Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 948 (Substitute S-1 as reported by the Committee of the Whole) *(as enacted)*
Senate Bill 950 (Substitute S-1 as reported by the Committee of the Whole) *(as enacted)*
Senate Bill 951 (Substitute S-1 as reported by the Committee of the Whole) *(as enacted)*
House Bill 5443 (Substitute S-1 as reported by the Committee of the Whole) *(as enacted)*
House Bill 5446 (Substitute S-1 as reported by the Committee of the Whole) *(as enacted)*
Sponsor: Senator Tupac A. Hunter (S.B. 948)
Senator Hansen Clarke (S.B. 950)
Senator Buzz Thomas (S.B. 951)
Representative Steve Tobocman (H.B. 5443)
Representative Bettie Cook Scott (H.B. 5446)
Senate Committee: Banking and Financial Institutions (S.B. 948, 950, & 951)
House Committee: Banking and Financial Services

CONTENT

The bills would amend the State Housing Development Authority Act to do the following:

-- Allow the Michigan State Housing Development Authority (MSHDA) to make, purchase, or participate in loans made to individual purchasers for the refinancing of newly rehabilitated, newly constructed, or existing one- to four-unit housing units.
-- Create the "Recapture Tax Fund" and allow MSHDA to use it to repay borrowers for certain recapture taxes.
-- Allow MSHDA to have up to $4.2 billion in outstanding notes and bonds until November 1, 2011, when the amount would revert to $3.0 billion, subject to certain exclusions.
-- Exclude bonds issued to refinance single-family homes from certain requirements in the Act related to the use of bond proceeds.
-- Require MSHDA to include in an annual report, the number and total dollar amount of all refinancings undertaken by MSHDA.
-- Add to a list of legislative determinations regarding the need to provide assistance with financing purchases of existing single-family homes for low and moderate income families, and modify a current determination to include assistance with refinancing.

The bills are tie-barred to each other and to Senate Bill 1133 (which would amend the State Housing Development Authority Act to authorize MSHDA to make loans to individual purchasers for the refinancing, as well as the acquisition and long-term financing, of newly rehabilitated, newly constructed, or existing one- to four-unit housing units; increase the limit on a borrower's family income; and revise the maximum purchase price, and apply that limit to appraised value, in the case of refinancing).

Senate Bill 948 (S-1) would allow MSHDA to participate in loans made to individual purchasers for long-term refinancing. Under the Act, MSHDA may make, purchase, or participate in loans made to individual purchasers for acquisition and long-term financing of newly rehabilitated, newly constructed, or existing one- to four-unit housing units, including a residential condominium unit. The purchase price may not exceed the following:

-- With respect to a one- or two-family unit, three times the income limit.
-- With respect to a three-family unit, three and one half times the income limit.
-- With respect to a four-family unit, four times the income limit.

Under the bill, in the case of a refinancing, the appraised value could not exceed those limits. If a loan were for refinancing of a one- to four-unit housing unit, including a residential condominium unit, MSHDA would have to determine that one of the units was occupied by the borrower.

With regard to refinancing, MSHDA could not enter into any new making, purchasing, or participation in loans to individual purchasers later than three years after the bill's effective date.

Senate Bill 950 (S-1) would create the Recapture Tax Fund under the jurisdiction and control of MSHDA. Any money available to MSHDA from any source or sources, including funds held by the Authority, could be paid into the Fund. The Authority would be under no obligation to maintain a balance in the Fund.

The Authority could use the money held in the Fund to reimburse individual borrowers for any taxes they paid and for which they were liable under Section 143(M) of the Internal Revenue Code, or any similar recapture taxes applicable to programs MSHDA administered. (Under Section 143(M) of the Internal Revenue Code, if any taxpayer disposes of an interest in a residence with respect to which there is or was any federally subsidized indebtedness that the taxpayer was liable to pay in whole or part, then the taxpayer's income tax liability is increased by the recapture amount with respect to that indebtedness, or 50% of the gain on the disposition of that interest, whichever is less, subject to other provisions of the Code.)

Senate Bill 951 (S-1) would add to a list of legislative determinations. The bill states, "It is further determined that economic conditions and single-family home mortgage market standards, activities, and practices, including forms of predatory and abusive mortgage loan financing, have resulted in an increase in the incidence of mortgage loan default and mortgage foreclosure in the state, and that there is a pressing need for the creation of programs to assist low and moderate income individuals and families with refinancing of single-family mortgages in this state, which programs will prevent families from losing their homes and help to stabilize the housing market in this state."

The bill also would modify a current legislative determination to refer to assistance with refinancing, as well as financing, "the purchase of existing single-family residences for occupancy by low and moderate income families and families without regard to income in areas in municipalities which are experiencing blight or inability to redevelop land cleared of blight and which are predominately populated by low and moderate income persons and families".

House Bill 5443 (S-1) would exclude bonds issued to refinance single-family homes from requirements related to the use of bond proceeds. Under the Act, with respect to bonds, other than refunding bonds, issued to finance single-family homes, for the first 60 days following the announcement of a program funded by the proceeds of those bonds, 50% of the proceeds available to make loans must be reserved for applicants with gross annual incomes at or below 60% of the statewide median gross income. In addition, not more than 50% of the proceeds of those bonds may be used to finance single-family homes for homebuyers who previously have had an ownership interest in a residence.

Under the bill, those provisions would not apply to bonds issued to refinance single-family homes.

House Bill 5446 (S-1) would allow MSHDA to have up to $4.2 billion in outstanding notes and bonds until November 1, 2011, when the amount would revert to $3.0 billion. Under the Act, until November 1, 2007, MSHDA was allowed to have outstanding bonds and notes in the aggregate principal amount of up to $4.2 billion, excluding:

-- The principal amount of bonds and notes issued to refund outstanding bonds and notes.
-- The principal amount of bonds and notes that appreciated in principal amount, except to the extent of the principal amount of the bonds and notes payable at such time.
-- The principal amount of notes and bonds representing an original issue discount, if any.
-- The aggregate principal amount of bonds and notes issued on or before November 1, 2007, that was outstanding on that date and that exceeded $3.0 billion.

On November 1, 2007, the maximum aggregate principal amount was reduced to $3.0 billion. The bill would reinstate the $4.2 billion limit until November 1, 2011, subject to the first three exclusions. The bill also would exclude the aggregate principal amount of bonds and notes issued on or before November 1, 2011, that was outstanding on that date and that exceeded $3.0 billion.

Also, under the bill, MSHDA would have to include in an annual report on new programs the number of refinancings undertaken by MSHDA and the total dollar amount of all refinancings undertaken, for any programs or projects involving refinancings.

MCL 125.1444 (S.B. 948) Legislative Analyst: Craig Laurie
Proposed MCL 125.1424f (S.B. 950)
MCL 125.1401 (S.B. 951)
MCL 125.1432a (H.B. 5443)
MCL 125.1432 (H.B. 5446)

FISCAL IMPACT

The bills would have no fiscal impact on State or local government. The bonds that MSHDA would be permitted to issue for refinancing loans would not be obligations of the State.

Date Completed: 3-5-08 Fiscal Analyst: Maria Tyszkiewicz
Elizabeth Pratt

Floor\sb948
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.