

Act No. 220
Public Act of 1989
December 11, 1989
Filed by the Secretary of State
December 11, 1989

**STATE OF MICHIGAN
85TH LEGISLATURE
REGULAR SESSION OF 1989**

Introduced by Rep. Saunders

ENROLLED HOUSE BILL No. 4874

AN ACT to amend sections 11, 22, 32, 32a, 32b, 44, and 44a of Act No. 346 of the Public Acts of 1966, entitled as amended "An act to create a state housing development authority; to define the powers and duties of the authority; to establish a housing development revolving fund; to establish a land acquisition and development fund; to establish a rehabilitation fund; to establish a conversion condominium fund; to authorize the making and purchase of loans, deferred payment loans, and grants to qualified developers, sponsors, individuals, mortgage lenders, and municipalities; to establish and provide acceleration and foreclosure procedures; to provide tax exemption; to authorize payments in lieu of taxes by nonprofit housing corporations, consumer housing cooperatives, limited dividend housing corporations, mobile home park corporations, and mobile home park associations; and to prescribe criminal penalties for violations of this act," sections 11, 22, and 32 as amended by Act No. 180 of the Public Acts of 1987, section 32a as amended by Act No. 183 of the Public Acts of 1985, sections 32b and 44 as amended by Act No. 179 of the Public Acts of 1987, and section 44a as amended by Act No. 506 of the Public Acts of 1982, being sections 125.1411, 125.1422, 125.1432, 125.1432a, 125.1432b, 125.1444, and 125.1444a of the Michigan Compiled Laws; and to add chapter 10.

The People of the State of Michigan enact:

Section 1. Sections 11, 22, 32, 32a, 32b, 44, and 44a of Act No. 346 of the Public Acts of 1966, sections 11, 22, and 32 as amended by Act No. 180 of the Public Acts of 1987, section 32a as amended by Act No. 183 of the Public Acts of 1985, sections 32b and 44 as amended by Act No. 179 of the Public Acts of 1987, and section 44a as amended by Act No. 506 of the Public Acts of 1982, being sections 125.1411, 125.1422, 125.1432, 125.1432a, 125.1432b, 125.1444, and 125.1444a of the Michigan Compiled Laws, are amended and chapter 10 is added to read as follows:

Sec. 11. As used in this act:

- (a) "Authority" means the Michigan state housing development authority created in this act.
- (b) "Development costs" means the costs that have been approved by the authority as appropriate expenditures, and includes:
 - (i) Payments for options to purchase properties on the proposed housing project site, deposits on contracts of purchase, or, with the prior approval of the authority, payments for the purchases of those properties.
 - (ii) Legal, organizational, and marketing expenses, including payment of attorneys' fees, project manager and clerical staff salaries, office rent, and other incidental expenses.

- (iii) Payment of fees for preliminary feasibility studies, advances for planning, engineering, and architectural work.
- (iv) Expenses for surveys as to need, and market analyses.
- (v) Necessary application and other fees to federal and other government agencies.
- (vi) Other expenses incurred by the nonprofit housing corporation, consumer housing cooperative, limited dividend housing corporation, mobile home park corporation, or mobile home park association which the authority considers appropriate to effectuate the purposes of this act.
- (c) "Federally-aided mortgage" means any of the following:
- (i) A below market interest rate mortgage insured, purchased, or held by the secretary of the department of housing and urban development.
- (ii) A market interest rate mortgage insured by the secretary of housing and urban development and augmented by a program of rent supplements.
- (iii) A mortgage receiving interest reduction payments provided by the secretary of housing and urban development.
- (iv) A mortgage receiving special benefits under other federal law designated specifically to develop low and moderate income housing, consistent with this act.
- (d) "Fund" means the housing development fund created by this act.
- (e) "Project cost" means the sum total of all reasonable or necessary costs incurred by the nonprofit housing corporation, consumer housing cooperative, limited dividend housing corporation, mobile home park corporation, or mobile home park association for carrying out all works and undertakings for the completion of a housing project and approved by the authority. In addition to other reasonable and necessary costs, "project costs" includes costs for all of the following: studies and surveys; plans, specifications, and architectural and engineering services; legal, organization, marketing, or other special services; financing, acquisition, demolition, construction, equipment, and site development of new and rehabilitated buildings; movement of existing buildings to other sites; rehabilitation, reconstruction, repair, or remodeling of existing buildings; carrying charges during construction; the cost of placement of tenants or occupants, and relocation services in connection with a housing project; and, to the extent not already included, all development costs.
- (f) "Housing project" means any of the following:
- (i) Residential real property developed or to be developed or receiving benefits under this act.
- (ii) A specific work or improvement either for rental or for subsequent sale to an individual purchaser undertaken by a nonprofit housing corporation, consumer housing cooperative, limited dividend housing corporation, mobile home park corporation, or mobile home park association pursuant to or receiving benefits under this act to provide dwelling accommodations, including the acquisition, construction, or rehabilitation of lands, buildings, and improvements.
- (iii) Social, recreational, commercial, and communal facilities as the authority finds necessary to serve and improve a residential area in which housing pursuant to subparagraph (i) or (ii) is located or is planned to be located, thereby enhancing the viability of the housing.
- (g) "Low income or moderate income persons" means families and persons who cannot afford to pay the amounts at which private enterprise, without federally-aided mortgages or loans from the authority, is providing a substantial supply of decent, safe, and sanitary housing and who fall within income limitations set in this act or by the authority in its rules. Among low income or moderate income persons, preference shall be given to the elderly and those displaced by urban renewal, slum clearance, or other governmental action.
- (h) "Municipality" means a city, village, or township in this state.
- (i) "County" means a county within this state.
- (j) "Governing body" means in the case of a city, the council or commission of the city; in the case of a village, the council, commission, or board of trustees of the village; in the case of a township, the township board; and in the case of a county, the county board of commissioners.
- (k) "Nonprofit housing corporation" means a nonprofit corporation incorporated pursuant to the corporation laws of this state and chapter 4.
- (l) "Consumer housing cooperative" means a nonprofit corporation incorporated pursuant to the corporation laws of this state and chapter 5.
- (m) "Annual shelter rent" means the total collections during an agreed annual period from all occupants of a housing project representing rent or occupancy charges, exclusive of charges for gas, electricity, heat, or other utilities furnished to the occupants.
- (n) "Taxing jurisdiction" means a municipality, county, or district, including a school district or any special district having the power to levy or collect taxes upon real property or in whose behalf taxes may be levied or collected.

(o) "Elderly" means a family in which the head of the household is 62 years of age or older or a single person who is 62 years of age or older.

(p) "Housing development" means a development that contains a significant element of housing for persons of low or moderate income and elements of other housing and commercial, recreational, industrial, communal, and educational facilities that the authority determines improve the quality of the development as it relates to housing for persons of low or moderate income.

(q) "Limited dividend housing corporation" means a corporation incorporated or qualified pursuant to the corporation laws of this state and chapter 6 and a limited dividend housing association organized and qualified pursuant to chapter 7.

(r) "Residential real property" means real property located in this state, used for residential purposes, and improved or to be improved by a residential structure. Residential real property includes a mobile home, a mobile home park, and a mobile home condominium project. When the terms "rehabilitate" or "rehabilitation" are used in conjunction with residential real property, residential real property refers to property improved by a residential structure.

(s) "Rehabilitation" means all or part of those repairs and improvements necessary to make residential real property safe, sanitary, or adequate.

(t) "Deferred payment loan" means a loan which is repayable or partially repayable upon the occurrence of a specified event as determined by the authority.

(u) "Eligible distressed area" means any of the following:

(i) An area located in a city with a population of at least 10,000 which area is either designated as a "blighted area" by a local legislative body pursuant to Act No. 344 of the Public Acts of 1945, as amended, being sections 125.71 to 125.84 of the Michigan Compiled Laws, or which area is determined by the authority to be blighted or largely vacant by reason of clearance of blight, if, with respect to the area, the authority determines all of the following:

(A) That private enterprise has failed to provide a supply of adequate, safe, and sanitary dwellings sufficient to meet market demand.

(B) That approval of elimination of income limits applicable in connection with authority loans has been received from the city in the form of either a resolution adopted by the highest legislative body of the city or, if the city charter provides for the mayor to be elected at large with that office specifically designated on the ballot, provides that the office of mayor is a full-time position, and provides that the mayor has the power to veto legislative actions of the legislative body of that city, a written communication from the mayor of that city.

(ii) A municipality that meets all of the following requirements:

(A) The municipality shows a negative population change from 1970 to the date of the most recent federal decennial census.

(B) The municipality shows an overall increase in the state equalized value of real and personal property of less than the statewide average increase since 1972.

(C) The municipality has a poverty rate, as defined by the most recent federal decennial census, greater than the statewide average.

(D) The municipality is eligible for the federal urban development action grant program pursuant to section 119 of the housing and community development act of 1974, 42 U.S.C. 5318.

(E) The municipality has had an unemployment rate higher than the statewide average unemployment rate for 3 of the preceding 5 years.

(iii) An area in a city with a population of more than 20,000 which area is within the boundaries of a downtown development authority established under Act No. 197 of the Public Acts of 1975, being sections 125.1651 to 125.1681 of the Michigan Compiled Laws, as those boundaries were constituted on May 1, 1984.

(v) "Mobile home" means a structure, transportable in 1 or more sections, that is built on a chassis and is designed to be used as a dwelling with or without permanent foundation, when connected to the required utilities, and includes the plumbing, heating, air conditioning, and electrical systems contained in the structure. Mobile home may, but need not, include the real property to which the mobile home may be attached. Mobile home does not include a recreational vehicle.

(w) "Mobile home condominium project" means a condominium project in which mobile homes are intended to be located upon separate sites that constitute individual condominium units and which complies with the condominium act, Act No. 59 of the Public Acts of 1978, as amended, being sections 559.101 to 559.275 of the Michigan Compiled Laws.

(x) "Mobile home park" means a parcel or tract of land under the control of a person or entity upon which 3 or more mobile homes are located on a continual, nonrecreational, residential basis and that is offered to the

public for general public use for continual, nonrecreational, residential purposes regardless of whether a charge is made therefor, together with any social, recreational, commercial, and communal facilities used or intended for use incident to the occupancy of a mobile home. Mobile home park does not include trailer parks and courts for use on a transient basis.

(y) "Mobile home park association" means a mobile home park association organized and qualified pursuant to chapter 9.

(z) "Mobile home park corporation" means a corporation incorporated pursuant to the corporation laws of this state and qualified pursuant to chapter 8.

(aa) "Housing unit" means living accommodations that are intended for occupancy by a single family and either that are owned by the occupant or with respect to which an occupant who is a cooperative shareholder or member has a proprietary lease. A housing unit may be site constructed or may be a mobile home or other form of manufactured housing.

(bb) "Moderate cost residential rental property" means dwelling units for which the rental payment is equal to or less than that established from time to time as the fair market rents for existing housing pursuant to 1 of the following:

(i) The section 8 leased housing program established under section 8 of the United States housing act of 1937, 42 U.S.C. 1437f, and the regulations promulgated under that act, or a substantially equivalent successor federal program.

(ii) A determination made by the authority of the average fair market rent for existing rental property.

(cc) "Area of chronic economic distress" means an area that qualifies as a "qualified census tract" or an "area of chronic economic distress" as defined in former section 103A(k) of the internal revenue code, or an eligible distressed area.

(dd) "Mortgage lender" means a state or national bank, state or federal savings and loan association, mortgage company, insurance company, any state pension fund, or any other financial institution, intermediary, or entity authorized to make mortgage loans in this state.

(ee) "Authority-aided mortgage" means a mortgage made, held, purchased, or assisted by the authority.

(ff) "Subsidiary nonprofit housing corporation" means an entity created under section 22c.

(gg) "Family income" means all income that is included in a determination of family income under section 143(f) of the internal revenue code.

(hh) "Statewide median gross income" means the statewide median gross income as determined under section 143(f) of the internal revenue code.

(ii) "Mutual housing association" means a corporation organized in accordance with chapter 10.

Sec. 22. The authority shall possess all powers necessary or convenient to carry out this act, including the following powers in addition to other powers granted by other provisions of this act:

(a) To sue and to be sued; to have a seal and to alter the seal at pleasure; to have perpetual succession; to make and execute contracts and other instruments necessary or convenient to the exercise of the powers of the authority; and to make, amend, and repeal bylaws and rules.

(b) To undertake and carry out studies and analyses of housing needs within this state and ways of meeting those needs, including data with respect to population and family groups, the distribution of population and family groups according to income, and the amount and quality of available housing and its distribution according to rentals and sales prices, employment, wages, and other factors affecting housing needs and the meeting of housing needs; to make the results of those studies and analyses available to the public and the housing and supply industries; and to engage in research and disseminate information on housing.

(c) To agree and comply with conditions attached to federal financial assistance.

(d) To survey and investigate housing conditions and needs, both urban and rural, throughout this state and make recommendations to the governor and the legislature regarding legislation and other measures necessary or advisable to alleviate any existing housing shortage in this state.

(e) To establish and collect fees and charges in connection with the sale of the authority's publications and the authority's loans, commitments, and servicing, including but not limited to the reimbursement of costs of financing by the authority, service charges, and insurance premiums as the authority determines to be reasonable and as approved by the authority. Fees and charges shall be determined by the authority and shall not be considered to be interest. The authority may use any accumulated fees and charges and interest income for achieving any of the corporate purposes of the authority, to the extent that the fees, charges, and interest income are not pledged to the repayment of bonds and notes of the authority or the interest on those bonds and notes.

(f) To encourage community organizations to assist in initiating housing projects as provided in this act.

(g) To encourage the salvage of all possible usable housing scheduled for demolition because of highway, school, urban renewal, or other programs by seeking authority for the sponsors of the programs to use funds provided for the demolition of the buildings, to be allocated to those sponsors approved by the authority to defray moving and rehabilitation costs of the buildings.

(h) To engage and encourage research in, and to formulate demonstration projects to develop, new and better techniques and methods for increasing the supply of housing for persons eligible for assistance as provided in this act; and to provide technical assistance in the development of housing projects and in the development of programs to improve the quality of life for all the people of this state.

(i) To make or purchase loans, including loans for condominium units as defined in section 4 of the condominium act, Act No. 59 of the Public Acts of 1978, being section 559.104 of the Michigan Compiled Laws, and including loans to mortgage lenders, which are unsecured or the repayments of which are secured by mortgages, security interests, or other forms of security; to purchase and enter into commitments for the purchase of securities, certificates of deposits, time deposits, or mortgage loans from mortgage lenders; to participate in the making or purchasing of unsecured or secured loans and undertake commitments to make or purchase unsecured or secured loans; to sell mortgages, security interests, notes, and other instruments or obligations evidencing or securing loans, including certificates evidencing interests in 1 or more loans, at public or private sale; to modify or alter mortgages and security interests; to foreclose on any mortgage, security interest, or other form of security; to finance housing units; to commence an action to protect or enforce a right conferred upon the authority by law, mortgage, security agreement, contract, or other agreement; to bid for and purchase property that was the subject of the mortgage, security interest, or other form of security, at a foreclosure or at any other sale, and to acquire or take possession of the property. Upon acquiring or taking possession of the property, the authority may complete, administer, and pay the principal and interest of obligations incurred in connection with the property, and may dispose of and otherwise deal with the property in any manner necessary or desirable to protect the interests of the authority in the property. If the authority or an entity that provides mortgage insurance to the authority acquires property upon the default of a borrower, the authority may make a mortgage loan to a subsequent purchaser of that property even if the purchaser does not meet otherwise applicable income limitations and purchase price limits.

(j) To set standards for housing projects that receive loans under this act and to provide for inspections to determine compliance with those standards. The standards for construction and rehabilitation of mobile homes, mobile home parks, and mobile home condominium projects shall be established jointly by the authority and the mobile home commission, created in the mobile home commission act, Act No. 96 of the Public Acts of 1987, being sections 125.2301 to 125.2349 of the Michigan Compiled Laws. However, financing standards shall be established solely by the authority.

(k) To accept gifts, grants, loans, appropriations, or other aid from the federal, state, or local government, from a subdivision, agency, or instrumentality of a federal, state, or local government, or from a person, corporation, firm, or other organization.

(l) To acquire or contract to acquire from a person, firm, corporation, municipality, or federal or state agency, by grant, purchase, or otherwise, leaseholds or real or personal property, or any interest in a leasehold or real or personal property; to own, hold, clear, improve, and rehabilitate and to sell, assign, exchange, transfer, convey, lease, mortgage, or otherwise dispose of or encumber any interest in a leasehold or real or personal property. This act shall not impede the operation and effect of local zoning, building, and housing ordinances, ordinances relating to subdivision control, land development, or fire prevention, or other ordinances having to do with housing or the development of housing.

(m) To procure insurance against any loss in connection with the property and other assets of the authority.

(n) To invest, at the discretion of the authority, funds held in reserve or sinking funds, or moneys not required for immediate use or disbursement, in obligations of this state or of the United States, in obligations the principal and interest of which are guaranteed by this state or the United States, or in other obligations as may be approved by the state treasurer.

(o) To promulgate rules necessary to carry out the purposes of this act and to exercise the powers expressly granted in this act pursuant to the administrative procedures act of 1969, Act No. 306 of the Public Acts of 1969, as amended, being sections 24.201 to 24.328 of the Michigan Compiled Laws.

(p) To enter into agreements with nonprofit housing corporations, consumer housing cooperatives, limited dividend housing corporations, mobile home park corporations, and mobile home park associations, which provide for regulation by the authority of the planning, development, and management of any housing project undertaken by nonprofit housing corporations, consumer housing cooperatives, limited dividend housing corporations, mobile home park corporations, and mobile home park associations and which provide for the disposition of the property and franchises of those corporations, cooperatives, and associations.

(q) To appoint to the board of directors of a nonprofit housing corporation, consumer housing cooperative, limited dividend housing corporation, mobile home park corporation, or mobile home park association, a number of new directors sufficient to constitute a majority of the board notwithstanding other provisions of the articles of incorporation or other provisions of law. Directors appointed under this subsection need not be stockholders or members or meet other qualifications which may be described by the certificate of incorporation or bylaws. In the absence of fraud or bad faith, directors appointed under this subsection shall not be personally liable for debts, obligations, or liabilities of the corporation or association. The authority may appoint directors under this subsection only if any of the following occurs:

(i) The nonprofit housing corporation, consumer housing cooperative, limited dividend housing corporation, mobile home park corporation, or mobile home park association has received a loan or advance, as provided for in this act, and the authority determines that the loan or advance is in jeopardy of not being repaid.

(ii) The nonprofit housing corporation, consumer housing cooperative, limited dividend housing corporation, mobile home park corporation, or mobile home park association received a loan or advance as provided for in this act and the authority determines that the proposed housing project for which the loan or advance was made is in jeopardy of not being constructed.

(iii) The authority determines that some part of the net income or net earnings of the nonprofit housing corporation is inuring to the benefit of a private individual, firm, corporation, partnership, or association; the authority determines that an unreasonable part of the net income or net earnings of the consumer housing cooperative is inuring to the benefit of a private individual, firm, corporation, partnership, or association; or the authority determines that some part of the net income or net earnings of the limited dividend housing corporation, in excess of that permitted by other provisions of this act, is inuring to the benefit of a private individual, firm, corporation, partnership, or association.

(iv) The authority determines that the nonprofit corporation or consumer housing cooperative is in some manner controlled by, under the direction of, or acting in the substantial interest of a private individual, firm, corporation, partnership, or association seeking to derive benefit or gain from, or seeking to eliminate or minimize losses in any dealings or transactions with, the nonprofit corporation or consumer housing cooperative. However, this subparagraph shall apply to individual cooperators in consumer housing cooperatives only in circumstances defined by the authority in its rules.

(v) The authority determines that the nonprofit housing corporation, consumer housing cooperative, limited dividend housing corporation, mobile home park corporation, or mobile home park association is in violation of the rules promulgated under this section.

(vi) The authority determines that the nonprofit housing corporation, consumer housing cooperative, limited dividend housing corporation, mobile home park corporation, or mobile home park association is in violation of 1 or more agreements entered into with the authority that provide for regulation by the authority of the planning, development, and management of a housing project undertaken by the nonprofit housing corporation, consumer housing cooperative, limited dividend housing corporation, mobile home park corporation, or mobile home park association or that provide for the disposition of the property and franchises of the corporation, or cooperative, or association.

(r) To give approval or consent to the articles of incorporation submitted to the authority by a corporation seeking approval as a nonprofit housing corporation, consumer housing cooperative, limited dividend housing corporation, or mobile home park corporation under chapter 4, 5, 6, or 8; to give approval or consent to the partnership agreement, joint venture agreement, trust agreement, or other document of basic organization of a limited dividend housing association under chapter 7 or mobile home park association under chapter 9.

(s) To engage the services of private consultants on a contract basis for rendering professional and technical assistance and advice.

(t) To lease real or personal property and to accept federal funds for, and participate in, federal programs of housing assistance.

(u) To review and approve rental charges for authority-financed housing projects and require whatever changes the authority determines to be necessary. The changes shall become effective after giving not less than 30 days' written notice to the residents of the affected authority-financed housing projects.

(v) To set forth in the various loan documents of the authority those restrictions on the sale, conveyance by land contract, or transfer of residential real property, housing projects, or housing units for which a note is held by the authority and restrictions on the assumption by subsequent purchasers of loans originated by and held by, or originated for purchase by and held by, the authority as the authority determines to be necessary in order to comply with requirements of federal statutes, federal rules or regulations promulgated pursuant to 5 U.S.C. 551 to 559, state statutes, or state rules promulgated pursuant to Act No. 306 of the Public Acts of 1969, as amended, or to obtain and maintain the tax exempt status of authority bonds and notes. However, the authority shall not use a due on sale or acceleration clause solely for the purpose of renegotiating the interest rate on a loan made with respect to an owner-occupied single-family housing unit. Without limiting the authority's power

to establish other restrictions, as provided in this section, on the sale, conveyance by land contract, or transfer of residential real property, housing projects, or housing units for which a note is held by the authority and the assumption by subsequent purchasers of loans made or purchased by the authority, the authority shall provide in its loan documents relating to a single family loan that the single family loan may be assumed by a new purchaser only when the new purchaser qualifies under the authority income limitations rules except where such a restriction diminishes or precludes the insurance or a guarantee by an agency of the federal government with respect to the single family loan. A loan made for a mobile home that the borrower does not intend to permanently affix to real property shall become immediately due and payable in the event the mobile home is moved out of the state. Any restrictions on conveyance by sale, conveyance by land contract, or transfer that are authorized in this section shall apply only to loans originated by and held by, or originated for purchase by and held by, the authority and may, at the option of the authority, be enforced by accelerating and declaring immediately due and payable all sums evidenced by the note held by the authority. An acceleration and declaration of all sums to be due and payable on conveyance by sale, land contract, or transfer is not an unreasonable restraint on alienation. An acceleration and declaration, unless otherwise prohibited in this subdivision, of all sums to be due and payable pursuant to this subdivision is enforceable in any court of competent jurisdiction. This subdivision is applicable to secured and unsecured loans. This subdivision is also applicable to loan documents utilized in conjunction with an authority operated program of residential rehabilitation by an entity cooperating or participating with the authority pursuant to section 22a(4), which loans are originated with the intent to sell those loans to the authority.

(w) To set forth in the various loan documents of the authority those remedies for the making of a false statement, representation, or pretense or a material misstatement by a borrower during the loan application process. Without limiting the authority's power to pursue other remedies, the authority shall provide in its loan documents that, if a borrower makes a false statement, representation, or pretense or a material misstatement during the loan application process, the authority, at its option, may accelerate and declare immediately due and payable all sums evidenced by the note held by the authority. An acceleration and declaration of all sums to be due as authorized under this subdivision and payable pursuant to this subdivision is enforceable in any court of competent jurisdiction. This subdivision is applicable to secured and unsecured loans.

(x) To collect interest on a real estate loan, the primary security for which is not a first lien on real estate, at the rate of 15% or less per annum on the unpaid balance. This subdivision does not impair the validity of a transaction or rate of interest that is lawful without regard to this subdivision.

(y) To encourage and engage or participate in programs to accomplish the preservation of housing in this state available for occupancy by persons and families of low or moderate income.

(z) To verify for the state treasurer statements submitted by a city, village, township, or county as to exempt properties pursuant to section 7d of the general property tax act, Act No. 206 of the Public Acts of 1893, being section 211.7d of the Michigan Compiled Laws.

(aa) The authority may enter into interest rate exchanges or swaps, hedges, or similar agreements with respect to its bonds or notes in the same manner and subject to the same limitations and conditions provided for a municipality in section 15 of chapter III of the municipal finance act, Act No. 202 of the Public Acts of 1943, being section 133.15 of the Michigan Compiled Laws.

(bb) The authority may make working capital loans to contractors or subcontractors on housing projects financed by the authority. The authority shall submit an annual report to the legislature containing the amount, recipient, duration, circumstance, and other related statistics for each capital loan made to a contractor or subcontractor under this subdivision. The authority shall include in the report statistics related to the cost of improvements made to adapt property for use by handicapped individuals pursuant to section 32b(5) or (6) or section 44(2)(a).

Sec. 32. (1) The authority may create and establish 1 or more special funds to secure notes and bonds of the authority, referred to in this act as capital reserve funds. The authority shall pay into a capital reserve fund money appropriated and made available by this state for the purposes of the fund, the proceeds of the sale of notes or bonds to the extent provided in the resolution of the authority authorizing the issuance of the notes or bonds, and other money that is made available to the authority for the purpose of a fund from any other source. All money held in any capital reserve fund, except as specifically provided, shall be used as required solely for the payment of the principal of notes or bonds of the authority secured in whole or in part by the capital reserve fund, for the purchase or redemption of notes or bonds, for the payment of interest on the notes or bonds, or for the payment of any redemption premium required to be paid when the notes or bonds are redeemed prior to maturity. However, the authority shall not use the money for any optional purchase or optional redemption of notes or bonds if the use would reduce the amount of money on deposit in a capital reserve fund to less than the capital reserve fund requirement established for the fund. Any income or interest earned by, or increment to, a capital reserve fund due to the investment of the money in the capital reserve fund may be transferred by the

authority to other funds or accounts of the authority to the extent that the transfer does not reduce the amount of a capital reserve fund below the capital reserve fund requirement for a fund.

(2) The authority shall not at any time issue notes or bonds secured in whole or in part by a capital reserve fund if, upon the issuance of the notes or bonds, the amount in the capital reserve fund would be less than the capital reserve fund requirement for the fund, unless the authority, at the time of issuance of the notes or bonds, deposits in the fund from the proceeds of the notes or bonds to be issued, or from other sources, an amount which, together with the amount then in the fund, is not less than the capital reserve fund requirement for the fund. For purposes of this section, "capital reserve fund requirement" means the requirement provided in the resolution of the authority authorizing the notes or bonds with respect to which the fund is established, which amount shall not exceed the maximum amount of principal and interest maturing and becoming due in any succeeding calendar year on the notes or bonds of the authority secured in whole or part by the fund.

(3) The authority has, before January 9, 1977, in connection with its housing development bonds issued pursuant to a bond resolution dated June 10, 1971, established within the capital reserve fund relating to housing development bonds, a capital reserve account and a capital reserve capital account. Money in this capital reserve account shall secure only housing development bonds issued pursuant to the June 10, 1971 bond resolution. Unless otherwise provided by the authority, money in the capital reserve capital account shall secure all bonds and notes of the authority. In determining whether the capital reserve fund requirement established for any capital reserve fund has been met, the authority shall not include or take into account money in the capital reserve capital account.

(4) The authority has, before January 9, 1977, in connection with its insured mortgage revenue bonds issued pursuant to a bond resolution dated May 11, 1976, established a bond reserve fund. This bond reserve fund constitutes a capital reserve fund under this act.

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

(a) The authority shall not have outstanding at any time bonds and notes for any of its corporate purposes in an aggregate principal amount exceeding \$3,200,000,000.00, excluding all of the following:

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

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

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

(b) After November 1, 1991, the limitation on the aggregate principal amount of notes and bonds provided in subdivision (a) is reduced to \$1,800,000,000.00, but, in addition to the exclusions provided in subdivision (a), the aggregate principal amount of bonds and notes issued before November 2, 1991, subject to the limitations of section 32a shall be excluded from this reduced limitation.

(6) Subject to the limitation in subsection (5), the entire state ceiling is allocated to the authority unless the authority elects by resolution to allow another issuer to issue qualified mortgage bonds. As used in this subsection:

(a) "State ceiling" means the aggregate amount of certain private activity bonds, including qualified mortgage bonds, which may be issued in any calendar year in this state pursuant to section 146 of the internal revenue code.

(b) "Qualified mortgage bond" shall have the same meaning ascribed to that term in section 143 of the internal revenue code.

(7) To assure the continued operation and solvency of the authority for the carrying out of the public purposes of this act, the authority shall accumulate in each capital reserve fund an amount equal to the capital reserve fund requirement for that fund. If at any time the capital reserve fund requirement for a capital reserve fund exceeds the amount of the capital reserve fund, the authority shall transfer to this fund from the capital reserve capital account established by the authority's June 10, 1971 bond resolution the amount necessary to restore the capital reserve fund to an amount equal to the capital reserve fund requirement. If a deficiency exists in more than 1 capital reserve fund and the amount in the capital reserve capital account is not sufficient to fully restore the capital reserve funds, the money in the capital reserve capital account shall be allocated between the deficient capital reserve funds pro rata according to the amounts of the deficiencies. If at any time the capital reserve capital account has been exhausted and the capital reserve fund requirement for a capital reserve fund exceeds the amount of the capital reserve fund, the chairperson of the authority on or before September 1 shall certify to the governor and budget director the amount, if any, necessary to restore a capital reserve fund to an amount equal to the capital reserve fund requirement. The governor and the budget director shall include in the annual budget the amount certified by the chairperson of the authority.

(8) In computing the amount of a capital reserve fund for the purposes of this section, securities in which all or a portion of the fund is invested shall be valued at par. If the securities are purchased at other than par, the securities may be valued at their cost to the authority, as adjusted by amortization of the discount or premium paid upon purchase of the securities on a pro rata basis to the maturity date of the securities.

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

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

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

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

(13) In addition to the powers granted the state housing development authority in this act to promulgate rules pursuant to the administrative procedures act of 1969, Act No. 306 of the Public Acts of 1969, being sections 24.201 to 24.328 of the Michigan Compiled Laws, the authority shall furnish to each member of the legislature a copy of notice of a public hearing or proposed rule change at least 10 days before the public hearing and at least 20 days before the adoption of the rule.

(14) Before October 1 of each year, the authority shall identify housing production goals for housing projects financed with bonds and notes issued under the limitations provided in section 32a. The authority shall identify a goal for the authority as a whole and a specific goal for each program. The authority shall submit those goals in an annual report to the governor and to the house committee on urban affairs and the senate committee on finance, or their successor committees.

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

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

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

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

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

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

(e) The estimated extent of additional reinvestment activities by private lenders attributable to the authority's financing of these housing projects.

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

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

(h) The progress in developing mobile home parks and mobile home condominium projects, in financing the construction or rehabilitation of consumer housing cooperative projects, and in financing the construction or rehabilitation of nonprofit housing corporation projects.

(i) A report on the neighborhood preservation program under section 44f shall include information about the progress in developing the program, the neighborhoods identified as being eligible for the program, the neighborhoods or municipalities that have applied for the program, the neighborhoods that have received funds from the program, and the reasons that neighborhoods or municipalities have been denied funds from the program.

(j) A report on the status of federal programs that provide assistance to low income tenants displaced as the result of prepayments of federally and authority assisted loans. If the authority determines that federal

programs are inadequate for tenants of authority financed housing projects, the authority will provide recommendations to the legislature as to how to address this problem on or before May 1, 1989.

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

Sec. 32a. (1) The \$1,400,000,000.00 increase in debt capacity of the authority authorized after July 9, 1984 shall be subject to the following limitations:

(a) Not more than \$700,000,000.00 shall be used to finance home improvement loans and single family homes. With respect to bonds issued to finance single family homes after November 1, 1989, for the first 120 days following the announcement of a program funded by the proceeds of those bonds, 50% of the proceeds of those bonds available to make loans, as determined by the preliminary information obtained by originating lenders at the time a reservation is submitted, shall be reserved for applicants with gross annual incomes at or below 55% of the statewide median gross income. With respect to bonds issued to finance single family homes after November 1, 1989, 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. For purposes of this subsection, a previous ownership interest in a mobile home shall not be considered to be an ownership interest in a residence. The authority may rely on the applicant's affidavit to determine whether or not the applicant has had a prior ownership interest in a residence. The authority shall publicize the programs funded under this subdivision by using all reasonable means available, including, but not limited to, public interest announcements in the media, and announcements to lending institutions, community groups, and real estate organizations. The authority shall submit a report annually to the legislature containing all statistics necessary to indicate its compliance with this subdivision.

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

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

(2) A note or bond issued by the authority after July 9, 1984 shall be considered to be issued subject to the limitations of subsection (1). After the limitation set forth in subsection (1)(c) has been reached, the principal amount of a note or bond issued to finance housing described in subsection (1)(c) shall be applied against the debt capacity that was in effect on July 9, 1984. After a limitation set forth in subsection (1)(a) or (b) is reached, the authority shall not issue a note or bond under the provisions of section 44c or 44(2)(a).

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

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

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

(a) If the housing unit is located in an eligible distressed area, \$42,000.00 on or before November 1, 1991, and \$36,500.00 after that date. Mortgage credit certificate commitments issued on or before November 1, 1991 for persons or families with incomes between \$36,500.00 and \$42,000.00 are in compliance with this section even if the closing occurs and the mortgage credit certificate is issued after November 1, 1991.

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

(4) To qualify for receipt of a mortgage credit certificate with respect to the acquisition of a new housing unit, including a residential condominium or mobile home, the purchase price with respect to the unit shall not exceed \$80,000.00 and the borrower's family income shall not exceed the following:

(a) If the housing unit is located in an eligible distressed area, \$42,000.00 on or before November 1, 1991, and \$36,500.00 after that date. Mortgage credit certificate commitments issued on or before November 1, 1991 for persons or families with incomes between \$36,500.00 and \$42,000.00 are in compliance with this section even if the closing occurs and the mortgage credit certificate is issued after November 1, 1991.

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

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

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

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

(a) If the housing unit is located in an eligible distressed area, \$42,000.00 on or before November 1, 1991, and \$36,500.00 after that date. Mortgage credit certificate commitments issued on or before November 1, 1991 for persons or families with incomes between \$36,500.00 and \$42,000.00 are in compliance with this section even if the closing occurs and the mortgage credit certificate is issued after November 1, 1991.

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

(8) If an income or purchase price limit prescribed by subsection (3), (4), (5), (6), or (7) exceeds a limit prescribed by the internal revenue code, the internal revenue code limit applies.

Sec. 44. (1)(a) The authority may make loans to any nonprofit housing corporation, consumer housing cooperative, limited dividend housing corporation, limited dividend housing association, mobile home park corporation, or mobile home park association or to any public body or agency for the construction or rehabilitation, and for the long-term financing, of the following:

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

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

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

(iv) For the period of time beginning November 1, 1987, and ending November 1, 1989, multifamily housing projects that meet the 20-50 test established in section 142 of the internal revenue code and, in addition, in which not less than 15% of the dwelling units are allotted to persons and families whose gross household income does not exceed 125% of the higher of either the median income for a family in this state or the median income for a family within the nonmetropolitan county or metropolitan statistical area in which the housing project is located, as determined by the authority, or to the elderly; not less than 15% of the dwelling units are allotted to persons and families whose gross household income does not exceed 150% of the median income for a family in this state or the median income for a family within the nonmetropolitan county or metropolitan statistical area in which the housing project is located, as determined by the authority, or to the elderly; and not more than 50% of the dwelling units are available for occupancy without regard to income.

(v) For the period of time beginning November 1, 1987, and ending November 1, 1989, multifamily housing projects in eligible distressed areas that meet the 20-50 test established in section 142 of the internal revenue code and, in addition, in which not more than 80% of the dwelling units are available for occupancy without regard to income.

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

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

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

(ii) For any annual period after the first tenant has occupied the housing project, the owner of the housing project has been unable to attain and sustain at least a 95% occupancy level at the housing project.

(c) A loan under this section may be in an amount not to exceed 90% of the project cost as approved by the authority. For purposes of this section, the term "project cost" includes all items included in the definition of a project cost in section 11 and also includes a builder's fee equal to an amount up to 5% of the amount of the construction contract, developer overhead of 2% of the amount of the project cost, the cost of furnishings, and a sponsor's risk allowance equal to 10% of the project cost. A loan shall not be made under this section unless a market analysis has been conducted which demonstrates a sufficient market exists for the housing project.

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

(e) After November 1, 1989, the authority may continue to finance multifamily housing projects for families or persons whose incomes do not exceed the limits provided in subsection (1)(a)(iv) or (v), or (1)(b), until funds derived from the proceeds of bonds or notes issued before November 2, 1989 for that purpose, including the proceeds of refunding notes or bonds or prepayments or recovery payments with respect to these multifamily housing projects, have been expended.

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

(g) For purposes of this subsection:

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

(ii) "Median income for a family in this state" and "median income for a family within the nonmetropolitan county or metropolitan statistical area" mean those income levels as determined by the authority.

(2)(a) The authority may make loans to any nonprofit housing corporation, limited dividend housing corporation, mobile home park corporation, or mobile home park association for the construction or rehabilitation of housing units, including residential condominium units as defined in section 4 of the condominium act, Act No. 59 of the Public Acts of 1978, being section 559.104 of the Michigan Compiled Laws, for sale to individual purchasers of low or moderate income or to individual purchasers without regard to income when the housing units are located in an eligible distressed area. The authority may make or purchase loans to individual purchasers for the long-term financing of a newly rehabilitated, newly constructed, or existing housing unit, including a residential condominium unit as defined in section 4 of Act No. 59 of the Public Acts of 1978. For a loan for a newly rehabilitated or newly constructed housing unit, including a residential condominium unit, the borrower's family income shall not exceed \$36,500.00 and the purchase price of the housing unit shall not exceed \$80,000.00. For unexpected cost increases during construction or improvements to adapt the property for use by handicapped individuals, the authority may increase the purchase price limit by an amount sufficient to cover those cost increases, but not to exceed \$3,500.00. For a loan for an existing housing unit, including a residential condominium unit, the borrower's family income shall not exceed \$36,500.00 and the purchase price of the housing unit shall not exceed \$60,000.00. For costs for improvements to adapt an existing housing unit for use by handicapped individuals, the authority may increase the purchase price limit by an amount sufficient to cover those cost increases, but not to exceed \$3,500.00. If an income or purchase price limit prescribed by this subsection exceeds a limit prescribed by the internal revenue code, the internal revenue code limit applies. Before making any loan under this section, authority staff shall determine that the borrower has the ability to repay the loan. A loan made or purchased to finance the acquisition of an existing housing unit may include funds for rehabilitation. A loan under this section may be in an amount not to exceed 100% of the project cost as approved by the authority in the case of a nonprofit housing corporation or individual purchaser, and in an amount not to exceed 90% of the project cost as approved by the

authority in the case of a limited dividend housing corporation, mobile home park corporation, or mobile home park association.

(b) While a loan under this subsection is outstanding, any sale by a nonprofit housing corporation or limited dividend housing corporation or any subsequent resale is subject to approval by the authority. The authority shall provide in its rules concerning these sales and resales that the price of the housing unit sold, the method of making payments after the sale, the security afforded, and the interest rate, fees, and charges to be paid shall at all times be sufficient to permit the authority to make the payments on its bonds and notes and to meet administrative or other costs of the authority in connection with the transactions. Housing units shall be sold under terms that provide for monthly payments including principal, interest, taxes, and insurance.

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

(d) Upon the sale by a nonprofit housing corporation, limited dividend housing corporation, mobile home park corporation, or mobile home park association of any housing unit to an individual purchaser of low or moderate income or to an individual purchaser without regard to income if the unit is located in an eligible distressed area to whom a loan is being made by the authority, the housing unit shall be released from the mortgage running from the nonprofit housing corporation, limited dividend housing corporation, mobile home park corporation, or mobile home park association to the authority, and the mortgage shall be replaced as to the housing unit by a mortgage running from the individual purchaser to the authority.

(e) The authority shall encourage nonprofit housing corporations and limited dividend housing corporations engaged in construction or rehabilitation under this subsection to utilize the labor of prospective individual purchasers of low or moderate income in the construction or rehabilitation of the housing units involved. The value of the labor of the prospective purchasers so utilized shall be used to reduce the project costs of the housing units involved.

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

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

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

Sec. 44a. (1) The authority may make, purchase, or participate in loans, grants, or deferred payment loans to persons and families of low and moderate income to finance the rehabilitation of residential real property designed for occupancy by not more than 4 families which is owned or is being purchased by 1 or more persons or families of low and moderate income and which is for occupancy by persons or families of low and moderate income.

(2) The authority, without regard to the income of the owners or occupants of residential rental property, may make, purchase, or participate in loans, grants, or deferred payment loans for the rehabilitation of residential rental property to persons or entities owning residential rental property located in areas of chronic economic distress and moderate cost residential rental property located elsewhere in this state.

(3) A loan under this section may be secured or unsecured as determined by the authority. If the loan is unsecured, it shall be accepted for insurance under title 1 of the national housing act, 12 U.S.C. 1702, 1703, 1705, and 1706b to 1706d, or another federal or private insurance program providing coverage at least equal to that provided by that title, or the authority shall establish a reserve for losses on uninsured loans made under this section and shall deposit into that reserve an amount equal to 5% of the principal amount of each such uninsured loan on or before the making of the loan. Money may be withdrawn by the authority from this reserve for application as loan repayments in connection with loans that are delinquent. In addition, upon repayment of a loan made, purchased, or participated in under this section, the authority may withdraw the amount deposited in the reserve in connection with that loan, reduced by any amounts withdrawn as loan repayments in connection with the loan, and may apply the amounts to any of the authority's programs and purposes. Any income or interest earned by or increment to the reserve due to the investment of the money in the reserve may, at such times as the authority shall determine, be transferred by the authority to other funds or accounts of the authority and applied to any of the corporate purposes of the authority. A loan under this

section shall bear interest at a rate and be repaid in the period, not exceeding 20 years, as may be determined by the authority and under additional terms and conditions as may be determined by the authority.

(4) A deferred payment loan or grant may be secured or unsecured as determined by the authority, and shall be made under additional terms and conditions determined by the authority.

(5) In recognition of the need for rehabilitation loans, grants, and deferred payment loans in all geographic areas of the state, the authority shall promulgate rules that provide for the availability of loans, grants, and deferred payment loans on an equitable basis to qualified applicants in all geographic areas of this state. With respect to loans, grants, and deferred payment loans made pursuant to this section that are not based on residency in a neighborhood selected pursuant to section 22a(5), eligibility for loans, grants, or deferred payment loans shall not be based upon the number of qualified applicants in the geographic area in which the individual resides.

(6) For purposes of this section, persons and families of low and moderate income means persons and families whose family income does not exceed \$36,500.00.

CHAPTER 10

Sec. 99. A mutual housing association shall be a nonprofit corporation or cooperative corporation incorporated pursuant to the laws of this state or authorized to transact business in this state that operates in accordance with this chapter.

Sec. 99a. The term “cooperative” or “mutual housing association” shall be included as a part of the corporate name as set forth in the certificate of incorporation of a mutual housing association.

Sec. 99b. A mutual housing association shall meet all of the following requirements:

(a) At least 75% of its voting members or shareholders shall be residents of housing owned or operated by it.

(b) A major purpose of the mutual housing association shall be to provide high quality, long-term housing to low and moderate income persons who have no equity or ownership interest in the housing except through membership in the mutual housing association, and who shall have the following rights:

(i) A right to become a member of the mutual housing association.

(ii) A right to participate in the ongoing operation and management of the housing.

(iii) A right to continue to reside in the housing for as long as the member complies with the terms of the occupancy agreement and rules and regulations of the mutual housing association, and meets any health requirements that the mutual housing association establishes as a condition of continued occupancy.

(c) Any profit or surplus earned by the mutual housing association is used, as determined by its board of directors, for 1 or more of the following purposes:

(i) To establish reserves.

(ii) To reduce rent.

(iii) To make physical improvements to the housing.

(iv) To develop or acquire new affordable housing.

Sec. 99c. The authority may make a loan or grant to a nonprofit housing corporation or association, mobile home park corporation or association, or limited dividend housing corporation or association that is established and controlled by a mutual housing association on the same basis as a loan or grant may be made to such an organization not established and controlled by a mutual housing association.

This act is ordered to take immediate effect.

.....
Clerk of the House of Representatives.

.....
Secretary of the Senate.

Approved

.....
Governor.