

Legislative Analysis



MSHDA REVISIONS: REFINANCING PROGRAMS

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 5442

Sponsor: Rep. Robert Dean

House Bill 5445

Sponsor: Rep. Mike Simpson

House Bill 5443

Sponsor: Rep. Steve Tobocman

House Bill 5446

Sponsor: Rep. Bettie Cook Scott

House Bill 5444

Sponsor: Rep. Michael Lahti

House Bill 5447

Sponsor: Rep. Joel Sheltrown

Committee: Banking and Financial Services
Complete to 11-27-07

A SUMMARY OF HOUSE BILLS 5442-5447 AS INTRODUCED 11-8-07

The bills would make revisions to various sections of the State Housing Development Authority Act (MSHDA) as follows:

House Bill 5447 would amend the Section 1 of the act (MCL 125.1401), which contains several legislative "determinations" related to need to provide assistance with financing purchases of existing single-family residences for low and moderate income families and assistance with financing the rehabilitation of existing residential rental properties. The bill would include in the list of legislative determinations the need to provide assistance with refinancing.

The bill would add a new legislative determination that there is a pressing need for the creation of programs to assist low and moderate income individuals and families with the refinancing of single-family mortgages in order to prevent families from losing their homes and to help stabilize the housing market in the state. The bill says 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" (giving rise to the need for the refinancing programs).

House Bill 5442 would amend Section 21 (MCL 125.1421) to change a reference from the Department of Consumer and Industry Services to the Department of Labor and Economic Growth. The bill would also delete a provision that required certain budgeting and procurement functions to be performed under the direction and supervision of the department director.

House Bill 5443 would amend Section 32a (MCL 125.1432a) to provide an exception for bonds issued to refinance single family homes from the provision's requirement that a

certain percentage of the proceeds of a bond program be used to finance single family homes for qualifying homebuyers. The bill is tie-barred to House Bills 5442 and 5444.

House Bill 5444 would amend Section 44 of the act (MCL 125.1444). Currently, Section 44 allows MSHDA, among other things, to make, purchase, or participate in loans made to individual purchasers for acquisition and long-term financing of newly rehabilitated, newly constructed, or existing 1- to 4-unit housing units. The bill would allow MSHDA to refinance these projects. In addition, to qualify under this provision, the purchase price of the unit must be under the cap established in the act. The bill would specify that in the case of a refinancing, the appraised value could not exceed the listed caps. The bill is tie-barred to House Bills 5442 and 5443.

House Bill 5445 would add a new section to the act (MCL 125.1424f) to create the Recapture Tax Fund. The fund would be under the jurisdiction and control of MSHDA. Money in the fund could be used to reimburse individual borrowers for any taxes the borrowers paid and for which they were liable under Section 143(m) of the Internal Revenue Code. Money in the fund could also be used for any similar recapture taxes applicable to programs that MSHDA administers.

Any money available to MSHDA from any source or sources, including, but not limited to, funds held by MSHDA could be paid into the fund. There would be no obligation for the authority to maintain a balance of money in the fund. The bill is tie-barred to House Bill 5442.

House Bill 5446 would amend Section 32 of the act (MCL 125.1432) to keep the current \$4.2 billion limit on outstanding bonds and notes in place until November 1, 2011 (for four additional years). Otherwise, it would revert to \$3.0 billion (subject to certain exclusions) after November 1, 2007. MSHDA finances below-market loans to rental housing developers and home buyers through the sale of tax-exempt and taxable bonds and notes to private investors.

FISCAL IMPACT:

The bills will have no direct fiscal impact on the State of Michigan or its local units of government. This is because MSHDA finances its loans and operating expenses through the sale of tax-exempt and taxable bonds to private investors, rather than from State of Michigan revenues. Further, these bonds are solely a direct obligation of MSHDA and are not a debt of the State of Michigan. Therefore, the State's bond ratings for various types of bonding are not affected by the issuance of MSHDA bonds. MSHDA will be able to finance the creation of the Recapture Tax Fund from its internal resources rather than a State of Michigan revenue source.

Legislative Analyst: Susan Stutzky
Fiscal Analyst: Richard Child

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.