



**House
Legislative
Analysis
Section**

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**FINANCIAL INSTITUTIONS: ELIM.
AFFIDAVIT FILING REQ.**

**House Bill 6493 as introduced
First Analysis (12-3-02)**

**Sponsor: Rep. James Koetje
Committee: Insurance and Financial
Services**

THE APPARENT PROBLEM:

The mortgage lending practices act (Public Act 135 of 1977) prohibits credit granting institutions from engaging in certain discriminatory practices, commonly referred to as 'redlining', which essentially prohibit persons from obtaining loans in certain geographical areas or neighborhoods. The act requires mortgage and home improvement lenders to file an affidavit with the Office of Financial and Insurance Services (OFIS) stating whether they are subject to the federal Home Mortgage Disclosure Act and, if so, whether they have complied with the act. It is believed that the affidavit filing requirement is no longer necessary. As such, legislation has been introduced that would eliminate this filing requirement.

THE CONTENT OF THE BILL:

The bill would repeal a requirement, as stated above, in Public Act 135 of 1977 that a credit granting institution file with OFIS an affidavit stating whether the institution is subject to the federal Home Mortgage Disclosure Act of 1975, and, if so, that the institution has complied with the act and related regulations.

MCL 445.1606

BACKGROUND INFORMATION:

The Home Mortgage Disclosure Act was enacted by Congress in 1975, and is implemented by the Federal Reserve Board. The act and related regulations (Regulation C of the Federal Reserve, codified at 12 C.F.R. 203) provide the public with loan data that can be used to assist in determining whether financial institutions are serving the housing needs of their respective communities, can assist public officials in distributing public sector investments to attract private investments in areas where it is needed, and can assist in identifying possible discriminatory lending patterns.

FISCAL IMPLICATIONS:

Fiscal information is not available.

ARGUMENTS:

For:

The bill simply repeals a provision in state statute that is no longer necessary. According to OFIS, for a short time, eligibility to receive public funds was conditioned on the filing of the affidavit. While this was generally done as a means of encouraging institutions to file the affidavit, the state surplus funds act (Public Act 105 of 1855) and similar public funds acts no longer prohibit the state from depositing funds in a financial institution unless it has filed the affidavit. [See former section 5 of the state surplus funds act, MCL 21.145, which was repealed with the enactment of Public Act 32 of 1997.]

Further, OFIS reports that public fund administrators no longer need the information contained in the affidavit, and that such information is available from the Federal Financial Institutions Examination Council at their web site, www.ffiec.gov/hmda.

POSITIONS:

The Office of Financial and Insurance Services supports the bill. (11-15-02)

Analyst: M. Wolf

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.