Senate Fiscal Agency
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BILL ANALYSIS

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House Bills 5617, 5618, and 5620 (as passed by the House)
Sponsor: Representative Dale W. Zorn (H.B. 5617)
Representative Deb Shaughnessy (H.B. 5618)
Representative Wayne Schmidt (H.B. 5620)
House Committee: Commerce
Senate Committee: Economic Development

Date Completed: 9-27-12

CONTENT

All of the bills would amend the State Housing Development Authority Act with respect to loan and grant programs of the Michigan State Housing Development Authority (MSHDA) and a mortgage credit certificate program administered by MSHDA.

House Bill 5617 would do the following:

- **Revise the definition of "persons and families of low and moderate income" that applies to MSHDA's loan and grant program for the rehabilitation of residential property.**
- **Delete a limit on the maximum principal amount of a MSHDA home improvement loan made in conjunction with additional money provided by a municipality or nonprofit community-based organization.**

House Bill 5618 would delete a restriction on MSHDA loans for the construction, rehabilitation, or long-term financing of certain multifamily housing projects, that limits funding to projects in eligible distressed areas.

House Bill 5620 would revise purchase-price and family-income limits for a MSHDA-administered mortgage credit certificate program.

House Bill 5617

The Act allows MSHDA to make, purchase, or participate in loans, grants, or deferred payment loans to "persons and families of low and moderate income" to finance the rehabilitation of residential real property designed for occupancy by up to 24 families, that is owned or is being purchased by one or more people or families of low and moderate income and for occupancy by people or families of low and moderate income.

The Act defines "persons and families of low and moderate income" as people and families whose family income does not exceed $74,750 for eligible distressed areas, or $65,000 for any other area. Under the bill, instead, the term would mean people and families whose family income does not exceed 175% of the statewide median gross income as determined under the Internal Revenue Code.

Under the Act, the maximum principal loan amount for home improvement loans, exclusive of finance charges, is $50,000 for a residential structure containing one dwelling unit. If the loan is made in conjunction with additional money provided by a municipality or a nonprofit community-based organization, however, the limit is $35,000. The bill would delete that provision, making the maximum principal home improvement loan amount $50,000 for any residential structure with one dwelling unit. The bill also would refer to the loans as residential property rehabilitation loans, rather than home improvement loans.

House Bill 5618

The Act requires MSHDA to use the proceeds of certain notes or bonds to make loans directly, or indirectly by a loan through a mortgage lender, to a nonprofit housing corporation, consumer housing cooperative, limited dividend housing corporation, limited dividend housing association, mobile home park corporation, mobile home park association, or public body or agency, for the construction, rehabilitation, or long-term financing of certain multifamily housing projects or community facilities that serve and improve a residential area in which a MSHDA-financed multifamily housing project is located or planned.

These projects include multifamily housing projects in eligible distressed areas in which not less than 20% of the dwelling units are allotted to individuals of low or moderate income and not more than 80% of the units are available for occupancy without regard to income. The bill would eliminate the requirement those multifamily housing projects be in eligible distressed areas.

House Bill 5620

Under the Act, MSHDA is designated as the administrator of the mortgage credit certificate program (a Federal income tax credit for borrowers) administered through participating mortgage lenders.

For a borrower to qualify for a mortgage credit certificate with respect to the acquisition of a new or existing housing unit, the purchase price of the unit may not exceed three times the income limit for the program (described below). Under the bill, the purchase price could not exceed limits established in the Act for newly rehabilitated, newly constructed, or existing one- to four-unit housing units for which MSHDA may make loans to individual purchasers for acquisition and long-term financing or refinancing.

Currently, to qualify for a mortgage credit certificate with respect to the acquisition of a new or existing housing unit, a borrower's family income may not exceed $74,750 for eligible distressed areas, or $65,000 in other areas. Under the bill, after its effective date, a borrower's family income could not exceed limits established in the Act for individual purchasers to whom MSHDA may make loans for the acquisition and long-term financing or refinancing of newly rehabilitated, newly constructed, or existing one- to four-unit housing units.

In addition, to qualify for a mortgage credit certificate with respect to the improvement or rehabilitation of an existing housing unit, a borrower's family income may not exceed $74,750 for eligible distressed areas, or $65,000 in other areas. Under the bill, the borrower's family income could not exceed the limits established in Section 44a (the section House Bill 5617 would amend) for people and families of low and moderate income.

MCL 125.1444a (H.B. 5617)
125.1444c (H.B. 5618)
125.1432b (H.B. 5620)

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bills would have no fiscal impact on State or local government.

Fiscal Analyst: Elizabeth Pratt

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