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BUILDINGS AND HOUSING

Georgia Residential Finance Authority Act: Increase Authority to Issue Bonds to Provide Facilities for the Elderly and Mentally Disabled

CODE SECTIONS: O.C.G.A. §§ 8-3-171 (amended), 8-3-172 (amended), 8-3-176 (amended), 8-3-180 (amended), 8-3-199.1 (amended)

BILL NUMBER: SB 51

ACT NUMBER: 517

SUMMARY: The Act adds language to the Georgia Residential Finance Authority (GRFA) statute permitting the GRFA to issue bonds for two additional types of housing activities. The new bonding authority allows the GRFA to finance home equity conversion mortgages for the elderly and residential facilities for the mentally disabled. Funding limits for these new programs fall under pre-existing bond ceilings of the Authority. The Act establishes funding limits for the program and also postpones the due date for the state housing goal report from 1989 to 1990. The Act requires the filing of these reports each even-numbered year thereafter.

EFFECTIVE DATE: July 1, 1989

History

The Georgia Residential Finance Authority (GRFA) Act was originally passed by the General Assembly in 1974.¹ The Authority was established to assist low and moderate income Georgians in obtaining adequate housing at an affordable cost and to stimulate construction and rehabilitation of residential housing within Georgia.²

1. O.C.G.A. §§ 8-3-170 to -199.1 (1989).

2. *Id.* See also *Rich v. Georgia*, 237 Ga. 291, 291, 227 S.E.2d 761, 761 (1976) ("The Georgia Residential Finance Authority . . . was established by the General Assembly in order to encourage private investment in the building and rehabilitation of low income housing by providing mortgage loans at low interest rates to eligible low and moderate income borrowers.").

In 1988, GRFA conducted an internal management study to determine whether to expand the services they offered into new areas.³ The results of the study indicated that the elderly and mentally disabled were in need of housing assistance.⁴ GRFA therefore needed to expand its authority to implement housing programs designed to assist the elderly and the mentally disabled.⁵ SB 51 was introduced to address this need.⁶ The language of SB 51 is purely permissive and does not create an operational program.⁷ The Act merely enables GRFA to implement future programs that address these now-recognized needs.⁸

SB 51

The Act recognizes the need to develop programs to meet the special housing needs of the elderly. It emphasizes the advantages of allowing the elderly to remain in their homes: to advance community stability, to maintain and improve housing stock, and to enhance the life experience of the elderly.⁹

The Act allows GRFA to finance home equity conversion mortgages to elderly homeowners in need of assistance.¹⁰ This type of mortgage enables older homeowners to convert accumulated home equity into cash which can be used, for example, to make home repairs or to pay medical expenses and property taxes.¹¹

The Act also recognizes the need for residential care facilities for the mentally disabled.¹² The mentally disabled include persons who are emotionally ill, mentally retarded, developmentally disabled, and those

3. Telephone interview with Tim Connell, Georgia Residential Finance Authority (Mar. 24, 1989) [hereinafter Connell Interview]. According to Mr. Connell, the management study did not result in a formal report, but rather resulted in the production of analytical information useful to the Authority. *Id.* The GRFA is chartered to "undertake and carry out studies and analysis of housing needs within the state." O.C.G.A. § 8-3-176(a)(23) (1989).

4. Connell Interview, *supra* note 3.

5. *Id.*

6. *Id.*

7. *See* O.C.G.A. §§ 8-3-171, -172, -176, -180 (1989) (section 171 establishes that programs for the mentally disabled and elderly are within the State's health, safety, and welfare objectives; section 172 includes health care facilities within the definition of "community facilities" and adds definitions for "home equity conversion mortgage," "mentally disabled," and "residential care facility"; section 176 grants authority for issuance of bonds and purchase of finance mortgages for facilities for the mentally disabled and elderly and for home equity conversion mortgages; section 180 grants authority for issuance of negotiable revenue bonds for facilities for the mentally disabled and elderly and for home equity conversion mortgages).

8. Connell Interview, *supra* note 3.

9. O.C.G.A. § 8-3-171(a)(11), (b) (1989).

10. O.C.G.A. § 8-3-180(a)(1) (1989).

11. *Id.*

12. O.C.G.A. § 8-3-171(a)(10), (b) (1989).

who are dependent upon or addicted to alcohol or drugs.¹³ The Act empowers GRFA to issue bonds or assist financially in the creation or maintenance of residential care facilities serving the needs of the mentally disabled.¹⁴ These provisions establish a financing mechanism to increase the number of group homes for the mentally disabled.¹⁵

The Act also amends the definition of community facilities to include "health care" rooms, which would allow for the inclusion of a nurse's station or examination room.¹⁶ The expanded definition was needed to include the cost of necessary and incidental health care facilities in any bond issuance.¹⁷

The definition of a "residential care facility" was expanded to include the type of facilities that are required to assist the mentally disabled.¹⁸ Public or private (nonprofit) facilities that provide diagnostic or rehabilitative treatments for the mentally disabled are now included within the definition of "residential care facilities."¹⁹

The GRFA statute already included limits on the maximum amount of outstanding bonds for single-family residential and multifamily residential rental housing.²⁰ The 1989 amendments included home equity conversion loans under the single-family cap, which is limited to \$715 million.²¹ The amendments placed residential care facilities under the multifamily residential rental housing cap, which is limited to \$150 million.²²

Finally, the Act postpones the due date of the State Office of Housing's state housing report from 1989 to 1990.²³ The postponement was necessary in light of the recent incorporation of the State Office of Housing into GRFA.²⁴ The state housing report identifies housing needs and achievements and proposes plans to reach the state housing goals set by the State Office of Housing. The report will be presented to the General Assembly in 1990 and every even-numbered year thereafter.²⁵

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13. O.C.G.A. § 8-3-172(10.1) (1989).

14. O.C.G.A. § 8-3-176(a)(33) (1989).

15. Connell Interview, *supra* note 3.

16. *Id.*

17. *Id.*

18. *Id.*

19. O.C.G.A. § 8-3-172(15.1) (1989).

20. O.C.G.A. § 8-3-180(a)(2) (1989).

21. *Id.*

22. O.C.G.A. § 8-3-180(a)(3) (1989).

23. O.C.G.A. § 8-3-199.1 (1989).

24. Connell Interview, *supra* note 3.

25. O.C.G.A. § 8-3-199.1 (1989).