

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 36-C

SPONSOR: Committee on Appropriations and Senator Clary

SUBJECT: Expanded Homeowner Assistance Program

DATE: November 28, 2001 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Pingree	Revell	AP	Favorable/CS
2.	_____	_____	_____	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

Currently, the Florida Housing Finance Corporation (corporation) provides loans under the Florida Homeownership Assistance Program (HAP) to low-income persons and families for down payments and closing costs related to the purchase of the borrower’s primary residence. To be eligible for a HAP loan, a person or family must have an income that does not exceed **80 percent of the state or local median income**, whichever is greater, adjusted for family size. Loan amounts are limited to the lesser of 25 percent of the purchase price of the home or the amount necessary to enable the purchaser to meet credit requirements. Under current law, the interest rate for HAP loans may not exceed 3 percent; however, the corporation’s rules provide for “no interest” loans.

CS/SB 36-C creates a temporary Expanded Homeownership Assistance Program and provides that persons or families earning up to **150 percent of the state or county median income** (whichever is greater, adjusted for family size) are eligible for no interest loans for down payments or closing costs related to the purchase of the person’s or family’s primary residence. Each loan is limited to the lesser of 10 percent of the total purchase price or 10 percent of the residence’s appraised value, with a cap of \$15,000 per loan.

II. Present Situation:

Under current law, the Florida Housing Finance Corporation (corporation) provides loans under the Florida Homeownership Assistance Program (HAP) to low-income persons and families for down payments and closing costs related to the purchase of the borrower’s primary residence (ss. 420.503(23)(a)1. and 420.5088(1), F.S.). To be eligible for a HAP loan, a person or family must have an income that does not exceed 80 percent of the state or local median income, whichever is greater, adjusted for family size. In April 2001, the United States Department of Housing and

Urban Development (HUD) published "Estimated Median Family Incomes for FY 2001" (NOTICE PDR-2001-02). Using this data, the estimated median income for the State of Florida in FY 2001 is \$49,400. The estimated median income for non-metropolitan areas in Florida is \$38,400 and for metropolitan areas, \$50,300. Using this data, 80 percent of the statewide value is \$39,520, while county values would range from \$30,720 to \$40,240 (based on metropolitan designation). The corporation currently charges each loan applicant a \$50 application fee (Rule 67-45.007, F.A.C.).

Loan amounts are limited to the lesser of 25 percent of the purchase price of the home or the amount necessary to enable the purchaser to meet credit requirements. Under s. 420.5088, F.S., the interest rate for HAP loans may not exceed 3 percent; however, the corporation's rules provide for "no interest" loans (Rule 67-45.001(5), F.A.C.). Borrowers do not have to repay HAP loans until the term of the borrower's first mortgage has expired. A HAP loan establishes a lien against the borrower's residence, but is "subordinated," which means the lien is secondary to the mortgage lender's lien. In addition, the balance of any HAP loan is due at closing if the borrower sells or transfers the residence.

A portion of the documentary stamp tax receipts deposited in the State Housing Trust Fund provides funding for HAP. Under current law, loan repayments are deposited in the Florida Homeownership Assistance Fund maintained by the corporation and do not revert to the General Revenue Fund (s. 420.5088(5), F.S.). Further, current law exempts these funds from being included in the corporation's budget request and appropriated by the Legislature.

III. Effect of Proposed Changes:

CS/SB 36-C creates a temporary Expanded Homeownership Assistance Program, which is automatically repealed on June 30, 2003. This extended program provides loans for down payments and closing costs related to the purchase of the borrower's primary residence and is similar to HAP. However, the extended program targets both moderate and middle-income persons and families, in addition to the low-income borrowers currently eligible under HAP. The bill provides that loans under the extended program are non-interest bearing. Funding for the loans is subject to specific legislative appropriation, and the corporation is authorized to adopt rules implementing the extended program.

Loans under the extended program differ from HAP loans primarily in two ways. First, the extended program expands eligibility beyond the current level of 80 percent of median income. To be eligible for a loan under the extended program, a person or family must have an income that does not exceed 150 percent of the state or county median income, whichever is greater, adjusted for family size. Using the same data described above, 150 percent of the statewide value would be \$74,100, while county values would range from \$57,600 to \$75,450 (depending on metropolitan designation). Second, the extended program limits loan amounts to \$15,000. Loan amounts are further limited to the lesser of 10 percent of the total purchase price or 10 percent of the appraised value of the borrower's residence.

CS/SB 36-C provides that on June 30, 2003 (when the program terminates), any unencumbered balance of funds specifically appropriated for the program will revert to the General Revenue Fund. The bill takes effect upon coming a law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

The Expanded Homeownership Assistance Program will assist persons and families in qualifying for mortgage loans by providing funds for down payments and closing costs through no-interest loans. Presumably, the improved ability of these persons and families to purchase homes will increase demand for mortgages, subject to the level of funding appropriated for the program. The program may also benefit financial institutions and the construction industry through the increased sale of homes.

C. Government Sector Impact:

The Expanded Homeownership Assistance Program is subject to specific legislative appropriation. CS/SB 2-C provides \$12 million from available non-recurring balances in the State Housing Trust Fund for this program.

Additionally, the bill gives the Florida Housing Finance Corporation the authority to collect and retain a \$50 application fee for each loan to defray the costs of administering the program.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
