

**2009 DRAFTING REQUEST**

**Bill**

Received: **02/01/2009**

Received By: **tkuczens**

Wanted: **As time permits**

Identical to LRB:

For: **Administration-Budget**

By/Representing: **Weidner**

This file may be shown to any legislator: **NO**

Drafter: **tkuczens**

May Contact:

Addl. Drafters:

Subject: **Econ. Development - housing  
Econ. Development - misc.**

Extra Copies:

Submit via email: **NO**

**Pre Topic:**

DOA:.....Weidner, BAB0031 -

**Topic:**

Authorize WHEDA to refinance certain eligible mortgages

**Instructions:**

See attached

**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	tkuczens 02/03/2009	csicilia 02/03/2009		_____			Housing
/P1	tkuczens 02/04/2009	csicilia 02/04/2009	mduchek 02/03/2009	_____	lparisi 02/03/2009		Housing
/P2	tkuczens 02/05/2009	csicilia 02/05/2009	jfrantze 02/04/2009	_____	cduerst 02/04/2009		Housing
/P3	tkuczens 02/06/2009	kfollett 02/06/2009	mduchek 02/05/2009	_____	sbasford 02/05/2009		Housing
/P4	tkuczens 02/09/2009	csicilia 02/09/2009	rschluet 02/06/2009	_____	mbarman 02/06/2009		Housing

Vers.      Drafted      Reviewed      Typed      Proofed      Submitted      Jacketed      Required

/P5      tkuczens      csicilia      mduchek \_\_\_\_\_      cduerst           Housing  
         02/12/2009      02/12/2009      02/09/2009 \_\_\_\_\_      02/09/2009

/P6                mduchek \_\_\_\_\_      lparisi  
                        02/12/2009 \_\_\_\_\_      02/12/2009

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/P5

mduchek \_\_\_\_\_  
02/09/2009 \_\_\_\_\_

cduerst  
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1 pg 9/5 2/12  
09    <END>  
MD    MD    JF  
2/12

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PS js 2/9  
09 (10) NPH  
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*/P3 j's 2/5 09*

*MD MD JF*

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/?	tkuczens	PI js 2/3 09	MD	<del>MD</del> PH			

FE Sent For:

2/3  
<END>

T. conference w/ Jenna Weidner (DOA X 67329) RB LRB 1899 (BAB0031)  
2/1/09

→ authorize WAEDA to refinance certain subprime loans.  
(sections 4&8 through 18 of LRB 0969)

T. conference w/ Jenna 2/2/09

→ include Joe's sections (sections 1, 2, and 3 of LRB 0969)  
re: tax consequences of income earned on bonds  
issued under new authority.

T. conference w/ Jane Pawasarat (DOA) 2/2/09: ok to talk to WAEDA folks.

T. conference w/ Nelson Flynn (WAEDA) 2/2/09

→ Prefer approach which would repeal s. 234.59(3)(e)

→ alternatively, to clarify that "qualified subprime loans" are  
separate and distinct from "homeownership mortgage loans"  
move authority out of s. 234.59(4) and into its own, stand-  
alone section.

→ also wants me to eliminate the sunset provision (s. 234.60(5)(c))

T. conference w/ Jane Pawasarat 2/2/09 X 67829

take the more conservative approach (rather than  
repeal prohibition on refinancing mortgage loans under s. 234.59(3)(e),  
create stand-alone section.)

2/4/09 T. conference w/ Jane P.

elim. Section 12.

2/5/09 T. conference w/ Jane

• eliminate sections 1-3 re: tax exemption

• re-insert Section 12 from /P1 to permit Secretary of DOA to terminate.



State of Wisconsin  
2009 - 2010 LEGISLATURE

LRB-1899/2 <sup>PI</sup>  
TKK: /:....  
insert

DOA:.....Weidner, BAB0031 - Authorize WHEDA to refinance certain eligible mortgages

**FOR 2009-11 BUDGET -- NOT READY FOR INTRODUCTION**

in 2/3/09

*(Handwritten initials in a circle)*

*Do NOT Gen*

*refinance qualified subprime ~~loans~~ loans*

1 AN ACT/...; relating to: the budget.

*Analysis by the Legislative Reference Bureau*

**WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY**

Under current law, the Wisconsin Housing and Economic Development Authority (WHEDA) makes and participates in making homeownership mortgage loans on behalf of qualified, low-income applicants. A homeownership mortgage loan is defined as a loan to finance the construction, long-term financing, or qualified rehabilitation of a residential structure or dwelling unit that is the principle residence of the applicant. WHEDA may issue bonds or notes to fund homeownership mortgage loans, but homeownership mortgage loans may not be made to finance the acquisition or replacement of an applicant's existing mortgage.

This bill authorizes WHEDA to issue bonds for and to make and participate in the making of loans for the refinancing of qualified subprime loans. A qualified subprime loan is defined as an adjustable rate single-family residential mortgage loan made after December 31, 2001 and before January 1, 2008. The bill provides that no bonds or notes may be issued by WHEDA to refinance the acquisition or replacement of an existing mortgage after December 31, 2010.

Because this bill directly or substantially affects the development, construction, cost, or availability of housing in this state, the department of

*the bill also provides that all interest and income derived from the bonds is exempt from the state income tax.*

*directs the Secretary of the Department of Administration to determine the date after which*

commerce, as required by law, will prepare a report to be printed as an appendix to this bill. *of*

*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

INSERT 2-1A  
2-1B

1 SECTION 1. 234.592 of the statutes is created to read:

2 234.592 **Qualified subprime loan refinancing.** (1) DEFINITIONS. In this  
3 section:

4 (a) "Authorized lender" has the meaning given in s. 234.59 (1) (a). ✓

5 (b) "Eligible property" has the meaning given in s. 234.59 (1) (d) 1. ✓

6 (c) "Principal residence" has the meaning given in. s. 234.59 (1) (j). ✓

7 (d) "Qualified subprime loan" means an adjustable rate single-family  
8 residential mortgage loan made after December 31, 2001, and before January 1,  
9 2008.

INSERT 2-10

10 (2) POWERS AND DUTIES OF THE AUTHORITY.

11 (a) May enter into contracts permitting an authorized lender to make or service  
12 qualified subprime loans or both. *finance the acquisition or replacement of a qualified subprime loan and may*

13 (b) Shall maintain a current list of authorized lenders. *finance the acquisition or replacement of*

14 (c) May enter into agreements to insure or provide additional security for  
15 qualified subprime loans or bonds or notes issued under s. 234.60. *made under this section*

INSERT 2-17

16 (3) LOAN CONDITIONS. (25)

17 SECTION 9324. Initial applicability; Housing and Economic  
18 Development Authority.

19 SECTION 9341. Initial applicability; Revenue.

20 (43) (END)

INSERT 2-19

INSERT 2-20

SAV

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

1 AN ACT *to amend* 234.04 (2), 234.265 (2), 234.59 (title), 234.59 (1) (j), 234.59 (2)  
 2 (intro.), 234.59 (3) (title), 234.59 (3) (c), 234.60 (title), 234.60 (1), 234.60 (9) and  
 3 600.01 (1) (b) 8.; and *to create* 71.05 (1) (c) 1n., 71.26 (1m) (en), 71.45 (1t) (en),  
 4 234.16 (4m), 234.57, 234.59 (1) (jm), 234.59 (4), 234.60 (5) (c) and 234.70 of the  
 5 statutes; **relating to:** authorizing the Wisconsin Housing and Economic  
 6 Development Authority to refinance mortgages, creating a homeownership  
 7 mortgage refinancing loan guarantee program, and creating an emergency  
 8 mortgage loan assistance program.

*Analysis by the Legislative Reference Bureau*

This is a preliminary draft. An analysis will be provided in a later version.

*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

Begin  
INSERT  
2-1A 9

SECTION 1. 71.05 (1) (c) 1n. of the statutes is created to read:

1 71.05 (1) (c) 1n. The Wisconsin Housing and Economic Development Authority  
2 under s. 234.59 (4) or 234.60 (1), if the bonds are issued for qualified subprime loan  
3 refinancing. <sup>e 234.592</sup>

4 SECTION 2. 71.26 (1m) (en) of the statutes is created to read:

5 71.26 (1m) (en) Those issued under s. 234.59 (4) or 234.60 (1), if the obligations  
6 are issued for qualified subprime loan refinancing. <sup>e 234.592</sup>

7 SECTION 3. 71.45 (1t) (en) of the statutes is created to read:

8 71.45 (1t) (en) Those issued under s. 234.59 (4) or 234.60 (1), if the obligations  
9 are issued for qualified subprime loan refinancing. <sup>e 234.592</sup> ✓

10 SECTION 4. 234.04 (2) of the statutes is amended to read:

11 234.04 (2) The authority may make or participate in the making and enter into  
12 commitments for the making of long-term mortgage loans to eligible sponsors of  
13 housing projects for occupancy by persons and families of low and moderate income,  
14 or for the making of homeownership mortgage loans or housing rehabilitation loans  
15 or loans for the refinancing of qualified subprime loans under s. 234.59 (4) <sup>e 234.592</sup> to persons  
16 and families of low and moderate income, an applicant under s. 234.59 <sup>or 234.592</sup> or other  
17 eligible beneficiaries as defined in s. 234.49. The loans may be made only upon the  
18 determination by the authority that they are not otherwise available from private  
19 lenders upon reasonably equivalent terms and conditions. The authority may not  
20 make a loan to a person whose name appears on the statewide support lien docket  
21 under s. 49.854 (2) (b), unless the person provides to the authority a payment  
22 agreement that has been approved by the county child support agency under s. 59.53  
23 (5) and that is consistent with rules promulgated under s. 49.858 (2) (a). The  
24 authority may employ, for such compensation as it determines, the services of any  
25 financial institution in connection with any loan.

1 SECTION 5. 234.16 (4m) of the statutes is created to read:

2 234.16 (4m) For the payment of emergency mortgage loans under s. 234.57.

3 SECTION 6. 234.265 (2) of the statutes is amended to read:

4 234.265 (2) Records or portions of records consisting of personal or financial

5 information provided by a person seeking a grant or loan under s. 234.04, 234.08,

6 234.49, 234.57, 234.59, <sup>234.5921</sup>234.61, 234.63, 234.65, 234.67, 234.70, 234.83, 234.84,

7 234.90, 234.905, 234.907, or 234.91, seeking a loan under ss. 234.621 to 234.626,

8 seeking financial assistance under s. 234.66, 2005 stats., seeking investment of

9 funds under s. 234.03 (18m), or in which the authority has invested funds under s.

10 234.03 (18m), unless the person consents to disclosure of the information.

END  
INSERT  
2-1A

11 SECTION 7. 234.57 of the statutes is created to read:

12 **234.57 Emergency mortgage loan assistance program. (1) DEFINITIONS.**

13 In this section:

14 (a) "Aggregate family income" means the total income of persons residing in the  
15 same household as the mortgagor and any other resident of the household declared  
16 by the mortgagor as a dependent for federal tax purposes, from whatever source  
17 derived, including pensions, annuities, insurance payments, retirement benefits,  
18 and social security benefits.

19 (b) "Eligible property" means residential real property located in this state that  
20 consists of a single family dwelling unit and that an applicant for assistance under  
21 this section maintains as his or her full-time residence, but does not use as a vacation  
22 home or for trade or business purposes.

23 (c) "Equity" means the difference between the fair market value of the eligible  
24 property and the total outstanding principal of all mortgage loans secured by the  
25 eligible property.

1 (f) The authority shall suspend payments under par. (c) and may terminate the  
2 contract under par. (a) if any of the following occurs:

3 1. The authority determines that the mortgagor is no longer experiencing  
4 financial hardship.

5 2. The mortgagor fails to make a timely or complete payment under par. (b) and  
6 the authority determines that the mortgagor's failure to pay is not due to additional  
7 circumstances of financial hardship.

8 3. The authority has made all payments required under the contract in par. (a)  
9 or authorized under par. (e).

10 **SECTION 8.** 234.59 (title) of the statutes is amended to read:

11 **234.59 (title) Homeownership mortgage loan and qualified subprime**  
12 **loan refinancing program.**

13 **SECTION 9.** 234.59 (1) (j) of the statutes is amended to read:

14 234.59 (1) (j) "Principal residence" means an eligible residential real property  
15 in this state which ~~that~~ an applicant maintains as a full-time residence, but does not  
16 use as a vacation home or for trade or business purposes.

17 **SECTION 10.** 234.59 (1) (jm) of the statutes is created to read:

18 234.59 (1) (jm) "Qualified subprime loan" means an adjustable rate  
19 single-family residential mortgage loan made after December 31, 2001, and before  
20 January 1, 2008.

21 **SECTION 11.** 234.59 (2) (intro.) of the statutes is amended to read:

22 234.59 (2) <sup>Plain</sup> **POWERS AND DUTIES OF THE AUTHORITY HOMEOWNERSHIP MORTGAGE**

23 **LOANS** (intro.) The authority shall establish and administer a homeownership  
24 mortgage loan program to encourage homeownership and to facilitate the

1 acquisition or rehabilitation of eligible property by applicants. To implement the  
2 program, the authority:

3 SECTION 12. 234.59 (3) (title) of the statutes is amended to read:

4 234.59 (3) (title) LOAN HOMEOWNERSHIP MORTGAGE LOAN CONDITIONS.

5 SECTION 13. 234.59 (3) (c) of the statutes is amended to read:

6 234.59 (3) (c) The authority shall notify an eligible authorized lender if a  
7 person's name appears on the statewide support lien docket under s. 49.854 (2) (b).  
8 An eligible authorized lender may not make a loan to an applicant if it receives  
9 notification under this paragraph concerning the applicant, unless the applicant  
10 provides to the lender a payment agreement that has been approved by the county  
11 child support agency under s. 59.53 (5) and that is consistent with rules promulgated  
12 under s. 49.858 (2) (a).

END  
INSERT  
2-13

END  
INSERT  
2-13

13 SECTION 14. 234.59 (4) of the statutes is created to read:

14 234.59 (4) QUALIFIED SUBPRIME LOAN REFINANCING. (a) The authority shall  
15 establish and administer a qualified subprime loan refinancing program to  
16 encourage homeownership and to facilitate the retention of eligible property by  
17 applicants. To implement the program, the authority (b)

Begin  
INSERT  
2-10

END  
INSERT  
2-10

Begin  
INSERT  
2-17

18 (a) (b) Except as provided in par. (c), the authority may enter into agreements to  
19 finance the acquisition or replacement of an existing mortgage given by an applicant  
20 on an eligible property under sub. (1) (d) 1 if all of the following conditions are  
21 satisfied:  
*only*

contracts  
permitting  
an authorized  
lender

22 1. The eligible property is and will remain the principal residence of the  
23 applicant.

24 2. The existing mortgage was originally financed through a qualified subprime  
25 loan.

and has not subsequently been refinanced



SECTION 17

*The secretary of administration shall determine the date after which*

① 234.60 (5) (c) No bonds or notes may be issued under this section for the purpose

② of financing the acquisition or replacement of an existing mortgage under s. 234.59 ✓

③ (4) after December 31, 2010. *234.592*

4 SECTION 18. 234.60 (9) of the statutes is amended to read:

5 234.60 (9) The executive director of the authority shall make every effort to  
6 encourage participation in the homeownership mortgage loan program and the  
7 qualified subprime loan refinancing program by women and minorities.

8 SECTION 19. 234.70 of the statutes is created to read:

9 **234.70 Homeownership mortgage refinancing loan guarantee**  
10 **program. (1) DEFINITIONS.** In this section:

11 (a) "Eligible property" means residential real property located in this state that  
12 consists of a single family dwelling unit and that is and will remain the principal  
13 residence of a borrower.

14 (b) "Participating lender" means a bank, credit union, savings bank, or savings  
15 and loan association who makes loans to refinance qualifying loans.

16 (c) "Principal residence" means a residential property in this state which a  
17 borrower maintains as a full-time residence, but does not use as a vacation home or  
18 for trade or business.

19 (d) "Qualifying loan" means a loan that is reportable under 12 CFR 203.4 (a)  
20 (12).

21 (2) GUARANTEE REQUIREMENTS. The authority may use money from the  
22 Wisconsin development reserve fund under s. 234.93 to guarantee a loan under this  
23 section if all of the following apply:

24 (a) A borrower qualifies as an eligible borrower under sub. (3).

25 (b) The loan qualifies as an eligible loan under sub. (4).

END  
INSERT  
2-17

*was under s. 234.592*





State of Wisconsin  
2009 - 2010 LEGISLATURE

P2  
LRB-1899/P1  
TKK:cjs:md  
stars

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**FOR 2009-11 BUDGET -- NOT READY FOR INTRODUCTION**

2/4/09

SA ✓

D. NOT Gen

1 AN ACT ~~relating to~~; relating to: the budget.

*Analysis by the Legislative Reference Bureau*

**WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY**

Under current law, the Wisconsin Housing and Economic Development Authority (WHEDA) makes and participates in making homeownership mortgage loans on behalf of qualified, low-income applicants. A homeownership mortgage loan is defined as a loan to finance the construction, long-term financing, or qualified rehabilitation of a residential structure or dwelling unit that is the principle residence of the applicant. WHEDA may issue bonds or notes to fund homeownership mortgage loans, but homeownership mortgage loans may not be made to finance the acquisition or replacement of an applicant's existing mortgage.

This bill authorizes WHEDA to issue bonds for and to make and participate in the making of loans for the refinancing of qualified subprime loans. A qualified subprime loan is defined as an adjustable rate single-family residential mortgage loan made after December 31, 2001 and before January 1, 2008. The bill directs the secretary of administration to determine the date after which no bonds or notes may be issued by WHEDA to refinance qualified subprime loans. The bill also provides that all interest and income derived from the bonds is exempt from the state income tax.

Because this bill directly or substantially affects the development, construction, cost or availability of housing in this state, the Department of

Commerce, as required by law, will prepare a report to be printed as an appendix to this bill.

---

***The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:***

1           **SECTION 1.** 71.05 (1) (c) 1n. of the statutes is created to read:

2           71.05 (1) (c) 1n. The Wisconsin Housing and Economic Development Authority  
3 under s. 234.592 or 234.60 (1), if the bonds are issued for qualified subprime loan  
4 refinancing.

5           **SECTION 2.** 71.26 (1m) (en) of the statutes is created to read:

6           71.26 (1m) (en) Those issued under s. 234.592 or 234.60 (1), if the obligations  
7 are issued for qualified subprime loan refinancing.

8           **SECTION 3.** 71.45 (1t) (en) of the statutes is created to read:

9           71.45 (1t) (en) Those issued under s. 234.592 or 234.60 (1), if the obligations  
10 are issued for qualified subprime loan refinancing.

11          **SECTION 4.** 234.04 (2) of the statutes is amended to read:

12          234.04 (2) The authority may make or participate in the making and enter into  
13 commitments for the making of long-term mortgage loans to eligible sponsors of  
14 housing projects for occupancy by persons and families of low and moderate income,  
15 or for the making of homeownership mortgage loans or housing rehabilitation loans  
16 or loans for the refinancing of qualified subprime loans under s. 234.592 to persons  
17 and families of low and moderate income, an applicant under s. 234.59 or 234.592,  
18 or other eligible beneficiaries as defined in s. 234.49. The loans may be made only  
19 upon the determination by the authority that they are not otherwise available from  
20 private lenders upon reasonably equivalent terms and conditions. The authority  
21 may not make a loan to a person whose name appears on the statewide support lien

1 docket under s. 49.854 (2) (b), unless the person provides to the authority a payment  
2 agreement that has been approved by the county child support agency under s. 59.53  
3 (5) and that is consistent with rules promulgated under s. 49.858 (2) (a). The  
4 authority may employ, for such compensation as it determines, the services of any  
5 financial institution in connection with any loan.

6 **SECTION 5.** 234.265 (2) of the statutes is amended to read:

7 234.265 (2) Records or portions of records consisting of personal or financial  
8 information provided by a person seeking a grant or loan under s. 234.04, 234.08,  
9 234.49, 234.59, 234.592, 234.61, 234.63, 234.65, 234.67, 234.83, 234.84, 234.90,  
10 234.905, 234.907, or 234.91, seeking a loan under ss. 234.621 to 234.626, seeking  
11 financial assistance under s. 234.66, 2005 stats., seeking investment of funds under  
12 s. 234.03 (18m), or in which the authority has invested funds under s. 234.03 (18m),  
13 unless the person consents to disclosure of the information.

14 **SECTION 6.** 234.59 (1) (j) of the statutes is amended to read:

15 234.59 (1) (j) "Principal residence" means ~~an eligible~~ residential real property  
16 in this state ~~which~~ that an applicant maintains as a full-time residence, but does not  
17 use as a vacation home or for trade or business purposes.

18 **SECTION 7.** 234.59 (2) (intro.) of the statutes is amended to read:

19 234.59 (2) POWERS AND DUTIES OF THE AUTHORITY. (intro.) The authority shall  
20 establish and administer a homeownership mortgage loan program to encourage  
21 homeownership and to facilitate the acquisition or rehabilitation of eligible property  
22 by applicants. To implement the program, the authority:

23 **SECTION 8.** 234.59 (3) (c) of the statutes is amended to read:

24 234.59 (3) (c) The authority shall notify an eligible authorized lender if a  
25 person's name appears on the statewide support lien docket under s. 49.854 (2) (b).

1 An eligible authorized lender may not make a loan to an applicant if it receives  
2 notification under this paragraph concerning the applicant, unless the applicant  
3 provides to the lender a payment agreement that has been approved by the county  
4 child support agency under s. 59.53 (5) and that is consistent with rules promulgated  
5 under s. 49.858 (2) (a).

6 SECTION 9. 234.592 of the statutes is created to read:

7 **234.592 Qualified subprime loan refinancing. (1) DEFINITIONS.** In this  
8 section:

9 (a) "Authorized lender" has the meaning given in s. 234.59 (1) (a).

10 (b) "Eligible property" has the meaning given in s. 234.59 (1) (d) 1.

11 (c) "Principal residence" has the meaning given in s. 234.59 (1) (j).

12 (d) "Qualified subprime loan" means an adjustable rate single-family  
13 residential mortgage loan made after December 31, 2001, and before January 1,  
14 2008.

15 (2) POWERS AND DUTIES OF THE AUTHORITY. The authority shall establish and  
16 administer a qualified subprime loan refinancing program to encourage  
17 homeownership and to facilitate the retention of eligible property by applicants. To  
18 implement the program, the authority:

19 (a) May finance the acquisition or replacement of a qualified subprime loan and  
20 may enter into contracts permitting an authorized lender to finance the acquisition  
21 or replacement of a qualified subprime loan or both.

22 (b) Shall maintain a current list of authorized lenders.

23 (c) May enter into agreements to insure or provide additional security for loans  
24 or bonds or notes issued under s. 234.60.

1           **(3) LOAN CONDITIONS.** (a) Except as provided in par. (b), the authority may  
2 finance the acquisition or replacement of or enter into contracts permitting an  
3 authorized lender to finance the acquisition or replacement of an existing mortgage  
4 given by an applicant on an eligible property only if all of the following conditions are  
5 satisfied:

6           1. The eligible property is and will remain the principal residence of the  
7 applicant.

8           2. The existing mortgage was originally financed through a qualified subprime  
9 loan and has not subsequently been refinanced.

10           3. The authority makes a determination that the mortgage described in subd.  
11 2. will be reasonably likely to cause financial hardship to the applicant if not  
12 refinanced.

13           4. The term of any refinancing agreement entered into under this paragraph  
14 does not exceed 30 years.

15           5. The monthly payments to be made by an applicant under an agreement  
16 entered into under this paragraph include principal, interest, property taxes, and  
17 insurance. In this subdivision, "insurance" includes mortgage insurance,  
18 homeowner's insurance, and, if applicable, flood insurance.

19           6. The authority complies with special rules for subprime refinancing  
20 established under 26 USC 143 (k) (12).

21           (b) The authority may not enter into an agreement under this subsection if the  
22 applicant's name appears on the statewide support lien docket under s. 49.854 (2) (b),  
23 unless the applicant provides to the authority a payment agreement that has been  
24 approved by the county child support agency under s. 59.53 (5) and that is consistent  
25 with rules promulgated under s. 49.858 (2) (a).





5

DOA:.....Weidner, BAB0031 - Authorize WHEDA to refinance certain eligible mortgages

**FOR 2009-11 BUDGET -- NOT READY FOR INTRODUCTION**

2/5/09

The bill directs the secretary of administration to determine the date after which no bonds or notes may be issued by WHEDA to refinance subprime loans

Do NOT Gen

1 AN ACT...; relating to: the budget.

*Analysis by the Legislative Reference Bureau*

**WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY**

Under current law, the Wisconsin Housing and Economic Development Authority (WHEDA) makes and participates in making homeownership mortgage loans on behalf of qualified, low-income applicants. A homeownership mortgage loan is defined as a loan to finance the construction, long-term financing, or qualified rehabilitation of a residential structure or dwelling unit that is the principle residence of the applicant. WHEDA may issue bonds or notes to fund homeownership mortgage loans, but homeownership mortgage loans may not be made to finance the acquisition or replacement of an applicant's existing mortgage.

This bill authorizes WHEDA to issue bonds for and to make and participate in the making of loans for the refinancing of qualified subprime loans. A qualified subprime loan is defined as an adjustable rate single-family residential mortgage loan made after December 31, 2001 and before January 1, 2008. The bill also provides that all interest and income derived from the bonds is exempt from the state income tax.

Because this bill directly or substantially affects the development, construction, cost or availability of housing in this state, the Department of

Commerce, as required by law, will prepare a report to be printed as an appendix to this bill.

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*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

1           **SECTION 1.** 71.05 (1) (c) 1n. of the statutes is created to read:

2           71.05 (1) (c) 1n. The Wisconsin Housing and Economic Development Authority  
3 under s. 234.592 or 234.60 (1), if the bonds are issued for qualified subprime loan  
4 refinancing.

5           **SECTION 2.** 71.26 (1m) (en) of the statutes is created to read:

6           71.26 (1m) (en) Those issued under s. 234.592 or 234.60 (1), if the obligations  
7 are issued for qualified subprime loan refinancing.

8           **SECTION 3.** 71.45 (1t) (en) of the statutes is created to read:

9           71.45 (1t) (en) Those issued under s. 234.592 or 234.60 (1), if the obligations  
10 are issued for qualified subprime loan refinancing.

11           **SECTION 4.** 234.04 (2) of the statutes is amended to read:

12           234.04 (2) The authority may make or participate in the making and enter into  
13 commitments for the making of long-term mortgage loans to eligible sponsors of  
14 housing projects for occupancy by persons and families of low and moderate income,  
15 or for the making of homeownership mortgage loans or housing rehabilitation loans  
16 or loans for the refinancing of qualified subprime loans under s. 234.592 to persons  
17 and families of low and moderate income, an applicant under s. 234.59 or 234.592,  
18 or other eligible beneficiaries as defined in s. 234.49. The loans may be made only  
19 upon the determination by the authority that they are not otherwise available from  
20 private lenders upon reasonably equivalent terms and conditions. The authority  
21 may not make a loan to a person whose name appears on the statewide support lien

1 docket under s. 49.854 (2) (b), unless the person provides to the authority a payment  
2 agreement that has been approved by the county child support agency under s. 59.53  
3 (5) and that is consistent with rules promulgated under s. 49.858 (2) (a). The  
4 authority may employ, for such compensation as it determines, the services of any  
5 financial institution in connection with any loan.

6 **SECTION 5.** 234.265 (2) of the statutes is amended to read:

7 234.265 (2) Records or portions of records consisting of personal or financial  
8 information provided by a person seeking a grant or loan under s. 234.04, 234.08,  
9 234.49, 234.59, 234.592, 234.61, 234.63, 234.65, 234.67, 234.83, 234.84, 234.90,  
10 234.905, 234.907, or 234.91, seeking a loan under ss. 234.621 to 234.626, seeking  
11 financial assistance under s. 234.66, 2005 stats., seeking investment of funds under  
12 s. 234.03 (18m), or in which the authority has invested funds under s. 234.03 (18m),  
13 unless the person consents to disclosure of the information.

14 **SECTION 6.** 234.59 (1) (j) of the statutes is amended to read:

15 234.59 (1) (j) "Principal residence" means an eligible residential real property  
16 in this state ~~which~~ that an applicant maintains as a full-time residence, but does not  
17 use as a vacation home or for trade or business purposes.

18 **SECTION 7.** 234.59 (2) (intro.) of the statutes is amended to read:

19 234.59 (2) POWERS AND DUTIES OF THE AUTHORITY. (intro.) The authority shall  
20 establish and administer a homeownership mortgage loan program to encourage  
21 homeownership and to facilitate the acquisition or rehabilitation of eligible property  
22 by applicants. To implement the program, the authority:

23 **SECTION 8.** 234.59 (3) (c) of the statutes is amended to read:

24 234.59 (3) (c) The authority shall notify an eligible authorized lender if a  
25 person's name appears on the statewide support lien docket under s. 49.854 (2) (b).

1 An eligible authorized lender may not make a loan to an applicant if it receives  
2 notification under this paragraph concerning the applicant, unless the applicant  
3 provides to the lender a payment agreement that has been approved by the county  
4 child support agency under s. 59.53 (5) and that is consistent with rules promulgated  
5 under s. 49.858 (2) (a).

6 SECTION 9. 234.592 of the statutes is created to read:

7 **234.592 Qualified subprime loan refinancing. (1) DEFINITIONS.** In this  
8 section:

9 (a) "Authorized lender" has the meaning given in s. 234.59 (1) (a).

10 (b) "Eligible property" has the meaning given in s. 234.59 (1) (d) 1.

11 (c) "Principal residence" has the meaning given in. s. 234.59 (1) (j).

12 (d) "Qualified subprime loan" means an adjustable rate single-family  
13 residential mortgage loan made after December 31, 2001, and before January 1,  
14 2008.

15 (2) POWERS AND DUTIES OF THE AUTHORITY. The authority shall establish and  
16 administer a qualified subprime loan refinancing program to encourage  
17 homeownership and to facilitate the retention of eligible property by applicants. To  
18 implement the program, the authority:

19 (a) May finance the acquisition or replacement of a qualified subprime loan and  
20 may enter into contracts permitting an authorized lender to finance the acquisition  
21 or replacement of a qualified subprime loan or both.

22 (b) Shall maintain a current list of authorized lenders.

23 (c) May enter into agreements to insure or provide additional security for loans  
24 or bonds or notes issued under s. 234.60.

1           **(3) LOAN CONDITIONS.** (a) Except as provided in par. (b), the authority may  
2 finance the acquisition or replacement of or enter into contracts permitting an  
3 authorized lender to finance the acquisition or replacement of an existing mortgage  
4 given by an applicant on an eligible property only if all of the following conditions are  
5 satisfied:

6           1. The eligible property is and will remain the principal residence of the  
7 applicant.

8           2. The existing mortgage was originally financed through a qualified subprime  
9 loan and has not subsequently been refinanced.

10           3. The authority makes a determination that the mortgage described in subd.  
11 2. will be reasonably likely to cause financial hardship to the applicant if not  
12 refinanced.

13           4. The term of any refinancing agreement entered into under this paragraph  
14 does not exceed 30 years.

15           5. The monthly payments to be made by an applicant under an agreement  
16 entered into under this paragraph include principal, interest, property taxes, and  
17 insurance. In this subdivision, "insurance" includes mortgage insurance,  
18 homeowner's insurance, and, if applicable, flood insurance.

19           6. The authority complies with special rules for subprime refinancing  
20 established under 26 USC 143 (k) (12).

21           (b) The authority may not enter into an agreement under this subsection if the  
22 applicant's name appears on the statewide support lien docket under s. 49.854 (2) (b),  
23 unless the applicant provides to the authority a payment agreement that has been  
24 approved by the county child support agency under s. 59.53 (5) and that is consistent  
25 with rules promulgated under s. 49.858 (2) (a).



1 SECTION 10. 234.60 (title) of the statutes is amended to read:

2 234.60 (title) **Bonds for homeownership mortgage loans and qualified**  
3 **subprime loan refinancing.**

4 SECTION 11. 234.60 (1) of the statutes is amended to read:

5 234.60 (1) The authority may issue its bonds or notes to fund homeownership  
6 mortgage loans or the refinancing of qualified subprime loans under s. 234.592.

7 SECTION 12. 234.60 (5) (c) of the statutes is created to read:

8 234.60 (5) (c) The secretary of administration shall determine the date after  
9 which no bond or note may be issued under this section for the purpose of financing  
10 the acquisition or replacement of an existing mortgage under s. 234.592.

11 SECTION 13. 234.60 (9) of the statutes is amended to read:

12 234.60 (9) The executive director of the authority shall make every effort to  
13 encourage participation in the homeownership mortgage loan program and the  
14 qualified subprime loan refinancing program by women and minorities.

15 SECTION 9325. **Initial applicability; Housing and Economic**  
16 **Development Authority.**

17 (1) The treatment of section 234.60 (1) of the statutes first applies to bonds  
18 issued after the effective date of this subsection.

19 SECTION 9343. **Initial applicability; Revenue.**

20 (1) The treatment of sections 71.05 (1) (c) 1n., 71.26 (1m) (en), and 71.45 (1t)  
21 (en) of the statutes first applies to taxable years beginning on January 1, 2009.

22 (END)