

Legislative Analysis



RENEW MSHDA LOAN REFINANCING OPTION

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<http://www.house.mi.gov/hfa>

House Bill 4580 as introduced
Sponsor: Rep. Diana Farrington
Committee: Financial Services
Complete to 5-16-17

Analysis available at
<http://www.legislature.mi.gov>

REVISED SUMMARY:

Under Section 44(3) of the State Housing Development Authority Act, the Authority was granted the ability to make loans, and to purchase or participate in loans made to individual purchasers for acquisition and long-term financing or refinancing of newly rehabilitated, newly constructed, or existing one- to four-unit housing units including residential condominium units.

However, under subsection 6 of the act, with regard to *refinancing*, the Authority has been prohibited from making, purchasing, or commencing participation in loans to individual purchasers under subsection 3 since April 3, 2011. (See **Background** for additional information.)

House Bill 4580 would delete this sunset provision and allow the refinancing of such projects if certain requirements are met.

(Those requirements, which are in existing law, include (1) the loan recipient's income cannot exceed certain income requirements in federal law; (2) the purchase price of housing cannot exceed the greatest of purchase price limits established by Fannie Mae, Freddie Mac, and Ginnie Mae; (3) at least one of the dwelling units is occupied by an owner receiving the loan; and (4) Authority staff must determine a purchaser has the ability to repay the loan.)

FISCAL IMPACT:

The bill will have no fiscal impact on state or local government. The Michigan State Housing Development Authority (MSHDA) self-finances its loans and operating expenses through the sale of bonds, rather than through state appropriations. The bonds issued are a direct obligation of MSHDA and not subject to the full faith and credit of the State of Michigan.

BACKGROUND:

In 2008 MSHDA implemented two mortgage refinancing programs to help homeowners avoid foreclosure. MSHDA income limits applied (low- to moderate-income levels), as well as other eligibility criteria such as having an overall good credit history. MSDHA's refinancing programs were statutorily capped at three years, ending in April 2011.

MSHDA Rescue Refinance Program provided assistance to individuals who had a delinquency on their mortgage payments and who were unable to work out an affordable loan restructure with their current lender, to obtain a more affordable conventional 30-year, fixed-rate mortgage at below market rates. The new loan amount, which could be up to 100% of the appraised value, could have included closing costs, prepaid expenses, and, in some cases, the payoff of a second mortgage lien.

The MSHDA ARM Assist Refinance Program assisted individuals with an adjustable rate mortgage obtain a fixed-rate mortgage to lower their monthly payment and provide stability in monthly housing expenses. The new loan amount could have been up to 100% of the appraised value, could have included closing costs, prepaid expense, and, in some instances, the payoff of a second mortgage lien.

The provisions of the bill would provide MSHDA with new refinancing authority and would be used to allow existing MSHDA homeowners the option of refinancing first and resubordinating another mortgage second.

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