WISCONSIN STATE LEGISLATURE COMMITTEE HEARING RECORDS

2005-06

(session year)

Assembly

(Assembly, Senate or Joint)

Committee on Housing (AC-Ho)

(Form Updated: 11/20/2008)

COMMITTEE NOTICES ...

➢ *Committee Reports* ... *CR*

**

➢ *Executive Sessions* ... *ES*

**

➢ *Public Hearings* ... *PH*

**

➢ *Record of Comm. Proceedings* ... *RCP*

**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL ...

➢ *Appointments* ... *Appt*

**

Name:

➢ *Clearinghouse Rules* ... *CRule*

**

➢ *Hearing Records* ... *HR* (*bills and resolutions*)

05hr_ab0863_AC-Ho_pt01

➢ *Miscellaneous* ... *Misc*

**

2005 AB 863
LRB 05-3962/1

HOUSING IMPACT NOTE:

Re: AB 863 – WHEDA's Property Tax Deferral Loan Program (PTDL)

SUMMARY:
This bill expands the pool of eligible homeowning borrowers 65 years of age or older for WHEDA PTDLs. The bill raises income eligibility from $20,000 household income to 80% of county median household income. It eliminates the $2500 a year maximum loan and substitutes it for the total amount of property taxes, special assessments and associated interest or penalties. It raises loan to value eligibility thresholds (increases the limit of the amount of liens and judgments on the property, including WHEDA PTDLs) from 33% to 65%. This will allow more dwelling units to qualify.

IMPACTS: Assembly Bill 863 impacts housing in Wisconsin in the following ways:

- **Policies, strategies and recommendations of the state housing strategy plan** The effect of this bill is consistent with the state Consolidated Plan priority to promote homeownership and affordability of housing. The state plan calls for preserving the availability of safe, sanitary housing for low and moderate income owners and encourages housing and supportive assistance to special needs groups such as low income elderly homeowners. This bill would increase utilization beyond the approximately 250 loans per year allowing more elderly residents to keep property tax and special assessment payments current thus helping them remain self sufficient in their homes.

- **Cost of constructing, rehabilitating, improving, or maintaining dwellings** Wisconsin's seniors often struggle with rising utility and property maintenance costs as well as higher property tax assessments and special assessment costs. An expanded WHEDA PTDL program prevents seniors from losing their home due to unpaid assessments.

- **Housing costs for housing occupied by the owner** The bill makes WHEDA PTDL loans more readily available to a larger population of seniors (77% of the state's elderly population are homeowners). Pegging eligibility to published HUD low income levels keeps the program current with the times and more applicable to each county of the state. The higher income benchmarks will include more senior households, particularly in urban counties. Eliminating the $2500 per year limit and increasing the loan to value eligibility measure responds to higher annual property tax payments. The average residential property tax bill in the state in 2004 was $2,792 which exceeds the program's current maximum loan amount of $2500. AB 863 will also benefit repeat customers who, after utilizing the PTDL program for a few years, find themselves ineligible for subsequent PTDLs because their property reached the program's equity/loan limit.

WHEDA should be consulted to insure enough reserves are available and that there is sufficient staff time to handle increased applicant traffic and PTDL loans.

Prepared by Dept. of Commerce, Bureau of Supportive Housing
Marty Evanson 608-267-2713

Comparison Between the WHEDA, City of Madison, and HUD Programs

	WHEDA Property Tax Deferral Program	City of Madison Modified Reverse Mortgage Program	HUD-Wisconsin Reverse Mortgage Program	Rep. Berceau's Proposed Changes
Maximum Annual Income	$20,000	$40,600 (1 person) $46,400 (2 persons) (same as HUD "low income" definition)	None	$40,600 (1 person) $46,400 (2 persons) Linked to HUD's definition of "low income, i.e. 80% of the County Median Income
Annual Borrowing Cap	$2,500	Equal to your annual property tax bill	None. Payment amounts and frequency determined by commercial lender and homeowner	Equal to your annual property tax bill
Maximum Liens against Property	33% of the value of the property (not including WHEDA loans) 50% (including the WHEDA loan)	70% of the value of the property, (including the reverse mortgage loan)	Up to the maximum value of the home or FHA mortgage limits for the area, whichever is lower	65% of the value of the property (including the WHEDA loan)
Interest Rates	1% over prime interest rate (set on Oct. 15th each year) 7.75% for 2006	1% over current the City of Madison borrowing rate (4.7%) Current loan rate 5.7%	1.5% above current US Treasury Bill (4.38%) Current loan rate is 5.88%	1% over prime interest rate 7.75% for 2006
Age Restrictions	65 and over	65 and over	62 and over	65 and over

For more information on these programs, please see the websites devoted to these programs: WHEDA: http://www.legis.state.wi.us/lfb/informationalpapers/2001/26.pdf, City of Madison: http://www.ci.madison.wi.us/comp/RevMortIndex.htm, and HUD: http://www.hud.gov/offices/hsg/sfh/hecm/rmtopten.cfm

STATE REPRESENTATIVE
TERESE BERCEAU
WISCONSIN STATE ASSEMBLY
76TH DISTRICT

Testimony in support of AB863
January 12, 2005

For those of you not familiar with the program, let me give you a summary, with thanks to the Legislative Fiscal Bureau for Informational Paper #26, which I am using as a resource for this summary.

The Wisconsin property tax deferral loan program allows low and moderate income elderly homeowners to convert home equity into income to pay property taxes. The program is intended to help elderly individuals who have little disposable income and a significant amount of home equity to remain in their homes.

Under the current program, a homeowner 65 years of age or older, with a total household income of no more than $20,000, can apply for a maximum loan of $2,500 each year

The principal and interest due for these loans do not have to be repaid until the ownership of the property transfers or the loan recipient no longer lives in the home. The loan is repaid from the proceeds of the estate or sale of the property.

The funds for the program come from WHEDA's surplus funds which today stand at $2,685,000. These are funds that the WHEDA board, upon recommendation of the Secretary, I believe, decides how to allocate. In the year 2004, WHEDA loaned out $360,000 in this program. WHEDA is also authorized under statute to use the proceeds of bonds or notes to make loans for this program. So, money for the program is most definitely available, and I believe, consequently, that this program should be promoted more than it is at present.

In the 2000 census, 64% of the elderly were living in their own homes. I am sure that number has risen and will rise. The budgets of most moderate and low-income elderly persons are fixed, but their cost of living is rising. They are challenged by rising health care costs, energy costs, and property taxes.

There are several other reverse programs in existence such as one offered through HUD, as well as one established by the City of Madison. Both of these programs have more favorable terms and wider eligibility than the current WHEDA program. But the city of Madison program is limited to city residents, of course, and we have no control over the HUD program. Also, the HUD program relies on commercial lenders, and there are fees associated with HUD loans that are not attached to the WHEDA loans or the City of Madison's. Fees such as loan origination fees, servicing fees, and third party closing costs. As a state we have acknowledged, through creation of this program, that there is a need. We could and should be better servicing parts of our state outside of Madison where the elderly are struggling to meet their financial obligations.

STATE CAPITOL, POST OFFICE BOX 8952, MADISON, WI 53708 • (608) 266-3784 • FAX: (608) 282-3676
E-MAIL: rep.berceau@legis.state.wi.us • WEB PAGE: //www.legis.state.wi.us/assembly/asmhomepages.html
LEGISLATIVE HOTLINE: 1-888-362-9472

WHEDA's eligibility requirements have remained unchanged for a number of years. As a consequence, membership has been dropping, and fewer and fewer people meet the out-of-date thresholds. Participation in the program has dropped 60% since 1993. WHEDA may contend that this shows a lack of need. I believe the program is outdated and not promoted at a time when we are, with so many other services, working to keep the elderly in their own homes should they so desire.

My bill update's WHEDA's eligibility requirements so that it would be comparable to the City of Madison's requirements, a program that I think is more realistic and successful.

At present, you can only apply for WHEDA's program if you make $20,000 a year or less. In Dane County, that is about 40% of our County Median Income for one person – that's not just "low income" but "**very** low income." My bill would tie eligibility to HUD's definition of "low income" which is set at 80% of the County Median Income. This would adjust eligibility to account for inflationary increases and to the cost-of-living of a particular area.

WHEDA's yearly borrowing cap is set at $2,500. While this may have been realistic in 1993, annual property tax bills nowadays often exceed this amount. My bill would adjust the amount a person could receive under the WHEDA program to an amount equal to their total annual property tax bill.

Also my bill raises the total loan cap on any one home from 50% of the value of the property (including the WHEDA loan) to 65%.

I started research for this bill over five years ago. At that time I met with various administrators from WHEDA. My office also spoke with the current administration of WHEDA about the bill. I am sorry to say that both administrations have shown a lack of desire to update the reverse mortgage program, and in fact, I sense that they prefer that the program be left to wither on the vine.

WHEDA also seems to have discouraged membership in its program by keeping its loan interest rate higher than the HUD and the Madison program. In fact, it has made it worse in recent years by changing from simple to compound interest. That issue is not addressed in the current bill, but perhaps may be an area to address with an amendment.

We know that the baby boom is aging. The 65-plus population will increase slowly up to 2010, and then grow dramatically as the Baby Boomers join the ranks of the elderly. Senior citizens formed 13 percent of the state's total population in the year 2000. Their proportion in the total population will rise to 21 percent in 2030. We need to be prepared for the challenges that will soon confront us. My bill is a small measure to help us better prepare for that inevitable challenge.