

HOUSE SUBSTITUTE FOR  
SENATE BILL NO. 1123

A bill to amend 1966 PA 346, entitled  
"State housing development authority act of 1966,"  
by amending section 44 (MCL 125.1444), as amended by 2008 PA 58.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 44. (1)(a) The authority may make loans to a nonprofit  
2 housing corporation, consumer housing cooperative, limited dividend  
3 housing corporation, limited dividend housing association, mobile  
4 home park corporation, or mobile home park association or to a  
5 public body or agency for the construction or rehabilitation, and  
6 for the long-term financing, of the following:  
7           (i) Housing for low income or moderate income persons.  
8           (ii) For the period ~~of time~~ beginning May 1, 1984, and ending  
9 November 1, 1987, housing projects in which not less than 20% of  
10 the dwelling units are allotted to individuals of low or moderate

1 income within the meaning of former section 103(b)(4)(A) of the  
2 internal revenue code of 1954; not less than 60% of the dwelling  
3 units are available to persons and families whose gross household  
4 income does not exceed 125% of the higher of either the median  
5 income for a family in this state or the median income for a family  
6 within the nonmetropolitan county or metropolitan statistical area  
7 in which the housing project is located, as determined by the  
8 authority; and not more than 20% of the dwelling units are  
9 available for occupancy without regard to income. The enactment of  
10 this subparagraph or the expiration of the authority granted by it  
11 does not affect rules in effect before July 10, 1984, or  
12 promulgated after July 9, 1984, to define low or moderate income  
13 persons.

14 (iii) For the period of time beginning May 1, 1984, and ending  
15 November 1, 1987, housing projects in eligible distressed areas in  
16 which housing projects not less than 20% of the dwelling units are  
17 allotted to individuals of low or moderate income within the  
18 meaning of former section 103(b)(4)(A) of the internal revenue code  
19 of 1954, ~~not~~ not less than 60% of the dwelling units are available to  
20 persons and families whose gross household income does not exceed  
21 150% of the higher of either the median income for a family in this  
22 state or the median income for a family within the nonmetropolitan  
23 county or metropolitan statistical area in which the housing  
24 project is located, as determined by the authority, and not more  
25 than 20% of the dwelling units are available for occupancy without  
26 regard to income.

27 (iv) Beginning November 1, 1987, multifamily housing projects

1 that meet the 20-50 or 40-60 test established in section 142 of the  
2 internal revenue code, 26 USC 142, and, in addition, in which the  
3 remaining dwelling units are available for occupancy without regard  
4 to income.

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

9 (b) Notwithstanding the **OTHER** provisions of this ~~section,~~  
10 **SUBSECTION**, the authority may establish by resolution higher income  
11 limits that it considers necessary to achieve sustained occupancy  
12 of a housing project financed under ~~subsection (1) (a) (i), (ii), (iii),~~  
13 ~~(iv), or (v)~~ **SUBDIVISION (A)** if the authority determines both of the  
14 following:

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

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

23 (c) A loan under this ~~section may be in an amount not to~~  
24 **SUBSECTION SHALL NOT** exceed 90% of the project cost as approved by  
25 the authority. For purposes of this section, the term "project  
26 cost" includes all items included in the definition of a project  
27 cost in section 11 and also includes a builder's fee equal to an

1 amount up to 5% of the amount of the construction contract,  
2 developer overhead allowance and fee of 5% of the amount of the  
3 project cost, the cost of furnishings, and a sponsor's risk  
4 allowance equal to 10% of the project cost. A loan shall not be  
5 made under this section unless a market analysis has been conducted  
6 that demonstrates a sufficient market exists for the housing  
7 project.

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

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

1 (1) (b) .

2 (f) For purposes of this subsection:

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

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

9 (2) (a) The authority may make loans to a nonprofit housing  
10 corporation, limited dividend housing corporation, mobile home park  
11 corporation, or mobile home park association for the construction  
12 or rehabilitation of housing units, including residential  
13 condominium units as **CONDOMINIUM UNIT IS** defined in section 4 of  
14 the condominium act, 1978 PA 59, MCL 559.104, for sale to  
15 individual purchasers of low or moderate income or to individual  
16 purchasers without regard to income when the housing units are  
17 located in an eligible distressed area. A loan under this ~~section~~  
18 ~~may be in an amount not to~~ **SUBSECTION SHALL NOT** exceed 100% of the  
19 project cost as approved by the authority in the case of a  
20 nonprofit housing corporation or individual purchaser, and ~~in an~~  
21 ~~amount not to~~ **SHALL NOT** exceed 90% of the project cost as approved  
22 by the authority in the case of a limited dividend housing  
23 corporation, mobile home park corporation, or mobile home park  
24 association.

25 (b) While a loan under this subsection is outstanding, a sale  
26 by a nonprofit housing corporation or limited dividend housing  
27 corporation or a subsequent resale is subject to approval by the

1 authority. The authority may provide in its rules concerning these  
 2 sales and resales that the price of the housing unit sold, the  
 3 method of making payments after the sale, the security afforded,  
 4 and the interest rate, fees, and charges to be paid shall at all  
 5 times be sufficient to permit the authority to make the payments on  
 6 its bonds and notes and to meet administrative or other costs of  
 7 the authority in connection with the transactions. Housing units  
 8 shall be sold under terms that provide for monthly payments  
 9 including principal, interest, taxes, and insurance.

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

18 (3) The authority may make, purchase, or participate in loans  
 19 made to individual purchasers for acquisition and long-term  
 20 financing or refinancing of newly rehabilitated, newly constructed,  
 21 or existing 1- to 4-unit housing units, including a residential  
 22 condominium unit as **CONDOMINIUM UNIT IS** defined in section 4 of the  
 23 condominium act, 1978 PA 59, MCL 559.104. ~~To qualify, all~~ **ALL** of  
 24 the following apply **TO MAKING, PURCHASING, OR PARTICIPATING IN A**  
 25 **LOAN UNDER THIS SUBSECTION:**

26 (a) The borrower's family income shall not exceed ~~\$108,000.00-~~  
 27 **THE INCOME REQUIREMENTS ESTABLISHED IN SECTION 143 OF THE INTERNAL**

1 REVENUE CODE, 26 USC 143. IF THOSE INCOME REQUIREMENTS ARE  
2 REPEALED, THE BORROWER'S FAMILY INCOME SHALL NOT EXCEED THE INCOME  
3 REQUIREMENTS THAT WERE IN EFFECT IMMEDIATELY BEFORE THE REPEAL.

4 (b) The purchase price or, in the case of a refinancing, the  
5 appraised value ~~does~~ **SHALL** not exceed the following:

6 (i) With respect to a 1- or 2-family unit, \$224,500.00.

7 (ii) With respect to a 3-family unit, \$261,625.00.

8 (iii) With respect to a 4-family unit, \$299,000.00.

9 (c) For unexpected cost increases during construction or  
10 improvements to adapt new or existing property for use by disabled  
11 individuals, the authority may increase the purchase price limit by  
12 an amount sufficient to cover these cost increases, but not to  
13 exceed \$3,500.00.

14 (d) If ~~an income or~~ **A** purchase price limit prescribed by this  
15 subsection exceeds an applicable limit prescribed by the internal  
16 revenue code, the internal revenue code limit applies if the loan  
17 will be financed with the proceeds of a tax-exempt bond.

18 (e) Except with respect to newly constructed housing units,  
19 the authority may by resolution establish, for a length of time the  
20 authority considers appropriate, maximum borrower income or  
21 purchase price limits more restrictive than those maximum  
22 limitations set forth in this ~~section~~ **SUBSECTION**. The authority  
23 shall advise the appropriate house and senate standing committees 5  
24 days prior to adopting a resolution establishing more restrictive  
25 maximum borrower income or purchase price limits.

26 (f) Before ~~making~~ **THE AUTHORITY MAKES** a loan under this  
27 section, authority staff shall determine that the borrower has the

1 ability to repay the loan.

2 (g) A loan made or purchased to finance the acquisition of an  
3 existing housing unit may include funds for rehabilitation.

4 (h) If the loan made is a loan for refinancing of a 1- to 4-  
5 unit housing unit, including a residential condominium unit as  
6 **CONDOMINIUM UNIT IS** defined in section 4 of the condominium act,  
7 1978 PA 59, MCL 559.104, the authority shall determine that 1 of  
8 the units is occupied by the borrower.

9 (4) A loan **UNDER THIS SECTION** shall be secured in a manner and  
10 be repaid in a period, not exceeding 50 years, as may be determined  
11 by the authority. A loan shall bear interest at a rate determined  
12 by the authority.

13 (5) A person who, for purposes of securing a loan under this  
14 act, misrepresents his or her income, including taking a leave of  
15 absence from his or her employment for purposes of diminishing his  
16 or her income, is not ~~to be~~ eligible for a loan under this act.

17 (6) With regard to refinancing, the authority shall not ~~enter~~  
18 ~~into any new making, purchasing, or participation in~~ **MAKE,**  
19 **PURCHASE, OR COMMENCE PARTICIPATION IN** loans to individual  
20 purchasers pursuant to subsection (3) ~~later than 3 years after the~~  
21 ~~effective date of the amendatory act that added this~~  
22 ~~subsection.~~ **AFTER APRIL 3, 2011.**

23 (7) **(A) THE AUTHORITY MAY MAKE, PURCHASE, OR PARTICIPATE IN A**  
24 **LOAN FOR ACQUISITION AND LONG-TERM FINANCING OF NEWLY**  
25 **REHABILITATED, NEWLY CONSTRUCTED, OR EXISTING 1- TO 4-UNIT HOUSING**  
26 **UNITS, INCLUDING A RESIDENTIAL CONDOMINIUM UNIT AS CONDOMINIUM UNIT**  
27 **IS DEFINED IN SECTION 4 OF THE CONDOMINIUM ACT, 1978 PA 59, MCL**



1 559.104, IF ALL OF THE FOLLOWING REQUIREMENTS ARE MET:

2 (i) THE LOAN IS MADE TO AN INDIVIDUAL PURCHASER OR PURCHASERS,  
3 WHOSE INCOME DOES NOT EXCEED THE INCOME REQUIREMENTS ESTABLISHED IN  
4 SECTION 143 OF THE INTERNAL REVENUE CODE, 26 USC 143. IF THOSE  
5 INCOME REQUIREMENTS ARE REPEALED, THE BORROWER'S FAMILY INCOME  
6 SHALL NOT EXCEED THE INCOME REQUIREMENTS THAT WERE IN EFFECT  
7 IMMEDIATELY BEFORE THE REPEAL.

8 (ii) THE PURCHASE PRICE OF THE HOUSING UNIT DOES NOT EXCEED THE  
9 GREATEST OF PURCHASE PRICE LIMITS ESTABLISHED FOR SIMILAR HOUSING  
10 UNITS BY FANNIE MAE, FREDDIE MAC, AND GINNIE MAE.

11 (iii) AT LEAST 1 OF THE DWELLING UNITS IS OWNED AND OCCUPIED BY  
12 THE INDIVIDUAL PURCHASER OR PURCHASERS TO WHOM THE LOAN IS MADE.

13 (iv) AUTHORITY STAFF DETERMINE THAT THE INDIVIDUAL PURCHASER OR  
14 PURCHASERS RECEIVING THE LOAN HAVE THE ABILITY TO REPAY THE LOAN.

15 (B) IF THE AUTHORITY MAKES, PURCHASES, OR PARTICIPATES IN A  
16 LOAN UNDER THIS SUBSECTION, THE LOAN MAY BE SECURITIZED BY THE  
17 AUTHORITY AND MAY EITHER BE SOLD TO INVESTORS OR HELD BY THE  
18 AUTHORITY.

19 (C) FOR PURPOSES OF THIS SUBSECTION:

20 (i) "FANNIE MAE" MEANS THE FEDERAL NATIONAL MORTGAGE  
21 ASSOCIATION ESTABLISHED UNDER AUTHORITY OF THE FEDERAL NATIONAL  
22 MORTGAGE ASSOCIATION CHARTER ACT, 12 USC 1716 TO 1723I.

23 (ii) "FREDDIE MAC" MEANS THE FEDERAL HOME LOAN MORTGAGE  
24 CORPORATION ESTABLISHED UNDER AUTHORITY OF THE FEDERAL HOME LOAN  
25 MORTGAGE CORPORATION ACT, 12 USC 1451 TO 1459.

26 (iii) "GINNIE MAE" MEANS THE GOVERNMENT NATIONAL MORTGAGE  
27 ASSOCIATION ESTABLISHED UNDER AUTHORITY OF THE FEDERAL NATIONAL

1 MORTGAGE ASSOCIATION CHARTER ACT, 12 USC 1716 TO 1723I.