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BILL ANALYSIS

Senate Fiscal Agency

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Senate Bill 377 (as passed by the Senate)
Sponsor: Senator Norman D. Shinkle
Committee: Finance

Date Completed: 7-18-89

RATIONALE

The Federal Housing Act allows states to establish a home purchase certificate program. Under the program, qualified individuals (generally, persons with low income) can receive mortgage credit certificates for the purchase or rehabilitation of homes. (The certificates allow persons to claim a credit against Federal income tax liability.) The State Housing Development Authority Act designates the Michigan State Housing Development Authority (MSHDA) as the administrator of the State's mortgage credit certificate program. Since 1984 the Act has allowed persons to qualify for the certificates to acquire housing, through the establishment of maximum income levels as defined by Federal law. The Act does not, however, contain provisions to allow persons to receive mortgage credit certificates for the rehabilitation of existing housing, even though this is allowed under Federal guidelines. It has been suggested that the Act be amended to allow the use of certificates for rehabilitation of homes. It also has been suggested that MSHDA's authority to operate certain existing multifamily housing projects be extended for two years.

CONTENT

The bill would amend the State Housing Development Authority Act to allow persons to participate with MSHDA for the improvement or rehabilitation of existing homes under the mortgage credit certificate program; to establish income limits for the program; to extend MSHDA's bonding cap for two years to November 1, 1991; to extend for two years MSHDA's authority to operate

certain multifamily housing projects; and to allow MSHDA to pledge letters of credit, instead of depositing money to a capital reserve fund, to secure notes and bonds.

The bill provides that, to qualify for a mortgage credit certificate with respect to the improvement or rehabilitation of an existing housing unit (including a residential condominium or mobile home), a borrower's family income could not exceed for a family of one or two persons 100% of the statewide median gross income or, for a family of three or more, 115% of the statewide median gross income. "Family income" and "statewide median gross income" would both be defined by the bill to mean those amounts as determined under the Internal Revenue Code (Section 143F). (Note: MSHDA receives notice of these figures each year from the U.S. Department of Housing and Urban Development. The statewide median income for 1989 is \$36,500.)

The bill would postpone for two years, until November 1, 1991, the Act's sunset on the following programs currently operated by MSHDA: multifamily housing projects that meet the 20-50 requirement of the Internal Revenue Code (a requirement that 20% or more of the units in a project be occupied by persons whose income is 50% or less of the median gross income in an area); multifamily housing projects in eligible distressed areas that meet the 20-50 requirement; multifamily housing projects in which at least 20% of the units are allotted to persons with low or moderate income, and less than 50% of the units are allotted without regard to income;

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and, multifamily housing projects in eligible distressed areas in which at least 20% of the units are allotted to persons with low or moderate income, and less than 80% of the units are allotted without regard to income.

Under the Act, MSHDA must place in a capital reserve fund, to secure its notes and bonds, money appropriated by the State, proceeds from the sale of notes or bonds sold for that purpose, and other money made available to MSHDA for the fund. The bill would allow MSHDA, instead of depositing money in the capital reserve fund, to obtain and pledge letters of credit that could be drawn upon for purposes of the fund. The amount available to be drawn would be credited toward the satisfaction of a requirement that money be placed in the fund.

MCL 125.1411 et al.

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

ARGUMENTS

Supporting Argument

The bill would simply allow MSHDA to continue some of the successful programs that it now operates, and enhance its ability to encourage people to fix up existing homes. While the Act has allowed use of the Federal mortgage credit certificate program for the acquisition of homes for several years now, it has not allowed use of the certificates for housing rehabilitation. Use of the certificates in this way would help the State to preserve valuable existing housing and prevent deterioration of homes that could be saved and used.

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