

B 111

Vote Record

Senate Committee on Economic Development, Housing and Government Operations

Date: 11-16-99

Moved by: _____ Seconded by: _____

AB: _____ Clearinghouse Rule: _____

AB: _____ SB: 251 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

Sen. Robert Wirch, Chair

Sen. Gwendolynne Moore

Sen. Richard Grobschmidt

Sen. Gary Drzewiecki

Sen. David Zien

<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
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Totals: _____

Motion Carried

Motion Failed

Sub.

Vote Record

Senate Committee on Economic Development, Housing and Government Operations

Date: 11-16-99
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Seconded by: _____
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Committee Member

Sen. Robert Wirch, Chair
 Sen. Gwendolynne Moore
 Sen. Richard Grobschmidt
 Sen. Gary Drzewiecki
 Sen. David Zien

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

Totals: _____

Motion Carried

Motion Failed

SENATE HEARING SLIP

(Please Print Plainly)

DATE: 11/16/99

BILL NO. SB 251

OF

SUBJECT Amy Boyer

(NAME) 10 E. Doty St. #500

(Street Address or Route Number)

Madison 53703

(City and Zip Code)

WI Mortgage Bankers Assn

(Representing)

Speaking in Favor:

Speaking Against:

Registering in Favor:

but not speaking:

Registering Against:

but not speaking:

Speaking for information only; Neither for nor against:

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Senate Sergeant-At-Arms
State Capitol - B35 South
P.O. Box 7882
Madison, WI 53707-7882

SENATE HEARING SLIP

(Please Print Plainly)

DATE: 11/16/99

BILL NO. SB 251

OF

SUBJECT Bill Dreyer

(NAME) 14530 W. Meadowshire Dr

(Street Address or Route Number)

New Berlin, WI 53151

(City and Zip Code)

Real Estate Appraisal Pro

(Representing)

Speaking in Favor:

Speaking Against:

Registering in Favor:

but not speaking:

Registering Against:

but not speaking:

Speaking for information only; Neither for nor against:

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State Capitol - B35 South
P.O. Box 7882
Madison, WI 53707-7882

SENATE HEARING SLIP

(Please Print Plainly)

DATE: 11/16/99

BILL NO. SB 251

OF

SUBJECT Appraisal

(NAME) Ronald Chuchow

(Street Address or Route Number) 3716 W. Mulberry Dr

Meguan, WI 53092

(City and Zip Code)

Chuchow Pruct Valuation

(Representing)

Speaking in Favor:

Speaking Against:

Registering in Favor:

but not speaking:

Registering Against:

but not speaking:

Speaking for information only; Neither for nor against:

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State Capitol - B35 South
P.O. Box 7882
Madison, WI 53707-7882

SENATE HEARING SLIP

(Please Print Plainly)

DATE: 11/16/99

BILL NO. SB 251

OR
SUBJECT _____

RICHARD MARTIN

(NAME) 12645 W. BUCKLEIGH

(Street Address or Route Number)

BROOKFIELD, 53005

(City and Zip Code)
(Representing)

Speaking in Favor:

Speaking Against:

Registering in Favor:
but not speaking:

Registering Against:
but not speaking:

Speaking for information
only; Neither for nor against:

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SENATE HEARING SLIP

(Please Print Plainly)

DATE: 11/16/99

BILL NO. SB 251

OR
SUBJECT _____

William J. Druek

(NAME) 231 E. Devon Street

(Street Address or Route Number)

Waukesha, WI 53017

(City and Zip Code)
(Representing) Chudnow Druek Valentin

Speaking in Favor:

Speaking Against:

Registering in Favor:
but not speaking:

Registering Against:
but not speaking:

Speaking for information
only; Neither for nor against:

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State Capitol - B35 South
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Madison, WI 53707-7882

SENATE HEARING SLIP

(Please Print Plainly)

DATE: 11/16/99

BILL NO. 251

OR
SUBJECT Need for

Appraisals on WHEDA

Loane

(NAME) Gordon Svendsen

(Street Address or Route Number)

1020 Main Street

(City and Zip Code)
(Representing) Union Grove 53182

Speaking in Favor:

Speaking Against:

Registering in Favor:
but not speaking:

Registering Against:
but not speaking:

Speaking for information
only; Neither for nor against:

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State Capitol - B35 South
P.O. Box 7882
Madison, WI 53707-7882

SENATE HEARING SLIP

(Please Print Plainly)

DATE: 11/16/99

BILL NO. 251

OR
SUBJECT Appraisable For

WHEDA Loan

(NAME) Robert Kugel

(Street Address or Route Number)
424 Elmwood Ave

(City and Zip Code)
Lake Geneva 53147

(Representing)

Speaking in Favor:

Speaking Against:

Registering in Favor:
but not speaking:

Registering Against:
but not speaking:

Speaking for information
only; Neither for nor against:

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State Capitol - B35 South
P.O.Box 7882
Madison, WI 53707-7882

SENATE HEARING SLIP

(Please Print Plainly)

DATE: 11/16/99

BILL NO. S.B. 251

OR
SUBJECT Waisenfliuh?

Peter Weissentub

(NAME)
Peter Weissentub

(Street Address or Route Number)
222 wehls

(City and Zip Code)
Madison, WI

(Representing)

Speaking in Favor:

Speaking Against:

Registering in Favor:
but not speaking:

Registering Against:
but not speaking:

Speaking for information
only; Neither for nor against:

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State Capitol - B35 South
P.O.Box 7882
Madison, WI 53707-7882

SENATE HEARING SLIP

(Please Print Plainly)

DATE: 11/16/99

BILL NO. 251 & 529

OR
SUBJECT WHEDA

(OPTION)
INSURANCE REPLACING APPRAISER.

(NAME)
MIKE GUNDLACH

(Street Address or Route Number)
1720 Country Lane

(City and Zip Code)
BROOKFIELD, WI 53045

(Representing)
OF APPRAISAL
WISCONSIN CHAPTER INSTITUTE

Speaking in Favor:

Speaking Against:

Registering in Favor:
but not speaking:

Registering Against:
but not speaking:

Speaking for information
only; Neither for nor against:

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State Capitol - B35 South
P.O.Box 7882
Madison, WI 53707-7882

SENATE HEARING SLIP

(Please Print Plainly)

DATE: _____

BILL NO. SB 257
OF _____

SUBJECT Proposed Appropriations
for Hwy Maintenance
Tom Sikora
(NAME)
SN Capitol
(Street Address or Route Number)

Madison
(City and Zip Code)
67th Dist.
(Representing)

Speaking in Favor:

Speaking Against:

Registering in Favor:
but not speaking:

Registering Against:
but not speaking:

Speaking for information only; Neither for nor against:

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Senate Sergeant-At-Arms
State Capitol - B35 South
P.O. Box 7882
Madison, WI 53707-7882

SENATE HEARING SLIP

(Please Print Plainly)

DATE: 11/16/97

BILL NO. 251
OF _____
SUBJECT _____

Sen. Gwen Moore
(NAME)
State Capitol 409 S
(Street Address or Route Number)

Madison WI 53707
(City and Zip Code)
4th Senate District
(Representing)

Speaking in Favor:

Speaking Against:

Registering in Favor:
but not speaking:

Registering Against:
but not speaking:

Speaking for information only; Neither for nor against:

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Senate Sergeant-At-Arms
State Capitol - B35 South
P.O. Box 7882
Madison, WI 53707-7882

SENATE HEARING SLIP

(Please Print Plainly)

DATE: 11-16-1999
BILL NO. SSA TO SB 251
OF
SUBJECT _____

ARLENE NOCCIS
(NAME)
201 W. WASHINGTON
(Street Address or Route Number)
MADISON WI 53701
(City and Zip Code)
WAEDA
(Representing)

Speaking in Favor:
Speaking Against:
Registering in Favor:
but not speaking:
Registering Against:
but not speaking:
Speaking for information only; Neither for nor against:

Please return this slip to a messenger PROMPTLY.
Senate Sergeant-At-Arms
State Capitol - B35 South
P.O. Box 7882
Madison, WI 53707-7882

SENATE HEARING SLIP

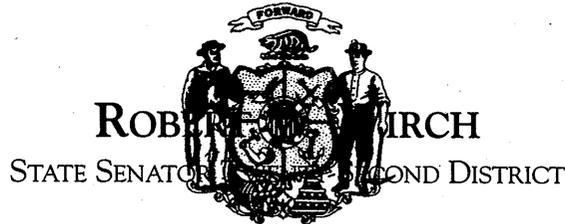
(Please Print Plainly)

DATE: 11-16-1999
BILL NO. SSA TO SB 251
OF
SUBJECT _____

JIM LANGDON
(NAME)
201 W. WASHINGTON
(Street Address or Route Number)
MADISON WI 53701
(City and Zip Code)
WAEDA
(Representing)

Speaking in Favor:
Speaking Against:
Registering in Favor:
but not speaking:
Registering Against:
but not speaking:
Speaking for information only; Neither for nor against:

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Senate Sergeant-At-Arms
State Capitol - B35 South
P.O. Box 7882
Madison, WI 53707-7882



SB-251

To: Bob
From: Beth
Date: November 15, 1999
Re: Brewers Baseball Park Board – Questions for Appointees

1. Is the Board working to determine a sunset date for the sales and use tax, or will the tax continue in perpetuity in order to finance, for example, stadium renovations that may be needed 15 years from now?
 2. If the insurance carrier eventually determines that some accident-related expenses are ineligible for reimbursement, how will these costs be paid for? The sales and use tax?
 3. Will insurance funds cover all expenses related to the recent issuance of the \$30 million in additional bonds, such as bond counsel and legal fees?
 4. What will happen if there is inadequate insurance for the losses the Brewers may suffer this upcoming season? Will the District's annual maintenance and repair contribution for the completed stadium be increased above the current \$3.85 million stipulated in various agreements?
 5. Which efforts have been taken to provide support to minority and women-owned businesses, given that the Board has determined that all accident-related work is not subject to the statutory participation percentages and given that these businesses may have suffered financially as a result of disruption in their work?
-

Assembly Bill 186

* The late fee for filing late manufacturing self-reporting forms is "absurdly high". The Department of Revenue agrees that the fee is too high, and believes AB 186 would remedy that situation. Under the bill, a filed objection to a manufacturing property assessment must specify the reasons for the objection, the property owner's estimate of the correct assessment and the basis for that assessment.

State Capitol, P.O. Box 7882, Madison, Wisconsin 53707-7882 • 608-267-8979
Toll-Free Office Hotline: 1-888-769-4724

Email: Sen.Wirch@legis.state.wi.us • Website: www.legis.state.wi.us/senate/sen22/sen22.html • Fax: (608) 267-0984
Home: 3007 Springbrook Road, Pleasant Prairie, Wisconsin 53158 • (262) 694-7379

Assembly Bill 226

- Current law requires the county treasurer to publish a Class 3 notice stating all names and addresses of persons for whom the officer or clerk holds money or security that has not been claimed for at least one year.
- AB 226 provides that the county treasurer must only include names and addresses of owners of money or security that has a value of \$10 or more. If no claims are made within six months of publication, the money or security valued at less than \$10 shall be turned over to the county treasurer.

Senate Bill 251

- This bill requires that a WHEDA loan may not exceed 97 % of the purchase price of the property, thereby removing the requirement that the property be appraised.
- WHEDA says this allows flexibility and reduces some exposure to loss. Property value insurance can be substituted for actual property appraisals.
- The Substitute Amendment to this bill provides 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. This gives consumers the OPTION.

Senate Bill 252

- SB 252 repeals the exclusion of unimproved county lands from the annual county appropriation. As a result, the county board may appropriate money to a municipality and school district in an amount that equals the amount which would have been paid in municipal and school taxes on unimproved county-owned lands if those lands had been privately owned.

Senate Bill 228

- Provides that no annexation of town lands by a city or village may occur without the approval of the town board if:
 - The land to be annexed has been owned by the town for a least five years before the proposed annexation.
 - The land has been zoned for agricultural use for at least five years before the proposed annexation, or
 - The land has been assessed as agricultural use value land for at least five years before the proposed annexation
- The bill also limits the ability of a city, village or town to extend sewer connections or water lines through property in another municipality unless the extension is approved by the governing body of the municipality on whose property the proposed extension is to be located.
- Current law requires the PSC to authorize approval for this process. The bill removes the PSC from the process.

- Those opposing the bill (cities and villages) feel SB 228 gives towns the ability to create a "legal wall" around cities and villages, thereby isolating those municipalities and dividing the greater community.
- They also say it prohibits sewer and water utility extensions through towns even if a city or village owns the land in question. This could defeat the establishment of regional business parks, other forms of planned development, and the extension of needed utility services to other communities.
- Opponents also feel it would unduly restrict the rights of property owners by allowing towns to veto the wishes of the majority of owners in affected areas when the town owns the land in question.



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 9, 1999

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

FROM: Dan Fernbach, Senior Staff Attorney

SUBJECT: 1999 Senate Bill 251, Relating to Property Appraisals for Home Ownership
Mortgage Loans

1999 Senate Bill 251 was introduced on October 13, 1999 by Senator Moore, at the request of the Wisconsin Housing and Economic Development Authority (WHEDA). A Senate public hearing on the bill is scheduled for November 16, 1999.

Currently, WHEDA administers a home ownership mortgage loan program, whereby the authority contracts with authorized lenders to make service loans to certain moderate and low-income borrowers for the construction, long-term financing or rehabilitation of residential property. WHEDA may insure or provide additional security for the loans. Under the program, a loan *may not exceed* 97% of the purchase price of the property *or* 97% of the property's appraised value, whichever is less.

Under the bill, a loan *may not exceed 97% of the purchase price* of the property, thereby removing the requirement that the property be appraised.

According to the Department of Administration's *housing impact note*, the bill would increase WHEDA's flexibility to process the program's loans and reduce some exposure to loss. Also, under the bill, property value insurance can be substituted for actual property appraisals. As a result, if there is a loan default and a loss to the insured due to an inaccurately insured property value, the insurance carrier pays the claim. This approach, according to the department, can result in a faster loan turnaround and expedited closings.

DF:jal;ksm



SENATE BILL 251

COMMENTS TO THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, HOUSING AND GOVERNMENT OPERATIONS

JIM LANGDON, EXECUTIVE ASSISTANT

NOVEMBER 16, 1999

Thank you, Chairman Wirch and committee members. I am today speaking in support of the Substitute Amendment to Senate Bill 251.

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 served more than 70,000 Wisconsin low- and moderate-income families.

Over the years, the program has been continuously improved to make homeownership more accessible and affordable. These improvements 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 Senate Bill 251 to again improve the program for the benefit of low- and moderate-income home buyers. SB 251 and the Substitute Amendment would allow 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 an alternative method of establishing the value of a mortgaged property. It is an insurance product 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.

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 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.

WISCONSIN
HOUSING AND
ECONOMIC
DEVELOPMENT
AUTHORITY

Tommy G. Thompson
Governor

Edwin J. Zagzebski
Chairman

Fritz Ruf
Executive Director

201 West Washington Avenue
Suite 700
P.O. Box 1728
Madison, WI 53701-1728
tel 608/266-7884
fax 608/267-1099

101 West Pleasant Street
Suite 100
Milwaukee, WI 53212-3962
tel 414/227-4039
fax 414/227-4704

www.wheda.com
info@wheda.com

WHEDA supports equal
housing opportunities for
all persons



Page Two

- WHEDA 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.

While Property Value Insurance is relatively new to the market, it is based on some rather traditional valuation methods. MGIC will compare the purchase price certified by the originating lender to its database of statistical sales information. The policy is issued immediately, but a drive-by inspection is completed by a third-party (local Realtor® or appraiser) within 15-21 days.

If the purchase price is outside of statistical parameters, the buyer will likely pursue a standard appraisal as the cost of a Property Value Insurance policy would increase.

It is important to note that SB 251 does not require or favor the use of Property Value Insurance on HOME Loans. Rather, it merely gives WHEDA the option to offer it to interested buyers. The home buyer remains fully in charge of the transaction and will be empowered to choose either a home appraisal or Property Value Insurance. We estimate that 30-50% of WHEDA borrowers may take advantage of the new product.

Also, SB 251 has no fiscal effect on the State or WHEDA.

Finally, permit me to explain the rationale for the Substitute Amendment. The original draft of SB 251 was misinterpreted by some as an attempt to repeal a requirement for WHEDA to demand home appraisals. That interpretation is incorrect. 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.

In conclusion, Senate Bill 251 is progressive pro-consumer legislation. SB 251 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 Senate Bill 251. I am joined by Arlene Norris, WHEDA Single Family Housing Manager, and we would be happy to answer any questions.



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:

- 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 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



KIMBERLY M. PLACHE

STATE SENATOR • TWENTY FIRST SENATE DISTRICT

November 17, 1999

Robert W. Kagel
1020 Main St
P O Box 84
Union Grove WI 53182

Dear Mr. Kagel:

Thank you for stopping by my office on November 16, 1999.

I appreciate your taking the time to share with my staff your concerns regarding Senate Bill 251. It is my understanding that you oppose SB 251 because you believe it could open WHEDA programs up to fraud. You have raised a serious point which must be considered before we vote on this bill on the full senate floor. I will share your concerns with my senate colleagues on the committee in which SB 251 is under consideration.

Even though I am a co-author of SB 251, you can be assured I will keep your comments in mind before we take a final vote on this measure.

Again, thank you visiting my office. Please stay in touch.

Sincerely,


Kimberly M. Plache
State Senator

✓
Sen. Robert Wirch
Committee Members

KP:ja



State Senator
GWENDOLYNNE MOORE



Capitol Office:
P. O. Box 7882, Madison, WI 53707-7882
Phone: (608) 266-5810 Fax: (608) 267-2353
District Telephone: (414) 442-3080
Toll-free Legislative Hotline: 1-800-362-9472
E-Mail: sen.moore@legis.state.wi.us
Member: Joint Finance Committee
Board Member: Wisconsin Housing and Economic Development Authority

MEMORANDUM

TO: Senator Wirch, Chairperson, and members of the Senate Committee on Economic Development, Housing and Government Operations
FROM: Senator Gwendolynne S. Moore
DATE: November 15, 1999
SUBJECT: Senate Bill 251: relating to establishing the value of property for homeownership mortgage loans

Tomorrow, the Senate Committee on Economic Development, Housing and Government Operations will hold a hearing on Senate Bill 251 relating to establishing the value of property for homeownership mortgage loans. I will be introducing the attached substitute amendment to SB 251. The amendment addresses concerns raised at the Assembly hearing on SB 251's companion bill (AB 529).

I have also included a copy of a memo by Mary Matthias of the Legislative Council which discusses my substitute amendment. Her memo should provide you with the necessary analysis and background information relating to SB 251 and the rationale behind my substitute amendment. Representatives from WHEDA will also be at the committee hearing tomorrow to discuss the proposed amendment.

If you have further questions, please feel free to contact my office at 266-5810.



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:

- 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 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



State of Wisconsin
1999 - 2000 LEGISLATURE

LRBs0192/1
PJK:wlj:jf

SENATE SUBSTITUTE AMENDMENT ,
TO 1999 SENATE BILL 251

1 **AN ACT** *to renumber and amend* 234.59 (3) (a); and *to create* 234.59 (3) (a) 1.
2 and 234.59 (3) (a) 2. of the statutes; **relating to:** establishing the value of
3 property for homeownership mortgage loans.

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

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

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

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

11 234.59 (3) (a) 1. The value determined by an independent appraisal of the
12 property.

