

A SUMMARY OF HOUSE BILL 5041 INTRODUCED 7-25-91

Under the State Housing Development Authority Act, the Michigan State Housing Development Authority's (MSHDA) statutory debt ceiling of \$3.4 billion will return to \$1.8 billion on November 1 of this year. House Bill 5041 would extend this sunset date for two additional years, and, in addition, make the following amendments to the act.

Investment of Escrow Funds. Under the bill, the authority would be permitted to invest up to 20 percent of funds now held in various escrow accounts in mortgage loans originated by the authority. The investment could be made without the consent of the escrow depositors. In connection with mortgage loans, the authority could also charge and retain fees in amounts similar to those charged for similar mortgage loans for which the source of funding did not come from escrow funds. Under the bill, the investment could not be made unless the following requirements were met:

--the return on the mortgage loan was approximately equivalent to that which could be obtained from investments of similar credit quality and maturity, as determined by the authority.

--the authority agreed to repurchase any mortgage loans that became delinquent in excess of 30 days, from its own funds, and at the same prices at which the mortgage loans were sold to the escrow funds, as adjusted for the addition of discount or amortization of premium, plus accrued interest.

The above provisions would not obligate the authority to purchase a delinquent mortgage loan so long as, with respect to that mortgage loan, the authority advanced money from its own funds in the amount of the delinquent mortgage payments. The authority's election to advance payments would not in any manner abate or cure the delinquency of the loan, and the authority could resort to any remedies that existed in the absence of that payment.

Low and Moderate Income Housing. The bill would permit the authority -- in order to preserve housing for low and moderate income persons -- to incorporate one or more nonprofit housing corporations for the purpose of acquiring housing projects, or an interest in the ownership of one or more housing projects, provided that the regulatory or contractual restrictions that assured occupancy by low or moderate income tenants were subject to termination within the two-year period following acquisition of the project.

Multifamily and Single Family Housing Projects. Under the act, the authority may make loans -- financed by funds derived from the proceeds of tax exempt bonds or notes -- to finance multifamily housing projects in eligible distressed areas. The bill would extend the authority's ability to establish borrower income limits for these loans for two additional years, from November 1, 1991, until November 1, 1993. In addition, the bill would amend the act to permit the authority to establish, by resolution, borrower income or purchase price limits for its single family and home improvement programs that are more restrictive than those currently provided under the act.

"Pass-through" Program. Currently, under the act, MSHDA administers a "pass-through" multifamily housing project, under which the interest rate is determined by the market, and twenty percent of the units are allotted to individuals of low or moderate income. The bill would amend this provision of the act to:

-- Extend the current income limits in the "pass-through" program from their scheduled expiration date of November 1, 1991, to November 1, 1993;

-- Permit "pass-through" bonds to be issued to developers provided that the regulatory or contractual restrictions that assured occupancy by low or moderate income tenants were subject to termination within the two-year period following acquisition of the project;

-- Permit the authority to waive certain loan application and commitment fees for qualified nonprofit housing corporations and to exclude each corporation from the \$25 million ceiling on total loan commitments that is currently required under the act; and

-- Permit MSHDA to regulate multifamily housing projects when required to assure compliance with a third party credit enhancement provider, or when the regulation had been agreed to in consideration for other types of program benefits, incentives, or concessions that would be provided over and above the financing provisions of the act.

Under the bill, loans would not be made under the "pass-through" provisions of the act after April 1, 1991, unless the authority determined that use of the state's unified volume cap for a project would not impair its ability to carry out programs or finance housing developments or units that were targeted to lower income tenants.

MCL 125.1422 et al.