

January 25, 2000

Honorable Tom Sykora
Room 8 North State Capitol
P.O. Box 8953
Madison, WI 53708-8953

**WISCONSIN
HOUSING AND
ECONOMIC
DEVELOPMENT
AUTHORITY**

Re: Assembly Bill 529

Dear Representative Sykora: *Tom*

I write you today seeking your support of the Substitute Amendment to Assembly Bill 529 (attached) when the Assembly Housing Committee meets on February 3, 2000.

Tommy G. Thompson
Governor

Edwin J. Zagzebski
Chairman

Fritz Ruf
Executive Director

As background, WHEDA has long offered the low-interest HOME Loan program to help Wisconsin families purchase entry level homes. Since its inception, we have served more than 70,000 Wisconsin low- and moderate-income families. The Substitute Amendment to AB 529 would allow consumers the option of using Property Value Insurance on their WHEDA HOME Loans.

What is Property Value Insurance?

Property Value Insurance is an insurance policy offered by Milwaukee-based Mortgage Guaranty Insurance Corporation (MGIC) that 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.

Like a standard home appraisal, Property Value Insurance protects the interests of the purchaser after an offer to purchase is made. As the Substitute Amendment indicates, WHEDA's loan may not exceed 97 percent of the lesser of (1) the purchase price or (2) the value established by either an appraisal or Property Value Insurance. This protects the buyer from paying an inflated price for a property.

How Does Property Value Insurance Benefit Home Buyers?

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

- Property Value Insurance can be 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.
- Property Value Insurance can cut time out of the home buying process. In tight housing markets or during times of high refinancings, housing appraisals can take weeks to complete. Property Value Insurance is issued within a matter of hours. These time savings can be critical to a buyer.

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PO Box 1728
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tel 608/266-7884
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WHEDA supports equal
housing opportunities for
all persons



Letter to Representative Tom Sykora
January 25, 2000
Page Two

Will AB 529 Require Property Value Insurance Over Home Appraisals?

Absolutely not. It is important to note that AB 529 neither requires nor favors the use of Property Value Insurance over traditional property appraisals. Rather, AB 529 empowers low- and moderate-income home buyers by giving them an additional tool in verifying property value. The home buyer remains fully in charge of the transaction and will at all times be free to choose either a home appraisal or Property Value Insurance.

Why a Substitute Amendment to AB 529?

The original draft of AB 529 was interpreted by some as an attempt to repeal a requirement for WHEDA to demand home appraisals. That was never our intent. As a practical matter, WHEDA could not sell bonds to fund loans without requiring an accepted form of property valuation. The only reason we are seeking this legislation is to provide home buyers an option that might result in cost and time savings.

The Substitute Amendment states more clearly the intention of the bill. As the Legislative Council points out in its November 11, 1999 memorandum (attached), the Substitute Amendment "clarifies that for each property for which a loan is made under the program, there must be either an independent appraisal or a property value insurance policy written on the property." WHEDA supports the Substitute Amendment and we appreciate the assistance of the Legislative Council and others in developing this improved language.

Assembly Bill 529 is progressive pro-consumer legislation. We ask your support of the Substitute Amendment to AB 529 when the Assembly Housing Committee holds an Executive Session on February 3, 2000.

If you have any questions or concerns, please contact me at 266-3893 or Jim Langdon, WHEDA Executive Assistant, at 266-3529. Thank you for your continuing support of homeownership opportunities for all Wisconsin families.

Sincerely,



Fritz Ruf
Executive Director

Enclosures



WISCONSIN LEGISLATIVE COUNCIL STAFF MEMORANDUM

One East Main Street, Suite 401; P.O. Box 2536; Madison, WI 53701-2536

Telephone: (608) 266-1304

Fax: (608) 266-3830

Email: leg.council@legis.state.wi.us

DATE: November 15, 1999

TO: REPRESENTATIVE TOM SYKORA, CHAIRPERSON, AND MEMBERS OF THE ASSEMBLY COMMITTEE ON HOUSING

FROM: Mary Matthias, Senior Staff Attorney

SUBJECT: LRB-0191/1, an Assembly Substitute Amendment to 1999 Assembly Bill 529, Relating to Property Appraisals for Homeownership Mortgage Loans

This memorandum describes LRB-0191/1, an Assembly substitute amendment to 1999 Assembly Bill 529 ("the Bill"), relating to property appraisals for homeownership mortgage loans. You introduced 1999 Assembly Bill 529, which was cosponsored by Senator Moore, on October 12, 1999. The Bill was referred to the Assembly Committee on Housing, which held a hearing on the Bill on October 27, 1999.

An identical companion bill, 1999 Senate Bill 251, which you cosponsored, was introduced on October 13, 1999 by Senator Moore. 1999 Senate Bill 251 was referred to the Senate Committee on Economic Development, Housing and Government Operations, which has scheduled a hearing and possible executive session on that bill for November 16, 1999.

A. BACKGROUND

The Wisconsin Housing and Economic Development Authority (WHEDA) administers the homeownership mortgage loan program under s. 234.59, Stats., to help first-time home buyers purchase entry-level homes. Under the program, WHEDA contracts with authorized lenders to make or service loans to low-income persons for the construction, long-term financing or rehabilitation of residential property. WHEDA may ensure or provide additional security for the loans.

Current law specifies that the amount of a homeownership mortgage loan under the program may not exceed the lesser of either of the following:

- 97% of the purchase price of the eligible property; or
- 97% of the appraised value of the eligible property. [s. 234.59 (3) (a), Stats.]

This provision implies, but does not clearly require, that an appraisal be conducted on every property for which a homeownership mortgage loan is made under the program. According to WHEDA, it has been WHEDA's practice to require an appraisal of every property for which a loan is made under the program.

B. 1999 ASSEMBLY BILL 529

The Bill deletes the reference to the appraised value of the eligible property in s. 234.59 (3) (a), Stats., described above. Thus, under the Bill, the amount of a homeownership mortgage loan may not exceed 97% of the purchase price of the eligible property.

WHEDA has stated that the purpose behind the Bill is to permit the use of property value insurance, in lieu of an appraisal, to guarantee the accuracy of the property value used to support a mortgage. According to WHEDA, property value insurance guarantees the accuracy of the property value used to support a mortgage. If there is a loss on a defaulted loan as the result of an inaccurate insured property value, property value insurance will pay a claim that eliminates or reduces the loss. WHEDA states that in many cases, property value insurance is less expensive than an appraisal, resulting in a savings to the homebuyer.

C. LRB-0191/1, AN ASSEMBLY SUBSTITUTE AMENDMENT TO THE BILL

Concerns were raised at the hearing on the Bill over the Bill's apparent elimination of the requirement to obtain an appraisal on property for which a loan is made under the homeownership mortgage loan program. Jim Langdon, Executive Assistant, WHEDA, explained at the hearing that it was not WHEDA's intent to eliminate the appraisal requirement, but rather to give the homebuyer the option of obtaining property value insurance instead of an appraisal.

LRB-0191/1, an Assembly substitute amendment to 1999 Assembly Bill 529, was developed in consultation with WHEDA and clarifies that for each property for which a loan is made under the program, there must be *either* an independent appraisal or a property value insurance policy written on the property. Specifically, the Assembly substitute amendment provides that the amount of the homeownership mortgage loan under the program may not exceed the lesser of: (1) 97% of the purchase price; or (2) 97% of the *established value* of the property. The Assembly substitute amendment specifies that the established value equals either the value determined by an independent appraisal of the property or the value insured under a property value insurance policy written on the property.

If you have any questions or would like more information, please call me at the Legislative Council Staff offices. My direct telephone number is 266-0932.

MM:wu:rv:tlu;tlu;wu



Date: February 8, 2000

BACKGROUND

The Wisconsin Housing and Economic Development Authority (WHEDA) administers the low-interest homeownership mortgage loan program under s. 234.59, Stats., to help first-time home buyers purchase entry-level homes. Under the program, WHEDA contracts with authorized lenders to make or service loans to low-income persons for the construction, long-term financing or rehabilitation of residential property. WHEDA may ensure or provide additional security for the loans.

Current law specifies that the amount of a homeownership mortgage loan under the program may not exceed the lesser of either of the following:

- 97% of the purchase price of the eligible property; or
- 97% of the appraised value of the eligible property.

This provision implies, but does not clearly require, that an appraisal be conducted on every property for which a homeownership mortgage loan is made under the program. According to WHEDA, it has been WHEDA's practice to require an appraisal of every property for which a loan is made under the program.

SUMMARY OF AB 529 (AS AMENDED BY COMMITTEE)

Assembly Bill 529 will allow prospective homebuyers, who obtain a loan under the WHEDA homeownership mortgage loan program, to provide *either* an independent appraisal or a property value insurance policy written on the property. Specifically, the amount of the homeownership mortgage loan under the program may not exceed the lesser of either of the following:

- 97% of the purchased price; or
- 97% of the *established value* of the property.

The established value equals either the value determined by an independent appraisal of the property or the value insured under a property value insurance policy written on the property. This bill does not require WHEDA to use property value insurance; it simply gives homebuyers, and WHEDA, an alternative to appraisals.

AMENDMENTS

Assembly Substitute Amendment 1 to Assembly Bill 529 [adopted 6-0-1 (Rep. Seratti was absent)] clarifies that for each property for which a loan is made under the WHEDA homeownership loan program, there must be *either* an independent appraisal or a property value insurance policy written on the property.

FISCAL EFFECT

No fiscal effect.

PROS

1. Low- and moderate-income families will be given a new option to make homeownership more affordable and accessible without financial burden to the State or WHEDA.
2. Property value insurance is about 20% less expensive than traditional home appraisals. Since this is a buyer-paid expense, all savings would be to the benefit of the purchasing family.
3. 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.
4. WHEDA and the consumer would benefit through reduced exposure to loss. The insurer's policy would pay a claim if a shortfall results from an inaccurate valuation. Property value insurance would provide an extra layer of protection to both WHEDA and the homeowner.
5. While property value insurance is relatively new to the market, it is based on some rather traditional valuation methods – statistical, exterior inspection and interior inspection.

CONS

1. Appraisers are worried about losing business due the option of purchasing property value insurance rather than relying solely on a property appraisal.
2. An appraisal is an important check and balance in the real estate transaction to maintain market values. It is feared by some that if an appraisal is not the sole determinant of property value, market values may become unstable.

SUPPORTERS

Rep. Tom Sykora, author; Sen. Gwendolynne Moore, lead co-sponsor; Sen. Farrow; Rep. Johnnie Morris-Tatum; WHEDA; Mortgage Guaranty Insurance Corporation; WI Community Action Program Assoc.; WI Mortgage Bankers Assoc.

OPPOSITION

Rep. Mike Huebsch; Dennis Russell, Dennis Russell Appraisal Services; Carl Clementi, Situs Appraisal Group

HISTORY

Assembly Bill 529 was introduced on October 12, 1999, and referred to the Assembly Committee on Housing. A public hearing was held on October 27, 1999. On February 3, 2000, the Committee voted 6-0-1 [Rep. Seratti was absent] to recommend passage of AB 529 as amended.

CONTACT: Sara Jermstad, Office of Rep. Tom Sykora



WISCONSIN LEGISLATIVE COUNCIL STAFF MEMORANDUM

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Telephone: (608) 266-1304
Fax: (608) 266-3830
Email: leg.council@legis.state.wi.us

DATE: November 15, 1999

TO: REPRESENTATIVE TOM SYKORA, CHAIRPERSON, AND MEMBERS OF
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If you have any questions or would like more information, please call me at the Legislative Council Staff offices. My direct telephone number is 266-0932.

MM:wu:rv:tlu;tlu:wu

HOUSING IMPACT NOTE

1999 Session

	LRB or Bill No./Adm. Rule No. (99-3483/1) <u>AB 529</u>
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Amendment No. if Applicable

- | | |
|--|---------------------------------------|
| <input checked="" type="checkbox"/> ORIGINAL | <input type="checkbox"/> UPDATED |
| <input type="checkbox"/> CORRECTED | <input type="checkbox"/> SUPPLEMENTAL |

Subject Property appraisals for homeownership mortgage loans

HOUSING IMPACT

- No impact
- Impact as follows:
- Impacts the policies, strategies, and recommendations of the State Housing Strategy Plan
 - Impacts the cost of constructing, rehabilitating, improving, or maintaining dwellings
 - Impacts the purchase price of housing
 - Impacts the cost and availability of financing, closing costs, or mortgage insurance
 - Impacts rental or utility costs, property taxes, or property insurance

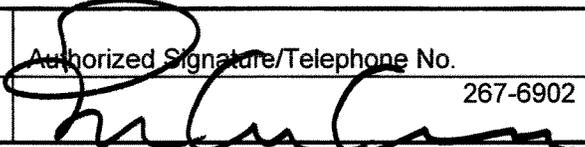
Explanation/Comments (attach extra pages if necessary)

This bill would increase the flexibility of WHEDA and its partners to process homeownership mortgage loans and reduce some exposure to loss. It deals with WHEDA's homeownership program which generally affects households with incomes at or below 110% of county median income except in designated target areas.

The effect of this bill is consistent with the state Consolidated Plan's priority to promote homeownership and affordability of housing. Under this bill property value insurance, which makes use of property databases and onsite evaluations, could be substituted for property appraisals for standard homeowner properties. Through this insurance product the accuracy of the insured property is guaranteed. If there is a default on the loan and a loss to the insured as a result of inaccurate insured property value, the issuer of the insurance pays a claim. For mortgage borrowers this approach doesn't necessarily increase costs in comparison to customary appraisal practices. It also results in faster turnaround of loans which means closings are expedited. This is a significant issue at times of high demand for home buying when experienced appraisal work is difficult to get scheduled.

Long-Range Housing Impact

Same as above.

DOA/Division of Housing		
Prepared by (Name & Telephone No.)	Authorized Signature/Telephone No.	Date
Marty Evanson 267-2713	 267-6902	2/7/00

Hughes, Carolyn

From: James.Langdon@wheda.com
Sent: Monday, February 07, 2000 11:24 AM
To: Rep.Ainsworth@legis.state.wi.us; Rep.Albers@legis.state.wi.us;
Rep.Balow@legis.state.wi.us; Rep.Berceau@legis.state.wi.us; Rep.Black@legis.state.wi.us;
Rep.Bock@legis.state.wi.us; Rep.Boyle@legis.state.wi.us;
Rep.Brandemuehl@legis.state.wi.us; Rep.Carpenter@legis.state.wi.us;
Rep.Coggs@legis.state.wi.us; Rep.Colon@legis.state.wi.us; Rep.Cullen@legis.state.wi.us;
Rep.Duff@legis.state.wi.us; Rep.Foti@legis.state.wi.us; Rep.Freese@legis.state.wi.us;
Rep.Gard@legis.state.wi.us; Rep.Goetsch@legis.state.wi.us;
Rep.Gronemus@legis.state.wi.us; Rep.Grothman@legis.state.wi.us;
Rep.Gunderson@legis.state.wi.us; Rep.Gundrum@legis.state.wi.us;
Rep.Hahn@legis.state.wi.us; Rep.Handrick@legis.state.wi.us;
Rep.Hasenohrl@legis.state.wi.us; Rep.Hebl@legis.state.wi.us; Rep.Hoven@legis.state.wi.us;
Rep.Huber@legis.state.wi.us; Rep.Hubler@legis.state.wi.us; Rep.Huebsch@legis.state.wi.us;
Rep.Hundertmark@legis.state.wi.us; Rep.Hutchison@legis.state.wi.us;
Rep.Jensen@legis.state.wi.us; Rep.Jeskewitz@legis.state.wi.us;
Rep.Johnsrud@legis.state.wi.us; Rep.Kaufert@legis.state.wi.us;
Rep.Kedzie@legis.state.wi.us; Rep.Kelso@legis.state.wi.us; Rep.Kestell@legis.state.wi.us;
Rep.Klusman@legis.state.wi.us; Rep.Kreibich@legis.state.wi.us;
Rep.Kreuser@legis.state.wi.us; Rep.Krug@legis.state.wi.us; Rep.Krusick@legis.state.wi.us;
Rep.Ladwig@legis.state.wi.us; Rep.LaFave@legis.state.wi.us; Rep.Lasee@legis.state.wi.us;
Rep.Lassa@legis.state.wi.us; Rep.LehmanJ@legis.state.wi.us;
Rep.Lehman@legis.state.wi.us; Rep.Leibham@legis.state.wi.us;
Rep.Meyerhofer@legis.state.wi.us; Rep.Meyer@legis.state.wi.us;
Rep.Miller@legis.state.wi.us; Rep.Montgomery@legis.state.wi.us;
Rep.MorrisTatum@legis.state.wi.us; Rep.Musser@legis.state.wi.us;
Rep.Nass@legis.state.wi.us; Rep.Olsen@legis.state.wi.us; Rep.Ott@legis.state.wi.us;
Rep.Owens@legis.state.wi.us; Rep.Petrowski@legis.state.wi.us;
Rep.Pettis@legis.state.wi.us; Rep.Plale@legis.state.wi.us; Rep.Plouff@legis.state.wi.us;
Rep.Pocan@legis.state.wi.us; Rep.Powers@legis.state.wi.us;
Rep.Reynolds@legis.state.wi.us; Rep.Rhoades@legis.state.wi.us;
Rep.Richards@legis.state.wi.us; Rep.Riley@legis.state.wi.us; Rep.Ryba@legis.state.wi.us;
Rep.Schneider@legis.state.wi.us; Rep.Schooff@legis.state.wi.us;
Rep.Seratti@legis.state.wi.us; Rep.Sherman@legis.state.wi.us;
Rep.Sinicki@legis.state.wi.us; Rep.Skindrud@legis.state.wi.us;
Rep.Spillner@legis.state.wi.us; Rep.Staskunas@legis.state.wi.us;
Rep.Steinbrink@legis.state.wi.us; Rep.Stone@legis.state.wi.us; Rep.Suder@legis.state.wi.us;
Rep.Sykora@legis.state.wi.us; Rep.Townsend@legis.state.wi.us;
Rep.Travis@legis.state.wi.us; Rep.Turner@legis.state.wi.us;
Rep.Underheim@legis.state.wi.us; Rep.Urban@legis.state.wi.us;
Rep.Vrakas@legis.state.wi.us; Rep.Walker@legis.state.wi.us; Rep.Ward@legis.state.wi.us;
Rep.Wasserman@legis.state.wi.us; Rep.Waukau@legis.state.wi.us;
Rep.Wieckert@legis.state.wi.us; Rep.Williams@legis.state.wi.us;
Rep.Wood@legis.state.wi.us; Rep.YoungL@legis.state.wi.us;
Rep.Ziegelbauer@legis.state.wi.us; Kimberly.Laufman@legis.state.wi.us;
Sen.Lasee@legis.state.wi.us; Sen.Darling@legis.state.wi.us; Sen.Clausing@legis.state.wi.us;
Sen.Burke@legis.state.wi.us; Sen.Rude@legis.state.wi.us; Sen.Roessler@legis.state.wi.us;
Sen.Chvala@legis.state.wi.us; Sen.Schultz@legis.state.wi.us; Sen.Zien@legis.state.wi.us;
Sen.Risser@legis.state.wi.us; Sen.Drzewiecki@legis.state.wi.us;
Sen.George@legis.state.wi.us; Sen.Moore@legis.state.wi.us;
Sen.Baumgart@legis.state.wi.us; Sen.Huelsman@legis.state.wi.us;
Sen.Erpenbach@legis.state.wi.us; Sen.Robson@legis.state.wi.us;
Sen.Shibilski@legis.state.wi.us; Sen.Plache@legis.state.wi.us; Sen.Farrow@legis.state.wi.us;
Sen.Lazich@legis.state.wi.us; Sen.Panzer@legis.state.wi.us; Sen.Ellis@legis.state.wi.us;
Sen.Rosenzweig@legis.state.wi.us; Sen.Grobschmidt@legis.state.wi.us;
Sen.Cowles@legis.state.wi.us; Sen.Jauch@legis.state.wi.us; Sen.Welch@legis.state.wi.us;
Sen.Wirch@legis.state.wi.us; Sen.Moen@legis.state.wi.us; Sen.Breske@legis.state.wi.us;
Sen.Decker@legis.state.wi.us; Sen.Fitzgerald@legis.state.wi.us
Cc: Fritz.Ruf@wheda.com; Mary.Wright@wheda.com; Mary.Zins@wheda.com
Subject: Affordable Housing Tax Credit Program

WHEDA administers a federal program that is the primary and most popular catalyst for the development of affordable rental housing in Wisconsin. The Affordable Housing Tax Credit Program is available on a competitive basis to for-profit and nonprofit developers statewide.

Calendar 2000 looks to be the most competitive year ever for the Tax Credit. As of February 2, we received 68 applications requesting over \$21 million in credit. Unfortunately, Wisconsin receives an annual allocation of \$6.5 million. This means only one of four applicants may receive a credit allocation.

Our primary priorities are to award tax credits to the development teams that bring in the highest quality projects, have a proven financial track record, and provide housing in a market where there is demonstrated need. We will be making site visits to better understand the developments and the community's needs and perceptions.

In closing, it is possible that you may hear from developers and communities on this issue. Please keep in mind that we will give full and fair consideration to every proposal. However, we will say "no" much more frequently than we say "yes." And it is an unfortunate possibility that we may deny a project in your district due to a lack of resources.

A full listing of applicants is available now on our website at www.wheda.com. Of course, we will notify you when the final awards are made.

Please call me at 266-2893 or Jim Langdon, WHEDA Executive Assistant, at 266-3529 if you have any questions.

Sincerely,

Fritz Ruf
Executive Director
Fritz.Ruf@wheda.com

Vote Record

Assembly Committee on Housing

Date: 2/3/00
Moved by: Hebl Seconded by: Reynolds
AB: _____ Clearinghouse Rule: _____
AB: _____ SB: _____ Appointment: _____
AJR: _____ SJR: _____ Other: _____
A: _____ SR: _____

A/S Amdt: _____
A/S Amdt: _____ to A/S Amdt: _____
 A/S Sub Amdt: S0191 _____
A/S Amdt: _____ to A/S Sub Amdt: _____
A/S Amdt: _____ to A/S Amdt: _____ to A/S Sub Amdt: _____

Be recommended for:

- Passage
- Introduction
- Adoption
- Rejection

- Indefinite Postponement
- Tabling
- Concurrence
- Nonconcurrence
- Confirmation

Committee Member

Rep. Tom Sykora, Chair
Rep. Steve Wieckert
Rep. Neal Kedzie
Rep. Lorraine Seratti
Rep. Tom Hebl
Rep. Johnnie Morris-Tatum
Rep. Marty Reynolds

<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: 6 _____ 1 _____

Motion Carried

Motion Failed

Vote Record

Assembly Committee on Housing

Date: 2/3/00
 Moved by: Hebl Seconded by: Reynolds
 AB: 529 Clearinghouse Rule: _____
 AB: _____ SB: _____ Appointment: _____
 AJR: _____ SJR: _____ Other: _____
 A: _____ SR: _____

A/S Amdt: _____
 A/S Amdt: _____ to A/S Amdt: _____
 A/S Sub Amdt: _____
 A/S Amdt: _____ to A/S Sub Amdt: _____
 A/S Amdt: _____ to A/S Amdt: _____ to A/S Sub Amdt: _____

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- Nonconcurrence
- Confirmation

Committee Member

Rep. Tom Sykora, Chair
 Rep. Steve Wieckert
 Rep. Neal Kedzie
 Rep. Lorraine Seratti
 Rep. Tom Hebl
 Rep. Johnnie Morris-Tatum
 Rep. Marty Reynolds

Aye	No	Absent	Not Voting
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: 6 1

Vote Record

Assembly Committee on Housing

Date: 2/3/00
Moved by: Hebl Seconded by: Reynolds
AB: 566 Clearinghouse Rule: _____
AB: _____ SB: _____ Appointment: _____
AJR: _____ SJR: _____ Other: _____
A: _____ SR: _____

A/S Amdt: _____
A/S Amdt: _____ to A/S Amdt: _____
A/S Sub Amdt: _____
A/S Amdt: _____ to A/S Sub Amdt: _____
A/S Amdt: _____ to A/S Amdt: _____ to A/S Sub Amdt: _____

Be recommended for:

- Passage
- Introduction
- Adoption
- Rejection

- Indefinite Postponement
- Tabling
- Concurrence
- Nonconcurrence
- Confirmation

Committee Member

Rep. Tom Sykora, Chair
Rep. Steve Wieckert
Rep. Neal Kedzie
Rep. Lorraine Seratti
Rep. Tom Hebl
Rep. Johnnie Morris-Tatum
Rep. Marty Reynolds

	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Rep. Tom Sykora, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Steve Wieckert	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Neal Kedzie	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Lorraine Seratti	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Rep. Tom Hebl	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Johnnie Morris-Tatum	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Marty Reynolds	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: 6 1

Motion Carried

Motion Failed



WISCONSIN LEGISLATIVE COUNCIL STAFF MEMORANDUM

One East Main Street, Suite 401; P.O. Box 2536; Madison, WI 53701-2536
Telephone: (608) 266-1304
Fax: (608) 266-3830
Email: leg.council@legis.state.wi.us

DATE: November 15, 1999

TO: REPRESENTATIVE TOM SYKORA, CHAIRPERSON, AND MEMBERS OF
THE ASSEMBLY COMMITTEE ON HOUSING

FROM: Mary Matthias, Senior Staff Attorney

SUBJECT: LRB-0191/1, an Assembly Substitute Amendment to 1999 Assembly Bill 529,
Relating to Property Appraisals for Homeownership Mortgage Loans

This memorandum describes LRB-0191/1, an Assembly substitute amendment to 1999 Assembly Bill 529 ("the Bill"), relating to property appraisals for homeownership mortgage loans. You introduced 1999 Assembly Bill 529, which was cosponsored by Senator Moore, on October 12, 1999. The Bill was referred to the Assembly Committee on Housing, which held a hearing on the Bill on October 27, 1999.

An identical companion bill, 1999 Senate Bill 251, which you cosponsored, was introduced on October 13, 1999 by Senator Moore. 1999 Senate Bill 251 was referred to the Senate Committee on Economic Development, Housing and Government Operations, which has scheduled a hearing and possible executive session on that bill for November 16, 1999.

A. BACKGROUND

The Wisconsin Housing and Economic Development Authority (WHEDA) administers the homeownership mortgage loan program under s. 234.59, Stats., to help first-time home buyers purchase entry-level homes. Under the program, WHEDA contracts with authorized lenders to make or service loans to low-income persons for the construction, long-term financing or rehabilitation of residential property. WHEDA may ensure or provide additional security for the loans.

Current law specifies that the amount of a homeownership mortgage loan under the program may not exceed the lesser of either of the following:

- 97% of the purchase price of the eligible property; or
- 97% of the appraised value of the eligible property. [s. 234.59 (3) (a), Stats.]

This provision implies, but does not clearly require, that an appraisal be conducted on every property for which a homeownership mortgage loan is made under the program. According to WHEDA, it has been WHEDA's practice to require an appraisal of every property for which a loan is made under the program.

B. 1999 ASSEMBLY BILL 529

The Bill deletes the reference to the appraised value of the eligible property in s. 234.59 (3) (a), Stats., described above. Thus, under the Bill, the amount of a homeownership mortgage loan may not exceed 97% of the purchase price of the eligible property.

WHEDA has stated that the purpose behind the Bill is to permit the use of property value insurance, in lieu of an appraisal, to guarantee the accuracy of the property value used to support a mortgage. According to WHEDA, property value insurance guarantees the accuracy of the property value used to support a mortgage. If there is a loss on a defaulted loan as the result of an inaccurate insured property value, property value insurance will pay a claim that eliminates or reduces the loss. WHEDA states that in many cases, property value insurance is less expensive than an appraisal, resulting in a savings to the homebuyer.

C. LRB-0191/1, AN ASSEMBLY SUBSTITUTE AMENDMENT TO THE BILL

Concerns were raised at the hearing on the Bill over the Bill's apparent elimination of the requirement to obtain an appraisal on property for which a loan is made under the homeownership mortgage loan program. Jim Langdon, Executive Assistant, WHEDA, explained at the hearing that it was not WHEDA's intent to eliminate the appraisal requirement, but rather to give the homebuyer the option of obtaining property value insurance instead of an appraisal.

LRB-0191/1, an Assembly substitute amendment to 1999 Assembly Bill 529, was developed in consultation with WHEDA and clarifies that for each property for which a loan is made under the program, there must be *either* an independent appraisal or a property value insurance policy written on the property. Specifically, the Assembly substitute amendment provides that the amount of the homeownership mortgage loan under the program may not exceed the lesser of: (1) 97% of the purchase price; or (2) 97% of the *established value* of the property. The Assembly substitute amendment specifies that the established value equals either the value determined by an independent appraisal of the property or the value insured under a property value insurance policy written on the property.

If you have any questions or would like more information, please call me at the Legislative Council Staff offices. My direct telephone number is 266-0932.

MM:wu:rv:tl;tl;wu

Jermstad, Sara

From: james.langdon@wheda.com
Sent: Tuesday, November 09, 1999 8:47 AM
To: Sara.Jermstad%legis.state.wi.us%INTERNET@wheda.com; Rob.Buchanan%legis.state.wi.us%INTERNET@wheda.com
Subject: Property Value Insurance Legislation

Sara Jermstad, Rob Buchanan:

We had a very productive meeting with Leg Council yesterday. Mary Mattias developed the following language to be used as a substitute amendment for our bills. We agree with Leg Council that this will clarify WHEDA's intentions to continue to require appraisals or property value insurance to protect our portfolio. Please call me with any questions at 266-3529.

Thanks,

Jim Langdon
WHEDA

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.



WISCONSIN LEGISLATIVE COUNCIL STAFF MEMORANDUM

One East Main Street, Suite 401; P.O. Box 2536; Madison, WI 53701-2536
Telephone: (608) 266-1304
Fax: (608) 266-3830
Email: leg.council@legis.state.wi.us

DATE: November 11, 1999

TO: SENATOR ROBERT WIRCH, CHAIRPERSON, AND MEMBERS OF THE
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, HOUSING
AND GOVERNMENT OPERATIONS

FROM: Mary Matthias, Senior Staff Attorney

SUBJECT: LRB-0192/1, a Senate Substitute Amendment to 1999 Senate Bill 251,
Relating to Property Appraisals for Homeownership Mortgage Loans

This memorandum describes LRB-0192/1, a Senate substitute amendment to 1999 Senate Bill 251 ("the Bill"), relating to property appraisals for homeownership mortgage loans. 1999 Senate Bill 251 was introduced on October 13, 1999, by Senator Moore, cosponsored by Representative Sykora. The Bill was referred to the Senate Committee on Economic Development, Housing and Government Operations which has scheduled a hearing and possible executive session on the Bill for November 16, 1999.

An identical companion bill, 1999 Assembly Bill 529, was introduced on October 12, 1999 by Representative Sykora, cosponsored by Senator Moore. 1999 Assembly Bill 529 was referred to the Assembly Committee on Housing, which held a hearing on that bill on October 27, 1999.

A. BACKGROUND

The Wisconsin Housing and Economic Development Authority (WHEDA) administers the homeownership mortgage loan program under s. 234.59, Stats., to help first-time home buyers purchase entry-level homes. Under the program, WHEDA contracts with authorized lenders to make or service loans to low-income persons for the construction, long-term financing or rehabilitation of residential property. WHEDA may ensure or provide additional security for the loans.

Current law specifies that the amount of a homeownership mortgage loan under the program may not exceed the lesser of either of the following:

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- 97% of the appraised value of the eligible property. [s. 234.59 (3) (a), Stats.]

This provision implies, but does not clearly require, that an appraisal be conducted on every property for which a homeownership mortgage loan is made under the program. According to WHEDA, it has been WHEDA's practice to require an appraisal of every property for which a loan is made under the program.

B. 1999 SENATE BILL 251

The Bill deletes the reference to the appraised value of the eligible property in s. 234.59 (3) (a), Stats., described above. Thus, under the Bill, the amount of a homeownership mortgage loan may not exceed 97% of the purchase price of the eligible property.

WHEDA has stated that the purpose behind the Bill is to permit the use of property value insurance, in lieu of an appraisal, to guarantee the accuracy of the property value used to support a mortgage. According to WHEDA, property value insurance guarantees the accuracy of the property value used to support a mortgage. If there is a loss on a defaulted loan as the result of an inaccurate insured property value, property value insurance will pay a claim that eliminates or reduces the loss. WHEDA states that in many cases, property value insurance is less expensive than an appraisal, resulting in a savings to the homebuyer.

C. LRB-0192/1, A SENATE SUBSTITUTE AMENDMENT TO THE BILL

Concerns were raised at the hearing on 1999 Assembly Bill 529, the companion bill to Senate Bill 251, over the Bill's apparent elimination of the requirement to obtain an appraisal on property for which a loan is made under the homeownership mortgage loan program. Jim Langdon, Executive Assistant, WHEDA, explained at the hearing that it was not WHEDA's intent to eliminate the appraisal requirement, but rather to give the homebuyer the option of obtaining property value insurance instead of an appraisal.

LRB-0192/1, a Senate substitute amendment to 1999 Senate Bill 251, was developed in consultation with WHEDA and clarifies that for each property for which a loan is made under the program, there must be *either* an independent appraisal or a property value insurance policy written on the property. Specifically, the Senate substitute amendment provides that the amount of the homeownership mortgage loan under the program may not exceed the lesser of: (1) 97% of the purchase price; or (2) 97% of the *established value* of the property. The Senate substitute amendment specifies that the established value equals either the value determined by an independent appraisal of the property or the value insured under a property value insurance policy written on the property.

If you have any questions or would like more information, please call me at the Legislative Council Staff offices. My direct telephone number is 266-0932.

MM:wu:rv;tlu