

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.

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## 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

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## 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 paragraph (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.

○