

To: Legislative Colleagues

From: Representatives Amy Loudenbeck and Jason Fields
Senators Alberta Darling and Janet Bewley

Date: December 8, 2017

Re: Co-sponsorship of LRB -5005/LRB-5015 relating to: notes, bonds, and economic development programs of the Wisconsin Housing and Economic Development Authority, homeownership mortgage loans used to refinance existing mortgages, and uses of the housing rehabilitation loan fund.

Deadline: Monday, December 18th at Noon

Dear Colleagues,

The Wisconsin Legislature created the Wisconsin Housing and Economic Development Authority (WHEDA) in 1972 to meet an increasing need for affordable housing financing.

WHEDA works closely with lenders, developers, local government, nonprofits, community groups, and others to implement its low-cost financing programs. Since 1972, WHEDA has financed more than 77,000 affordable rental units and has helped more than 118,000 families purchase a home.

WHEDA is an independent authority, not a state agency, and receives no tax dollars for its programs and operations. As a lender, WHEDA has over \$3 billion in assets.

At the request of the Wisconsin Housing and Economic Development Authority, we are introducing an omnibus bill to address three priority issues for WHEDA.

Technical Changes

LRB -5005/LRB-5015 contains several technical changes to Chapter 234 deleting obsolete dates and references in current law. It amends current law to reflect accurate renewal dates, creates mortgage loan language in WI statutes to reflect current federal IRS Code requirements and will modernize WHEDA's flexibility in the bond market to hold its own bonds.

Housing Rehabilitation Loan Fund Flexibility

LRB -5005/LRB-5015 expands the use of the Housing Rehabilitation Loan Fund reserves to include the Down Payment Assistance (DPA) Program. The Housing Rehabilitation Loan Fund is a revolving fund that has seen little activity over the past several years. Many home owners have found a private sector home equity loan or line of credit more desirable for remodeling and renovation. At the same

time, WHEDA is experiencing robust growth in the use of its single-family mortgage loan products to low and moderate income first-time home buyers. The largest obstacle for first-time home buyers in the low to moderate income range is funds for a down payment. WHEDA is projecting a shortage of DPA funds which would significantly limit WHEDA's ability to serve this demographic of buyers. The bill would permit WHEDA to utilize the Housing Rehabilitation Loan Fund dollars for the Down Payment Assistance Program. This change would not delete the Housing Rehabilitation Loan Fund but only expand the use of the funds.

Transform Advantage Pilot Flexibility

Originally intended as a purchase-only program, the Transform Milwaukee Initiative pilot program has been underutilized in its current form. There is a need to make adjustments to the program to address neighborhoods with extreme devaluation and help support lending to current home owners who meet all customary refinance eligibility criteria, except the loan-to-value factor, and seek to improve their properties. LRB -5005/LRB-5015 authorizes WHEDA to refinance an existing mortgage under a very specific and limited set of circumstances (see LRB analysis).

If you are interested in co-sponsoring LRB -5005/LRB-5015 please contact Danielle in Rep. Loudenbeck's office (266-9967) or Jerry in Sen. Darling's office (266-5830) by Monday, December 18th. Co-sponsors will automatically be added to both versions of the bill unless otherwise requested.

Analysis by the Legislative Reference Bureau

This bill makes a number of changes to the laws governing the Wisconsin Housing and Economic Development Authority, including the following:

1. Eliminates the requirement that certain organizations participating in WHEDA's programs allow WHEDA under certain circumstances to appoint a majority of the members of the organization's governing body.
2. Authorizes WHEDA to hold, sell, or cancel WHEDA's notes or bonds WHEDA itself purchases. Under current law, such notes or bonds must be canceled.
3. Provides that every four years, beginning in 2018, WHEDA may request approval of the Joint Committee on Finance to issue additional notes and bonds in the amount specified in the request for economic development purposes if the

authority determines that the issuance of additional notes and bonds will promote significant economic development in this state.

4. Authorizes WHEDA to issue a homeownership mortgage loan to a homeowner for the refinancing of the homeowner's existing mortgage if the property is located in an area in a first class city in which WHEDA determines there is a high concentration of persons and families of low and moderate income, the homeowner does not qualify for a mortgage loan through other lenders, and the homeownership mortgage loan WHEDA issues is used in part to finance rehabilitation of the eligible property.
5. Allows WHEDA to use moneys from its housing rehabilitation loan fund to purchase or fund loans under any down payment assistance program established by WHEDA. Current law requires WHEDA to use moneys from the housing rehabilitation loan fund for funding housing rehabilitation loans or administering the housing rehabilitation loan program.

For further information see the state and local fiscal estimate, which will be printed as an appendix to this bill.