

MSHDATM

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

House Financial Services Committee

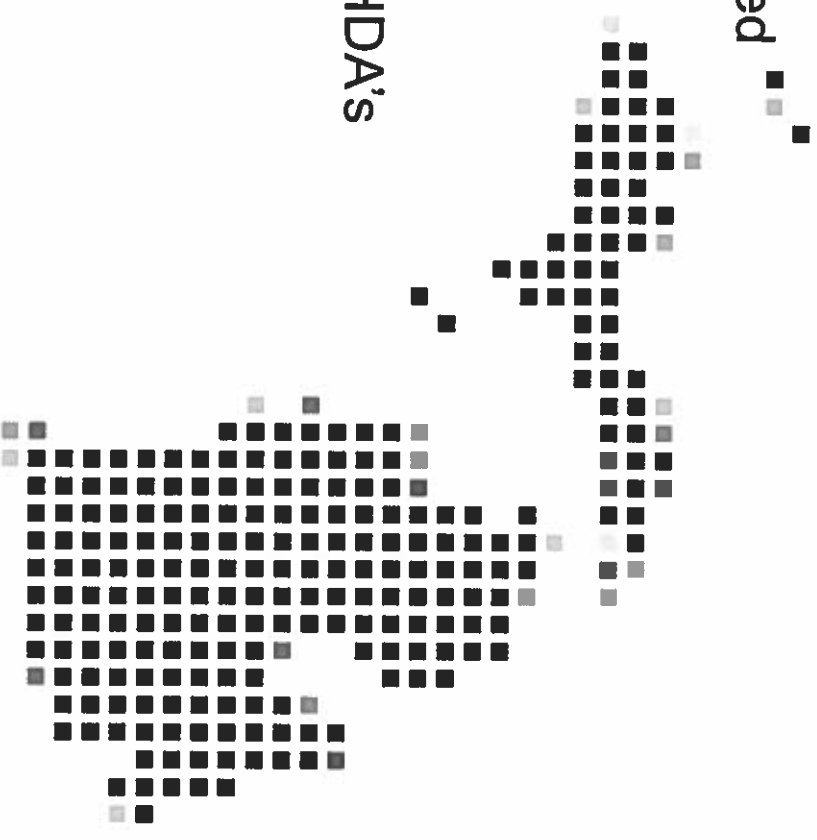
House Bill 4580

House Financial Services Committee

Wednesday, May 17, 2017

MSHDA Refinancing History

- MSHDA has typically financed its single-family home purchase program with the proceeds of bonds, the interest on which is exempt from federal taxation.
- Up until 2008, the IRS had not permitted tax-exempt bond proceeds to be used for refinancing loans; all loans had to be “new loans.”
- Because MSHDA’s source of funding could not be used for refinancing, MSHDA’s act did not permit it to do refinancing.



MSHDA Refinancing History

- In 2008, because of the recession, the IRS created a temporary exception and allowed tax-exempt bond proceeds to be used for refinancing, as well as new loans.
- MSHDA asked the legislature for a change to its act to allow it to take advantage of this new ability.
- The legislature passed Public Act 57 of 2008, giving MSHDA the ability to refinance loans over a period of three years, from April 3, 2008 to April 3, 2011.



Goals



- MSHDA has now determined that it could develop a viable refinancing program using funds other than tax-exempt bond proceeds.
- MSHDA will need its act changed to once again allow it to refinance single-family mortgage loans.

Projected Outcomes

- Obtaining approval for refinances will possibly better our mortgagor's financial position by financing at a lower rate and subordinating the original Down Payment Assistance loan.
- This will decrease the risk of the Authority, and allow the homeowners to be sustainable with future homeownership.



Questions?

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