

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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Senate Bill 530 (as reported with amendments)

Sponsor: Senator Mike Rogers

Committee: Local, Urban and State Affairs

CONTENT

The bill would amend the State Housing Development Authority Act to require the Authority to establish and implement a program to provide zero-interest loans to qualified law enforcement officers for the purchase of a home in a high-crime area. "Qualified police officer" would mean a person who met the following conditions: was employed as a police officer by the State or a municipality (county, city, village, or township) in the State; lived in a high-crime area; worked as a police officer in the high-crime area where he or she lived; and, met any other conditions as determined by the municipality where he or she lived. "High-crime area" would mean an area within a municipality that the Department of State Police determined was a high-crime area based on the State Police Uniform Crime Reporting Program statistics and other relevant factors after consultation with the municipality.

Proposed MCL 125.1446a

Legislative Analyst: L. Arasim

FISCAL IMPACT

This bill would have an indeterminate fiscal impact on the Michigan State Housing Development Authority (MSHDA). First, because the determination of a "high-crime area" would be made by the Department of State Police in conjunction with local municipalities, it is not possible to identify the number of law enforcement officers who would be eligible for this program. It is estimated that there are approximately 20,000 State and local law enforcement officers, but without knowing the parameters of the affected areas, eligibility and participation rates cannot be calculated.

Second, other than the requirement that participants be employed as law enforcement officers, there would be no other restrictions placed on the zero-interest loan program. Under a similar program called the Single Family Home Mortgage Program, the lower-than-market interest rates available to eligible participants include purchase and income caps. Without the purchase price limits there is no way to calculate the loss of interest payments. It is important to note that there are Federal caps on income and purchase price limits that cannot be exceeded regardless of the state requirements. Additionally, the existing program is funded by the payments on interest, which pays for the debt service on the bonds sold to finance the program. It is estimated that MSHDA would lose a total of \$82,000 in interest payments over the life of a mortgage, on a \$60,000, 30-year fixed rate mortgage at 6.78% interest; similarly, an \$80,000, 30-year fixed-rate mortgage at the same interest rate would reduce revenue to the Authority by \$129,000 over the life of the mortgage. This bill does not indicate funding options for administration of this new program. According to MSHDA this could require an increase in interest rates on other subsidized loan programs available to individuals with low or moderate incomes.

Finally, the local MSHDA offices would need to track these designated areas, which would require the development and updating of some type of an information sharing system that would assist MSHDA employees in identifying the eligible participants of this program. The cost of this system would vary depending on the size and number of regions designated high-crime area.

Date Completed: 2-12-98

Fiscal Analyst: M. Tyszkiewicz

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.