

107TH CONGRESS
2^D SESSION

H. R. 3774

To amend the Internal Revenue Code of 1986 to provide a credit to promote homeownership among low-income individuals.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 14, 2002

Mr. JEFFERSON (for himself and Mr. RANGEL) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide a credit to promote homeownership among low-income individuals.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; FINDINGS; PURPOSES.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Home at Last Tax Credit Act of 2002”.

6 (b) FINDINGS.—Congress finds the following:

7 (1) Homeownership is of primary importance in
8 building wealth in low-income families.

9 (2) 67 percent of the wealth that is owned by
10 nonelderly low-income households consists of the eq-

1 uity in their residences, and the median wealth of
2 such non-elderly low-income households is 12 times
3 greater than the median wealth of nonelderly renters
4 with the same level of income.

5 (3) The national homeownership rate hit a
6 record 68.1 percent in September 2001, but the
7 homeownership rates for lower-income households
8 are considerably less. While 82.2 percent of house-
9 holds earning 100 percent or more of the national
10 median income now own homes, only 52.6 percent of
11 households earning less than the national median
12 are homeowners. Homeownership rates among
13 households earning less than 80 percent of the na-
14 tional median are substantially less.

15 (4) According to the Bureau of the Census, in
16 1993, 88 percent of all renters and 93 percent of
17 renters earning less than \$20,000 could not afford
18 a house selling for half of the regional median house
19 price.

20 (5) There is a 23 percentage point difference in
21 homeownership rates between central cities and sub-
22 urban cities, which is largely the result of the con-
23 centration of low-income households in central cities.
24 This concentration of low-income housing in central
25 cities makes these areas uniquely susceptible to the

1 negative effects of recession, such as job loss, which
2 has historically led to a concentration of foreclosures
3 in central city neighborhoods. Such concentrations of
4 foreclosures depress area housing value and deplete
5 the equity wealth of surrounding homeowners.

6 (6) The cost of the largest Federal tax incen-
7 tives for homeownership, the mortgage interest de-
8 duction and the real estate tax deduction, is equal
9 to approximately twice the amount of Federal ex-
10 penditures for direct Federal housing assistance
11 which benefits low-income households.

12 (7) The mortgage interest deduction and the
13 real estate tax deduction have little value to low-in-
14 come households because the itemized tax deductions
15 of low-income households generally do not exceed the
16 standard deduction.

17 (8) Over 90 percent of the total benefits of the
18 mortgage interest deduction accrue to home buyers
19 with incomes greater than \$40,000.

20 (9) Current provisions in the Internal Revenue
21 Code of 1986 to promote homeownership among low-
22 income households, such as the mortgage revenue
23 bond program, the mortgage credit certificate pro-
24 gram, and the low-income housing credit, fail to si-
25 multaneously attack the twin constraints of lack of

1 wealth and low income that prevent many low-in-
2 come households from becoming homeowners.

3 (c) PURPOSES.—The purposes of this Act are—

4 (1) to establish a decentralized, market-driven
5 approach to increasing homeownership among house-
6 holds earning less than 80 percent of household me-
7 dian income; and to increase mixed-income home
8 ownership in new or newly renovated households lo-
9 cated in census tracts targeted for investment and
10 redevelopment by the United States Department of
11 Housing and Urban Development (HUD), typically
12 referred to as Difficult to Develop Areas (DDAs);

13 (2) to enable these low-income households to
14 overcome income constraints that frequently prevent
15 them from becoming homeowners and building
16 wealth through home equity; and

17 (3) to reduce the disparities in homeownership
18 between low-income households and higher-income
19 households and between central cities and suburban
20 cities, and attract investment into the Nation's cen-
21 tral cities.

22 **SEC. 2. HOME AT LAST TAX CREDIT.**

23 (a) IN GENERAL.—Subpart D of part IV of sub-
24 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 (relating to business related credits) is amended by
2 adding at the end the following:

3 **“SEC. 45G. HOME AT LAST TAX CREDIT.**

4 “(a) ALLOWANCE OF CREDIT.—

5 “(1) IN GENERAL.—For purposes of section 38,
6 the amount of the home at last tax credit deter-
7 mined under this section for any taxable year in the
8 credit period shall be an amount equal to the appli-
9 cable percentage of the home at last tax credit
10 amount allocated such taxpayer by a State housing
11 finance agency in the credit allocation year under
12 subsection (b).

13 “(2) APPLICABLE PERCENTAGE.—For purposes
14 of this section, the Secretary shall prescribe the ap-
15 plicable percentage for any year in which the tax-
16 payer is a qualified lender. Such percentage with re-
17 spect to any financial reporting period in the credit
18 period with respect to such taxpayer shall be per-
19 centages which will yield over such period amounts
20 of credit under paragraph (1) which have a present
21 value equal to 100 percent of the home at last tax
22 credit amount allocated such taxpayer under sub-
23 section (b).

24 “(3) METHOD OF DISCOUNTING.—For purposes
25 of paragraph (2), present value shall be determined

1 in the same manner as the low-income housing tax
2 credit under section 42(b)(2)(C), except that clause
3 (i) thereof shall be applied as if it read ‘as of the
4 last day of the credit period (as defined in section
5 45G(f)(1))’.

6 “(b) ALLOCATION OF HOME AT LAST TAX CREDIT
7 AMOUNTS.—

8 “(1) AMOUNT OF CREDIT.—Each qualified
9 State shall receive a home at last tax credit dollar
10 amount for each calendar year in an amount equal
11 to the sum of—

12 “(A) an amount equal to—

13 “(i) 40 cents multiplied by the State
14 population, multiplied by

15 “(ii) 10, plus

16 “(B) the unused home at last tax credit
17 dollar amount (if any) of such State for the
18 preceding calendar year or years.

19 “(2) QUALIFIED STATE.—For purposes of this
20 section—

21 “(A) IN GENERAL.—The term ‘qualified
22 State’ means a State that has 1 or more hous-
23 ing credit agencies with an allocation plan that
24 complies with the general provisions set forth in
25 subparagraph (B). If there is more than 1

1 housing credit agency of a State, all such agen-
2 cies shall be treated as a single agency.

3 “(B) ALLOCATION PLAN.—For purposes of
4 this paragraph, the term ‘allocation plan’ means
5 a written plan, submitted to the Secretary by
6 October 15, which includes—

7 “(i) selection criteria for the allocation
8 of credits to qualified lenders—

9 “(I) based on a process in which
10 lenders submit bids for the value of
11 the credit, and

12 “(II) which gives priority to
13 qualified lenders who will originate
14 qualified home at last loans during
15 the calendar year for which the tax
16 credits are allocated for use,

17 “(ii) an assurance that the State will
18 not allocate in excess of 10 percent of the
19 home at last tax credit amount for the cal-
20 endar year for qualified home at last loans
21 which are neighborhood revitalization
22 project loans,

23 “(iii) an assurance that the State will
24 not allocate in excess of 15 percent of the

1 home at last tax credit amount for the cal-
2 endar year to one qualified lender,

3 “(iv) an assurance that the State will
4 not allow more than 25 percent of the
5 home at last tax credit amount for the cal-
6 endar year to be used to subsidize home
7 purchases or new home construction for
8 qualified borrowers earning in excess of
9 120 percent of household median income,

10 “(v) a procedure that the agency (or
11 an agent or other private contractor of
12 such agency) will follow in monitoring for
13 noncompliance with the provisions of this
14 section and in notifying the Internal Rev-
15 enue Service of such noncompliance with
16 respect to which such agency becomes
17 aware, and

18 “(vi) such other assurances as the
19 Secretary may require.

20 “(3) QUALIFIED LENDER.—For purposes of
21 this section, the term ‘qualified lender’ means a
22 lender which—

23 “(A) is an insured depository institution
24 (as defined in section 3 of the Federal Deposit
25 Insurance Act), an insured credit union (as de-

1 fined in section 101(7) of the Federal Credit
2 Union Act), community development financial
3 institution (as defined in section 103 of the
4 Community Development Banking and Finan-
5 cial Institutions Act of 1994 (12 U.S.C. 4702)),
6 or nonprofit community development corpora-
7 tion (as defined in section 613 of the Commu-
8 nity Economic Development Act of 1981 (42
9 U.S.C. 9802)), and

10 “(B) during the 1-year period beginning on
11 the date of the credit allocation, uses its own
12 funds to buy down the interest rate charged of
13 a qualified borrower such that the aggregate
14 amount of funds applied as prepaid points is
15 not less than the amount of the bid of such
16 lender for such credit allocation.

17 “(4) CARRYOVER OF CREDIT.—A home at last
18 tax credit amount received by a State for any cal-
19 endar year and not allocated in such year shall re-
20 main available to be allocated in the succeeding cal-
21 endar year.

22 “(5) POPULATION.—For purposes of this sec-
23 tion, population shall be determined in accordance
24 with section 146(j).

25 “(6) COST-OF-LIVING ADJUSTMENT.—

1 “(A) IN GENERAL.—In the case of a cal-
2 endar year after 2002, the 40 cent amount con-
3 tained in paragraph (1)(A)(i) shall be increased
4 by an amount equal to—

5 “(i) such amount, multiplied by
6 “(ii) the cost-of-living adjustment de-
7 termined under section 1(f)(3) for such
8 calendar year by substituting ‘calendar
9 year 2001’ for ‘calendar year 1992’ in sub-
10 paragraph (B) thereof.

11 “(B) ROUNDING.—If any amount as ad-
12 justed under subparagraph (A) is not a multiple
13 of 5 cents, such amount shall be rounded to the
14 next lowest multiple of 5 cents.

15 “(c) QUALIFIED HOME AT LAST LOAN DEFINED.—
16 For purposes of this section, the term ‘qualified home at
17 last loan’ means a first mortgage single-family residential
18 loan funded by a qualified lender to finance the purchase
19 or construction or purchase and construction of a resi-
20 dence by a qualified borrower which has a lower-than-mar-
21 ket interest rate as a result of a lender rate ‘buydown’,
22 but only if—

23 “(1) the requirements of subsections (d) and (e)
24 are met,

1 “(2) subject to paragraph (6), the proceeds
2 from such loan are applied exclusively—

3 “(A) to acquire such residence, or

4 “(B) to acquire and substantially improve
5 such residence in connection with a neighbor-
6 hood revitalization project, or

7 “(C) to build a residence,

8 “(3) the principal amount of the loan is not
9 greater than 105 percent of the purchase price of
10 the residence securing the loan,

11 “(4) the loan results in a monthly housing ex-
12 pense-to-income ratio with respect to such residence
13 of not more than 33 percent at the time of closing,

14 “(5) the total of prepaid points used to buy
15 down the effective interest rate is not more than—

16 “(A) \$10,000 for qualified borrowers earn-
17 ing greater than 70 percent of area household
18 median income,

19 “(B) \$20,000 for qualified borrowers earn-
20 ing 70 percent or less of area household median
21 income,

22 “(C) in the case of a neighborhood revital-
23 ization project loan, subparagraph (A) shall be
24 applied by substituting ‘\$15,000’ for ‘\$10,000’,

1 and subparagraph (B) shall be applied by sub-
2 stituting ‘\$25,000’ for ‘\$20,000’, or

3 “(D) in the case of a below-market-rate
4 loan offered by a State housing finance agency
5 in conjunction with a mortgage revenue bond
6 program, subparagraph (A) shall be applied by
7 substituting ‘\$5,000’ for ‘\$10,000’, and sub-
8 paragraph (B) shall be applied by substituting
9 ‘\$10,000’ for ‘\$20,000’,

10 “(6) the loan has a term of 30 years,

11 “(7) the loan has a fixed interest rate and fully
12 amortizes over the term of the mortgage,

13 “(8) the loan is a conventional single-family
14 first mortgage, a government-guaranteed single-fam-
15 ily first mortgage, or a single-family first mortgage
16 originated under a program which is administered
17 by the State and which is in existence on the date
18 of enactment of this section, and

19 “(9) the loan is in an amount not greater than
20 the maximum principal obligation amount eligible
21 for insurance under section 203(b)(2) of the Na-
22 tional Housing Act (12 U.S.C. 1709)(b)(2)) for a 1-
23 family dwelling.

24 “(d) MORTGAGOR.—

1 “(1) IN GENERAL.—A loan meets the require-
2 ments of this subsection if it is made to a
3 mortgagor—

4 “(A) whose household income for the year
5 in which the mortgagor applies for the loan is
6 80 percent or less of the area median gross
7 household income for the area in which the resi-
8 dence which secures the mortgage is located, or

9 “(B) who is buying a home or duplex for
10 owner-occupancy in a census tract targeted for
11 reinvestment and redevelopment by the Depart-
12 ment of Housing and Urban Development, re-
13 gardless of household income,

14 “(C) for whom the monthly housing ex-
15 pense-to-income ratio with respect to a market-
16 rate single-family mortgage would exceed 28
17 percent,

18 “(D) but for whom a qualified home at last
19 loan would not result in a monthly housing ex-
20 pense-to-income ratio greater than 33 percent
21 at the time of closing,

22 “(E) who has not owned a home within the
23 three years prior to the date of applying for a
24 qualified home at last loan, and

1 “(F) who attends pre-purchase home-
2 ownership counseling provided by a qualified
3 nonprofit organization consistent with stand-
4 ards established by the American Homeowner-
5 ship Education and Counseling Institute
6 (AHECI).

7 “(2) DETERMINATION OF HOUSEHOLD IN-
8 COME.—For purposes of this subsection and sub-
9 section (h), the household income of a mortgagor
10 and area median gross income shall be determined
11 in accordance with section 143(f)(2).

12 “(e) RESIDENCE REQUIREMENTS.—A loan meets the
13 requirements of this subsection if it is secured by a resi-
14 dence that is—

15 “(1) a single-family residence which is the prin-
16 cipal residence (within the meaning of section 121)
17 of the mortgagor, or can reasonably be expected to
18 become the principal residence of the mortgagor
19 within a reasonable time after the financing is pro-
20 vided,

21 “(2) purchased by the mortgagor with a down
22 payment in an amount not less than the lesser of—

23 “(A) 1 percent of the purchase price, or

24 “(B) \$1,000, and

1 “(3) in the case of a mortgagor with a house-
2 hold income greater than 50 percent of the area me-
3 dian gross income, as determined under subsection
4 (d)(1)(A), not financed in connection with a quali-
5 fied mortgage issued under section 143. For pur-
6 poses of paragraph (1), a manufactured home shall
7 not be treated as a single-family residence unless
8 such home meets the requirements of section 604(h)
9 of the Housing and Community Development Act of
10 1974.

11 “(f) DEFINITION AND SPECIAL RULES.—

12 “(1) CREDIT PERIOD DEFINED.—For purposes
13 of this section, the term ‘credit period’ means the
14 taxable year in which a home at last tax credit
15 amount is allocated to the taxpayer.

16 “(2) DISPOSITION OF HOME AT LAST LOANS.—
17 If a qualified home at last loan is disposed of in the
18 12 months following its closing date as a result of
19 a borrower default, the taxpayer forfeits the credit
20 making it available for reallocation by the State.

21 “(3) PREPAYMENT OF HOME AT LAST LOANS.—
22 If, during the 12 months following its closing date,
23 a qualified home at last loan is fully repaid by the
24 borrower, the lender may claim only a portion of the
25 tax credit with the remainder being forfeited and

1 available for reallocation. The portion of tax credit
2 that can be claimed is determined by dividing the
3 number of days that have passed between the closing
4 date and the date of payoff by 365 and multiplying
5 that number by the value of the tax credit allocated
6 to the lender for the purposes of originating the pre-
7 paid home at last loan.

8 “(g) OTHER DEFINITIONS.—For purposes of this
9 section—

10 “(1) NEIGHBORHOOD REVITALIZATION
11 PROJECT LOAN.—

12 “(A) IN GENERAL.—The term ‘neighbor-
13 hood revitalization project loan’ means a loan
14 secured by a first mortgage on a one- to four-
15 family residence, the proceeds of which are used
16 to substantially improve such residence in con-
17 nection with a neighborhood revitalization
18 project.

19 “(B) NEIGHBORHOOD REVITALIZATION
20 PROJECT.—The term ‘neighborhood revitaliza-
21 tion project’ means a project of sufficient size
22 and scope to alleviate physical deterioration and
23 stimulate investment in—

24 “(i) a geographic location within the
25 jurisdiction of a unit of local government

1 (but not the entire jurisdiction) designated
2 in comprehensive plans, ordinances, or
3 other documents as a neighborhood, vil-
4 lage, or similar geographic designation, or
5 “(ii) the entire jurisdiction of a unit
6 of local government if the population of
7 such jurisdiction is not in excess of 25,000.

8 “(2) STATE.—The term ‘State’ includes a pos-
9 session of the United States.

10 “(3) STATE HOUSING FINANCE AGENCY.—The
11 term ‘State housing finance agency’ means the pub-
12 lic agency, authority, corporation, or other instru-
13 mentality of a State that has the authority to pro-
14 vide residential mortgage loan financing throughout
15 the State.

16 “(h) CERTIFICATION AND OTHER REPORTS TO THE
17 SECRETARY.—

18 “(1) CERTIFICATION WITH RESPECT TO STATE
19 ALLOCATION OF HOME AT LAST TAX CREDITS.—The
20 Secretary may, upon a finding of noncompliance, re-
21 voke the certification of a qualified State and revoke
22 any qualified home at last tax credit amounts allo-
23 cated to such State or allocated by such State to a
24 qualified lender.

1 “(2) ANNUAL REPORT FROM HOUSING FINANCE
2 AGENCIES.—Each State housing finance agency
3 which allocates any home at last tax credit amount
4 to any qualified lender for any calendar year shall
5 make available to the public no later than November
6 1 of the following year) an annual report
7 specifying—

8 “(A) the home at last tax credit amount
9 allocated to each qualified lender for such year,
10 and

11 “(B) with respect to each qualified
12 lender—

13 “(i) the principal amount of each
14 qualified home at last loan made by such
15 lender in such year,

16 “(ii) the number of qualified home at
17 last loans made by such lender in such
18 year,

19 “(iii) the interest rate prior to
20 buydown and the effective interest rate
21 after buydown of each qualified home at
22 last loan,

23 “(iv) the status of each qualified
24 homeownership loan defined as ‘per-
25 forming’, ‘delinquent less than 60 days’,

1 ‘delinquent 60 days or more’, or ‘in fore-
2 closure’,

3 “(v) the household income as a per-
4 cent of area median household income of
5 each qualified borrower,

6 “(vi) any other information the Sec-
7 retary may deem essential to assuring fair
8 mortgage pricing and that the benefit of
9 the tax credit is being passed through the
10 taxpayer to the qualified borrower in the
11 form of a lower interest rate, and

12 “(vii) the penalty under section
13 6652(j) shall apply to any failure to pro-
14 vide the report required by this paragraph
15 on the date prescribed herein.

16 “(i) REGULATIONS.—The Secretary may prescribe
17 such regulations as may be necessary or appropriate to
18 carry out the purposes of this section.”.

19 (b) LIMITATION ON CARRYBACK OF UNUSED CRED-
20 IT.—Subsection (d) of section 39 of the Internal Revenue
21 Code of 1986 (relating to carryback and carryforward of
22 unused credits) is amended by adding at the end the fol-
23 lowing:

24 “(11) NO CARRYBACK OF HOME AT LAST TAX
25 CREDITS BEFORE EFFECTIVE DATE.—No portion of

1 the unused business credit for any taxable year
2 which is attributable to the home at last tax credit
3 determined under section 45G may be carried back
4 to a taxable year ending before the date of the en-
5 actment of section 45G.”

6 (c) CONFORMING AMENDMENTS.—

7 (1) Section 38(b) of the Internal Revenue Code
8 of 1986 is amended—

9 (A) by striking “plus” at the end of para-
10 graph (14),

11 (B) by striking the period at the end of
12 paragraph (15) and inserting “, plus”, and

13 (C) by adding at the end the following:

14 “(16) the home at last tax credit determined
15 under section 45G.”

16 (2) The table of sections for subpart D of part
17 IV of subchapter A of chapter 1 of such Code is
18 amended by adding at the end the following:

“Sec. 45G. Home at last tax credit.”

19 (d) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to calendar years after 2001.

○