

1999 DRAFTING REQUEST

Assembly Substitute Amendment (ASA-AB529)

Received: 11/08/1999

Received By: kahlepj

Wanted: Soon

Identical to LRB:

For: Tom Sykora (608) 266-1194

By/Representing: Mary Matthias

This file may be shown to any legislator: NO

Drafter: kahlepj

May Contact:

Alt. Drafters:

Subject: Econ. Development - housing

Extra Copies:

Pre Topic:

No specific pre topic given

Topic:

Allow appraisal or property value insurance

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>
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ECONOMIC
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WHEDA supports equal
housing opportunities for
all persons



*to Pam
Kahler*

ASSEMBLY BILL 529

COMMENTS TO THE ASSEMBLY COMMITTEE ON HOUSING

JIM LANGDON, EXECUTIVE ASSISTANT

OCTOBER 27, 1999

Thank you, Chairman Sykora and committee members. I am today speaking in support of Assembly Bill 529.

As background, WHEDA has long offered a low-interest mortgage program to help first-time buyers purchase entry level homes. Since its inception, we have made loans to more than 70,000 Wisconsin low- and moderate-income families.

Over the years, we have made many improvements to the program to make homeownership more accessible and affordable. These include continuous program funding, 24-hour underwriting turnaround, down payments of as little as three percent, closing cost financing, and others. Each of these features were developed to provide a better, more affordable product to consumers.

We sought the introduction of Assembly Bill 529 to again improve the program for the benefit of low- and moderate-income home buyers. AB 529 would make a technical amendment to statutes to permit consumers the option of using Property Value Insurance on their WHEDA HOME Loans.

Property Value Insurance is an insurance product offered by Milwaukee-based Mortgage Guaranty Insurance Corporation (MGIC). Property Value Insurance is a new method of establishing the value of a mortgaged property. It is an insurance product which guarantees the accuracy of the property value used to support a mortgage. If there is a loss on a defaulted loan as a result of an inaccurate insured property value, MGIC will pay a claim that eliminates or reduces the loss.

Property Value Insurance can provide several benefits to Wisconsin home buyers:

1. Property Value Insurance is about 20% less expensive than traditional home appraisals. Since this is a buyer-paid expense, all savings would inure to the benefit of the purchasing family.
2. Property Value Insurance can cut time out of the home buying process. In tight housing markets, housing appraisals can take up to three weeks to complete. Property Value Insurance is issued within a matter of hours. These time savings can be critical to a buyer.
3. WHEDA and the consumer would benefit through reduced exposure to loss. The insurer's policy would pay a claim if a shortfall resulted from an inaccurate valuation. Property Value Insurance would provide an extra layer of protection to both WHEDA and the homeowner.

Assembly Bill 529
October 27, 1999
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While Property Value Insurance is relatively new to the market, it is based on some rather traditional valuation methods. MGIC will issue its policies using one of three techniques:

1. Statistical: Value is based on that certified by the originating lender (purchase price) and area sales. A policy is issued immediately, but a drive-by inspection is completed by a third-party within 15-21 days.
2. Exterior Inspection: If the purchase price is outside of statistical parameters, a broker price opinion (from a local Realtor® or appraiser) will be ordered based on an exterior inspection.
3. Interior Inspection: If the loan is high risk, a broker price opinion (from a local Realtor® or appraiser) will be ordered based on an exterior and interior inspection.

It is important to note that Assembly Bill 529 does not require WHEDA to use Property Value Insurance on HOME Loans. Rather, it merely gives us the option to offer it to interested buyers. We estimate that 30-50% of WHEDA borrowers will take advantage of this product.

Finally, Assembly Bill 529 has no fiscal effect on the State or WHEDA.

In conclusion, Assembly Bill 529 is progressive pro-consumer legislation. AB 529 gives low- and moderate-income families a new option to make homeownership more affordable and accessible. And it does so without financial burden to the State or WHEDA.

Thank you for your consideration of Assembly Bill 529. I am joined by Arlene Norris, WHEDA Single Family Housing Manager, and we would be happy to answer any questions.

Kahler, Pam

From: Matthias, Mary
Sent: Monday, November 08, 1999 2:07 PM
To: Kahler, Pam
Cc: Jermstad, Sara
Subject: 1999 AB 529

Hi Pam- Here is the language for the sub to AB 529 and the Senate companion bill:
(This is how s. 234.59(3)(a) should read- I don't know how to do strike throughs in my e-mail -sorry)

234.59(3)(a) The amount of a homeownership mortgage loan may not exceed the lesser of 97% of the purchase price or 97% of the established value of the eligible property. The established value shall be equal to either of the following:

1. The amount determined by an independent appraisal of the property.
2. The amount for which the value of the property has been insured by an independent entity.

Let me know if this looks ok. Thanks!

Mary Matthias
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Wisconsin Legislative Council Staff
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PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

ASSEMBLY SUBSTITUTE AMENDMENT,
TO 1999 ASSEMBLY BILL 529

Friday
11-12

gen cat

1 AN ACT ^{gen cat}; relating to: establishing the value of property for homeownership
2 mortgage loans.

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

3 SECTION 1. 234.59 (3) (a) [✓] of the statutes is renumbered 234.59 (3) (a) (intro.)
4 and amended to read:

5 234.59 (3) (a) (intro.) The amount of a homeownership mortgage loan may not
6 exceed the lesser of 97% of the purchase price or 97% of the appraised established
7 value of the eligible property. The established value of the eligible property equals
8 any of the following:

History: 1981 c. 349; 1983 a. 82, 192; 1985 a. 29 ss. 2127, 2261 to 2269, 3200 (14); 1985 a. 332; Stats. 1985 s. 234.59; 1987 a. 27, 359; 1987 a. 403 s. 256; 1989 a. 31, 346; 1991 a. 221; 1993 a. 286, 287; 1995 a. 27, 404.

9 SECTION 2. 234.59 (3) (a) 1. of the statutes is created to read:

