



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 1124 (as introduced 5-15-12)
Sponsor: Senator Mark C. Jansen
Committee: Economic Development

(as passed by the Senate)

Date Completed: 5-16-12

CONTENT

The bill would amend the State Housing Development Authority Act to define "escrow account" for purposes of a provision authorizing the Michigan State Housing Development Authority (MSHDA) to invest funds in escrow accounts for the benefit of the Authority or mortgagors of MSHDA-financed housing.

The Act authorizes MSHDA to invest up to 20% of funds held, by or for the Authority, in escrow accounts for MSHDA's benefit or that of mortgagors of MSHDA-financed housing. These investments must be made in loans originated or purchased by MSHDA, under the conditions prescribed in the Act and without the consent of the escrow depositors.

The bill specifies that, for purposes of that provision, "escrow account" would mean any account or reserve held by MSHDA and established in a mortgage or a regulatory agreement to which MSHDA is a party or that has been assigned to the Authority. The term, however, would not include any account labeled in the associated regulatory agreement as "development cost escrow principal" or "operating assurance reserve".

The investments in escrow accounts may not be made unless MSHDA agrees to repurchase from its own funds and at the same prices at which the loans were sold to the escrow funds, as adjusted for the accretion of discount or amortization of premium, plus accrued interest, any loans that become delinquent in excess of 30 days. The bill, instead, would prohibit the investments unless MSHDA agreed to pay with its own funds the principal balance of any loan, made with the escrow funds, that became delinquent in excess of 30 days.

MCL 125.1422

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Elizabeth Pratt

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.