

HB 604-FN - AS INTRODUCED

2025 SESSION

25-0298

06/11

HOUSE BILL **604-FN**

AN ACT relative to a loan forgiveness program for low-income homeowners to build new accessory dwelling units or renovate existing structures into accessory dwelling units.

SPONSORS: Rep. Newell, Ches. 4; Rep. A. Murray, Hills. 20; Rep. Read, Rock. 10; Rep. Damon, Sull. 8; Rep. Staub, Hills. 25; Rep. O'Rorke, Ches. 7; Rep. Spier, Hills. 6; Rep. N. Germana, Ches. 15; Sen. Fenton, Dist 10; Sen. Watters, Dist 4

COMMITTEE: Housing

ANALYSIS

This bill establishes a conditional loan forgiveness program to encourage lower-income homeowners to construct or renovate accessory dwelling units.

Explanation: Matter added to current law appears in ***bold italics***.
Matter removed from current law appears ~~[in brackets and struckthrough.]~~
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty Five

AN ACT relative to a loan forgiveness program for low-income homeowners to build new accessory dwelling units or renovate existing structures into accessory dwelling units.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 1 New Section; Loan Forgiveness Program Established. Amend RSA 204-C by inserting after
2 section 70 the following new section:

3 204-C:64-a Loan Forgiveness Program.

4 I. There is hereby established a conditional loan program to be administered by the New
5 Hampshire housing finance authority which shall provide conditional loans for lower-income
6 homeowners to construct new attached or detached ADUs or renovate existing structures into
7 attached or detached ADUs. Funds for the program and its administration shall come from the
8 affordable housing fund, pursuant to RSA 204-C:57.

9 II. For purposes of this section:

10 (a) "Lower-income homeowner" means a homeowner with a household income at or below
11 80 percent of the area median income (AMI) as determined by the U.S. Department of Housing and
12 Urban Development (HUD).

13 (b) "Affordable housing" means housing for which the rent or mortgage payments do not
14 exceed 30 percent of the occupant's gross monthly income.

15 (c) "Forgivable loan" means a loan that is forgiven upon meeting specified conditions,
16 such as maintaining the affordability of the ADU for a set period.

17 III. To be eligible for the program, homeowners must:

18 (a) Have a household income at or below 80 percent of the AMI.

19 (b) Propose the construction of a new ADU or the renovation of an existing structure into
20 an ADU.

21 (c) Commit to maintaining the ADU as affordable housing for the length of the loan
22 terms.

23 IV. Loans provided under this program shall be forgiven if the following conditions are met:

24 (a) The ADU is rented at rates affordable to lower-income households for the duration of
25 the loan term.

26 (b) In the event of a property sale, either the rent cap shall be transferable to the new
27 owner, or a payoff amount shall be required.

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1 V. The authority shall develop a clear and straightforward application process for the
2 program, including guidelines and deadlines for submission. Applications shall be reviewed and
3 approved on a first-come, first-served basis, subject to the availability of funds.

4 VI. The authority shall provide support services to applicants, including assistance with pre-
5 development activities such as design, budgeting, permitting, and environmental assessments.

6 VII. The authority shall establish a system for monitoring the use of ADUs created or
7 renovated under this program to ensure compliance with affordability requirements.

8 VIII. Homeowners found to be in violation of program terms shall be required to repay the
9 loan in full.

10 5 Effective Date. This act shall take effect July 1, 2025.

**HB 604-FN- FISCAL NOTE
AS INTRODUCED**

AN ACT relative to a loan forgiveness program for low-income homeowners to build new accessory dwelling units or renovate existing structures into accessory dwelling units.

FISCAL IMPACT: This bill does not provide funding, nor does it authorize new positions.

Estimated State Impact				
	FY 2025	FY 2026	FY 2027	FY 2028
Revenue	\$0	\$0	\$0	\$0
<i>Revenue Fund(s)</i>	None			
Expenditures*	\$2,625,000 to \$3,150,000	\$0	\$0	\$0
<i>Funding Source(s)</i>	General Fund			
Appropriations*	\$0	\$0	\$0	\$0
<i>Funding Source(s)</i>	None			

*Expenditure = Cost of bill

*Appropriation = Authorized funding to cover cost of bill

METHODOLOGY:

This bill establishes a conditional loan forgiveness program administered by the New Hampshire Housing Finance Authority to encourage lower-income homeowners to construct or renovate accessory dwelling units (ADUs) to be funded by the Affordable Housing Fund.

The New Hampshire Housing Finance Authority (NHHFA) estimates that the cost per accessory dwelling unit (ADU) ranges between \$250,000 and \$300,000. A pilot program for up to ten forgivable ADU loans would therefore necessitate a funding pool of \$2,500,000 to \$3,000,000, with an additional 5% in administrative costs, amounting to \$125,000 to \$150,000. This brings the total required funds to \$2,625,000 to \$3,150,000 for fiscal years 2025 and 2026.

NHHFA has stated that there are no available funds to support the loan forgiveness program proposed in this bill, and consequently, the costs of this program would need to be appropriated from General Funds as the Affordable Housing Fund statute has not been changed so that it can be used for this purpose. This bill does not provide any funding.

AGENCIES CONTACTED:

New Hampshire Housing Finance Authority