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Senate Bill 397 (as reported without amendment)

Sponsor: Senator Mary Cavanagh

Committee: Housing and Human Services

### **CONTENT**

The bill would amend the State Housing Development Authority Act to increase, from \$5.0 billion to \$7.0 billion, the limit on all outstanding bonds and notes that the Michigan State Housing Development Authority (MSHDA) may have.

MCL 125.1432

### **BRIEF RATIONALE**

According to testimony, MSHDA can issue debt for limited programs that allow for the purchase of single-family mortgages, funding for family development, home improvement loans, and the cost of issuing bonds. Citing inflation and the gap between taxable rates (what banks lend at) and tax-exempt rates (what MSHDA lends at), MSHDA estimates it will reach the bond cap by October 2023. Accordingly, it has been suggested that the bond cap be increased to allow for the continuation of these programs.

Legislative Analyst: Eleni Lionas

### **FISCAL IMPACT**

The bill would increase the cap on outstanding bonds and notes from \$5.0 billion to \$7.0 billion. The new debt issue is related to single-family housing programs. Without the additional bonding authority, programs would have to be reduced.

The Authority's bonds are not considered general obligations of the State and are secured by revenue received from various loan programs operated by MSHDA. Debt is issued for the purchase of single-family mortgages, multifamily developments, the funding of home improvement loans, and for the cost of issuing the bonds. The assets purchased by the debt are used as the security, while the mortgages on the assets are used to repay the bonds. The revenue from these programs supports the financing of the debt and MSHDA's operations. Currently, MSHDA does not require any State dollars to support its operations.

The cap on outstanding debts was increased from \$3.0 billion to \$4.2 billion in 2008 because of increased demand during the recession. In 2011, the cap was continued until November 1, 2014, when the cap was reduced to \$3.4 billion. Since 2014, rising property costs throughout the State have contributed to increased costs to purchase assets and to finance MSHDA's various programs. The cap was increased from \$3.4 billion to \$5.0 billion in 2020 because the Authority had hit the limit.

Date Completed: 6-27-23

Fiscal Analyst: Cory Savino, PhD