



2023 ASSEMBLY BILL 1094

February 16, 2024 - Introduced by Representatives KRUG, GOYKE and ARMSTRONG, cosponsored by Senators KNODL and L. JOHNSON. Referred to Committee on Housing and Real Estate.

1 **AN ACT** *to create* 234.665 of the statutes; **relating to:** a workforce home loan
2 program.

Analysis by the Legislative Reference Bureau

This bill establishes a revolving loan program administered by the Wisconsin Housing and Economic Development Authority for the purpose of issuing loans, which the bill terms “workforce home loans,” to eligible applicants to provide gap financing to supplement a conventional mortgage for the purchase of a single-family residence in Wisconsin, whether new construction or an existing residence and whether detached or attached, that will be the eligible applicant’s primary residence. The bill requires WHEDA to use repayments of workforce home loans to fund additional loans under the program.

The bill prohibits WHEDA from charging any interest for a workforce home loan, and workforce home loans are not forgivable in whole or in part. Each workforce home loan must be secured as a second lien real estate mortgage. The loan term is 30 years, except that the loan term may be extended to 40 years for certain applicants who qualify for limited workforce home loan payment deferral, as provided in the bill, and a workforce home loan may be prepaid in whole or in part at any time without penalty. Under the bill, the total amount of unpaid principal on a workforce home loan becomes due and payable upon the occurrence of any of the following:

1. The recipient of the workforce home loan sells the home.
2. No recipient of the workforce home loan continues to reside in the home as a primary residence.

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Under the bill, a lender authorized by WHEDA or a local housing authority or community-based organization or other qualified local organization, as determined by WHEDA, certifies that a loan applicant is eligible to receive a workforce home loan, subject to WHEDA's approval. An applicant is eligible for a workforce home loan under the bill if all of the following are satisfied:

1. The applicant has not had any ownership interest in residential real property for the three consecutive years immediately preceding the date of the application.

2. The applicant's annual household compliance income equals 100 percent or less of the area median family income for the county in which the home is located, not adjusted for family size, as established by the Federal Housing Finance Agency. Under the bill, household compliance income means the anticipated combined income, as determined by WHEDA according to its conventional first-time home buyer first mortgage program underwriting guidelines (underwriting guidelines), of all individuals age 18 or older who intend to occupy the residence subject to a workforce home loan, regardless of whether the individual is an applicant for the workforce home loan and regardless of the individual's relationship to the applicant for the workforce home loan.

3. The applicant's debt-to-income ratio, calculated by WHEDA as provided in the bill, satisfies WHEDA's underwriting guidelines.

4. The applicant's credit score, rating, or other classification, as determined by WHEDA, satisfies WHEDA's underwriting guidelines.

5. Unless payments on a workforce home loan are deferred for at least 60 months, the applicant's minimum financial reserves after down payment and closing costs for the applicant's conventional mortgage for the purchase of the residence subject to the workforce home loan satisfy WHEDA's underwriting guidelines.

6. The applicant's conventional first mortgage for the purchase of the residence subject to the workforce home loan is a fully amortizing, fixed-rate qualified mortgage loan with a term of 30 or fewer years.

7. The applicant satisfies all eligibility requirements with respect to citizenship or resident alien status, social security number validity, home buyer education and counseling, and payment of child support or maintenance if owed, as provided in WHEDA's underwriting guidelines.

Under the bill, WHEDA may not issue a workforce home loan that exceeds the lesser of the following:

1. \$60,000, adjusted for inflation.

2. Twenty-five percent of the purchase price or fair market value of the home, whichever is less.

The bill establishes different repayment rules for workforce home loans depending on an eligible applicant's household compliance income. Specifically, if WHEDA issues a workforce home loan to an eligible applicant whose household compliance income is 80 percent or less, but more than 60 percent, of the area median income, the repayment of principal on the loan must be deferred for 60 months following the issuance date of the workforce home loan after which time the repayment of principal on a monthly basis commences, amortized over 25 years.

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However, if WHEDA issues a workforce home loan to an eligible applicant whose household compliance income is 60 percent or less of the area median income, the repayment of principal on the loan must be deferred until the first-lien real estate mortgage loan on the home is paid in full after which time the repayment of principal on a monthly basis commences, amortized over 10 years. No more than \$25,000,000 in such loans may be outstanding at any time and the bill requires WHEDA to allocate at least \$20,000,000 for such loans.

Finally, the bill requires that WHEDA subordinate an outstanding workforce home loan to a new first mortgage loan obtained by the recipient of the workforce home loan on the basis of rules provided in the bill.

Because this bill may increase or decrease, directly or indirectly, the cost of the development, construction, financing, purchasing, sale, ownership, or availability of housing in this state, the Department of Administration, as required by law, will prepare a report to be printed as an appendix to this bill.

For further information see the state and local fiscal estimate, which will 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.** 234.665 of the statutes is created to read:

2 **234.665 Workforce home loan revolving loan program. (1) DEFINITIONS.**

3 In this section:

4 (a) “Applicant” means each person who is a member of a household and who is
5 applying for a workforce home loan on behalf of that household.

6 (b) “Area median income” means the area median family income in the county
7 in which the residence is located, not adjusted for family size, as determined by the
8 federal housing finance agency.

9 (c) “Household compliance income” means the anticipated combined income,
10 as determined by the authority according to its underwriting guidelines, of all
11 individuals age 18 or older who intend to occupy the residence subject to a workforce
12 home loan, regardless of whether the individual is the applicant for the workforce

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1 home loan and regardless of the individual's relationship to the applicant for the
2 workforce home loan.

3 (d) "Qualified organization" means an authorized lender, as defined in s. 234.59
4 (1) (a), or a housing authority, as defined in s. 16.301 (2) (a), a community based
5 organization, as defined in s 16.301 (1), or another qualified local organization, as
6 determined by the authority.

7 (e) "Qualifying income" means the sum of the income of all eligible applicants
8 in the household for purposes of assessing the combined ability of all applicants in
9 the household to repay the workforce home loan, as determined by the authority
10 according to its underwriting guidelines.

11 (f) "Underwriting guidelines" means the authority's conventional first-time
12 home buyer first mortgage program underwriting guidelines.

13 (g) "Workforce home loan" means a loan issued by the authority under sub. (4)
14 (a).

15 **(2) ESTABLISHMENT OF PROGRAM.** The authority shall establish and administer
16 a workforce home loan revolving loan program for the purpose of awarding loans
17 under this section.

18 **(3) CERTIFICATIONS.** (a) A qualified organization may certify that an applicant
19 is eligible to receive a workforce home loan in an amount determined by the qualified
20 organization, subject to the approval of the authority.

21 (b) An applicant for a workforce home loan is eligible if the applicant satisfies
22 all of the following:

23 1. The applicant has not had any ownership interest in residential real
24 property for the 3 consecutive years immediately preceding the date of the
25 application.

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1 2. The applicant's annual household compliance income equals 100 percent or
2 less of the area median income.

3 3. The applicant's debt-to-income ratio, based on qualifying income, satisfies
4 the underwriting guidelines, except that if the payments on a workforce home loan
5 are deferred for at least 60 months, no future workforce home loan payment may be
6 included in the debt-to-income ratio calculation and the maximum debt-to-income
7 ratio for manual underwriting shall be 40 percent of the qualifying income.

8 4. The applicant's credit score, rating, or other classification, as determined by
9 the authority, satisfies the underwriting guidelines, except that if the payments on
10 a workforce home loan are deferred for at least 60 months, the minimum qualifying
11 credit score, rating, or other classification shall be the lowest eligible score, rating,
12 or other classification published in the underwriting guidelines.

13 5. The applicant's minimum financial reserves, as determined by the authority,
14 after down payment and closing costs for the applicant's conventional mortgage for
15 the purchase of the residence subject to the workforce home loan satisfy the
16 underwriting guidelines. This subdivision does not apply if the payments on a
17 workforce home loan are deferred for at least 60 months.

18 6. The applicant's conventional first mortgage for the purchase of the residence
19 subject to the workforce home loan is a fully amortizing, fixed-rate qualified
20 mortgage loan with a term of 30 or fewer years consistent with Regulation Z under
21 the federal Truth in Lending Act, 12 CFR 226.

22 7. The applicant satisfies all eligibility requirements with respect to citizenship
23 or resident alien status, social security number validity, home buyer education and
24 counseling, and payment of child support or maintenance if owed, as provided in the
25 underwriting guidelines.

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1 (c) The authority shall adopt policies and procedures to facilitate the
2 preapproval of applicants for workforce home loans and the encumbrance of
3 workforce home loan funds for preapproved applicants for a period of up to 90 days
4 for preapproved applicants seeking to purchase existing single-family residences
5 and up to 180 days for applicants seeking to purchase new construction
6 single-family residences.

7 (4) LOAN ISSUANCE; REPAYMENT. (a) 1. Subject to pars. (b) to (g), the authority
8 may issue a loan to an eligible applicant certified by a qualified organization under
9 sub. (3).

10 2. The authority may not charge interest for any workforce home loan, and the
11 loan term shall be 30 years, except that in the case of applicants who qualify for
12 payment deferral under par. (f), the loan term shall be 40 years, and except that a
13 workforce home loan may be prepaid in whole or in part at any time without penalty.

14 3. No workforce home loan shall be forgivable in whole or in part.

15 4. Each workforce home loan shall be secured as a 2nd lien real estate
16 mortgage.

17 5. The authority shall use all repayments of workforce home loans to fund
18 additional workforce home loans under this section.

19 (b) The authority may issue a workforce home loan only for the purpose of
20 providing gap financing to supplement a conventional mortgage for the purchase of
21 a single-family residence in this state, whether new construction or an existing
22 residence and whether detached or attached, that will be the eligible applicant's
23 primary residence.

24 (c) The authority may not issue a workforce home loan that exceeds the lesser
25 of the following:

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1 1. \$60,000, adjusted for inflation annually beginning on the effective date of
2 this subdivision [LRB inserts date].

3 2. Twenty-five percent of the purchase price or fair market value of the home,
4 whichever is less.

5 (d) If the authority issues a workforce home loan to an eligible applicant whose
6 household compliance income is 100 percent or less, but more than 80 percent, of the
7 area median income, the repayment of principal on a monthly basis shall commence
8 on the first day of the 2nd month following the issuance date of the loan, amortized
9 over 30 years.

10 (e) If the authority issues a workforce home loan to an eligible applicant whose
11 household compliance income is 80 percent or less, but more than 60 percent, of the
12 area median income, the repayment of principal on the loan shall be deferred for 60
13 months following the issuance date of the workforce home loan after which time the
14 repayment of principal on a monthly basis shall commence, amortized over 25 years.

15 (f) If the authority issues a workforce home loan to an eligible applicant whose
16 household compliance income is 60 percent or less of the area median income, the
17 repayment of principal on the loan shall be deferred until the first-lien real estate
18 mortgage loan on the home is paid in full after which time the repayment of principal
19 on a monthly basis shall commence, amortized over 10 years. No more than
20 \$25,000,000 in loans subject to this paragraph may be outstanding at any time and
21 the authority shall allocate at least \$20,000,000 for loans subject to this paragraph.

22 (g) The total amount of unpaid principal on a workforce home loan shall become
23 due and payable upon the occurrence of any of the following:

24 1. The recipient of the workforce home loan sells the home.

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1 2. No recipient of the workforce home loan resides in the home as a primary
2 residence.

3 **(5) SUBORDINATION TO NEW FIRST MORTGAGE.** The authority shall subordinate an
4 outstanding workforce home loan to a new first mortgage loan obtained by the
5 recipient of the workforce home loan, using the same documentation requirements
6 and charging the same subordination review fee as for the authority's other 2nd
7 mortgage loan programs, if the authority determines that all of the following apply:

8 (a) The home continues to be the primary residence of any recipient of the
9 outstanding workforce home loan.

10 (b) The combined loan-to-value ratio, calculated using the sum of the amount
11 of the proposed new first mortgage loan and the outstanding balance of the workforce
12 home loan, divided by the fair market value of the subject property at the time of the
13 subordination request, as determined by the authority, is equal to or less than the
14 combined loan-to-value ratio at the time the workforce home loan was first issued,
15 calculated using the sum of the conventional first mortgage loan used to purchase
16 the residence and the amount of the original workforce home loan, divided by the
17 original fair market value of the subject property at the time the workforce home loan
18 was first issued.

19 (c) The proposed new first mortgage loan is a fully amortizing, fixed-rate
20 qualified mortgage loan with a term of 30 or fewer years, consistent with Regulation
21 Z under the federal Truth in Lending Act, 12 CFR 226.

22 (d) The workforce home loan recipient continues to satisfy sub. (3) (b) 3., 4., 5.,
23 and 7.

24

(END)