



Amy Loudenbeck

REPRESENTING WISCONSIN'S 31ST ASSEMBLY DISTRICT

**Testimony before Assembly Committee on Housing and Real Estate
Assembly Bill 809
Rep. Amy Loudenbeck
January 11, 2018**

Thank you, Mr. Chairman and committee members for the opportunity to testify in favor of this bi-partisan legislation, Assembly Bill 809. AB 809 is an omnibus bill that addresses three priority issues for WHEDA.

At this time, I will provide a brief summary of the bill and allow WHEDA and other interested parties to explain the provisions and their importance in greater detail.

The first part of AB 809 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.

AB 809 also creates flexibility by expanding 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. 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.

Lastly, AB 809 makes changes to the Transform Milwaukee Initiative Pilot by authorizing WHEDA to refinance an existing mortgage under a very specific and limited set of circumstances. 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.

This bill makes rather limited changes while providing necessary flexibilities for WHEDA to continue to work closely with lenders, developers, local units of government, nonprofits, community groups, and others to meet an increasing need for affordable housing financing options.

Thank you for the opportunity to testify on this bill today. After WHEDA has the chance to explain the bill in greater detail we would be happy to answer questions from committee members.

Alberta Darling

Wisconsin State Senator

Co-Chair, Joint Committee on Finance

TESTIMONY BEFORE THE ASSEMBLY COMMITTEE ON HOUSING AND REAL ESTATE

Assembly Bill 809

January 11, 2018

Thank you Chairman Jagler and committee members for holding a public hearing today on Assembly Bill 809. As a member of the Wisconsin Housing and Economic Development Authority (WHEDA) board and at the request of the agency, I introduced an omnibus bill to address three priority issues for WHEDA. These issues include technical changes to Chapter 234, expanding the use of the Housing Rehabilitation Loan Funds to include Down Payment Assistance Program, and adjustments to the Transform Milwaukee Initiative program to better suit the program's needs.

The Wisconsin Legislature created 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. The agency 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.

The first important change included in the bill is modernizing current state statutes that pertain to WHEDA. AB 809 deletes obsolete dates and references in current law, amends current law to reflect accurate renewal dates, and updates mortgage loan language in statutes to reflect current federal IRS Code requirements.

The second change in AB 809 expands the use of the Housing Rehabilitation Loan Fund 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 homeowners have found a private sector home equity loan or line of credit more desirable for remodeling and renovation. Currently, WHEDA is experiencing an increased usage of its single-family mortgage loan products from low and moderate income first-time home buyers. One of the largest obstacles for first-time home buyers in the low to moderate income range is securing funds for a down payment. Because WHEDA is projecting a shortage of DPA funds, which would significantly limit WHEDA's ability to serve this demographic of buyers, AB 809 permits WHEDA to utilize the Housing Rehabilitation Loan Fund dollars for the DPA program. This change would not delete the Housing Rehabilitation Loan Fund but only expand the use of the funds.

Lastly, AB 809 alters the Transform Milwaukee Initiative Rehabilitation Pilot. The Transform Milwaukee Initiative Rehabilitation Pilot was originally intended as a purchase-only program, not a refinancing tool for current mortgages. In its current form, only one loan has actually closed in this program. One reason this program has not seen the success originally intended is the lack of interest in buying a property for rehabilitation while the surrounding properties are still run down. Surrounding property owners may have the adequate credit and income stream to support servicing a rehab loan, but traditional lenders cannot make the loan-to-value factor work to approve a home equity or construction loan. AB 809 authorizes WHEDA to issue a homeownership mortgage loan to a homeowner for the refinancing of the homeowner's existing mortgage if 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. In order to be eligible, the property must be located in the targeted neighborhoods within the Transform Milwaukee Zone. This change will help the program address the needs of neighborhoods with extreme devaluation.

I want to thank Representative Loudbeck for her work on this bill and Executive Director Winston for his continued leadership and success at WHEDA. Thank you committee members for holding a hearing on AB 809.

I hope to have your support for this legislation.



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January 9, 2018

Chairman John Jagler
Assembly Committee on Housing and Real Estate

Members of the Committee:

Representative Allen (Vice-Chair), Representative Katsma, Representative R. Brooks, Representative Murphy, Representative Pronschinske, Representative Stuck, Representative Young, Representative Goyke

The Urban Economic Development Association of Wisconsin, Inc. (UEDA) writes you today in support of proposed changes concerning the Wisconsin Housing and Economic Development Authority (WHEDA) in Assembly Bill 809. We see these changes as an important way to add flexibility to WHEDA programs and services. They have been an important partner in efforts to mitigate the impact of foreclosures and have supported sustainable homeownership activities in Milwaukee since 2009.

UEDA is a membership organization dedicated to facilitating effective, cross-sector collaboration, meaningful connections, and strengthening individual and organizational capacity in Wisconsin's community and economic development sector. We focus on and advocate for community investment, sustainable homeownership and housing, regional transportation, small business growth, financial empowerment and the local food economy.

In particular, WHEDA is an active and involved member of *Take Root Milwaukee*, a consortium of 50+ members that work collaboratively to preserve and promote sustainable, diverse neighborhoods by encouraging and maintaining homeownership. Housing counseling agencies, lenders, Realtors and community-based nonprofits work together to increase awareness of homeownership education, products and services. UEDA serves as the administrative agency for Take Root Milwaukee.

The proposed changes would allow WHEDA further invest in its Down Payment Assistance program, which is an important source of support for first-time homebuyers and low- to moderate-income buyers. Additionally, modifying the Transform Advantage program to allow for refinancing and/or rehab will help meet a significant need Take Root Milwaukee members have identified: the lack of products available for property repair or rehabilitation in the current market.

We have found WHEDA to be an engaged partner in Take Root Milwaukee, with staff that give careful consideration to the challenges we face in the market. They work collaboratively with our members and partners to identify solutions and strategies to address them. The proposed changes will bring additional resources to addressing key concerns for our members when it comes to working with home rehabilitation transactions and older housing stock.

We thank you for your ongoing leadership, and appreciate your consideration.

Sincerely,

Kristi Luzar
Executive Director, UEDA
Phone: (414) 562-9904 * Kristi@uedawi.org





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Chairman Jagler & Committee Members of the Assembly Housing and Real Estate Committee:

Thank you for your interest and encouragement in promoting more vibrant Milwaukee neighborhoods through homeownership. ACTS Housing has worked for the past 20 years to help low-income families become home owners in some of the most challenged neighborhoods in Milwaukee. Each year ACTS helps more than 100 families buy, rehab, and maintain their own homes. Most of our families roll up their sleeves and pour sweat equity into their new home. These folks who commit to the hard work of reclaiming a vacant, vandalized or foreclosed property are often working multiple jobs and spend the rest of their time repairing their new home to make it safe and code compliant. I would like to share with you how WHEDA has helped ACTS meet its mission.

ACTS has successfully worked as a partner with the WHEDA single family mortgage group. WHEDA's Down Payment Assistance program for first time homeowners addresses a significant obstacles to lower-income borrowers. Putting together a lump of money for a down payment is very difficult, even when the borrower's income is more than adequate to support a mortgage. WHEDA's down payment assistance program provides a second mortgage making it possible to get over that hurdle. Providing funding resources for the Down Payment Assistance program will definitely benefit individuals who are credit-worthy and income-eligible but cannot put together the hefty down payment required to obtain a mortgage that can be supported by secondary market funding. Funding this WHEDA program is critical to helping this demographic.

In addition, WHEDA has initiated the Transform Advantage program to help rehabilitate homes and improve the values of properties in some focus neighborhoods. However, this program is currently limited to providing acquisition or new construction dollars to improve such properties. After having the program in place for several years, it has become evident that *existing home owners* whose properties have been severely devalued cannot secure home equity loans for repairs because the appraised value of their property is not supportive in traditional lending.

It would be helpful if the Transform Advantage program could provide existing homeowners some assistance in improving the value of their property by refinancing their loans and wrapping in a rehab component. This could have a very positive impact on the property values of a neighborhood – and we know the values of adjacent properties contribute to appraised value. This is my understanding of what WHEDA is requesting in this bill and I would encourage your support.

Thank you for considering my comments. We look forward to a continued partnership with WHEDA.

Sincerely,

Michael Gosman
Executive Director



Testimony on AB809
Debi Towns, Ass't. Deputy Director

Representative Jagler & Members of the Committee –

Thank you for your interest in the WI Housing & Economic Development Authority's (aka: WHEDA) mission and work. WHEDA's mission is to stimulate the state's economy & improve the quality of life for WI residents by providing affordable housing and business financing products. Our work is to provide a unique set of tools to help home owners, business and communities across the state.

The bill before you today – AB 809 – represents a combination of requests from WHEDA. There are several technical updates which would serve to bring WHEDA's practices back in sync with the Federal IRS regulations as well as renew some expiring deadlines. My colleague, Sherry Gerondale, Director of Finance, will speak to the details of these changes shortly.

The bill also includes the adjustment or 'tweaking' of a couple of WHEDA's lending programs.

The first request is to expand the use of the Housing Rehabilitation Loan Fund reserves to include the Down Payment Assistance program.

The Housing Rehabilitation Loan fund is established in §234.50. This fund is used for loans for home rehabilitation. The fund is a revolving fund, i.e. dollars are lent out and paid back with interest. In recent years, the fund has seen little activity. Many owners have found that the private sector home equity loan or line of credit are more desirable for remodeling and renovation. As a result, the dollars in this fund are not being recycled through the market and are not being used to help home owners.

During a similar period of time, WHEDA has experienced a 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 even when the borrower's income is adequate to support a mortgage. WHEDA's Down Payment Assistance program provides a shorter term second mortgage (in addition to WHEDA holding

the first mortgage) to help cover the down payment requirement. This has been a very popular program and has contributed to increased home ownership across the state. As a result of this increased activity, WHEDA is projecting there will be a shortage of DPA funds in the next fiscal year. Limiting DPA funds would significantly impact WHEDA's ability to serve this demographic of buyers.

So, WHEDA is requesting that the Housing Rehabilitation Loan fund dollars could also be used for the DPA program. This modification would ensure that dollars could be used for both home improvement and home ownership.

The second lending program WHEDA is requesting modification to is the Transform Advantage program. This is a program created several years ago focusing on specific targeted neighborhoods in Milwaukee. This program was intended to entice home buyers to purchase properties in severely discounted neighborhoods in hopes they would renovate them. This is a purchase-only program and to date, has only closed one loan. Other variables outside of WHEDA's control may have inhibited the use of this loan product, including the lack of interest in buying a property to rehab while the surrounding properties are still run down. The values of many of the properties in the areas targeted by this program are suffering from extreme de-valuation – in part, because of their physical condition.

Surrounding property owners may have adequate credit and income stream to support servicing a rehab loan, but traditional lenders cannot make the loan-to-value factor work to approve a home equity or construction loan.

So, there is a need to make adjustments to this program to address the negative influence of depreciated neighborhood properties. WHEDA is asking for a modification to the Transform Advantage program which would allow the refinance of stable mortgages for current homeowners who are eligible in every respect except that their appraised property loan-to-value does not allow these borrowers to be eligible for traditional private sector home equity financing to make repairs. In part, the reason for their discounted appraised value is the neighborhood location.

I appreciate your attention to this request -- & will turn the testimony over to my colleague – after which we are happy to answer any questions you might have.



Testimony on AB809
Sherry Gerondale, CFO

Thank you, Mr. Chairman and members of the Committee for your interest in this issue and allowing me to speak with you today.

The WI Housing and Economic Development Authority (aka WHEDA) wishes to amend Chapter 234 to update obsolescence and to bring WI statutes into sync with federal IRS regulations. I am here to talk specifically about three parts of the bill.

First, I would like to address the request to eliminate the requirement that certain organizations participating in WHEDA programs must give WHEDA the authority to appoint the majority of that organization's board of directors or governing body.

WHEDA has not exercised this authority in recent decades. This clause is a vestige of an earlier time when WHEDA was the only financing available for certain types of projects. A clause such as this provides protection for WHEDA. However, today's market is not accepting of this intrusion into their business. With the proposed changes, WHEDA has all the same protections provided to any lender so a concession such as this is unnecessary.

Secondly, I would like to speak to the request to authorize WHEDA to purchase its own bonds without cancellation. The original statute drafted in 1971 requires the cancellation of any notes or bonds that are purchased by WHEDA. Generally, bond issuers have the flexibility to purchase their own bonds and hold them for resale at a future point in time. This flexibility would allow WHEDA to address any disruptions in the market by holding the bonds until a later date.

Finally, I wish to speak to WHEDA's request for continued authority from the Joint Committee on Finance to issue economic development bonds. This statute contains specific dates for requesting this continued authority and it expires at the end of FY 2018. WHEDA is requesting that this statute be continued by renewing the dates retaining the possibility of issuing economic development bonds. WHEDA would continue to seek authority from the Joint Committee on Finance with a four-year renewal period.

Thank you for your attention to these matters. I'd be happy to respond to any questions at this point.