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House Bill 5443 (Substitute H-1 as passed by the House)  
House Bill 5444 (Substitute H-3 as passed by the House)  
House Bill 5445 (Substitute H-1 as passed by the House)  
House Bill 5446 (as passed by the House)  
House Bill 5447 (Substitute H-1 as passed by the House)  
Sponsor: Representative Steve Tobocman (H.B. 5443)  
Representative Michael Lahti (H.B. 5444)  
Representative Mike Simpson (H.B. 5445)  
Representative Bettie Cook Scott (H.B. 5446)  
Representative Joel Sheltrown (H.B. 5447)

House Committee: Banking and Financial Services  
Senate Committee: Banking and Financial Institutions

Date Completed: 1-29-08

## **CONTENT**

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

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

The bills are described below.

### **House Bill 5443 (H-1)**

Under the Act, with respect to bonds, other than refunding bonds, issued to finance single-family homes, for the first 60 days following the announcement of a program funded by the proceeds of those bonds, 50% of the proceeds available to make loans must be reserved for applicants with gross annual incomes at or below 60% of the statewide median gross income. In addition, not more than 50% of the proceeds of those bonds may be used to

finance single-family homes for homebuyers who previously have had an ownership interest in a residence.

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

### **House Bill 5444 (H-3)**

Under the Act, MSHDA may make, purchase, or participate in loans made to individual purchasers for acquisition and long-term financing of newly rehabilitated, newly constructed, or existing one- to four-unit housing units, including a residential condominium unit. Under the bill, MSHDA also could participate in loans made to individual purchasers for long-term refinancing.

Currently, for a borrower to qualify, his or her family income may not exceed the following:

- For eligible distressed areas, \$74,750 on and after November 1, 2007.
- For any other area, \$65,000 on and after November 1, 2007.

The purchase price may not exceed the following:

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

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

### **House Bill 5445 (H-1)**

The bill would create the Recapture Tax Fund under the jurisdiction of MSHDA.

Any money available to MSHDA from any source or sources, including funds held by the Authority, could be paid into the Fund. The Authority would be under no obligation to maintain a balance in the Fund, and could use the money held in it 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, or any similar recapture taxes applicable to programs MSHDA administered.

(Under Section 143(M) of the Internal Revenue Code, if any taxpayer disposes of an interest in a residence with respect to which there is or was any federally-subsidized indebtedness that the taxpayer was liable to pay in whole or part, then the taxpayer's income tax liability is increased by the recapture amount with respect to that indebtedness, or 50% of the gain on the disposition of that interest, whichever is less, subject to other provisions of the Code.)

### **House Bill 5446**

Under the Act, until November 1, 2007, MSHDA was allowed to have outstanding bonds and notes in the aggregate principal amount of up to \$4.2 billion, excluding:

- The principal amount of bonds and notes issued to refund outstanding bonds and notes.
- The principal amount of bonds and notes that appreciated in principal amount, except to the extent of the principal amount of the bonds and notes payable at such time.

- The principal amount of notes and bonds representing an original issue discount, if any.
- The aggregate principal amount of bonds and notes issued on or before November 1, 2007, that was outstanding on that date and that exceeded \$3.0 billion.

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

### **House Bill 5447 (H-1)**

The bill would add to a list of legislative determinations regarding the need to provide assistance with financing purchases of existing single-family homes for low and moderate income families, and modify current determinations to include assistance with refinancing.

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

The Act states, "It is further determined that to assure an adequate supply of safe and sanitary housing for families of low and moderate income within the financial means of those families, it is necessary to facilitate the purchase of safe and sanitary existing housing by those families; that, in addition, new single-family housing construction is inhibited by the inability of prospective purchasers to sell existing single-family residences, and that those conditions result in the reduction of the number of safe and sanitary dwellings which would otherwise be made available to persons of low and moderate income; and that the depressed economy and decreased employment in this state are detrimental to the general welfare of the citizens of this state. It is further determined that it is necessary in order to alleviate those conditions and is a valid public purpose to provide for the financing, with the assistance of the authority, of the purchase of existing single-family residences for occupancy by low and moderate income families and families without regard to income in areas in municipalities which are experiencing blight or inability to redevelop land cleared of blight and which are predominately populated by low and moderate income persons and families."

Under the bill, this determination would refer to "financing or refinancing".

MCL 125.1432a (H.B. 5443)  
MCL 125.1444 (H.B. 5444)  
Proposed MCL 125.1424f (H.B. 5445)  
MCL 125.1432 (H.B. 5446)  
MCL 125.1401 (H.B. 5447)

Legislative Analyst: Craig Laurie

### **FISCAL IMPACT**

#### **House Bills 5443, 5444, 5446 & 5447**

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

## **House Bill 5445**

The bill would have an unknown fiscal impact on the Michigan State Housing Development Authority. Any contributions to the Recapture Tax Fund would be determined by MSHDA and made from available operating revenue. Staff of MSHDA expect that payments to the Fund to reimburse borrowers for recapture tax paid would be minimal.

Fiscal Analyst: Maria Tyszkiewicz  
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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.