

SENATE BILL No. 445

July 25, 1991, Introduced by Senators HONIGMAN, CISKY
and BERRYMAN and referred to the Committee on Local
Government and Urban Development.

A bill to amend sections 22b, 25, 32a, 32b, and 44 of Act
No. 346 of the Public Acts of 1966, entitled as amended
"State housing development authority act of 1966,"
section 22b as amended by Act No. 281 of the Public Acts of 1989,
section 25 as amended by Act No. 49 of the Public Acts of 1983,
sections 32a and 44 as amended by Act No. 330 of the Public Acts
of 1990, and section 32b as amended by Act No. 220 of the Public
Acts of 1989, being sections 125.1422b, 125.1425, 125.1432a,
125.1432b, and 125.1444 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 22b, 25, 32a, 32b, and 44 of Act
2 No. 346 of the Public Acts of 1966, section 22b as amended by Act
3 No. 281 of the Public Acts of 1989, section 25 as amended by Act
4 No. 49 of the Public Acts of 1983, sections 32a and 44 as amended
5 by Act No. 330 of the Public Acts of 1990, and section 32b as

1 amended by Act No. 220 of the Public Acts of 1989, being sections
2 125.1422b, 125.1425, 125.1432a, 125.1432b, and 125.1444 of the
3 Michigan Compiled Laws, are amended to read as follows:

4 Sec. 22b. (1) The authority is designated as the housing
5 credit agency for the state for the purpose of allocating and
6 administering the low income housing credit established under
7 section 42 of the internal revenue code.

8 (2) The state's housing credit ceiling applicable for a cal-
9 endar year shall be an amount equal to the sum of all of the
10 following:

11 (a) One dollar and twenty-five cents multiplied by the
12 state's population, unless a different amount is authorized by
13 section 42 of the internal revenue code. The state's population
14 shall be determined by the most recent census estimates of the
15 state's population published by the United States bureau of
16 census before the beginning of the calendar year or by another
17 method as authorized by the internal revenue code.

18 (b) The unused state housing credit ceiling, if any, of the
19 state for the preceding calendar year, for years subsequent to
20 1989.

21 (c) The amount of state housing credit ceiling returned in
22 the calendar year, for years subsequent to 1989.

23 (d) The amount, if any, allocated to the state under
24 section 42(h)(3)(d) of the internal revenue code.

25 (3) An applicant for an allocation of low income housing tax
26 credit shall be qualified to receive the credit pursuant to the
27 requirements of the internal revenue code and the regulations,

1 guidelines, rulings, and interpretations issued by the United
2 States treasury department or the internal revenue service, which
3 shall control in the event of conflict with a requirement of this
4 section.

5 (4) Before November 1, ~~1991~~ 1993, the state's low income
6 housing tax credit is allocable pursuant to a qualified alloca-
7 tion plan prepared by the authority, submitted to the legisla-
8 ture, and approved by the governor after notice to the public and
9 public hearing. The plan shall set forth criteria to be used to
10 determine housing priorities of the state, and shall give the
11 highest priority to those projects in which the highest percen-
12 tage of the housing credit dollar amount is to be used for
13 project costs other than the cost of intermediaries, unless
14 granting such priority would impede the development of projects
15 in hard-to-develop areas. In allocating low income housing tax
16 credit dollar amounts among selected projects, the allocation
17 plan shall give preference to projects serving the lowest income
18 tenants and projects obligated to serve qualified tenants for the
19 longest periods, and shall provide a procedure that the authority
20 will follow in notifying the internal revenue service of noncom-
21 pliance with the provisions of section 42 of the internal revenue
22 code of which the authority becomes aware. The plan shall set
23 forth the process for selecting eligible projects and may be
24 amended from time to time pursuant to its terms and the require-
25 ments of section 42 of the internal revenue code. The selection
26 criteria in the qualified allocation plan shall include those set
27 forth in section 42 of the internal revenue code.

1 (5) The state's low income housing tax credit authority
2 shall be distributed in accordance with the qualified allocation
3 plan. Amounts allocable under subsection (2) shall be set aside
4 as follows:

5 (a) Qualified nonprofit organizations as required by
6 section 42 of the internal revenue code - not less than 10%.

7 (b) Farmers home 515 projects - not less than 10%.

8 (c) Housing projects in eligible distressed areas - not less
9 than 30%.

10 (d) Housing projects for the elderly - not less than 10%.
11 Projects counted in 1 category shall not count in another category
12 towards meeting the minimum set-aside requirements.

13 (6) Except for the amount for qualified nonprofit organi-
14 zations, if the low income housing tax credit set aside under
15 subsection (5) is not allocated before November 1 of the year in
16 which that credit amount is authorized under subsection (2)(a),
17 the authority may reapportion the unallocated credit amounts in a
18 reasonable manner pursuant to the state's qualified allocation
19 plan.

20 (7) All applications for low income housing tax credit shall
21 be on the authority's prescribed forms and shall include informa-
22 tion necessary pursuant to the qualified allocation plan and
23 section 42 of the internal revenue code.

24 (8) The authority may charge applicants reasonable fees
25 under the low income housing tax credit program.

26 Sec. 25. (1) The authority may issue its negotiable bonds
27 and notes in a principal amount, which in the opinion of the

1 authority shall be necessary to provide sufficient funds for
2 achieving its corporate purposes, including the making of loans
3 for housing projects and the making or purchasing of loans for
4 the rehabilitation of residential real property, the provision of
5 money for the land acquisition and development fund as provided
6 in this act, the payment of interest on bonds and notes of the
7 authority during construction, the establishment of reserves to
8 secure bonds and notes, the provision of money for the housing
9 development fund in order to make noninterest bearing advances to
10 nonprofit housing corporations and consumer housing cooperatives
11 as provided in this act, the provision of money to be used for
12 the land acquisition and development powers and purposes of the
13 authority, THE DEVELOPMENT OR ACQUISITION OF REAL OR PERSONAL
14 PROPERTY TO BE USED AS OFFICE SPACE BY THE AUTHORITY TO CARRY OUT
15 ITS OPERATIONS AND PROGRAMS, and all other expenditures of the
16 authority incident to and necessary or convenient to carry out
17 its corporate purposes and powers.

18 (2) The authority may issue renewal notes, issue bonds to
19 pay notes, and when it determines refunding expedient, refund
20 bonds by the issuance of new bonds, whether the bonds to be
21 refunded have or have not matured, and issue bonds partly to
22 refund bonds then outstanding and partly for any other purpose.
23 The refunding bonds shall be sold and the proceeds applied to the
24 purchase, redemption, or payment of the bonds to be refunded.

25 (3) Except as may otherwise be expressly provided by the
26 authority, every issue of its notes or bonds shall be general
27 obligations of the authority payable out of revenues or money of

1 the authority, subject only to agreements with the holders of
2 particular notes or bonds pledging any particular receipts or
3 revenues.

4 (4) Whether or not the notes or bonds are of a form or char-
5 acter as to be negotiable instruments under the uniform commer-
6 cial code, the notes or bonds shall be and are hereby made nego-
7 tiable instruments within the meaning of and for all the purposes
8 of the uniform commercial code, subject only to the provisions of
9 the notes or bonds for registration.

10 (5) Unless an exception is available pursuant to subsection
11 (6), a bond issued by the authority shall be approved by the
12 municipal finance commission or its successor agency but, except
13 as provided by subsection (6), shall not otherwise be subject to
14 Act No. 202 of the Public Acts of 1943, as amended, being sec-
15 tions 131.1 to 139.3 of the Michigan Compiled Laws.

16 (6) The requirement of subsection (5) for obtaining the
17 prior approval of the municipal finance commission or its succes-
18 sor agency before issuing bonds under this section shall be
19 subject to sections 10 and 11 of chapter III of Act No. 202 of
20 the Public Acts of 1943, being sections 133.10 and 133.11 of the
21 Michigan Compiled Laws, and the department of treasury shall have
22 the same authority as provided by section 11 of chapter III of
23 Act No. 202 of the Public Acts of 1943 to issue an order provid-
24 ing or denying an exception from the prior approval required by
25 subsection (5) for bonds authorized by this section.

26 Sec. 32a. (1) ~~The~~ EXCEPT AS PROVIDED IN SUBSECTION (3),
27 THE \$1,600,000,000.00 increase in debt capacity of the authority

1 authorized after July 9, 1984 shall be subject to the following
2 limitations:

3 (a) Not more than \$900,000,000.00 shall be used to finance
4 home improvement loans and single family homes. With respect to
5 bonds, other than refunding bonds, issued to finance single
6 family homes after November 1, 1989, for the first 120 days fol-
7 lowing the announcement of a program funded by the proceeds of
8 those bonds, 50% of the proceeds of those bonds available to make
9 loans, as determined by the preliminary information obtained by
10 originating lenders at the time a reservation is submitted, shall
11 be reserved for applicants with gross annual incomes at or below
12 55% of the statewide median gross income. With respect to bonds,
13 other than refunding bonds, issued to finance single family homes
14 after November 1, 1989, not more than 50% of the proceeds of
15 those bonds may be used to finance single family homes for home-
16 buyers who previously have had an ownership interest in a
17 residence. For purposes of this subsection, a previous ownership
18 interest in a mobile home shall not be considered to be an owner-
19 ship interest in a residence. The authority may rely on the
20 applicant's affidavit to determine whether or not the applicant
21 has had a prior ownership interest in a residence. The authority
22 shall publicize the programs funded under this subdivision by
23 using all reasonable means available, including, but not limited
24 to, public interest announcements in the media, and announcements
25 to lending institutions, community groups, and real estate
26 organizations. The authority shall submit a report annually to

1 the legislature containing all statistics necessary to indicate
2 its compliance with this subdivision.

3 (b) Not more than \$400,000,000.00 shall be used to finance
4 multifamily housing projects under section 44c and not more than
5 75% of this amount shall be used for housing projects located in
6 areas other than eligible distressed areas.

7 (c) Not more than \$300,000,000.00 shall be used to finance
8 multifamily housing projects exclusive of multifamily housing
9 projects financed under section 44c and not more than 50% of this
10 amount shall be used for housing projects located in areas other
11 than eligible distressed areas.

12 (2) ~~—A—~~ EXCEPT AS PROVIDED IN SUBSECTION (3), A note or bond
13 issued by the authority after July 9, 1984 shall be considered to
14 be issued subject to the limitations of subsection (1). After
15 the limitation set forth in subsection (1)(c) has been reached,
16 the principal amount of a note or bond issued to finance housing
17 described in subsection (1)(c) shall be applied against the debt
18 capacity that was in effect on July 9, 1984. After a limitation
19 set forth in subsection (1)(a) or (b) is reached, the authority
20 shall not issue a note or bond under the provisions of section
21 44c or 44(2)(a).

22 (3) A NOTE OR BOND ISSUED BY THE AUTHORITY FOR THE PURPOSE
23 OF DEVELOPING OR ACQUIRING OFFICE SPACE FOR THE AUTHORITY SHALL
24 BE APPLIED AGAINST THE DEBT CAPACITY THAT WAS IN EFFECT ON JULY
25 7, 1984.

26 Sec. 32b. (1) The authority is designated as the
27 administrator of the mortgage credit certificate program for this

1 state permitted under section 25 of the internal revenue code.
2 The authority shall elect under section 25 of the internal reve-
3 nue code to convert at least \$59,000,000.00 of 1985 federal mort-
4 gage revenue bond authority into mortgage credit certificate
5 authority.

6 (2) The authority shall prepare guidelines that would allow
7 for the implementation of a mortgage credit certificate program
8 through mortgage lenders.

9 (3) To qualify for receipt of a mortgage credit certificate
10 with respect to the acquisition of an existing housing unit,
11 including a residential condominium or mobile home, the purchase
12 price with respect to the unit shall not exceed \$60,000.00 and
13 the borrower's family income shall not exceed the following:

14 (a) If the housing unit is located in an eligible distressed
15 area, \$42,000.00 on or before November 1, ~~1991~~ 1993, and
16 \$36,500.00 after that date. Mortgage credit certificate commit-
17 ments issued on or before November 1, ~~1991~~ 1993 for persons or
18 families with incomes between \$36,500.00 and \$42,000.00 are in
19 compliance with this section even if the closing occurs and the
20 mortgage credit certificate is issued after November 1, ~~1991~~
21 1993.

22 (b) If the housing unit is located in an area other than an
23 eligible distressed area, \$35,500.00.

24 (4) To qualify for receipt of a mortgage credit certificate
25 with respect to the acquisition of a new housing unit, including
26 a residential condominium or mobile home, the purchase price with

1 respect to the unit shall not exceed \$80,000.00 and the
2 borrower's family income shall not exceed the following:

3 (a) If the housing unit is located in an eligible distressed
4 area, \$42,000.00 on or before November 1, ~~1991~~ 1993, and
5 \$36,500.00 after that date. Mortgage credit certificate commit-
6 ments issued on or before November 1, ~~1991~~ 1993 for persons or
7 families with incomes between \$36,500.00 and \$42,000.00 are in
8 compliance with this section even if the closing occurs and the
9 mortgage credit certificate is issued after November 1, ~~1991~~
10 1993.

11 (b) If the housing unit is located in an area other than an
12 eligible distressed area, \$36,500.00.

13 (5) The authority may increase the purchase price limit in
14 subsection (3) to cover the cost of improvements to adapt the
15 property for use by handicapped individuals. The amount of the
16 increase shall be the amount of the costs described in this sub-
17 section or the sum of \$3,500.00, whichever is less.

18 (6) The authority may increase the purchase price limit in
19 subsection (4) to cover unexpected cost increases during con-
20 struction or the cost of improvements to adapt the property for
21 use by handicapped individuals. The amount of the increase shall
22 be the amount of the costs described in this subsection or the
23 sum of \$3,500.00, whichever is less.

24 (7) To qualify for receipt of a mortgage credit certificate
25 with respect to the improvement or rehabilitation of an existing
26 housing unit, including a residential condominium or mobile home,
27 the borrower's family income shall not exceed the following:

1 (a) If the housing unit is located in an eligible distressed
2 area, \$42,000.00 on or before November 1, ~~1991~~ 1993, and
3 \$36,500.00 after that date. Mortgage credit certificate commit-
4 ments issued on or before November 1, ~~1991~~ 1993 for persons or
5 families with incomes between \$36,500.00 and \$42,000.00 are in
6 compliance with this section even if the closing occurs and the
7 mortgage credit certificate is issued after November 1, ~~1991~~
8 1993.

9 (b) If the housing unit is located in an area other than an
10 eligible distressed area, \$36,500.00.

11 (8) If an income or purchase price limit prescribed by sub-
12 section (3), (4), (5), (6), or (7) exceeds a limit prescribed by
13 the internal revenue code, the internal revenue code limit
14 applies. THE AUTHORITY MAY AT ANY TIME BY RESOLUTION ESTABLISH,
15 FOR ANY LENGTH OF TIME IT DEEMS APPROPRIATE, MAXIMUM BORROWER
16 INCOME OR PURCHASE PRICE LIMITS MORE RESTRICTIVE THAN THOSE MAXI-
17 MUM LIMITATIONS SET FORTH IN THIS SECTION.

18 Sec. 44. (1) (a) The authority may make loans to any non-
19 profit housing corporation, consumer housing cooperative, limited
20 dividend housing corporation, limited dividend housing associa-
21 tion, mobile home park corporation, or mobile home park associa-
22 tion or to any public body or agency for the construction or
23 rehabilitation, and for the long-term financing, of the
24 following:

25 (i) Housing for low income or moderate income persons.

26 (ii) For the period of time beginning May 1, 1984, and
27 ending November 1, 1987, housing projects in which not less than

1 20% of the dwelling units are allotted to individuals of low or
2 moderate income within the meaning of former section 103(b)(4)(A)
3 of the internal revenue code; not less than 60% of the dwelling
4 units are available to persons and families whose gross household
5 income does not exceed 125% of the higher of either the median
6 income for a family in this state or the median income for a
7 family within the nonmetropolitan county or metropolitan statis-
8 tical area in which the housing project is located, as determined
9 by the authority; and not more than 20% of the dwelling units are
10 available for occupancy without regard to income. The enactment
11 of this subparagraph or the expiration of the authority granted
12 by it shall not affect rules in effect before July 10, 1984, or
13 promulgated after July 9, 1984, to define low or moderate income
14 persons.

15 (iii) For the period of time beginning May 1, 1984, and
16 ending November 1, 1987, housing projects in eligible distressed
17 areas in which housing projects not less than 20% of the dwelling
18 units are allotted to individuals of low or moderate income
19 within the meaning of former section 103(b)(4)(A) of the internal
20 revenue code; not less than 60% of the dwelling units are avail-
21 able to persons and families whose gross household income does
22 not exceed 150% of the higher of either the median income for a
23 family in this state or the median income for a family within the
24 nonmetropolitan county or metropolitan statistical area in which
25 the housing project is located, as determined by the authority,
26 and not more than 20% of the dwelling units may be made available
27 for occupancy without regard to income.

1 (iv) For the period of time beginning November 1, 1987, and
2 ending November 1, ~~1991~~ 1993, multifamily housing projects that
3 meet the 20-50 test established in section 142 of the internal
4 revenue code and, in addition, in which not less than 15% of the
5 dwelling units are allotted to persons and families whose gross
6 household income does not exceed 125% of the higher of either the
7 median income for a family in this state or the median income for
8 a family within the nonmetropolitan county or metropolitan sta-
9 tistical area in which the housing project is located, as deter-
10 mined by the authority, or to the elderly; not less than 15% of
11 the dwelling units are allotted to persons and families whose
12 gross household income does not exceed 150% of the median income
13 for a family in this state or the median income for a family
14 within the nonmetropolitan county or metropolitan statistical
15 area in which the housing project is located, as determined by
16 the authority, or to the elderly; and not more than 50% of the
17 dwelling units are available for occupancy without regard to
18 income.

19 (v) For the period of time beginning November 1, 1987, and
20 ending November 1, ~~1991~~ 1993, multifamily housing projects in
21 eligible distressed areas that meet the 20-50 test established in
22 section 142 of the internal revenue code and, in addition, in
23 which not more than 80% of the dwelling units are available for
24 occupancy without regard to income.

25 (vi) Social, recreational, commercial, or communal facili-
26 ties necessary to serve and improve the residential area in which

1 an authority-financed housing project is located or is planned to
2 be located thereby enhancing the viability of such housing.

3 (b) Notwithstanding the provisions of this section, the
4 authority may establish by resolution such higher income limits
5 as it considers necessary to achieve sustained occupancy of a
6 housing project financed under subsection (1)(a)(i), (ii), (iii),
7 (iv), or (v) if the authority determines all of the following:

8 (i) The owner of the housing project exercised reasonable
9 efforts to rent the dwelling units to persons and families whose
10 incomes did not exceed the income limitations originally
11 applicable.

12 (ii) For any annual period after the first tenant has occu-
13 pied the housing project, the owner of the housing project has
14 been unable to attain and sustain at least a 95% occupancy level
15 at the housing project.

16 (c) A loan under this section may be in an amount not to
17 exceed 90% of the project cost as approved by the authority. For
18 purposes of this section, the term "project cost" includes all
19 items included in the definition of a project cost in section 11
20 and also includes a builder's fee equal to an amount up to 5% of
21 the amount of the construction contract, developer overhead
22 allowance and fee of 5% of the amount of the project cost, the
23 cost of furnishings, and a sponsor's risk allowance equal to 10%
24 of the project cost. A loan shall not be made under this section
25 unless a market analysis has been conducted which demonstrates a
26 sufficient market exists for the housing project.

1 (d) After November 1, 1987, the authority may continue to
2 finance multifamily housing projects for families or persons
3 whose incomes do not exceed the limits provided in subsection
4 (1)(a)(ii) or (iii), or (1)(b), until funds derived from the pro-
5 ceeds of bonds or notes issued before November 2, 1987, for that
6 purpose, including the proceeds of prepayments or recovery pay-
7 ments with respect to these multifamily housing projects, have
8 been expended. Multifamily housing projects or single family
9 housing units in an eligible distressed area which are financed
10 by proceeds of notes or bonds issued before June 30, 1984, and
11 which the authority has designated for occupancy by persons and
12 families without regard to income pursuant to this act shall
13 remain eligible for occupancy by families and persons without
14 regard to income until the authority's mortgage loan issued with
15 respect to these multifamily housing projects is fully repaid.

16 (e) After November 1, ~~1991~~ 1993, the authority may con-
17 tinue to finance multifamily housing projects for families or
18 persons whose incomes do not exceed the limits provided in sub-
19 section (1)(a)(iv) or (v), or (1)(b), until funds derived from
20 the proceeds of bonds or notes issued before November 2, ~~1991~~-
21 1993 for that purpose, including the proceeds of refunding notes
22 or bonds or prepayments or recovery payments with respect to
23 these multifamily housing projects, have been expended.

24 (f) Notwithstanding the expiration of lending authority
25 under subsection (1)(a)(ii), (iii), (iv), or (v), multifamily
26 housing projects financed under those subparagraphs may continue
27 to remain eligible for occupancy by persons and families whose

1 incomes do not exceed the limits provided in those subparagraphs
2 or subsection (1)(b).

3 (g) For purposes of this subsection:

4 (i) "Gross household income" means gross income of a house-
5 hold as those terms are defined in rules of the authority.

6 (ii) "Median income for a family in this state" and "median
7 income for a family within the nonmetropolitan county or metro-
8 politan statistical area" mean those income levels as determined
9 by the authority.

10 (2) (a) The authority may make loans to any nonprofit hous-
11 ing corporation, limited dividend housing corporation, mobile
12 home park corporation, or mobile home park association for the
13 construction or rehabilitation of housing units, including resi-
14 dential condominium units as defined in section 4 of the condo-
15 minium act, Act No. 59 of the Public Acts of 1978, being section
16 559.104 of the Michigan Compiled Laws, for sale to individual
17 purchasers of low or moderate income or to individual purchasers
18 without regard to income when the housing units are located in an
19 eligible distressed area. The authority may make or purchase
20 loans to individual purchasers for the long-term financing of a
21 newly rehabilitated, newly constructed, or existing housing unit,
22 including a residential condominium unit as defined in section 4
23 of Act No. 59 of the Public Acts of 1978. For a loan for a newly
24 rehabilitated or newly constructed housing unit, including a res-
25 idential condominium unit, the borrower's family income shall not
26 exceed \$36,500.00 and the purchase price of the housing unit
27 shall not exceed \$80,000.00. For unexpected cost increases

1 during construction or improvements to adapt the property for use
2 by handicapped individuals, the authority may increase the pur-
3 chase price limit by an amount sufficient to cover those cost
4 increases, but not to exceed \$3,500.00. For a loan for an exist-
5 ing housing unit, including a residential condominium unit, the
6 borrower's family income shall not exceed \$36,500.00 and the pur-
7 chase price of the housing unit shall not exceed \$60,000.00. For
8 costs for improvements to adapt an existing housing unit for use
9 by handicapped individuals, the authority may increase the pur-
10 chase price limit by an amount sufficient to cover those cost
11 increases, but not to exceed \$3,500.00. If an income or purchase
12 price limit prescribed by this subsection exceeds a limit pre-
13 scribed by the internal revenue code, the internal revenue code
14 limit applies. THE AUTHORITY MAY AT ANY TIME BY RESOLUTION
15 ESTABLISH, FOR ANY LENGTH OF TIME IT DEEMS APPROPRIATE, MAXIMUM
16 BORROWER INCOME OR PURCHASE PRICE LIMITS MORE RESTRICTIVE THAN
17 THOSE MAXIMUM LIMITATIONS SET FORTH IN THIS SECTION. Before
18 making any loan under this section, authority staff shall deter-
19 mine that the borrower has the ability to repay the loan. A loan
20 made or purchased to finance the acquisition of an existing hous-
21 ing unit may include funds for rehabilitation. A loan under this
22 section may be in an amount not to exceed 100% of the project
23 cost as approved by the authority in the case of a nonprofit
24 housing corporation or individual purchaser, and in an amount not
25 to exceed 90% of the project cost as approved by the authority in
26 the case of a limited dividend housing corporation, mobile home
27 park corporation, or mobile home park association.

1 (b) While a loan under this subsection is outstanding, any
2 sale by a nonprofit housing corporation or limited dividend hous-
3 ing corporation or any subsequent resale is subject to approval
4 by the authority. The authority shall provide in its rules con-
5 cerning these sales and resales that the price of the housing
6 unit sold, the method of making payments after the sale, the
7 security afforded, and the interest rate, fees, and charges to be
8 paid shall at all times be sufficient to permit the authority to
9 make the payments on its bonds and notes and to meet administra-
10 tive or other costs of the authority in connection with the
11 transactions. Housing units shall be sold under terms that pro-
12 vide for monthly payments including principal, interest, taxes,
13 and insurance.

14 (c) While a loan under this subsection is outstanding, the
15 authority, before the approval of sale by a nonprofit housing
16 corporation, limited dividend housing corporation, mobile home
17 park corporation, or mobile home park association, shall satisfy
18 itself that the sale is to persons of low or moderate income if
19 the housing unit is not located in an eligible distressed area,
20 or to persons without regard to income if the housing unit is
21 located in an eligible distressed area.

22 (d) Upon the sale by a nonprofit housing corporation,
23 limited dividend housing corporation, mobile home park corpora-
24 tion, or mobile home park association of any housing unit to an
25 individual purchaser of low or moderate income or to an individ-
26 ual purchaser without regard to income if the unit is located in
27 an eligible distressed area under this subsection to whom a loan

1 is being made by the authority, the housing unit shall be
2 released from the mortgage running from the nonprofit housing
3 corporation, limited dividend housing corporation, mobile home
4 park corporation, or mobile home park association to the authori-
5 ty, and the mortgage shall be replaced as to the housing unit by
6 a mortgage running from the individual purchaser to the
7 authority.

8 (e) The authority shall encourage nonprofit housing corpora-
9 tions and limited dividend housing corporations engaged in con-
10 struction or rehabilitation under this subsection to utilize the
11 labor of prospective individual purchasers of low or moderate
12 income in the construction or rehabilitation of the housing units
13 involved. The value of the labor of the prospective purchasers
14 so utilized shall be used to reduce the project costs of the
15 housing units involved.

16 (f) In the construction of housing units to be sold to the
17 individual purchasers of low or moderate income at a price not to
18 exceed \$12,000.00, the individual purchasers may be required to
19 perform, in a manner and under conditions to be specified by the
20 authority in its rules, a minimum number of hours of labor. The
21 value of the labor shall be credited to the purchase price.

22 (3) A loan shall be secured in a manner and be repaid in a
23 period, not exceeding 50 years, as may be determined by the
24 authority. A loan shall bear interest at a rate determined by
25 the authority.

26 (4) A person who, for purposes of securing a loan under this
27 act, misrepresents his or her income, including taking a leave of

1 absence from his or her employment for purposes of diminishing
2 his or her income, is not to be eligible for a loan under this
3 act.