

# Legislative Analysis

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## MSHDA AMENDMENTS

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**House Bill 5617 (without amendment)**  
**Sponsor: Rep. Dale W. Zorn**

**House Bill 5618 (without amendment)**  
**Sponsor: Rep. Deb Shaughnessy**

**House Bill 5620 (without amendment)**  
**Sponsor: Rep. Wayne Schmidt**

**Committee: Commerce**  
**Complete to 9-19-12**

*(Enacted as Public Acts 344, 345, and 346 of 2012)*

## A SUMMARY OF HOUSE BILLS 5617, 5618, & 5620 AS REPORTED FROM HOUSE COMMITTEE

Each of the bills would amend the State Housing Development Authority Act, under which the state's housing authority (MSHDA) conducts its programs.

House Bill 5617 would amend Section 44a, which deals with loans for the rehabilitation of property for occupancy by individuals or families of low and moderate income. The bill would:

- Revise the definition of "low and moderate income" so that it would apply to those with an income of 175% of statewide median gross income, as determined by the federal IRS Code. [This is \$105,700, according to MSHDA.] Currently the income limits are \$74,750 in an eligible distressed area and \$65,000 elsewhere.
- Revises the maximum principal loan amount. Currently the limit is \$50,000 for a residential structure containing one dwelling unit, but is reduced to \$35,000 if the loan is made in conjunction with additional money provided by a municipality or nonprofit community housing organization. This lower limit would be eliminated. (The \$25,000 per-unit limit for structures containing from 2 to 24 units would remain unchanged.)
- Use the term "residential property rehabilitation" loans rather than "home improvement" loans.
- Allow for a 30-year repayment instead of 20 years.

House Bill 5618 would amend Section 44c, which deals with loans to various nonprofit housing organizations, cooperatives, limited dividend housing organizations, mobile home park associations, and public entities for the construction, rehabilitation, and/or long-term financing of multi-family housing projects. The bill would eliminate the requirement that certain projects be in "eligible distressed areas." This currently applies to projects where at least 20% of the units are allotted to individuals of low and moderate income and where no more than 80% are available without regard to income.

House Bill 5620 would amend Section 32b, which applies to a mortgage credit certificate program administered through participating mortgage lenders. As noted below this allows borrowers a federal income tax credit.\* According to MSHDA, this changes the income

and purchase price limits for mortgage credit certificate (MCC) applicants to make them the same as those for applicants in MSHDA's single-family and property improvement loan programs. The federal statutes for MCCs and bond-financed single-family loans (described in Section 44 of MSHDA's act) are very similar; this would make state requirements match for both programs. Essentially, according to MSHDA, this would align MSHDA's MCC programs with MSHDA's parallel loan programs for greater administrative efficiency and to reduce confusion.

The bill revises program criteria for (1) the purchase price of eligible property and (2) the income of borrowers. In both cases, the bill makes the criteria the same as the limits established in Section 44 for newly rehabilitated, newly constructed, or existing one-to-four unit housing units for which the authority may make loans to individual purchasers for acquisition and long-term financing and refinancing. The new cap on a borrower's family income is \$108,000 for all borrowers for the acquisition of new or existing units. The new income limit related to the rehabilitation of an existing housing unit would be based on limits in Section 44a. (House Bill 5617 would make that 175% of statewide median gross income.) This would be instead of the limits currently in the act that are based on whether the property is located in a distressed area, and that currently are set at \$74,750 for a distressed area and \$65,000 for property located any other area.

The caps on purchase prices or, in the case of refinancing, the appraised values, would be as follows: (1) With respect to a one- or two-family unit, \$224,500 (instead of three times the income limit); with respect to a three-family unit, \$261,625 (instead of three and one-half times the income limit); and, with respect to a four-family unit, \$299,000 (instead of four times the income limit).

*\*[According to the MSHDA website: "A Mortgage Credit Certificate (MCC) is issued in connection with the purchase of a home and is designed to help lower income households afford homeownership. For eligible homebuyers, MCCs may reduce the amount of federal income tax. This is not a one-time credit. It is an annual credit for the life of the original mortgage, as long as the home remains the principal residence."]*

## **FISCAL IMPACT:**

Generally speaking, much of the activity conducted by the Michigan State Housing Development Authority (MSHDA) is independent of the state budget. Rather, MSHDA's loan and operating expenses are financed through the sale of tax-exempt and taxable bonds as well as notes to private investors.

House Bill 5617 would have a likely negligible fiscal impact on state and local government. The provisions of the bill would increase the income eligibility for the Property Improvement Program which provides loans for the rehabilitation of property for occupancy by individuals or families of low and moderate income. Additionally, the change in the maximum principal loan amount and repayment term would likely impact revenue flows, both in and out, for MSHDA.

House Bill 5618 would have a likely negligible fiscal impact on state and local government. The bill would expand the use of the pass-through lending program throughout the entire state, rather than just in eligible distressed areas. The changes would likely impact MSHDA revenue flows, both in and out, by expanding the reach of the program.

House Bill 5620 would have no fiscal impact on state and local government. The changes impact federal income tax credits.

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■ 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.