

# HOUSE BILL No. 4580

May 3, 2017, Introduced by Rep. Farrington and referred to the Committee on Financial Services.

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 2012 PA 326.

**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 beginning May 1, 1984, and ending November  
9 1, 1987, housing projects in which not less than 20% of the  
10 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 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 subsection,  
10 the authority may establish by resolution higher income limits that  
11 it considers necessary to achieve sustained occupancy of a housing  
12 project financed under subdivision (a) if the authority determines  
13 both of the following:

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

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

22 (c) A loan under this subsection shall not exceed 90% of the  
23 project cost as approved by the authority. For purposes of this  
24 section, the term "project cost" includes all items included in the  
25 definition of a project cost in section 11 and also includes a  
26 builder's fee equal to an amount up to 5% of the amount of the  
27 construction contract, **A** developer overhead allowance and fee of 5%

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

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

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

27 (f) For purposes of this subsection:

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

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

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

22           (b) While a loan under this subsection is outstanding, a sale  
23 by a nonprofit housing corporation or limited dividend housing  
24 corporation or a subsequent resale is subject to approval by the  
25 authority. The authority may provide in its rules concerning these  
26 sales and resales that the price of the housing unit sold, the  
27 method of making payments after the sale, the security afforded,

1 and the interest rate, fees, and charges to be paid shall at all  
2 times be sufficient to permit the authority to make the payments on  
3 its bonds and notes and to meet administrative or other costs of  
4 the authority in connection with the transactions. Housing units  
5 shall be sold under terms that provide for monthly payments  
6 including principal, interest, taxes, and insurance.

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

15 (3) The authority may make, purchase, or participate in loans  
16 made to individual purchasers for acquisition and long-term  
17 financing or refinancing of newly rehabilitated, newly constructed,  
18 or existing 1- to 4-unit housing units, including a residential  
19 condominium unit as condominium unit is defined in section 4 of the  
20 condominium act, 1978 PA 59, MCL 559.104. All of the following  
21 apply to making, purchasing, or participating in a loan under this  
22 subsection:

23 (a) The borrower's family income shall not exceed ~~The~~**THE**  
24 income requirements established in section 143 of the internal  
25 revenue code, 26 USC 143. If those income requirements are  
26 repealed, the borrower's family income shall not exceed the income  
27 requirements that were in effect immediately before the repeal.

1 (b) The purchase price or, in the case of a refinancing, the  
2 appraised value shall not exceed the following:

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

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

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

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

11 (d) If a purchase price limit prescribed by this subsection  
12 exceeds an applicable limit prescribed by the internal revenue  
13 code, the internal revenue code limit applies if the loan will be  
14 financed with the proceeds of a tax-exempt bond.

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

23 (f) Before the authority makes a loan under this section,  
24 authority staff shall determine that the borrower has the ability  
25 to repay the loan.

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

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

6 (4) A loan under this section shall be secured in a manner and  
7 be repaid in a period, not exceeding 50 years, as may be determined  
8 by the authority. A loan shall bear interest at a rate determined  
9 by the authority.

10 (5) A person who, for purposes of securing a loan under this  
11 act, misrepresents his or her income, including taking a leave of  
12 absence from his or her employment for purposes of diminishing his  
13 or her income, is not eligible for a loan under this act.

14 ~~—— (6) With regard to refinancing, the authority shall not make,~~  
15 ~~purchase, or commence participation in loans to individual~~  
16 ~~purchasers pursuant to subsection (3) after April 3, 2011.~~

17 **(6) (A)** ~~(7) (a)~~ The authority may make, purchase, or participate  
18 in a loan for acquisition and long-term financing **OR REFINANCING** of  
19 newly rehabilitated, newly constructed, or existing 1- to 4-unit  
20 housing units, including a residential condominium unit as  
21 condominium unit is defined in section 4 of the condominium act,  
22 1978 PA 59, MCL 559.104, if all of the following requirements are  
23 met:

24 (i) The loan is made to an individual purchaser or purchasers,  
25 whose income does not exceed the income requirements established in  
26 section 143 of the internal revenue code, 26 USC 143. If those  
27 income requirements are repealed, the borrower's family income



1 shall not exceed the income requirements that were in effect  
2 immediately before the repeal.

3 (ii) The purchase price of the housing unit does not exceed  
4 the greatest of purchase price limits established for similar  
5 housing units by Fannie Mae, Freddie Mac, and Ginnie Mae.

6 (iii) At least 1 of the dwelling units is owned and occupied  
7 by the individual purchaser or purchasers to whom the loan is made.

8 (iv) Authority staff determine that the individual purchaser  
9 or purchasers receiving the loan have the ability to repay the  
10 loan.

11 (b) If the authority makes, purchases, or participates in a  
12 loan under this subsection, the loan may be securitized by the  
13 authority and may either be sold to investors or held by the  
14 authority.

15 (c) For purposes of this subsection:

16 (i) "Fannie Mae" means the ~~federal national mortgage~~  
17 ~~association~~ **FEDERAL NATIONAL MORTGAGE ASSOCIATION** established under  
18 authority of the federal national mortgage association charter act,  
19 12 USC 1716 to ~~1723i~~ **1749AAA-5**.

20 (ii) "Freddie Mac" means the ~~federal home loan mortgage~~  
21 ~~corporation~~ **FEDERAL HOME LOAN MORTGAGE CORPORATION** established  
22 under authority of the federal home loan mortgage corporation act,  
23 ~~12 USC 1451 to 1459~~ **TITLE III OF PUBLIC LAW 91-351**.

24 (iii) "Ginnie Mae" means the ~~government national mortgage~~  
25 ~~association~~ **GOVERNMENT NATIONAL MORTGAGE ASSOCIATION** established  
26 under authority of the federal national mortgage association  
27 charter act, 12 USC 1716 to ~~1723i~~ **1749AAA-5**.

**1** Enacting section 1. This amendatory act takes effect 90 days  
**2** after the date it is enacted into law.