



# SENATE BILL No. 540

May 17, 1995, Introduced by Senator HONIGMAN and referred to the Committee on Local, Urban and State Affairs.

A bill to amend sections 32, 32b, and 44 of Act No. 346 of the Public Acts of 1966, entitled as amended "State housing development authority act of 1966," as amended by Act No. 221 of the Public Acts of 1993, being sections 125.1432, 125.1432b, and 125.1444 of the Michigan Compiled Laws.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 32, 32b, and 44 of Act No. 346 of the  
2 Public Acts of 1966, as amended by Act No. 221 of the Public Acts  
3 of 1993, being sections 125.1432, 125.1432b, and 125.1444 of the  
4 Michigan Compiled Laws, are amended to read as follows:

5 Sec. 32. (1) The authority may create and establish 1 or  
6 more special funds called capital reserve funds to secure notes  
7 and bonds of the authority. The authority shall pay into a  
8 capital reserve fund money appropriated and made available by

1 this state for the purposes of the fund, the proceeds of the sale  
2 of notes or bonds to the extent provided in the resolution of the  
3 authority authorizing the issuance of the notes or bonds, and  
4 other money that is made available to the authority for the pur-  
5 pose of a fund from any other source. In addition to, or in lieu  
6 of, depositing money in a capital reserve fund, the authority may  
7 obtain and pledge letters of credit ~~that may be drawn upon~~ AND,  
8 EFFECTIVE RETROACTIVELY AS OF JUNE 1, 1993, INSURANCE POLICIES,  
9 SURETY BONDS, GUARANTEES, OR OTHER SECURITY ARRANGEMENTS IF THOSE  
10 OTHER SECURITY ARRANGEMENTS ARE APPROVED BY THE STATE TREASURER,  
11 for the purposes of the capital reserve fund. ~~and the~~ THE  
12 amount available ~~to be drawn~~ under letters of credit, INSURANCE  
13 POLICIES, SURETY BONDS, GUARANTEES, OR OTHER SECURITY  
14 ARRANGEMENTS pledged to a capital reserve fund shall be credited  
15 toward the satisfaction of a capital reserve fund requirement.  
16 All money and proceeds ~~of draws~~ under letters of credit, INSUR-  
17 ANCE POLICIES, SURETY BONDS, GUARANTEES, OR OTHER SECURITY  
18 ARRANGEMENTS held in any capital reserve fund, except as specifi-  
19 cally provided, shall be used as required solely for the payment  
20 of the principal of notes or bonds of the authority secured in  
21 whole or in part by the capital reserve fund, for the purchase or  
22 redemption of notes or bonds, for the payment of interest on the  
23 notes or bonds, or for the payment of any redemption premium  
24 required to be paid when the notes or bonds are redeemed prior to  
25 maturity. However, the authority shall not use the capital  
26 reserve fund for any optional purchase or optional redemption of  
27 notes or bonds if the use would reduce the total of the money on

1 deposit in the capital reserve fund and amounts available ~~to be~~  
2 ~~drawn on~~ UNDER any letter of credit, INSURANCE POLICY, SURETY  
3 BOND, GUARANTEE, OR OTHER SECURITY ARRANGEMENT pledged to a capi-  
4 tal reserve fund to less than the capital reserve fund require-  
5 ment established for the fund. Any income or interest earned by,  
6 or increment to, a capital reserve fund due to the investment of  
7 the money in the capital reserve fund may be transferred by the  
8 authority to other funds or accounts of the authority to the  
9 extent that the transfer does not reduce the total of the amount  
10 of money in a capital reserve fund and amounts available ~~to be~~  
11 ~~drawn on~~ UNDER any letter of credit, INSURANCE POLICY, SURETY  
12 BOND, GUARANTEE, OR OTHER SECURITY ARRANGEMENT pledged to the  
13 capital reserve fund below the capital reserve fund requirement  
14 for a fund.

15 (2) The authority shall not at any time issue notes or bonds  
16 secured in whole or in part by a capital reserve fund if, upon  
17 the issuance of the notes or bonds, the amount in the capital  
18 reserve fund, including the amounts available ~~to be drawn on~~  
19 UNDER any letter of credit, INSURANCE POLICY, SURETY BOND, GUAR-  
20 ANTEE, OR OTHER SECURITY ARRANGEMENT pledged to a capital reserve  
21 fund, would be less than the capital reserve fund requirement for  
22 the fund, unless the authority, at the time of issuance of the  
23 notes or bonds, deposits in the fund from the proceeds of the  
24 notes or bonds to be issued, or from other sources, an amount  
25 that, together with the amount then in the fund, is not less than  
26 the capital reserve fund requirement for the fund, or obtains a  
27 letter of credit, INSURANCE POLICY, SURETY BOND, GUARANTEE, OR

1 OTHER SECURITY ARRANGEMENT in an amount that, together with the  
2 amount then in the fund, is not less than the capital reserve  
3 fund requirement for the fund. For purposes of this section,  
4 "capital reserve fund requirement" means the requirement provided  
5 in the resolution of the authority authorizing the notes or bonds  
6 with respect to which the fund is established, which amount shall  
7 not exceed the maximum amount of principal and interest maturing  
8 and becoming due in any succeeding calendar year on the notes or  
9 bonds of the authority secured in whole or part by the fund.

10 (3) The authority has, before January 9, 1977, in connection  
11 with its housing development bonds issued pursuant to a bond res-  
12 olution dated June 10, 1971, established within the capital  
13 reserve fund relating to housing development bonds, a capital  
14 reserve account and a capital reserve capital account. This cap-  
15 ital reserve account constitutes a capital reserve fund under  
16 this act. Money in this capital reserve account shall secure  
17 only housing development bonds issued pursuant to the June 10,  
18 1971 bond resolution. Unless otherwise provided by the authori-  
19 ty, money in the capital reserve capital account shall secure all  
20 bonds and notes of the authority. In determining whether the  
21 capital reserve fund requirement established for any capital  
22 reserve fund has been met, the authority shall not include or  
23 take into account money in the capital reserve capital account.

24 (4) The authority has, before January 9, 1977, in connection  
25 with its insured mortgage revenue bonds issued pursuant to a bond  
26 resolution dated May 11, 1976, established a bond reserve fund.

1 This bond reserve fund constitutes a capital reserve fund under  
2 this act.

3 (5) The authority may issue notes and bonds subject to the  
4 following limitations:

5 (a) The authority shall not have outstanding at any time  
6 bonds and notes for any of its corporate purposes in an aggregate  
7 principal amount exceeding \$4,200,000,000.00, excluding all of  
8 the following:

9 (i) The principal amount of bonds and notes issued to refund  
10 outstanding bonds and notes.

11 (ii) The principal amount of bonds and notes that appreciate  
12 in principal amount, except to the extent of the principal amount  
13 of these bonds and notes payable at such time.

14 (iii) The principal amount of notes and bonds representing  
15 original issue discount, if any.

16 (b) After November 1, 1996, the limitation on the aggregate  
17 principal amount of notes and bonds provided in subdivision (a)  
18 is reduced to \$1,800,000,000.00, but, in addition to the exclu-  
19 sions provided in subdivision (a), the aggregate principal amount  
20 of bonds and notes issued before November 2, 1996, subject to the  
21 limitations of section 32a shall be excluded from this reduced  
22 limitation.

23 (6) Subject to the limitation in subsection (5), that por-  
24 tion of the state ceiling to be used for qualified mortgage  
25 bonds, mortgage credit certificates, or bonds to finance quali-  
26 fied residential rental projects shall be allocated to the  
27 authority unless the authority elects by resolution to allow

1 another issuer to issue qualified mortgage bonds, mortgage credit  
2 certificates, or bonds to finance qualified residential rental  
3 projects. As used in this subsection:

4 (a) "State ceiling" means the aggregate amount of certain  
5 private activity bonds, including qualified mortgage bonds, that  
6 may be issued in any calendar year in this state pursuant to sec-  
7 tion 146 of the internal revenue code.

8 (b) "Qualified mortgage bond", "mortgage credit  
9 certificate", and "qualified residential rental project" mean  
10 those terms as defined in the internal revenue code.

11 (7) To assure the continued operation and solvency of the  
12 authority for the carrying out of the public purposes of this  
13 act, the authority shall accumulate in each capital reserve fund  
14 an amount equal to the capital reserve fund requirement for that  
15 fund. If at any time the capital reserve fund requirement for a  
16 capital reserve fund exceeds the amount of the capital reserve  
17 fund, the authority shall transfer to this fund from the capital  
18 reserve capital account established by the authority's June 10,  
19 1971 bond resolution the amount necessary to restore the capital  
20 reserve fund to an amount equal to the capital reserve fund  
21 requirement. If a deficiency exists in more than 1 capital  
22 reserve fund and the amount in the capital reserve capital  
23 account is not sufficient to fully restore the capital reserve  
24 funds, the money in the capital reserve capital account shall be  
25 allocated between the deficient capital reserve funds pro rata  
26 according to the amounts of the deficiencies. If at any time the  
27 capital reserve capital account has been exhausted and the

1 capital reserve fund requirement for a capital reserve fund  
2 exceeds the amount of the capital reserve fund, the chairperson  
3 of the authority on or before September 1 shall certify to the  
4 governor and budget director the amount, if any, necessary to  
5 restore a capital reserve fund to an amount equal to the capital  
6 reserve fund requirement. The governor and the budget director  
7 shall include in the annual budget the amount certified by the  
8 chairperson of the authority.

9 (8) In computing the amount of a capital reserve fund for  
10 the purposes of this section, securities in which all or a por-  
11 tion of the fund is invested shall be valued at par. If the  
12 securities are purchased at other than par, the securities may be  
13 valued at their cost to the authority, as adjusted by amortiza-  
14 tion of the discount or premium paid upon purchase of the securi-  
15 ties on a pro rata basis to the maturity date of the securities.

16 (9) To the extent possible and consistent with sound fiscal  
17 management and good housing development planning, the authority  
18 shall make full use of available federal housing subsidy  
19 programs. The authority shall recommend programs and legislation  
20 to better maintain and improve existing housing stock.

21 (10) The authority shall require that not less than 15% of  
22 the multifamily dwelling units financed by mortgage loans from  
23 the authority in any calendar year under federal government sub-  
24 sidy programs, subject to applicable federal regulations, be  
25 offered on a priority basis to low income families and persons  
26 receiving their primary incomes from social security programs or  
27 state and federal public assistance programs.

1 (11) The authority shall implement a program of loans for  
2 mobile homes as soon as is reasonably feasible. The authority  
3 shall develop a program for financing the construction or reha-  
4 bilitation of mobile home parks and mobile home condominium  
5 projects within 24 months after December 31, 1982, subject to a  
6 determination of feasibility by the authority and the authority's  
7 ability to sell bonds.

8 (12) The authority shall implement a program of loans for  
9 consumer housing cooperatives as soon as is reasonably feasible.  
10 The authority shall develop a program for financing the construc-  
11 tion or rehabilitation of consumer housing cooperative projects  
12 within 12 months after July 10, 1984, subject to a determination  
13 of feasibility by the authority and the authority's ability to  
14 sell bonds.

15 (13) In addition to the powers granted the authority in this  
16 act to promulgate rules pursuant to the administrative procedures  
17 act of 1969, Act No. 306 of the Public Acts of 1969, being sec-  
18 tions 24.201 to 24.328 of the Michigan Compiled Laws, the author-  
19 ity shall furnish to each member of the legislature a copy of  
20 notice of a public hearing or proposed rule change at least 10  
21 days before the public hearing and at least 20 days before the  
22 adoption of the rule.

23 (14) Before October 1 of each year, the authority shall  
24 identify housing production goals for housing projects financed  
25 with bonds and notes issued under the limitations provided in  
26 section 32a. The authority shall identify a goal for the  
27 authority as a whole and a specific goal for each program. The

1 authority shall submit those goals in an annual report to the  
2 governor and to the house committee on urban affairs and the  
3 senate committee on finance, or their successor committees.

4 (15) Within 6 months after the legislature enacts or the  
5 authority adopts a new program, the authority shall submit an  
6 interim report to the same persons to which an annual report is  
7 submitted. If both the legislature and the authority establish a  
8 program, the authority shall submit the interim report within 6  
9 months after the effective date of the act establishing the  
10 program. The authority shall include in an interim report all of  
11 the information required in an annual report that is specific to  
12 that program.

13 (16) After the initial or an interim report, the authority  
14 shall include in an annual report all of the following for each  
15 program:

16 (a) Whether the production goals for the previous 12-month  
17 period have been met. If those production goals have not been  
18 met, the authority shall explain in the report the reasons why  
19 those production goals have not been met.

20 (b) Any significant obstacles to the development of housing  
21 for low and moderate income persons that have been encountered by  
22 the authority.

23 (c) The estimated economic and social benefits of these  
24 housing projects to the immediate neighborhoods in which the  
25 housing projects have been constructed.

1 (d) The estimated economic and social benefits of these  
2 housing projects to the municipalities in which the housing  
3 projects have been constructed.

4 (e) The extent of displacement, direct and indirect, of  
5 lower income persons caused by these housing projects, and steps  
6 taken by the authority and other governmental and private parties  
7 to ameliorate the displacement, and the results of those  
8 efforts.

9 (f) The estimated extent of additional reinvestment activi-  
10 ties by private lenders attributable to the authority's financing  
11 of these housing projects.

12 (g) The age, race, family size, median income, and average  
13 income of the tenants of these housing projects.

14 (h) The estimated economic impact of these housing projects,  
15 including the number of construction jobs created, wages paid,  
16 and taxes and payments in lieu of taxes paid.

17 (i) The progress in developing mobile home parks and mobile  
18 home condominium projects, in financing the construction or reha-  
19 bilitation of consumer housing cooperative projects, and in  
20 financing the construction or rehabilitation of nonprofit housing  
21 corporation projects.

22 (j) A report on the neighborhood preservation program under  
23 section 44f shall include information about the progress in  
24 developing the program, the neighborhoods identified as being  
25 eligible for the program, the neighborhoods or municipalities  
26 that have applied for the program, the neighborhoods that have  
27 received funds from the program, and the reasons that

1 neighborhoods or municipalities have been denied funds from the  
2 program.

3 (k) A report on the status of federal programs that provide  
4 assistance to low income tenants displaced as the result of pre-  
5 payments of federally and authority assisted loans. If the  
6 authority determines that federal programs are inadequate for  
7 tenants of authority-financed housing projects, the authority  
8 will provide recommendations to the legislature as to how to  
9 address this problem on or before May 1, 1989.

10 (l) A report on the low income housing tax credit program  
11 under section 22b, which shall include information regarding the  
12 amount of tax credits allocated to the state under each of the  
13 subdivisions of section 22b(2); the projects that have received  
14 tax credits; and the reasons why projects have been denied tax  
15 credits under the program; a geographical description of the dis-  
16 tribution of those tax credits; and a description of any amend-  
17 ments to the allocation plan made during that year.

18 (m) A report on education and training opportunities pro-  
19 vided by the authority under section 17 which will indicate the  
20 types of education and training opportunities made available and  
21 the amount of funding committed to these activities.

22 (17) The authority shall insure that the income characteris-  
23 tics of individuals served by an authority program are provided  
24 in a manner that insures each individual's confidentiality. The  
25 authority shall also insure that proprietary information in its  
26 reports under this section concerning an individual, corporation,  
27 cooperative, or association is not released without the

1 permission of that individual, corporation, cooperative, or  
2 association.

3       Sec. 32b. (1) The authority is designated as the adminis-  
4 trator of the mortgage credit certificate program for this state  
5 permitted under section 25 of the internal revenue code. The  
6 authority shall elect under section 25 of the internal revenue  
7 code to convert at least \$59,000,000.00 of 1985 federal mortgage  
8 revenue bond authority into mortgage credit certificate  
9 authority.

10       (2) The authority shall prepare guidelines that would allow  
11 for the implementation of a mortgage credit certificate program  
12 through mortgage lenders.

13       (3) To qualify for receipt of a mortgage credit certificate  
14 with respect to the acquisition of an existing housing unit,  
15 including a residential condominium or mobile home, the purchase  
16 price with respect to the unit shall not exceed ~~the lesser of~~  
17 \$80,000.00 ~~or 90% of the average area purchase price for exist-~~  
18 ~~ing housing~~ and the borrower's family income shall not exceed  
19 the following:

20       (a) If the housing unit is located in an eligible distressed  
21 area, \$47,900.00 on or before May 1, 1995, and \$50,055.00 after  
22 that date.

23       (b) If the housing unit is located in an area other than an  
24 eligible distressed area, \$41,700.00 on or before May 1, 1995,  
25 and \$43,575.00 after that date.

26       (4) To qualify for receipt of a mortgage credit certificate  
27 with respect to the acquisition of a new housing unit, including

1 a residential condominium or mobile home, the purchase price with  
2 respect to the unit shall not exceed ~~the lesser of~~ \$99,000.00  
3 ~~or 90% of the average area purchase price for new housing~~ and  
4 the borrower's family income shall not exceed the following:

5 (a) If the housing unit is located in an eligible distressed  
6 area, \$47,900.00 on or before May 1, 1995, and \$50,055.00 after  
7 that date.

8 (b) If the housing unit is located in an area other than an  
9 eligible distressed area, \$41,700.00 on or before May 1, 1995,  
10 and \$43,575.00 after that date.

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

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

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

1 (a) If the housing unit is located in an eligible distressed  
2 area, \$47,900.00 on or before May 1, 1995, and \$50,055.00 after  
3 that date.

4 (b) If the housing unit is located in an area other than an  
5 eligible distressed area, \$41,700.00 on or before May 1, 1995,  
6 and \$43,575.00 after that date.

7 (8) If an income or purchase price limit prescribed by sub-  
8 section (3), (4), (5), (6), or (7) exceeds ~~a~~ AN APPLICABLE  
9 limit prescribed by the internal revenue code, the internal reve-  
10 nue code limit applies. Except with respect to newly constructed  
11 housing units, until November 1, 1996 the authority may at any  
12 time by resolution establish, for any length of time it deems  
13 appropriate, maximum borrower income or purchase price limits  
14 more restrictive than those maximum limitations set forth in this  
15 section. The authority shall advise the appropriate house and  
16 senate standing committees 5 days prior to the adoption of a res-  
17 olution establishing more restrictive income or purchase price  
18 limits.

19 (9) THE CHANGES MADE TO PURCHASE PRICE LIMITS IN  
20 SUBSECTIONS (3) AND (4) BY THE AMENDATORY ACT THAT ADDED THIS  
21 SUBSECTION ARE RETROACTIVE, EFFECTIVE AS OF OCTOBER 29, 1993.

22 Sec. 44. (1) (a) The authority may make loans to any non-  
23 profit housing corporation, consumer housing cooperative, limited  
24 dividend housing corporation, limited dividend housing associa-  
25 tion, mobile home park corporation, or mobile home park associa-  
26 tion or to any public body or agency for the construction or

1 rehabilitation, and for the long-term financing, of the  
2 following:

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

4 (ii) For the period of time beginning May 1, 1984, and  
5 ending November 1, 1987, housing projects in which not less than  
6 20% of the dwelling units are allotted to individuals of low or  
7 moderate income within the meaning of former section 103(b)(4)(A)  
8 of the internal revenue code; not less than 60% of the dwelling  
9 units are available to persons and families whose gross household  
10 income does not exceed 125% of the higher of either the median  
11 income for a family in this state or the median income for a  
12 family within the nonmetropolitan county or metropolitan statis-  
13 tical area in which the housing project is located, as determined  
14 by the authority; and not more than 20% of the dwelling units are  
15 available for occupancy without regard to income. The enactment  
16 of this subparagraph or the expiration of the authority granted  
17 by it shall not affect rules in effect before July 10, 1984, or  
18 promulgated after July 9, 1984, to define low or moderate income  
19 persons.

20 (iii) For the period of time beginning May 1, 1984, and  
21 ending November 1, 1987, housing projects in eligible distressed  
22 areas in which housing projects not less than 20% of the dwelling  
23 units are allotted to individuals of low or moderate income  
24 within the meaning of former section 103(b)(4)(A) of the internal  
25 revenue code; not less than 60% of the dwelling units are avail-  
26 able to persons and families whose gross household income does  
27 not exceed 150% of the higher of either the median income for a

1 family in this state or the median income for a family within the  
2 nonmetropolitan county or metropolitan statistical area in which  
3 the housing project is located, as determined by the authority,  
4 and not more than 20% of the dwelling units may be made available  
5 for occupancy without regard to income.

6 (iv) For the period of time beginning November 1, 1987, and  
7 ending November 1, 1996, multifamily housing projects that meet  
8 the 20-50 test established in section 142 of the internal revenue  
9 code and, in addition, in which not less than 15% of the dwelling  
10 units are allotted to persons and families whose gross household  
11 income does not exceed 125% of the higher of either the median  
12 income for a family in this state or the median income for a  
13 family within the nonmetropolitan county or metropolitan statis-  
14 tical area in which the housing project is located, as determined  
15 by the authority, or to the elderly; not less than 15% of the  
16 dwelling units are allotted to persons and families whose gross  
17 household income does not exceed 150% of the median income for a  
18 family in this state or the median income for a family within the  
19 nonmetropolitan county or metropolitan statistical area in which  
20 the housing project is located, as determined by the authority,  
21 or to the elderly; and not more than 50% of the dwelling units  
22 are available for occupancy without regard to income.

23 (v) For the period of time beginning November 1, 1987, and  
24 ending November 1, 1996, multifamily housing projects in eligible  
25 distressed areas that meet the 20-50 test established in section  
26 142 of the internal revenue code and, in addition, in which not

1 more than 80% of the dwelling units are available for occupancy  
2 without regard to income.

3 (vi) Social, recreational, commercial, or communal facili-  
4 ties necessary to serve and improve the residential area in which  
5 an authority-financed housing project is located or is planned to  
6 be located thereby enhancing the viability of such housing.

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

12 (i) The owner of the housing project exercised reasonable  
13 efforts to rent the dwelling units to persons and families whose  
14 incomes did not exceed the income limitations originally  
15 applicable.

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

20 (c) A loan under this section may be in an amount not to  
21 exceed 90% of the project cost as approved by the authority. For  
22 purposes of this section, the term "project cost" includes all  
23 items included in the definition of a project cost in section 11  
24 and also includes a builder's fee equal to an amount up to 5% of  
25 the amount of the construction contract, developer overhead  
26 allowance and fee of 5% of the amount of the project cost, the  
27 cost of furnishings, and a sponsor's risk allowance equal to 10%

1 of the project cost. A loan shall not be made under this section  
2 unless a market analysis has been conducted which demonstrates a  
3 sufficient market exists for the housing project.

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

19 (e) After November 1, 1996, the authority may continue to  
20 finance multifamily housing projects for families or persons  
21 whose incomes do not exceed the limits provided in subsection  
22 (1)(a)(*iv*) or (*v*), or (1)(b), until funds derived from the pro-  
23 ceeds of bonds or notes issued before November 2, 1996 for that  
24 purpose, including the proceeds of refunding notes or bonds or  
25 prepayments or recovery payments with respect to these multifam-  
26 ily housing projects, have been expended.

1 (f) Notwithstanding the expiration of lending authority  
2 under subsection (1)(a)(ii), (iii), (iv), or (v), multifamily  
3 housing projects financed under those subparagraphs may continue  
4 to remain eligible for occupancy by persons and families whose  
5 incomes do not exceed the limits provided in those subparagraphs  
6 or subsection (1)(b).

7 (g) For purposes of this subsection:

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

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

14 (2) (a) The authority may make loans to any nonprofit hous-  
15 ing corporation, limited dividend housing corporation, mobile  
16 home park corporation, or mobile home park association for the  
17 construction or rehabilitation of housing units, including resi-  
18 dential condominium units as defined in section 4 of the condo-  
19 minium act, Act No. 59 of the Public Acts of 1978, being section  
20 559.104 of the Michigan Compiled Laws, for sale to individual  
21 purchasers of low or moderate income or to individual purchasers  
22 without regard to income when the housing units are located in an  
23 eligible distressed area. The authority may make or purchase  
24 loans to individual purchasers for the long-term financing of a  
25 newly rehabilitated, newly constructed, or existing housing unit,  
26 including a residential condominium unit as defined in section 4  
27 of Act No. 59 of the Public Acts of 1978. For a loan for a newly

1 rehabilitated or newly constructed housing unit, including a  
2 residential condominium unit, the borrower's family income shall  
3 not exceed \$41,700.00 on or before May 1, 1995, and \$43,575.00  
4 after that date and the purchase price of the housing unit shall  
5 not exceed ~~the lesser of~~ \$99,000.00. ~~or 90% of the average~~  
6 ~~area purchase price for new housing.~~ For unexpected cost  
7 increases during construction or improvements to adapt the prop-  
8 erty for use by handicapped individuals, the authority may  
9 increase the purchase price limit by an amount sufficient to  
10 cover those cost increases, but not to exceed \$3,500.00. For a  
11 loan for an existing housing unit, including a residential condo-  
12 minium unit, the borrower's family income shall not exceed  
13 \$41,700.00 on or before May 1, 1995, and \$43,575.00 after that  
14 date and the purchase price of the housing unit shall not exceed  
15 ~~the lesser of~~ \$80,000.00. ~~or 90% of the average area purchase~~  
16 ~~price for existing housing.~~ For costs for improvements to adapt  
17 an existing housing unit for use by handicapped individuals, the  
18 authority may increase the purchase price limit by an amount suf-  
19 ficient to cover those cost increases, but not to exceed  
20 \$3,500.00. If an income or purchase price limit prescribed by  
21 this subsection exceeds ~~a~~ AN APPLICABLE limit prescribed by the  
22 internal revenue code, the internal revenue code limit applies.  
23 Except with respect to newly constructed housing units, until  
24 November 1, 1996 the authority may at any time by resolution  
25 establish, for any length of time it considers appropriate, maxi-  
26 mum borrower income or purchase price limits more restrictive  
27 than those maximum limitations set forth in this section. The

1 authority shall advise the appropriate house and senate standing  
2 committees 5 days prior to the adoption of a resolution estab-  
3 lishing more restrictive maximum borrower income or purchase  
4 price limits. Before making any loan under this section, author-  
5 ity staff shall determine that the borrower has the ability to  
6 repay the loan. A loan made or purchased to finance the acquisi-  
7 tion of an existing housing unit may include funds for  
8 rehabilitation. A loan under this section may be in an amount  
9 not to exceed 100% of the project cost as approved by the author-  
10 ity in the case of a nonprofit housing corporation or individual  
11 purchaser, and in an amount not to exceed 90% of the project cost  
12 as approved by the authority in the case of a limited dividend  
13 housing corporation, mobile home park corporation, or mobile home  
14 park association. THE LIMITS ON PURCHASE PRICE PRESCRIBED BY  
15 THIS SUBSECTION ARE EFFECTIVE RETROACTIVELY AS OF OCTOBER 29,  
16 1993.

17 (b) While a loan under this subsection is outstanding, any  
18 sale by a nonprofit housing corporation or limited dividend hous-  
19 ing corporation or any subsequent resale is subject to approval  
20 by the authority. The authority shall provide in its rules con-  
21 cerning these sales and resales that the price of the housing  
22 unit sold, the method of making payments after the sale, the  
23 security afforded, and the interest rate, fees, and charges to be  
24 paid shall at all times be sufficient to permit the authority to  
25 make the payments on its bonds and notes and to meet administra-  
26 tive or other costs of the authority in connection with the  
27 transactions. Housing units shall be sold under terms that

1 provide for monthly payments including principal, interest,  
2 taxes, and insurance.

3 (c) While a loan under this subsection is outstanding, the  
4 authority, before the approval of sale by a nonprofit housing  
5 corporation, limited dividend housing corporation, mobile home  
6 park corporation, or mobile home park association, shall satisfy  
7 itself that the sale is to persons of low or moderate income if  
8 the housing unit is not located in an eligible distressed area,  
9 or to persons without regard to income if the housing unit is  
10 located in an eligible distressed area.

11 (d) Upon the sale by a nonprofit housing corporation,  
12 limited dividend housing corporation, mobile home park corpora-  
13 tion, or mobile home park association of any housing unit to an  
14 individual purchaser of low or moderate income or to an individ-  
15 ual purchaser without regard to income if the unit is located in  
16 an eligible distressed area under this subsection to whom a loan  
17 is being made by the authority, the housing unit shall be  
18 released from the mortgage running from the nonprofit housing  
19 corporation, limited dividend housing corporation, mobile home  
20 park corporation, or mobile home park association to the authori-  
21 ty, and the mortgage shall be replaced as to the housing unit by  
22 a mortgage running from the individual purchaser to the  
23 authority.

24 (e) The authority shall encourage nonprofit housing corpora-  
25 tions and limited dividend housing corporations engaged in con-  
26 struction or rehabilitation under this subsection to utilize the  
27 labor of prospective individual purchasers of low or moderate

1 income in the construction or rehabilitation of the housing units  
2 involved. The value of the labor of the prospective purchasers  
3 so utilized shall be used to reduce the project costs of the  
4 housing units involved.

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

11 (3) A loan shall be secured in a manner and be repaid in a  
12 period, not exceeding 50 years, as may be determined by the  
13 authority. A loan shall bear interest at a rate determined by  
14 the authority.

15 (4) A person who, for purposes of securing a loan under this  
16 act, misrepresents his or her income, including taking a leave of  
17 absence from his or her employment for purposes of diminishing  
18 his or her income, is not to be eligible for a loan under this  
19 act.