6 to 20 year loans. For many hardship entities, although appreciative of the reduced rate structure, a 30 year loan is attractive as it reduces the rate impact to rate payers with the principal repayment being spread over a longer term. However, the recalibrating of the interest rate from 60% to 80% of market reduces the benefit, and potential affordability benefit, of going out to 30 years. In a sense, the proposed differential in rate benchmarks equates to a 33% penalty for attempting to mitigate rate shock on an economically distressed community. Mathematically, the total life interest cost differential between 60% and 80% of market rate increases the 30-year lifetime interest cost by 36.1% (see attachment).

For this reason, we respectfully request that the rule change retain the 60% of market rate benchmark, rather than the 80% benchmark, for those loans maturing from 21 to 30 years.

Sincerely,

Dr. Doug Merriman
City Administrator
City of Oak Harbor