

SENATE BILL No. 117

February 8, 1989, Introduced by Senators CRUCE, DILLINGHAM and SEDERBURG and referred to the Committee on Finance.

A bill to amend the title and section 25 of Act No. 346 of the Public Acts of 1966, entitled as amended "State housing development authority act of 1966," section 25 as amended by Act No. 49 of the Public Acts of 1983, being section 125.1425 of the Michigan Compiled Laws; and to add sections 24h, 24i, 24j, 24k, 24l, 24m, 24n, and 24o.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. The title and section 25 of Act No. 346 of the
2 Public Acts of 1966, section 25 as amended by Act No. 49 of the
3 Public Acts of 1983, being section 125.1425 of the Michigan
4 Compiled Laws, are amended and sections 24h, 24i, 24j, 24k, 24l,
5 24m, 24n, and 24o are added to read as follows:

1 TITLE

2 An act to create a state housing development authority; to
3 define the powers and duties of the authority; to establish a
4 housing development revolving fund; to establish a land acquisi-
5 tion and development fund; to establish a rehabilitation fund; to
6 establish a conversion condominium fund; TO ESTABLISH A HOME
7 EQUITY FUND; to authorize the making and purchase of loans,
8 deferred payment loans, and grants to qualified developers, spon-
9 sors, individuals, mortgage lenders, and municipalities; to
10 establish and provide acceleration and foreclosure procedures; to
11 provide tax exemption; to authorize payments in lieu of taxes by
12 nonprofit housing corporations, consumer housing cooperatives,
13 limited dividend housing corporations, mobile home park corpora-
14 tions, and mobile home park associations; and to prescribe crimi-
15 nal penalties for violations of this act.

16 SEC. 24H. AS USED IN SECTIONS 24I TO 24O:

17 (A) "DEPARTMENT" MEANS THE DEPARTMENT OF TREASURY.

18 (B) "FIRST TIME HOME BUYER" MEANS EITHER OF THE FOLLOWING:

19 (i) IF ONLY 1 PURCHASER, AN INDIVIDUAL WHO IS, FOR THE THE
20 FIRST TIME, PURCHASING A HOME AS HIS OR HER PRINCIPAL RESIDENCE.

21 (ii) IF MORE THAN 1 PURCHASER, AT LEAST 1 OF THE PURCHASERS
22 IS, FOR THE FIRST TIME, PURCHASING A HOME AS HIS OR HER PRINCIPAL
23 RESIDENCE.

24 (C) "LOAN" MEANS THE DISBURSEMENT OF MONEY AVAILABLE FROM
25 THE HOME EQUITY FUND TO A FIRST TIME HOME BUYER TO FINANCE THE
26 DOWN PAYMENT ON THE PURCHASE OF A HOME.

1 SEC. 24I. (1) A HOME EQUITY FUND IS CREATED WITHIN THE
2 STATE TREASURY.

3 (2) THE STATE TREASURER SHALL CREDIT THE HOME EQUITY FUND
4 WITH DEPOSITS OF PROCEEDS FROM THE TAX ON REAL ESTATE TRANSFERS
5 UNDER SECTION 9(2) OF ACT NO. 134 OF THE PUBLIC ACTS OF 1966,
6 BEING SECTION 207.509 OF THE MICHIGAN COMPILED LAWS.

7 (3) THE HOME EQUITY FUND IS A REVOLVING FUND. DEPOSITS BY
8 THE STATE TREASURER, REPAYMENTS TO THE HOME EQUITY FUND UNDER
9 SECTION 24M, INTEREST EARNED BY THE HOME EQUITY FUND, AND OTHER
10 MONEY THAT IS AVAILABLE TO THE AUTHORITY FOR THE PURPOSE OF THE
11 FUND FROM ANOTHER SOURCE SHALL BE USED FOR FUTURE LOANS TO FIRST
12 TIME HOME BUYERS.

13 SEC. 24J. (1) THE DEPARTMENT SHALL DISBURSE MONEY FROM THE
14 HOME EQUITY FUND, AS DETERMINED BY THE AUTHORITY, TO OR ON BEHALF
15 OF A FIRST TIME HOME BUYER WHO FILES AN APPLICATION UNDER SECTION
16 24I AND WHO MEETS THE ELIGIBILITY REQUIREMENTS ESTABLISHED BY THE
17 AUTHORITY CONSISTENT WITH THE REQUIREMENTS DESCRIBED IN SECTION
18 24K. THE DISBURSEMENT SHALL BE MADE AT THE TIME OF THE CLOSING
19 OF THE FINANCING TO THE FIRST TIME BUYER. MONEY DISBURSED FROM
20 THE HOME EQUITY FUND TO A FIRST TIME HOME BUYER SHALL NOT INCLUDE
21 CLOSING COSTS ON THE PURCHASE OF THE HOME.

22 (2) THE TOTAL AMOUNT OF A LOAN FROM THE HOME EQUITY FUND
23 THAT A FIRST TIME HOME BUYER MAY RECEIVE SHALL NOT EXCEED 10% OF
24 THE PURCHASE PRICE OF A HOME OR 10% OF THE APPRAISED VALUE OF THE
25 HOME, WHICHEVER IS LESS.

1 SEC. 24K. (1) A FIRST TIME HOME BUYER IS ELIGIBLE TO
2 RECEIVE A LOAN UNDER THIS ACT IF ALL OF THE FOLLOWING
3 REQUIREMENTS ARE MET:

4 (A) THE FIRST TIME HOME BUYER IS NOT OR WILL NOT BE RECEIV-
5 ING ASSISTANCE FROM ANY OTHER LOCAL, STATE, OR FEDERAL GOVERNMENT
6 FINANCING PROGRAM RELATING TO THE PURCHASE OF THAT HOME OTHER
7 THAN THE MORTGAGE CREDIT CERTIFICATE PROGRAM DESCRIBED IN
8 SECTION 32B.

9 (B) THE PURCHASE PRICE OF THE HOME DOES NOT EXCEED 120% OF
10 THE MEDIAN PURCHASE PRICE OF A HOME WITHIN THE NONMETROPOLITAN
11 COUNTY OR METROPOLITAN STATISTICAL AREA IN WHICH THE HOME IS
12 LOCATED AS DETERMINED BY THE UNITED STATES DEPARTMENT OF
13 TREASURY.

14 (C) OTHER REQUIREMENTS THE AUTHORITY PROVIDES IN RULES
15 PROMULGATED UNDER SECTION 24o.

16 (2) THE AUTHORITY SHALL NOT GIVE SPECIAL CONSIDERATION TO A
17 FIRST TIME HOME BUYER BASED UPON THE TYPE OF FINANCING OBTAINED
18 BY THE FIRST TIME HOME BUYER OR UPON THE TYPE OF HOME, THE AGE OF
19 THE HOME, OR THE LOCATION OF THE HOME BEING PURCHASED.

20 SEC. 24L. (1) A FIRST TIME HOME BUYER REQUESTING A LOAN
21 FROM THE HOME EQUITY FUND SHALL FILE AN APPLICATION WITH THE
22 AUTHORITY. THE AUTHORITY MAY REQUIRE THAT THE FIRST TIME HOME
23 BUYER PAY AN APPLICATION FEE AS ESTABLISHED IN RULES PROMULGATED
24 BY THE AUTHORITY. THE APPLICATION SHALL INCLUDE THE FOLLOWING:

25 (A) THE NAMES OF ALL MEMBERS OF THE FIRST TIME HOME BUYER'S
26 HOUSEHOLD AND THE AMOUNT OF INCOME RECEIVED BY EACH HOUSEHOLD
27 MEMBER.

1 (B) A LEGAL DESCRIPTION AND STREET ADDRESS OF THE PROPERTY
2 BEING PURCHASED BY THE FIRST TIME HOME BUYER.

3 (C) PROOF AND CERTIFICATION THAT THE FIRST TIME HOME BUYER
4 MEETS THE REQUIREMENTS FOR A LOAN UNDER THIS ACT AND AS ESTAB-
5 LISHED BY THE AUTHORITY.

6 (D) OTHER INFORMATION THE AUTHORITY CONSIDERS NECESSARY.

7 (2) THE AUTHORITY SHALL DEVELOP GUIDELINES FOR EVALUATING
8 THE APPLICATIONS FOR A LOAN UNDER THIS ACT.

9 SEC. 24M. (1) A LOAN SHALL BE APPROVED AT AN INTEREST RATE
10 OF 4%. THE AUTHORITY SHALL RETAIN A LIEN ON THE PROPERTY PUR-
11 CHASED BY THE FIRST TIME HOME BUYER. THIS LIEN ON THE PROPERTY
12 DOES NOT IMPAIR THE RIGHTS OF THE FIRST MORTGAGE LENDER AND IS
13 SUBORDINATE TO THE FIRST MORTGAGE LENDER'S LIEN ON THE PROPERTY.

14 (2) THE PRINCIPAL AMOUNT OF THE LOAN AND THE ACCRUED INTER-
15 EST ON THE LOAN SHALL BECOME DUE AND PAYABLE 5 YEARS FROM THE
16 DATE OF CLOSING. IF THE LOAN IS NOT PAID IN FULL 5 YEARS FROM
17 THE DATE OF CLOSING, THE INTEREST RATE INCREASES TO 10%.

18 (3) A LOAN DOCUMENT SHALL BE EXECUTED BY THE AUTHORITY AND
19 THE FIRST TIME HOME BUYER THAT INCLUDES ALL OF THE FOLLOWING:

20 (A) A LEGAL DESCRIPTION AND STREET ADDRESS OF THE PROPERTY
21 BEING PURCHASED BY THE FIRST TIME HOME BUYER.

22 (B) PROVISIONS FOR REPAYMENT OF THE LOAN, AS AGREED UPON BY
23 THE AUTHORITY AND THE FIRST TIME HOME BUYER, THAT ARE CONSISTENT
24 WITH THE REQUIREMENTS OF THIS SECTION. THE AUTHORITY AND THE
25 FIRST TIME HOME BUYER MAY AGREE THAT THE FIRST TIME HOME BUYER
26 SHALL MAKE MINIMUM PAYMENTS OF PRINCIPAL, IF ANY, AND THE PAYMENT

1 OF INTEREST AT REGULAR INTERVALS AND SHALL MAKE THE FINAL PAYMENT
2 OF INTEREST AND PRINCIPAL 5 YEARS FROM THE DATE OF CLOSING.

3 (C) OTHER PROVISIONS THE AUTHORITY CONSIDERS NECESSARY.

4 SEC. 24N. (1) THE AUTHORITY SHALL SUBMIT AN ANNUAL REPORT
5 TO THE DEPARTMENT THAT INCLUDES THOSE ITEMS REQUIRED BY THE
6 DEPARTMENT.

7 (2) THE DEPARTMENT SHALL SUBMIT AN ANNUAL REPORT TO THE LEG-
8 ISLATURE ON THE USE OF THE FUND. THE REPORT SHALL INCLUDE AT
9 LEAST ALL OF THE FOLLOWING:

10 (A) A LIST AND DESCRIPTION OF APPROVED LOANS.

11 (B) OTHER ACCOMPLISHMENTS OF THE FUND.

12 (C) THE DEPARTMENT'S RECOMMENDATIONS ON THE CONTINUATION OF
13 THE FUND AS WELL AS OTHER RECOMMENDATIONS FOR CHANGES IN THE
14 FUND.

15 SEC. 24O. THE AUTHORITY SHALL PROMULGATE RULES PURSUANT TO
16 THE ADMINISTRATIVE PROCEDURES ACT OF 1969, ACT NO. 306 OF THE
17 PUBLIC ACTS OF 1969, BEING SECTIONS 24.201 TO 24.328 OF THE
18 MICHIGAN COMPILED LAWS, TO IMPLEMENT THE HOME EQUITY FUND.

19 Sec. 25. (1) The authority may issue its negotiable bonds
20 and notes in a principal amount, which in the opinion of the
21 authority shall be necessary to provide sufficient funds for
22 achieving its corporate purposes, including ANY OF the
23 FOLLOWING:

24 (A) THE making of loans for housing projects and the making
25 or purchasing of loans for the rehabilitation of residential real
26 property. ~~the~~

1 (B) THE provision of money for the land acquisition and
2 development fund as provided in this act. ~~the~~

3 (C) THE payment of interest on bonds and notes of the
4 authority during construction. ~~the~~

5 (D) THE establishment of reserves to secure bonds and
6 notes. ~~the~~

7 (E) THE provisions of money for the housing development fund
8 in order to make noninterest bearing advances to nonprofit hous-
9 ing corporations and consumer housing cooperatives as provided in
10 this act. ~~the~~

11 (F) THE provision of money to be used for the land acquisi-
12 tion and development powers and purposes of the authority. ~~and all~~

14 (G) THE PROVISION OF MONEY FOR THE HOME EQUITY FUND TO PRO-
15 VIDE LOANS TO FIRST TIME HOME BUYERS AS PROVIDED IN SECTIONS 24H
16 TO 24o.

17 (H) ALL other expenditures of the authority incident to and
18 necessary or convenient to carry out ~~its~~ THE AUTHORITY'S corpo-
19 rate purposes and powers.

20 (2) The authority may issue renewal notes, issue bonds to
21 pay notes, and when it determines refunding expedient, refund
22 bonds by the issuance of new bonds, whether the bonds to be
23 refunded have or have not matured, and issue bonds partly to
24 refund bonds then outstanding and partly for any other purpose.
25 The refunding bonds shall be sold and the proceeds applied to the
26 purchase, redemption, or payment of the bonds to be refunded.

1 (3) Except as may otherwise be expressly provided by the
2 authority, every issue of its notes or bonds shall be general
3 obligations of the authority payable out of revenues or money of
4 the authority, subject only to agreements with the holders of
5 particular notes or bonds pledging any particular receipts or
6 revenues.

7 (4) Whether or not the notes or bonds are of a form or char-
8 acter as to be negotiable instruments under the uniform commer-
9 cial code, ACT NO. 174 OF THE PUBLIC ACTS OF 1962, BEING SECTIONS
10 440.1101 TO 440.11102 OF THE MICHIGAN COMPILED LAWS, the notes or
11 bonds shall be and are hereby made negotiable instruments within
12 the meaning of and for all the purposes of the uniform commercial
13 code, ACT NO. 174 OF THE PUBLIC ACTS OF 1962, subject only to the
14 provisions of the notes or bonds for registration.

15 (5) Unless an exception is available ~~pursuant to~~ UNDER
16 subsection (6), a bond issued by the authority shall be approved
17 by the ~~municipal finance commission or its successor agency~~
18 ~~but,~~ DEPARTMENT OF TREASURY AS REQUIRED BY THE MUNICIPAL FINANCE
19 ACT, ACT NO. 202 OF THE PUBLIC ACTS OF 1943, BEING SECTIONS 131.1
20 TO 139.3 OF THE MICHIGAN COMPILED LAWS. HOWEVER, except as pro-
21 vided by subsection (6), A BOND ISSUED BY THE AUTHORITY shall not
22 otherwise be subject to THE MUNICIPAL FINANCE ACT, Act No. 202 of
23 the Public Acts of 1943. ~~, as amended, being sections 131.1 to~~
24 ~~139.3 of the Michigan Compiled Laws.~~

25 (6) The requirement of subsection (5) for obtaining the
26 prior approval of the ~~municipal finance commission or its~~
27 ~~successor agency~~ DEPARTMENT OF TREASURY before issuing bonds

1 under this section shall be subject to sections 10 and 11 of
2 chapter III of THE MUNICIPAL FINANCE ACT, Act No. 202 of the
3 Public Acts of 1943, being sections 133.10 and 133.11 of the
4 Michigan Compiled Laws, and the department of treasury shall have
5 the same authority as provided by section 11 of chapter III of
6 THE MUNICIPAL FINANCE ACT, Act No. 202 of the Public Acts of
7 1943, to issue an order providing or denying an exception from
8 the prior approval required by subsection (5) for bonds autho-
9 rized by this section.

10 Section 2. This amendatory act shall not take effect unless
11 Senate Bill No. 116
12 of the 85th Legislature is enacted into law.