

**SENATE BILL NO. 348**

February 23, 1999, Introduced by Senators HAMMERSTROM, SCHUETTE, SIKKEMA, STEIL, SHUGARS, EMERSON and GOSCHKA and referred to the Committee on Economic Development, International Trade and Regulatory Affairs.

A bill to amend 1966 PA 346, entitled  
"State housing development authority act of 1966,"  
by amending section 22 (MCL 125.1422), as amended by 1998 PA 33.

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

1       Sec. 22. The authority shall possess all powers necessary  
2 or convenient to carry out this act, including the following  
3 powers in addition to other powers granted by other provisions of  
4 this act:

5       (a) To sue and to be sued; to have a seal and to alter the  
6 seal at pleasure; to have perpetual succession; to make and exe-  
7 cute contracts and other instruments necessary or convenient to  
8 the exercise of the powers of the authority; and to make, amend,  
9 and repeal bylaws and rules.

10       (b) To undertake and carry out studies and analyses of  
11 housing needs within this state and ways of meeting those needs,



1 including data with respect to population and family groups, the  
2 distribution of population and family groups according to income,  
3 and the amount and quality of available housing and its distribu-  
4 tion according to rentals and sales prices, employment, wages,  
5 and other factors affecting housing needs and the meeting of  
6 housing needs; to make the results of those studies and analyses  
7 available to the public and the housing and supply industries;  
8 and to engage in research and disseminate information on  
9 housing.

10       (c) To agree and comply with conditions attached to federal  
11 financial assistance.

12       (d) To survey and investigate housing conditions and needs,  
13 both urban and rural, throughout this state and make recommenda-  
14 tions to the governor and the legislature regarding legislation  
15 and other measures necessary or advisable to alleviate any exist-  
16 ing housing shortage in this state.

17       (e) To establish and collect fees and charges in connection  
18 with the sale of the authority's publications and the authority's  
19 loans, commitments, and servicing, including but not limited to  
20 the reimbursement of costs of financing by the authority, service  
21 charges, and insurance premiums as the authority determines to be  
22 reasonable and as approved by the authority. Fees and charges  
23 shall be determined by the authority and shall not be considered  
24 to be interest. The authority may use any accumulated fees and  
25 charges and interest income for achieving any of the corporate  
26 purposes of the authority, to the extent that the fees, charges,

1 and interest income are not pledged to the repayment of bonds and  
2 notes of the authority or the interest on those bonds and notes.

3 (f) To encourage community organizations to assist in initi-  
4 ating housing projects as provided in this act.

5 (g) To encourage the salvage of all possible usable housing  
6 scheduled for demolition because of highway, school, urban renew-  
7 al, or other programs by seeking authority for the sponsors of  
8 the programs to use funds provided for the demolition of the  
9 buildings, to be allocated to those sponsors approved by the  
10 authority to defray moving and rehabilitation costs of the  
11 buildings.

12 (h) To engage and encourage research in, and to formulate  
13 demonstration projects to develop, new and better techniques and  
14 methods for increasing the supply of housing for persons eligible  
15 for assistance as provided in this act; and to provide technical  
16 assistance in the development of housing projects and in the  
17 development of programs to improve the quality of life for all  
18 the people of this state.

19 (i) To make or purchase loans, including loans for condomin-  
20 ium units as defined in section 4 of the condominium act, 1978 PA  
21 59, MCL 559.104, and including loans to mortgage lenders, which  
22 are unsecured or the repayments of which are secured by mort-  
23 gages, security interests, or other forms of security; to pur-  
24 chase and enter into commitments for the purchase of securities,  
25 certificates of deposits, time deposits, or mortgage loans from  
26 mortgage lenders; to participate in the making or purchasing of  
27 unsecured or secured loans and undertake commitments to make or

1 purchase unsecured or secured loans; to sell mortgages, security  
2 interests, notes, and other instruments or obligations evidencing  
3 or securing loans, including certificates evidencing interests in  
4 1 or more loans, at public or private sale; in connection with  
5 the sale of an instrument or obligation evidencing or securing 1  
6 or more loans, to service, guarantee payment on, or repurchase  
7 the instrument or obligation, whether or not it is in default; to  
8 modify or alter mortgages and security interests; to foreclose on  
9 any mortgage, security interest, or other form of security; to  
10 finance housing units; to commence an action to protect or  
11 enforce a right conferred upon the authority by law, mortgage,  
12 security agreement, contract, or other agreement; to bid for and  
13 purchase property that was the subject of the mortgage, security  
14 interest, or other form of security, at a foreclosure or at any  
15 other sale, and to acquire or take possession of the property.  
16 Upon acquiring or taking possession of the property, the author-  
17 ity may complete, administer, and pay the principal and interest  
18 of obligations incurred in connection with the property, and may  
19 dispose of and otherwise deal with the property in any manner  
20 necessary or desirable to protect the interests of the authority  
21 in the property. If the authority or an entity that provides  
22 mortgage insurance to the authority acquires property upon the  
23 default of a borrower, the authority may make a mortgage loan to  
24 a subsequent purchaser of that property even if the purchaser  
25 does not meet otherwise applicable income limitations and pur-  
26 chase price limits.

1       (j) To set standards for housing projects that receive loans  
2 under this act and to provide for inspections to determine  
3 compliance with those standards. The standards for construction  
4 and rehabilitation of mobile homes, mobile home parks, and mobile  
5 home condominium projects shall be established jointly by the  
6 authority and the mobile home commission, created in the mobile  
7 home commission act, 1987 PA 96, MCL 125.2301 to 125.2349.  
8 However, financing standards shall be established solely by the  
9 authority.

10       (k) To accept gifts, grants, loans, appropriations, or other  
11 aid from the federal, state, or local government, from a subdivi-  
12 sion, agency, or instrumentality of a federal, state, or local  
13 government, or from a person, corporation, firm, or other  
14 organization.

15       (l) To acquire or contract to acquire from a person, firm,  
16 corporation, municipality, or federal or state agency, by grant,  
17 purchase, or otherwise, leaseholds or real or personal property,  
18 or any interest in a leasehold or real or personal property; to  
19 own, hold, clear, improve, and rehabilitate and to sell, assign,  
20 exchange, transfer, convey, lease, mortgage, or otherwise dispose  
21 of or encumber any interest in a leasehold or real or personal  
22 property. This act shall not impede the operation and effect of  
23 local zoning, building, and housing ordinances, ordinances relat-  
24 ing to subdivision control, land development, or fire prevention,  
25 or other ordinances having to do with housing or the development  
26 of housing.

1           (m) To procure insurance against any loss in connection with  
2 the property and other assets of the authority.

3           (n) To invest, at the discretion of the authority, funds  
4 held in reserve or sinking funds, or moneys not required for  
5 immediate use or disbursement, in obligations of this state or of  
6 the United States, in obligations the principal and interest of  
7 which are guaranteed by this state or the United States, or in  
8 other obligations as may be approved by the state treasurer.

9           (o) To promulgate rules necessary to carry out the purposes  
10 of this act and to exercise the powers expressly granted in this  
11 act in accordance with the administrative procedures act of 1969,  
12 1969 PA 306, MCL 24.201 to 24.328.

13           (p) To enter into agreements with nonprofit housing corpora-  
14 tions, consumer housing cooperatives, limited dividend housing  
15 corporations, mobile home park corporations, and mobile home park  
16 associations that provide for regulation by the authority of the  
17 planning, development, and management of any housing project  
18 undertaken by nonprofit housing corporations, consumer housing  
19 cooperatives, limited dividend housing corporations, mobile home  
20 park corporations, and mobile home park associations and which  
21 provide for the disposition of the property and franchises of  
22 those corporations, cooperatives, and associations.

23           (q) To appoint to the board of directors of a nonprofit  
24 housing corporation, consumer housing cooperative, limited divi-  
25 dend housing corporation, mobile home park corporation, or mobile  
26 home park association, a number of new directors sufficient to  
27 constitute a majority of the board notwithstanding other

1 provisions of the articles of incorporation or other provisions  
2 of law. Directors appointed under this subsection need not be  
3 stockholders or members or meet other qualifications that may be  
4 described by the certificate of incorporation or bylaws. In the  
5 absence of fraud or bad faith, directors appointed under this  
6 subsection shall not be personally liable for debts, obligations,  
7 or liabilities of the corporation or association. The authority  
8 may appoint directors under this subsection only if 1 or more of  
9 the following occur:

10       (i) The nonprofit housing corporation, consumer housing  
11 cooperative, limited dividend housing corporation, mobile home  
12 park corporation, or mobile home park association has received a  
13 loan or advance, as provided for in this act, and the authority  
14 determines that the loan or advance is in jeopardy of not being  
15 repaid.

16       (ii) The nonprofit housing corporation, consumer housing  
17 cooperative, limited dividend housing corporation, mobile home  
18 park corporation, or mobile home park association received a loan  
19 or advance as provided for in this act and the authority deter-  
20 mines that the proposed housing project for which the loan or  
21 advance was made is in jeopardy of not being constructed.

22       (iii) The authority determines that some part of the net  
23 income or net earnings of the nonprofit housing corporation is  
24 inuring to the benefit of a private individual, firm, corpora-  
25 tion, partnership, or association; the authority determines that  
26 an unreasonable part of the net income or net earnings of the  
27 consumer housing cooperative is inuring to the benefit of a



1 private individual, firm, corporation, partnership, or  
2 association; or the authority determines that some part of the  
3 net income or net earnings of the limited dividend housing corpo-  
4 ration, in excess of that permitted by other provisions of this  
5 act, is inuring to the benefit of a private individual, firm,  
6 corporation, partnership, or association.

7       (iv) The authority determines that the nonprofit corporation  
8 or consumer housing cooperative is in some manner controlled by,  
9 under the direction of, or acting in the substantial interest of  
10 a private individual, firm, corporation, partnership, or associa-  
11 tion seeking to derive benefit or gain from, or seeking to elimi-  
12 nate or minimize losses in any dealings or transactions with, the  
13 nonprofit corporation or consumer housing cooperative. However,  
14 this subparagraph shall apply to individual cooperators in con-  
15 sumer housing cooperatives only in circumstances defined by the  
16 authority in its rules.

17       (v) The authority determines that the nonprofit housing cor-  
18 poration, consumer housing cooperative, limited dividend housing  
19 corporation, mobile home park corporation, or mobile home park  
20 association is in violation of the rules promulgated under this  
21 section.

22       (vi) The authority determines that the nonprofit housing  
23 corporation, consumer housing cooperative, limited dividend hous-  
24 ing corporation, mobile home park corporation, or mobile home  
25 park association is in violation of 1 or more agreements entered  
26 into with the authority that provide for regulation by the  
27 authority of the planning, development, and management of a

1 housing project undertaken by the nonprofit housing corporation,  
2 consumer housing cooperative, limited dividend housing corpora-  
3 tion, mobile home park corporation, or mobile home park associa-  
4 tion or that provide for the disposition of the property and  
5 franchises of the corporation, or cooperative, or association.

6       (r) To give approval or consent to the articles of incorpo-  
7 ration submitted to the authority by a corporation seeking  
8 approval as a nonprofit housing corporation, consumer housing  
9 cooperative, limited dividend housing corporation, or mobile home  
10 park corporation under chapter 4, 5, 6, or 8; to give approval or  
11 consent to the partnership agreement, joint venture agreement,  
12 trust agreement, or other document of basic organization of a  
13 limited dividend housing association under chapter 7 or mobile  
14 home park association under chapter 9.

15       (s) To engage the services of private consultants on a con-  
16 tract basis for rendering professional and technical assistance  
17 and advice.

18       (t) To lease real or personal property and to accept federal  
19 funds for, and participate in, federal programs of housing  
20 assistance.

21       (u) To review and approve rental charges for  
22 authority-financed housing projects and require whatever changes  
23 the authority determines to be necessary. The changes shall  
24 become effective after not less than 30 days' written notice is  
25 given to the residents of the affected authority-financed housing  
26 projects.

1           (v) To set forth in the various loan documents of the  
2 authority those restrictions on the sale, conveyance by land  
3 contract, or transfer of residential real property, housing  
4 projects, or housing units for which a note is held by the  
5 authority and restrictions on the assumption by subsequent pur-  
6 chasers of loans originated by and held by, or originated for  
7 purchase by and held by, the authority as the authority deter-  
8 mines to be necessary in order to comply with requirements of  
9 federal statutes, federal rules or regulations promulgated under  
10 sections 551 to 559 of title 5 of the United States code, 5  
11 U.S.C. 551 to 559, state statutes, or state rules promulgated  
12 under the administrative procedures act of 1969, 1969 PA 306, MCL  
13 24.201 to 24.328, or to obtain and maintain the tax exempt status  
14 of authority bonds and notes. However, the authority shall not  
15 use a due on sale or acceleration clause solely for the purpose  
16 of renegotiating the interest rate on a loan made with respect to  
17 an owner-occupied single-family housing unit. Without limiting  
18 the authority's power to establish other restrictions, as pro-  
19 vided in this section, on the sale, conveyance by land contract,  
20 or transfer of residential real property, housing projects, or  
21 housing units for which a note is held by the authority and the  
22 assumption by subsequent purchasers of loans made or purchased by  
23 the authority, the authority shall provide in its loan documents  
24 relating to a single family loan that the single family loan may  
25 be assumed by a new purchaser only when the new purchaser quali-  
26 fies under the authority income limitations rules except where  
27 such a restriction diminishes or precludes the insurance or a

1 guarantee by an agency of the federal government with respect to  
2 the single family loan. A loan made for a mobile home that the  
3 borrower does not intend to permanently affix to real property  
4 shall become immediately due and payable in the event the mobile  
5 home is moved out of the state. Any restrictions on conveyance  
6 by sale, conveyance by land contract, or transfer that are autho-  
7 rized in this section shall apply only to loans originated by and  
8 held by, or originated for purchase by and held by, the authority  
9 and may, at the option of the authority, be enforced by acceler-  
10 ating and declaring immediately due and payable all sums evi-  
11 denced by the note held by the authority. An acceleration and  
12 declaration of all sums to be due and payable on conveyance by  
13 sale, land contract, or transfer is not an unreasonable restraint  
14 on alienation. An acceleration and declaration, unless otherwise  
15 prohibited in this subdivision, of all sums to be due and payable  
16 under this subdivision is enforceable in any court of competent  
17 jurisdiction. This subdivision is applicable to secured and  
18 unsecured loans. This subdivision is also applicable to loan  
19 documents utilized in conjunction with an authority-operated pro-  
20 gram of residential rehabilitation by an entity cooperating or  
21 participating with the authority under section 22a(4), which  
22 loans are originated with the intent to sell those loans to the  
23 authority.

24 (w) To set forth in the various loan documents of the  
25 authority those remedies for the making of a false statement,  
26 representation, or pretense or a material misstatement by a  
27 borrower during the loan application process. Without limiting

1 the authority's power to pursue other remedies, the authority  
2 shall provide in its loan documents that, if a borrower makes a  
3 false statement, representation, or pretense or a material mis-  
4 statement during the loan application process, the authority, at  
5 its option, may accelerate and declare immediately due and pay-  
6 able all sums evidenced by the note held by the authority. An  
7 acceleration and declaration of all sums to be due as authorized  
8 under this subdivision and payable as provided in this subdivi-  
9 sion is enforceable in any court of competent jurisdiction. This  
10 subdivision is applicable to secured and unsecured loans.

11 (x) To collect interest on a real estate loan, the primary  
12 security for which is not a first lien on real estate, at the  
13 rate of 15% or less per annum on the unpaid balance. This subdi-  
14 vision does not impair the validity of a transaction or rate of  
15 interest that is lawful without regard to this subdivision.

16 (y) To encourage and engage or participate in programs to  
17 accomplish the preservation of housing in this state available  
18 for occupancy by persons and families of low or moderate income.

19 (z) To verify for the state treasurer statements submitted  
20 by a city, village, township, or county as to exempt properties  
21 under section 7d of the general property tax act, 1893 PA 206,  
22 MCL 211.7d.

23 (aa) To enter into interest rate exchanges or swaps, hedges,  
24 or similar agreements with respect to its bonds or notes in the  
25 same manner and subject to the same limitations and conditions  
26 provided for a municipality in section 15 of chapter III of the  
27 municipal finance act, 1943 PA 202, MCL 133.15.

1           (bb) To make working capital loans to contractors or  
2 subcontractors on housing projects financed by the authority.  
3 The authority shall submit an annual report to the legislature  
4 containing the amount, recipient, duration, circumstance, and  
5 other related statistics for each capital loan made to a contrac-  
6 tor or subcontractor under this subdivision. The authority shall  
7 include in the report statistics related to the cost of improve-  
8 ments made to adapt property for use by disabled individuals as  
9 provided in section 32b(5) or (6) or section 44(2)(a).

10          (cc) Subject to rules of the civil service commission, to  
11 adopt a code of ethics with respect to its employees that  
12 requires disclosure of financial interests, defines and precludes  
13 conflicts of interest, and establishes reasonable post-employment  
14 restrictions for a period of up to 1 year after an employee ter-  
15 minates employment with the authority.

16          (dd) To impose covenants running with the land in order to  
17 satisfy requirements of applicable federal law with respect to  
18 housing assisted or to be assisted through federal programs such  
19 as the low income housing tax credit program or the home invest-  
20 ment partnerships program by executing and recording regulatory  
21 agreements between the authority or such municipality or other  
22 entity as may be designated by the authority and the person or  
23 entity to be bound. These covenants shall run with the land and  
24 be effective with respect to the parties making the covenants and  
25 other intended beneficiaries of the covenants, even though there  
26 is no privity of estate or privity of contract as between the  
27 authority and the persons or entities to be bound.

1       (ee) To impose covenants running with the land in order to  
2 satisfy requirements of applicable state or federal law with  
3 respect to housing financed by the authority by executing and  
4 recording regulatory agreements between the authority and the  
5 person or entity to be bound. These covenants shall run with the  
6 land and be effective with respect to the parties making the cov-  
7 enants and other intended beneficiaries of the covenants, even  
8 though there is no privity of estate or privity of contract as  
9 between the authority and the persons or entities to be bound.  
10 With respect to the application of any applicable environmental  
11 laws, this subdivision shall not be construed to grant to the  
12 authority any additional rights, privileges, or immunities not  
13 otherwise afforded to a private lender that is not in the chain  
14 of title for the land.

15       (ff) To participate in programs designed to assist persons  
16 and families whose incomes do not exceed 115% of the greater of  
17 statewide median gross income or the area median gross income  
18 become homeowners where loans are made by private lenders for  
19 purchase by the government national mortgage association, federal  
20 national mortgage association, federal home loan mortgage corpo-  
21 ration, or other federally chartered organizations.  
22 Participation may include providing or funding homeownership  
23 counseling and providing some or all of a reserve fund to be used  
24 to pay for losses in excess of insurance coverage.

25       (gg) To invest up to 20% of funds held by or for the author-  
26 ity in escrow accounts for the benefit of the authority or  
27 mortgagors of authority-financed housing in loans originated or

1 purchased by the authority, under the conditions prescribed in  
2 this subdivision and without the consent of the escrow  
3 depositors. In connection with loans described in this subdivi-  
4 sion, the authority may charge and retain fees in amounts similar  
5 to those charged with respect to similar loans for which the  
6 source of funding does not come from escrow funds. The invest-  
7 ment authorized by this subdivision shall not be made unless both  
8 of the following requirements are met:

9       (i) The return on the loan is approximately equivalent to  
10 that which could be obtained from investments of substantially  
11 similar credit quality and maturity, as determined by the  
12 authority.

13       (ii) The authority agrees to repurchase from its own funds  
14 and at the same prices at which the loans were sold to the escrow  
15 funds, as adjusted for the accretion of discount or amortization  
16 of premium, plus accrued interest, any loans that become delin-  
17 quent in excess of 30 days. This subdivision does not obligate  
18 the authority to purchase a delinquent loan so long as with  
19 respect to that loan the authority advances money from its own  
20 funds in the amount of the delinquent payments. The authority's  
21 election to advance payments does not in any manner abate or cure  
22 the delinquency of the loan and the authority may resort to any  
23 remedies that would exist in the absence of that payment.

24       (hh) To acquire, develop, rehabilitate, own, operate, and  
25 enter into contracts with respect to the management and operation  
26 of real and personal property to use as office facilities by the



1 authority and to enter into leases with respect to facilities not  
2 immediately necessary for the activities of the authority.

3 (II) [REDACTED] TO MAKE LOANS TO  
4 CERTAIN QUALIFIED BUYERS AND RESIDENT ORGANIZATIONS AND TO MAKE  
5 GRANTS TO RESIDENT ORGANIZATIONS AS PROVIDED IN THE FOLLOWING:

6 (i) THE URBAN HOMESTEAD ACT.

7 (ii) THE URBAN HOMESTEADING ON VACANT LAND ACT.

8 (iii) THE URBAN HOMESTEADING IN SINGLE-FAMILY PUBLIC HOUSING  
9 ACT.

10 (iv) THE URBAN HOMESTEADING IN MULTIFAMILY PUBLIC HOUSING  
11 ACT.