

108TH CONGRESS
1ST SESSION

H. R. 1132

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

IN THE HOUSE OF REPRESENTATIVES

MARCH 6, 2003

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.**

4 This Act may be cited as the “Home At Last Tax
5 Credit Act of 2003”.

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

7 (a) IN GENERAL.—Subpart D of part IV of sub-
8 chapter A of chapter 1 of the Internal Revenue Code of
9 1986 (relating to business related credits) is amended by
10 adding at the end the following:

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

2 “(a) ALLOWANCE OF CREDIT.—

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

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

22 “(3) METHOD OF DISCOUNTING.—For purposes
23 of paragraph (2), present value shall be determined
24 in the same manner as the low-income housing tax
25 credit under section 42(b)(2)(C), except that clause
26 (i) thereof shall be applied as if it read ‘as of the

1 last day of the credit period (as defined in section
2 45G(f)(1))’.

3 “(b) ALLOCATION OF HOME AT LAST TAX CREDIT
4 AMOUNTS.—

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

9 “(A) an amount equal to—

10 “(i) 40 cents multiplied by the State
11 population, multiplied by

12 “(ii) 10, plus

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

16 “(2) QUALIFIED STATE.—For purposes of this
17 section—

18 “(A) IN GENERAL.—The term ‘qualified
19 State’ means a State that has 1 or more hous-
20 ing credit agencies with an allocation plan that
21 complies with the general provisions set forth in
22 subparagraph (B). If there is more than 1
23 housing credit agency of a State, all such agen-
24 cies shall be treated as a single agency.

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

5 “(i) selection criteria for the allocation
6 of credits to qualified lenders—

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

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

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

21 “(iii) an assurance that the State will
22 not allocate in excess of 15 percent of the
23 home at last tax credit amount for the cal-
24 endar year to one qualified lender,

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

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

16 “(vi) such other assurances as the
17 Secretary may require.

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

21 “(A) is an insured depository institution
22 (as defined in section 3 of the Federal Deposit
23 Insurance Act), an insured credit union (as de-
24 fined in section 101(7) of the Federal Credit
25 Union Act), community development financial

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

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

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

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

23 “(6) COST-OF-LIVING ADJUSTMENT.—

24 “(A) IN GENERAL.—In the case of a cal-
25 endar year after 2003, the 40 cent amount con-

1 tained in paragraph (1)(A)(i) shall be increased
2 by an amount equal to—

3 “(i) such amount, multiplied by

4 “(ii) the cost-of-living adjustment de-
5 termined under section 1(f)(3) for such
6 calendar year by substituting ‘calendar
7 year 2002’ for ‘calendar year 1992’ in sub-
8 paragraph (B) thereof.

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

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

21 “(1) the requirements of subsections (d) and (e)
22 are met,

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

25 “(A) to acquire such residence, or

1 “(B) to acquire and substantially improve
2 such residence in connection with a neighbor-
3 hood revitalization project, or

4 “(C) to build a residence,

5 “(3) the principal amount of the loan is not
6 greater than 105 percent of the purchase price of
7 the residence securing the loan,

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

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

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

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

19 “(C) in the case of a neighborhood revital-
20 ization project loan, subparagraph (A) shall be
21 applied by substituting ‘\$15,000’ for ‘\$10,000’,
22 and subparagraph (B) shall be applied by sub-
23 stituting ‘\$25,000’ for ‘\$20,000’, or

24 “(D) in the case of a below-market-rate
25 loan offered by a State housing finance agency

1 in conjunction with a mortgage revenue bond
2 program, subparagraph (A) shall be applied by
3 substituting ‘\$5,000’ for ‘\$10,000’, and sub-
4 subparagraph (B) shall be applied by substituting
5 ‘\$10,000’ for ‘\$20,000’,

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

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

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

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

20 “(d) MORTGAGOR.—

21 “(1) IN GENERAL.—A loan meets the require-
22 ments of this subsection if it is made to a mort-
23 gator—

24 “(A) whose household income for the year
25 in which the mortgagor applies for the loan is

1 80 percent or less of the area median gross
2 household income for the area in which the resi-
3 dence which secures the mortgage is located, or

4 “(B) who is buying a home or duplex for
5 owner-occupancy in a census tract targeted for
6 reinvestment and redevelopment by the Depart-
7 ment of Housing and Urban Development, re-
8 gardless of household income,

9 “(C) for whom the monthly housing ex-
10 pense-to-income ratio with respect to a market-
11 rate single-family mortgage would exceed 28
12 percent,

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

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

20 “(F) who attends pre-purchase home-
21 ownership counseling provided by a qualified
22 nonprofit organization consistent with stand-
23 ards established by the American Homeowner-
24 ship Education and Counseling Institute
25 (AHECI).

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

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

9 “(1) a single-family residence which is the prin-
10 cipal residence (within the meaning of section 121)
11 of the mortgagor, or can reasonably be expected to
12 become the principal residence of the mortgagor
13 within a reasonable time after the financing is pro-
14 vided,

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

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

18 “(B) \$1,000, and

19 “(3) in the case of a mortgagor with a house-
20 hold income greater than 50 percent of the area me-
21 dian gross income, as determined under subsection
22 (d)(1)(A), not financed in connection with a quali-
23 fied mortgage issued under section 143. For pur-
24 poses of paragraph (1), a manufactured home shall
25 not be treated as a single-family residence unless

1 such home meets the requirements of section 604(h)
2 of the Housing and Community Development Act of
3 1974.

4 “(f) DEFINITION AND SPECIAL RULES.—

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

9 “(2) DISPOSITION OF HOME AT LAST LOANS.—

10 If a qualified home at last loan is disposed of in the
11 12 months following its closing date as a result of
12 a borrower default, the taxpayer forfeits the credit
13 making it available for reallocation by the State.

14 “(3) PREPAYMENT OF HOME AT LAST LOANS.—

15 If, during the 12 months following its closing date,
16 a qualified home at last loan is fully repaid by the
17 borrower, the lender may claim only a portion of the
18 tax credit with the remainder being forfeited and
19 available for reallocation. The portion of tax credit
20 that can be claimed is determined by dividing the
21 number of days that have passed between the closing
22 date and the date of payoff by 365 and multiplying
23 that number by the value of the tax credit allocated
24 to the lender for the purposes of originating the pre-
25 paid home at last loan.

1 “(g) OTHER DEFINITIONS.—For purposes of this
2 section—

3 “(1) NEIGHBORHOOD REVITALIZATION
4 PROJECT LOAN.—

5 “(A) IN GENERAL.—The term ‘neighbor-
6 hood revitalization project loan’ means a loan
7 secured by a first mortgage on a one- to four-
8 family residence, the proceeds of which are used
9 to substantially improve such residence in con-
10 nection with a neighborhood revitalization
11 project.

12 “(B) NEIGHBORHOOD REVITALIZATION
13 PROJECT.—The term ‘neighborhood revitaliza-
14 tion project’ means a project of sufficient size
15 and scope to alleviate physical deterioration and
16 stimulate investment in—

17 “(i) a geographic location within the
18 jurisdiction of a unit of local government
19 (but not the entire jurisdiction) designated
20 in comprehensive plans, ordinances, or
21 other documents as a neighborhood, vil-
22 lage, or similar geographic designation, or

23 “(ii) the entire jurisdiction of a unit
24 of local government if the population of
25 such jurisdiction is not in excess of 25,000.

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

3 “(3) STATE HOUSING FINANCE AGENCY.—The
4 term ‘State housing finance agency’ means the pub-
5 lic agency, authority, corporation, or other instru-
6 mentality of a State that has the authority to pro-
7 vide residential mortgage loan financing throughout
8 the State.

9 “(h) CERTIFICATION AND OTHER REPORTS TO THE
10 SECRETARY.—

11 “(1) CERTIFICATION WITH RESPECT TO STATE
12 ALLOCATION OF HOME AT LAST TAX CREDITS.—The
13 Secretary may, upon a finding of noncompliance, re-
14 voke the certification of a qualified State and revoke
15 any qualified home at last tax credit amounts allo-
16 cated to such State or allocated by such State to a
17 qualified lender.

18 “(2) ANNUAL REPORT FROM HOUSING FINANCE
19 AGENCIES.—Each State housing finance agency
20 which allocates any home at last tax credit amount
21 to any qualified lender for any calendar year shall
22 make available to the public no later than November
23 1 of the following year) an annual report speci-
24 fying—

1 “(A) the home at last tax credit amount
2 allocated to each qualified lender for such year,
3 and

4 “(B) with respect to each qualified lend-
5 er—

6 “(i) the principal amount of each
7 qualified home at last loan made by such
8 lender in such year,

9 “(ii) the number of qualified home at
10 last loans made by such lender in such
11 year,

12 “(iii) the interest rate prior to
13 buydown and the effective interest rate
14 after buydown of each qualified home at
15 last loan,

16 “(iv) the status of each qualified
17 homeownership loan defined as ‘per-
18 forming’, ‘delinquent less than 60 days’,
19 ‘delinquent 60 days or more’, or ‘in fore-
20 closure’,

21 “(v) the household income as a per-
22 cent of area median household income of
23 each qualified borrower,

24 “(vi) any other information the Sec-
25 retary may deem essential to assuring fair

1 mortgage pricing and that the benefit of
2 the tax credit is being passed through the
3 taxpayer to the qualified borrower in the
4 form of a lower interest rate, and

5 “(vii) the penalty under section
6 6652(j) shall apply to any failure to pro-
7 vide the report required by this paragraph
8 on the date prescribed herein.

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

12 (b) LIMITATION ON CARRYBACK OF UNUSED CRED-
13 IT.—Subsection (d) of section 39 of the Internal Revenue
14 Code of 1986 (relating to carryback and carryforward of
15 unused credits) is amended by adding at the end the fol-
16 lowing:

17 “(11) NO CARRYBACK OF HOME AT LAST TAX
18 CREDITS BEFORE EFFECTIVE DATE.—No portion of
19 the unused business credit for any taxable year
20 which is attributable to the home at last tax credit
21 determined under section 45G may be carried back
22 to a taxable year ending before the date of the en-
23 actment of section 45G.”

24 (c) CONFORMING AMENDMENTS.—

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

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

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

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

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

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

“Sec. 45G. Home at last tax credit.”

13 (d) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to calendar years after 2002.

○