

WISCONSIN STATE  
LEGISLATURE  
COMMITTEE HEARING  
RECORDS

**2005-06**

(session year)

**Assembly**

(Assembly, Senate or Joint)

**Committee on  
Housing  
(AC-Ho)**

File Naming Example:

Record of Comm. Proceedings ... RCP

- 05hr\_AC-Ed\_RCP\_pt01a
- 05hr\_AC-Ed\_RCP\_pt01b
- 05hr\_AC-Ed\_RCP\_pt02

*Published Documents*

➤ Committee Hearings ... CH (Public Hearing Announcements)

➤ \*\*

➤ Committee Reports ... CR

➤ \*\*

➤ Executive Sessions ... ES

➤ \*\*

➤ Record of Comm. Proceedings ... RCP

➤ \*\*

*Information Collected For Or  
Against Proposal*

➤ Appointments ... Appt

➤ \*\*

➤ Clearinghouse Rules ... CRule

\*\*

➤ Hearing Records ... HR (bills and resolutions)

➤ **05hr\_ab0593\_AC-Ho\_pt01**

➤ Miscellaneous ... Misc

➤ \*\*

08/08/2005

## **HOUSING IMPACT NOTE:**

**IMPACTS:** The Bill impacts housing in Wisconsin in the following ways:

- cost of constructing, rehabilitating, improving, or maintaining dwellings (expands the number of borrowers and properties that can take advantage of opportunities to utilize WHEDA low interest loans).
- purchase price of housing (the bill reduces certain burdens associated with purchasing homes with WHEDA programs).
- cost and availability of financing, closing costs or mortgage insurance (the bill eliminates the requirement to conduct property appraisals and makes additional WHEDA financing more readily available for an expanded pool of qualifying households).

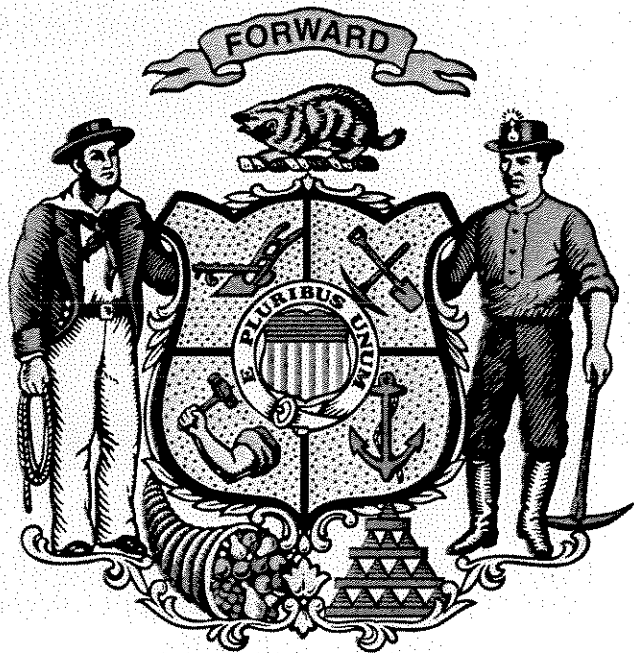
### **SUMMARY:**

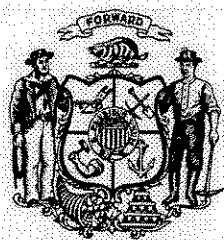
This bill increases the amounts and purposes for which WHEDA and its partners can make homebuyer and home rehabilitation loans, particularly in nonmetropolitan areas. The planned revisions should result in greater opportunities for low/moderate income households to participate in WHEDA homebuyer programs and moderate income households (80-120%) to participate in WHEDA home rehabilitation programs.

The effect of this bill is consistent with national market trends and the priorities of the Wisconsin Consolidated Plan to promote homeownership and preservation of housing.

Prepared by  
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Dept. of Commerce, Bureau of Housing

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Wednesday, August 10, 2005

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## **Governor Doyle Announces Legislation to Modernize Affordable Housing & Business Finance Programs Offered By WHEDA**

### ***Modernization Would Create As Much As A Half Billion in Economic Impact***

Governor Jim Doyle today announced bipartisan state legislation that would boost the economic impact of affordable housing and business finance programs offered by the Wisconsin Housing and Economic Development Authority (WHEDA®) by as much as half a billion dollars annually.

"It's time to modernize WHEDA so it can work harder to help grow Wisconsin's economy," Governor Doyle said.

WHEDA estimates that the legislation could provide additional lending capacity generating as much as \$483 million annually, enabling the authority to serve many more residential and business borrowers. No state tax dollars would be used in funding the increases.

Also, additional WHEDA lending volume enabled through the bill's changes would have the spin-off effect of annually helping to create the equivalent of 3,755 full-time jobs in construction trades and other sectors of the state's economy.

"WHEDA has served our state well for more than 30 years, but still relies on legislative mandates that are out-of-date," Governor Doyle said. "This bill represents the first comprehensive reshaping of WHEDA. It will ensure that more residents realize the dream of owning their home and it will help expand the supply of quality affordable apartments for lower income families, seniors, and the disabled."

In a joint statement, three of the bill's authors, Representatives Steve Wieckert and Leon Young and Senator Lena Taylor said the bill's proposed changes "will significantly modernize WHEDA's mission and expand its toolkit. WHEDA will thus be able to serve more people and businesses throughout Wisconsin."

In home lending, WHEDA would be empowered to upwardly revise income limits for borrowers, making them consistent with more generous federal guidelines. That would enable more residents to qualify for below-market, fixed-rate WHEDA mortgages. WHEDA could use the greater of county median gross income or statewide median income in calculating borrower income.

"This one change alone will noticeably expand our customer base statewide and have particular impact in 26 rural counties where incomes have seriously lagged," said Antonio Riley, WHEDA Executive Director. "Alone, this change would increase the economic impact of our lending by up to \$100 million annually."

- MORE -

The bill would also expand WHEDA rental housing finance programs by increasing the outstanding principal amount of bonds and notes that WHEDA may issue for such purposes from the current \$325 million to \$600 million.

"We only have bonding authority for rental housing development to last us through the end of this year," Riley said. "Additional funding is needed for preservation and new construction of affordable rental housing in the balance of this decade."

Among other changes, the bill would allow WHEDA to determine property value consistent with current industry practices, and to offer mortgages without down payments.

"Mortgages without down payments are common in today's lending environment," Riley said. "This change would not affect a creditworthy borrower's ability to pay, and it would allow WHEDA to help more first-time homebuyers."

Home improvement loans would also be updated.

"This bill would make WHEDA home improvement loans more attractive and more widely useable by eliminating the maximum loan limit and removing some restrictions," Riley said.

Borrowers would be able to finance construction of decks, patios, fencing, landscaping, and other purchases that are conventional by today's market standards. The change also would enable WHEDA to better support Wisconsin's Energy Star program by encouraging the purchase of energy efficient equipment.

For WHEDA's business and agricultural financing, the bill would modernize programs in numerous ways. Among other measures, WHEDA could:

- Refinance debt where a business is expanding and creating new jobs;
- Eliminate the current \$750,000 loan amount cap and provide an unlimited loan amount for growing businesses;
- Lengthen the term of its agricultural loan guarantee from five to 10 years for the construction of improvements to facilities or land.

WHEDA is an independent state authority that works with lenders to provide low-cost financing for housing and small business development in Wisconsin. WHEDA home mortgage lending does not use state tax dollars.

## 2005 WHEDA MODERNIZATION BILL

### HOME PROGRAM REVISIONS

- Eliminate the requirement for a full appraisal on every loan
  - Saves time for lenders and saves borrowers money without increasing risk
  - Mortgage industry is shifting to more cost effective, efficient and faster alternatives
  - Property Value Insurance guarantees the value of the property
  - Fannie Mae and Freddie Mac do not require an appraisal on very low risk loan applications
- Eliminate the restriction of the maximum loan-to-value of 97%
  - No down payment loans are common in today's finance world
  - A 3% down payment has no relevancy on ability and willingness to pay for excellent credit history borrowers
  - Reduces the high demand for down payment assistance resulting in stretching grant funds to more borrowers
- Revise income limit guideline to match Federal guidelines
  - This will have a positive impact in rural areas of the state
  - Federal law allows the use of the greater of the county median gross income or statewide median income.
- Eliminate the restriction for new construction duplex to be located in a target area
  - Allows low-income families to use rental income to help them qualify for homeownership
  - Creates additional rental housing

### HOME IMPROVEMENT PROGRAM REVISIONS

- Eliminate restriction to finance construction of fireplaces, decks, patios, fencing, landscaping and major home systems
  - Eliminate outdated restrictions for items no longer considered luxury items of an excessive nature. In many cases, these items are needed to maintain safe and desirable housing
  - Enables increased support of Wisconsin's Energy Star program by encouraging the purchase of energy efficient systems
- Allow financing for properties that are less than 10 years old
  - New homes also need improvements
  - Enables new buyers to take advantage of HOME Plus for future repairs on newer homes
- Revise income limit guidelines to meet Federal guidelines
  - This will have a positive impact in rural areas of the state
  - Federal law allows the use of the greater of the county median gross income or statewide median income.
- Eliminate the maximum loan amount and maximum term of the loan
  - Brings the product to conventional lending standards
  - Ability to lend more money and stretch the repayment for a longer period of time to keep payments affordable.



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Economic Development Authority  
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[www.wheda.com](http://www.wheda.com)

### **RENTAL HOUSING PROGRAM REVISION**

- Increase the outstanding principal amount of bonds and notes WHEDA may issue for corporate purposes for rental housing to \$600 million
  - Additional funding is needed for preservation and new construction of affordable rental housing. The Increase will keep the program operating for another five to six years.

### **SMALL BUSINESS DEVELOPMENT PROGRAMS**

- Clarify language to allow debt refinancing when accompanied by additional business expansion
  - Current language is very cumbersome and makes it difficult for projects to qualify for debt refinance. The change allows the programs to be more flexible and attractive to borrowers.
- Eliminate the \$750,000 loan amount cap and provide an unlimited loan amount
  - As project amounts grow, there are an increasing number of loan requests that exceed \$750,000. This will eliminate the need to write two separate notes on loans on loans over \$750,000. The maximum loan guarantees will not change, so providing an unlimited loan amount will not increase the guarantee exposure.

### **AGRICULTURAL PROGRAMS**

- Lengthen the term of our guarantee from 5 to 10 years for the construction of improvements to facilities or land
  - The current 5-year term is not in line with industry real estate financing transactions nor does it match the 10-year term WHEDA allows for acquisition.



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TESTIMONY OF ANTONIO RILEY, EXECUTIVE DIRECTOR,  
WISCONSIN HOUSING  
AND ECONOMIC DEVELOPMENT AUTHORITY

PUBLIC HEARING

9-13-2005

WISCONSIN  
HOUSING AND  
ECONOMIC  
DEVELOPMENT  
AUTHORITY

PROPOSED STATE SENATE BILL 269 AND  
STATE ASSEMBLY BILL 593

Thank you for the opportunity to testify on behalf of State Senate Bill 269 and State Assembly Bill 593.

Jim Doyle  
Governor

Perry Armstrong  
Chairman

Antonio R. Riley  
Executive Director

You have heard Representative Wieckert describe what these bills would do, and why they're needed. I would like to focus on the considerable economic impact that these bills engender.

WHEDA estimates that, statewide, the direct and indirect economic impact of this legislation will, within three years, amount to as much as \$483 million annually. That estimate is based on increased WHEDA lending in single-family and multifamily housing markets.

That higher lending volume will, in turn, have a gratifying spin-off effect. Within several years, it will help create the annual equivalent of 3,755 full-time jobs in construction trades and other sectors of the state's economy.

Just one change contained in this legislation would have enormous benefits. By widening our income limits through adjusting state law to match current federal standards, we estimate that WHEDA's annual lending capability would increase by close to \$100 million.

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WHEDA supports equal  
housing opportunities  
for all persons





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Despite operating under statutory language that in some cases is three decades old, WHEDA has worked hard to adapt to economic and market forces. We have innovated wherever possible, tweaking our existing programs, making them as efficient and responsive as we can.

Together, our efforts in the past couple of years have flexed hundreds of millions of dollars of new economic muscle across Wisconsin.

The results have been gratifying. I am very proud that WHEDA has set new mortgage lending records the past two years in a row. We are well on the way to setting yet a new record again this year.

Notwithstanding those substantial gains, WHEDA's mission today is more critical than ever to the economic well-being of the entire state.

And so, it is high time for us to take our game up another notch. It's time to better protect the housing investments we've already made across the state, while we use new tools to invest even more dollars in Wisconsin.

Through this legislation, WHEDA will be able to extend our reach. We will be able to serve a wider segment of the state's population, in cities and towns and especially in rural areas.

On the homeownership front, WHEDA modernization would be a powerful stimulus in many localities. For example, consider just the impact of the increasing our income limits for homebuyers.

In Brown County, those income limits for a one or two person household would rise by \$3,500 to \$72,800 a year. Overall, we estimate that in the next several years, the modernization bill could have an economic impact of up to \$18.5 million in Brown County, creating 150 jobs.



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In Adams County, one of 26 counties where the mismatch between wages and home prices is very acute, the WHEDA income limit for borrowers wishing to buy a home would rise by \$20,200.

That's right: It would rise by \$20,200.

Overall, we estimate that in the next several years, this modernization bill could have an economic impact of up to \$3 million in Adams County, creating 20 jobs.

Similar gains will occur in dozens of other counties, among them Ashland, Burnett, Clark, Douglas, Florence, Juneau, Langlade, Price and Richland.

As those examples only begin to illustrate, this legislation will be a win-win for everyone in our state. It will be achieved without the use of state tax dollars. And the benefits will spill over to entire communities.

On the rental housing front, this legislation will strengthen WHEDA efforts to preserve and expand the supply of quality affordable apartments for lower income families, seniors and the disabled.

It will enable us to nearly double – nearly double -- our available reserves for lending to affordable apartment development.

As Representative Wieckert noted, the governor's preservation task force has documented how thousands of affordable housing units across our state are endangered by high costs and lagging maintenance. WHEDA wants to help fix these places and keep them in the affordable housing inventory.



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There is much more. The big picture is that this legislation will preserve state mandates and oversight, while freeing WHEDA to do what it does best:

- Demonstrate the viability of emerging markets by helping more people afford a home loan;
- Preserve affordable housing that's endangered while encouraging new apartment development; and
- Create new job opportunities benefiting urban and rural Wisconsin.

WHEDA is pleased that this legislation enjoys significant bipartisan support in both houses, including legislators from both parties who serve on WHEDA's board. WHEDA is equally pleased that these measures have received the backing of Governor Doyle.

The support we have seen from both aisles of the Assembly and Senate is gratifying. Making sure that everyone who lives in Wisconsin can find an affordable, decent place to live is a goal we can all agree upon.

WHEDA has helped many homeowners remodel and update their properties. I am confident that this committee and the entire legislature will see the wisdom of helping WHEDA remodel and update its charter, processes and mission.

Thank you.

# WHEDA Modernization Bill Impact Statistics by County

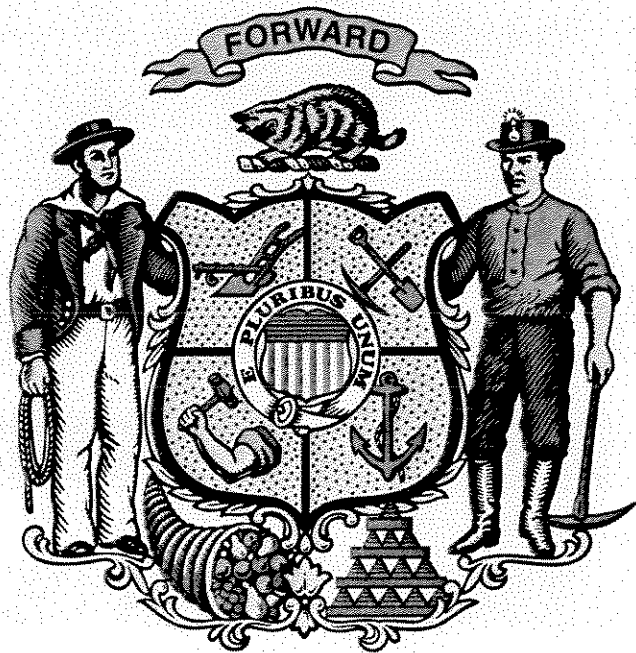
County	Total Economic Impact Over Three Years (Millions)	Total Job Creation Over Three Years	Current Law Maximum Income Limit for WHEDA HOME Loan	Proposed Maximum Income Limit for WHEDA HOME Loan	Income Limit Change
Adams	\$ 3.0	20	\$48,200	\$68,400	\$20,200
Ashland	\$ 2.0	14	\$48,000	\$68,400	\$20,400
Barron	\$ 4.5	34	\$58,100	\$68,400	\$10,300
Bayfield	\$ 2.6	17	\$48,600	\$68,400	\$19,800
Brown	\$ 18.5	150	\$69,300	\$72,800	\$3,500
Buffalo	\$ 1.8	12	\$55,800	\$68,400	\$12,600
Burnett	\$ 2.8	19	\$50,100	\$68,400	\$18,300
Calumet	\$ 5.4	39	\$69,000	\$72,800	\$3,800
Chippewa	\$ 6.3	47	\$61,800	\$72,800	\$11,000
Clark	\$ 3.6	27	\$50,700	\$68,400	\$17,700
Columbia	\$ 5.0	39	\$64,500	\$68,400	\$3,900
Crawford	\$ 2.2	16	\$50,500	\$68,400	\$17,900
Dane	\$ 34.3	279	\$80,500	\$72,800	-\$7,700
Dodge	\$ 7.2	57	\$64,100	\$68,400	\$4,300
Door	\$ 3.3	24	\$58,500	\$68,400	\$9,900
Douglas	\$ 3.7	29	\$58,500	\$72,800	\$14,300
Dunn	\$ 4.4	32	\$58,500	\$68,400	\$9,900
Eau Claire	\$ 7.9	63	\$61,800	\$72,800	\$11,000
Florence	\$ 1.4	8	\$52,900	\$68,400	\$15,500
Fond du Lac	\$ 7.9	64	\$64,000	\$68,400	\$4,400
Forest	\$ 1.7	11	\$48,500	\$68,400	\$19,900
Grant	\$ 4.5	35	\$54,500	\$68,400	\$13,900
Green	\$ 3.8	28	\$61,800	\$68,400	\$6,600
Green Lake	\$ 2.0	15	\$58,500	\$68,400	\$9,900
Iowa	\$ 2.7	19	\$63,300	\$68,400	\$5,100
Iron	\$ 1.5	9	\$46,800	\$68,400	\$21,600

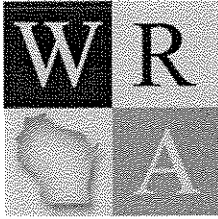
# WHEDA Modernization Bill Impact Statistics by County

County	Total Economic Impact Over Three Years (Millions)	Total Job Creation Over Three Years	Current Law Maximum Income Limit for WHEDA HOME Loan	Proposed Maximum Income Limit for WHEDA HOME Loan	Income Limit Change
Jackson	\$ 2.6	18	\$53,000	\$68,400	\$15,400
Jefferson	\$ 6.6	52	\$65,300	\$68,400	\$3,100
Juneau	\$ 3.4	24	\$51,800	\$72,800	\$21,000
Kenosha	\$ 12.5	100	\$69,100	\$68,400	-\$700
Kewaunee	\$ 2.4	18	\$64,000	\$72,800	\$8,800
La Crosse	\$ 8.7	70	\$61,800	\$68,400	\$6,600
Lafayette	\$ 1.8	14	\$54,200	\$68,400	\$14,200
Langlade	\$ 2.6	19	\$50,800	\$68,400	\$17,600
Lincoln	\$ 3.0	22	\$59,000	\$68,400	\$9,400
Manitowoc	\$ 6.7	54	\$61,700	\$68,400	\$6,700
Marathon	\$ 10.3	83	\$64,400	\$72,800	\$8,400
Marinette	\$ 4.2	32	\$51,500	\$68,400	\$16,900
Marquette	\$ 2.4	16	\$50,100	\$68,400	\$18,300
Menominee	\$ 1.6	10	\$34,700	\$68,400	\$33,700
Milwaukee	\$ 68.6	564	\$70,200	\$72,800	\$2,600
Monroe	\$ 4.5	34	\$53,900	\$68,400	\$14,500
Oconto	\$ 4.3	31	\$58,400	\$68,400	\$10,000
Oneida	\$ 3.7	28	\$55,400	\$68,400	\$13,000
Outagamie	\$ 13.5	107	\$69,000	\$72,800	\$3,800
Ozaukee	\$ 7.1	56	\$70,200	\$72,800	\$2,600
Pepin	\$ 2.0	13	\$55,700	\$68,400	\$12,700
Pierce	\$ 4.0	30	\$84,000	\$72,800	-\$11,200
Polk	\$ 4.8	35	\$60,200	\$68,400	\$8,200
Portage	\$ 5.7	45	\$68,000	\$68,400	\$400
Price	\$ 1.8	14	\$51,000	\$68,400	\$17,400
Racine	\$ 14.4	117	\$66,600	\$72,800	\$6,200

# WHEDA Modernization Bill Impact Statistics by County

County	Total Economic Impact Over Three Years (Millions)	Total Job Creation Over Three Years	Current Law Maximum Income Limit for WHEDA HOME Loan	Proposed Maximum Income Limit for WHEDA HOME Loan	Income Limit Change
Richland	\$ 2.0	15	\$50,700	\$68,400	\$17,700
Rock	\$ 11.9	96	\$64,000	\$72,800	\$8,800
Rusk	\$ 2.1	14	\$46,500	\$68,400	\$21,900
St. Croix	\$ 8.8	63	\$84,000	\$72,800	-\$11,200
Sauk	\$ 5.9	44	\$59,800	\$68,400	\$8,600
Sawyer	\$ 3.0	20	\$48,300	\$68,400	\$20,100
Shawano	\$ 4.2	31	\$54,700	\$68,400	\$13,700
Sheboygan	\$ 9.1	73	\$65,300	\$72,800	\$7,500
Taylor	\$ 2.0	15	\$55,000	\$68,400	\$13,400
Trempealeau	\$ 3.0	22	\$55,300	\$68,400	\$13,100
Vernon	\$ 3.3	24	\$50,400	\$68,400	\$18,000
Vilas	\$ 3.1	21	\$51,200	\$68,400	\$17,200
Walworth	\$ 8.4	65	\$68,400	\$68,400	\$0
Washburn	\$ 2.8	19	\$49,300	\$68,400	\$19,100
Washington	\$ 10.3	81	\$70,200	\$72,800	\$2,600
Waukesha	\$ 28.1	229	\$70,200	\$72,800	\$2,600
Waupaca	\$ 4.7	37	\$59,500	\$68,400	\$8,900
Waushara	\$ 4.0	27	\$52,500	\$68,400	\$15,900
Winnebago	\$ 12.6	102	\$69,000	\$72,800	\$3,800
Wood	\$ 6.2	50	\$51,400	\$68,400	\$17,000
<b>Total</b>	<b>\$ 482.4</b>	<b>3,756</b>			





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TO: All Legislators

FROM: Michael Theo  
Vice President for Legal and Public Affairs

DATE: September 12, 2005

RE: AB 593 – WHEDA lending capacity legislation

The Wisconsin REALTORS Association (WRA) supports AB 593 - legislation that increases the financial lending capacity of the Wisconsin Housing and Economic Development Authority (WHEDA) for home ownership and remodeling programs.

#### **Changes are overdue**

This legislation represents the first significant changes in WHEDA programming in several decades – a time in which real estate markets in Wisconsin and nationally have changed dramatically. Generally, AB 593 increases WHEDA's loan limits and expands the purposes for which such loans can be used for the purchase or rehabilitation of residential properties. In most cases, the new limits are consistent with current federal guidelines.

#### **Impact**

According to the Department of Commerce's Bureau of Housing, these changes will result in greater opportunities for low and moderate-income households in Wisconsin to take advantage of WHEDA programs, particularly in rural areas. According to WHEDA, AB 593 will increase their annual lending capacity by \$483 million, without using any state tax dollars. For example, by allowing WHEDA to calculate a borrower's income qualifications by using the greater of county median gross income or the statewide median income, WHEDA could provide an additional \$100 million in home loans each year.

With mortgage loan default rates becoming an increasing concern in many markets nationwide, it's important to note that these changes do not, and should not, affect the determination of a borrower's creditworthiness or ability to repay the loans.

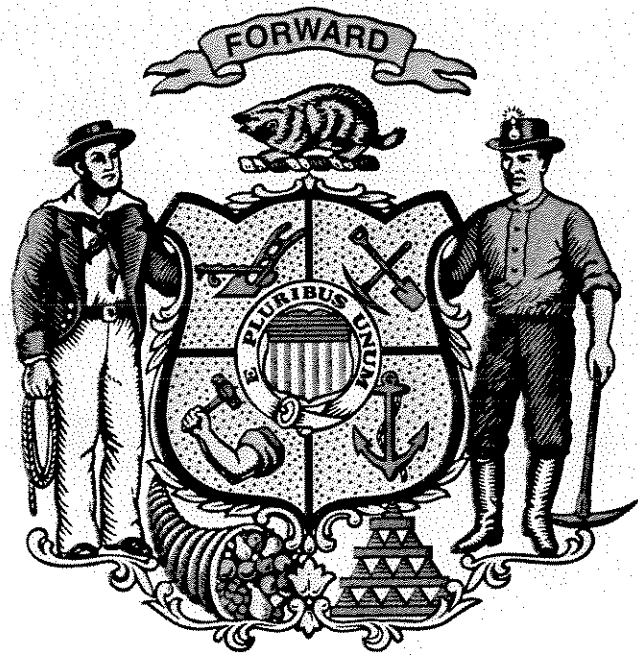
#### **AB 593 deserves support**

AB 593 increases the number of borrowers and properties that can utilize WHEDA low interest loans without increasing financial risk to the Authority and without requiring scarce state funding. As a result, the legislation directly benefits Wisconsin families and real estate markets and thus deserves legislative support.



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Testimony of the Wisconsin Bankers Association and  
the Community Bankers of Wisconsin

Rose Oswald Poels, Vice President – Legal, Wisconsin Bankers Association  
Richard McGuigan, Executive Vice President, Community Bankers of Wisconsin

**Assembly Housing Committee**

Public Hearing, 10 a.m., Room 400-NE  
Sept. 13, 2005

Testimony in Support of **Assembly Bill 593 and Senate Bill 269**

Thank you for allowing us to testify in support of WHEDA's financial modernization package (AB593 and SB269). My name is Rose Oswald Poels and I am the vice president of legal for the Wisconsin Bankers Association. I am testifying today with Richard McGuigan who represents the Community Bankers of Wisconsin. We represent the more than 300 banks in the State of Wisconsin which employ more than 25,000 employees.

Every day, our members see up close the benefits that WHEDA provides. This independent state authority works with lenders to provide low-cost financing for housing and small business development in Wisconsin. Through WHEDA's **Home Loan, Home Plus Loan, the Partnership for Home Ownership** and its innovative **Lindsay Heights** program that encourages homeownership in the City of Milwaukee, Wisconsin residents benefit in many ways from WHEDA.

Thanks to WHEDA, nearly 100,000 Wisconsin families have been able to buy their first homes. Many of those 100,000 families would never have realized the American dream without that extremely important WHEDA loan. WHEDA provides an important bridge for bankers and their customers and more importantly, these loans encourage individuals to stay in Wisconsin. WHEDA programs strengthen the communities that our member bankers live and work in each and every day.

As you know, homeownership stabilizes communities. It produces property tax revenue and gives people the incentive to better their neighborhoods. It builds equity for retirement, and allows Wisconsinites to deduct more of their federal taxes, keeping more money right here in Wisconsin. By modernizing WHEDA, more families will likely see the benefits of buying a home in Wisconsin and make the commitment to live the American dream in our state.

Assembly Bill 593 makes common sense changes to several programs within WHEDA that need to be updated due to new market conditions. The first is the revision of the Homeownership Mortgage Loan Program, which offers below-

market, fixed-rate loans to borrowers whose incomes are 115 percent or less of the median income for the area in which the home is located.

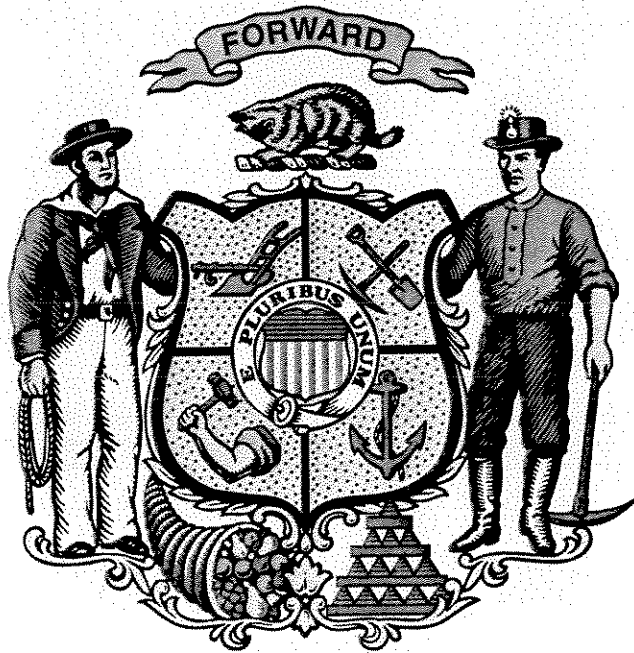
The bill also removes the loan-to-value limit and the property appraisal requirement which moves the agency in line with major secondary mortgage lenders. Freddie Mac and Fannie Mae began moving away from requiring full appraisals on all transactions several years ago, so that now the form of appraisal depends on the location of the property, the loan to value ratio, the credit score of the borrowers or other factors.

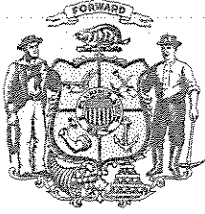
WHEDA should be given the flexibility to offer financing up to 100% regarding the maximum loan to value ratio. Freddie Mac and Fannie May currently both offer a 103% loan to value product. The investors that WHEDA sells its products to will ultimately decide how high is too high. We have met with the representatives of WHEDA to encourage them to be very prudent in their lending and we feel this WHEDA modernization proposal along with WHEDA's underwriting criteria reflect the conservative nature of banking in Wisconsin while responding to the changing marketplace dictated by the major secondary market mortgage lenders.

Our agricultural and small business lenders also appreciate the programs WHEDA offers their customers. This legislation increases the maximum term from five years to 10 years for agricultural loans to finance equipment, facilities, land or livestock, or for improvements to facilities or land. AB 593 eliminates the \$750,000 limit on WHEDA-guaranteed business loans and allows WHEDA to guarantee a refinancing loan if the borrower also expands an existing business. Through these provisions, AB 593 gives greater flexibility to create jobs in Wisconsin.

For more than 30 years, WHEDA's economic development programs have become increasingly important and these programs do an excellent job of tying job growth to housing opportunities in rural and urban communities. All of which are issues that mean a great deal to bankers.

It is therefore essential that the Legislature provide WHEDA with the tools that fit current market needs and support this legislation that will make WHEDA an even stronger partner with bankers. By supporting this legislation, you will help bring our communities into a new era of prosperity. Thank you for your consideration of our organizations' comments. We would be happy to answer questions at this time.





# TED KANAVAS

## STATE SENATOR

**Date:** Tuesday, September 13, 2005

**To:** Members of the Assembly Committee on Housing

**From:** Senator Kanavas

**Re:** Testimony in support of Assembly Bill 593 - relating to WHEDA Modernization

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Members of the Assembly Committee on Housing, I greatly appreciate the opportunity to submit testimony in support of Assembly Bill 593 (AB 593), better known as the Wisconsin Housing and Economic Development Authority (WHEDA) Modernization bill. This legislation will significantly update statutory operating language for WHEDA, enabling the Authority to serve more people and businesses throughout Wisconsin.

In home lending, this legislation would empower WHEDA to upwardly revise income limits for borrowers, making them consistent with more generous federal guidelines. That would enable more residents to qualify for below-market, fixed-rate WHEDA mortgages.

Taken alone, this one change will noticeably expand WHEDA's lending base statewide. That is especially true in 26 rural counties where incomes have seriously lagged, making mortgages much less attainable. Beyond those 26 most affected counties, almost every area of the state would benefit as well. That includes urban and suburban communities.

In my Senate District, estimates are that over the next several years, WHEDA modernization would have a positive economic impact in the million-dollar range.

Other statutory changes that involve WHEDA bonding authority and loan guarantees would boost the Authority's ability to invest in small businesses and farms, creating additional new jobs and helping to support the entrepreneurial spirit that buttresses our economy.

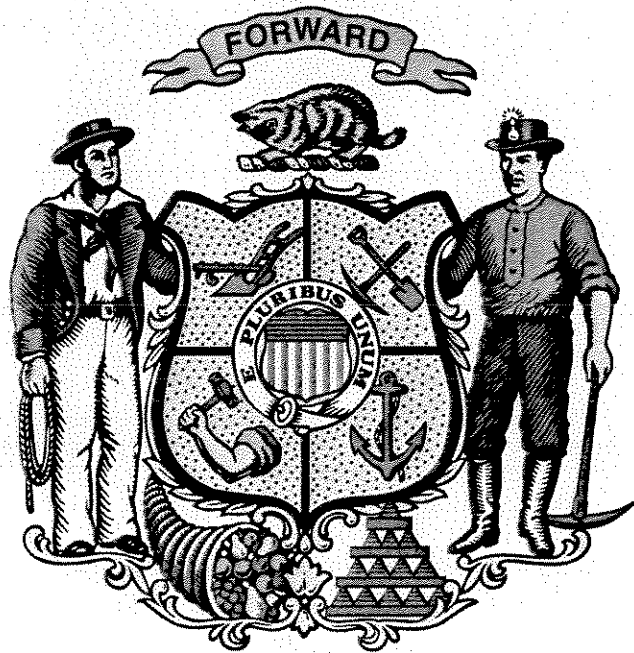
The good news is that this legislation will not have a single dollar's worth of impact on state government spending, since WHEDA finances its housing programs through bonding.

The other good news is that most communities in the state would see a positive economic impact from this legislation. In fact, the estimated impact statewide amounts to nearly half a billion dollars simply by updating our laws so that WHEDA can more ably function in the modern economic marketplace.

I ask for your support of AB 593.

STATE CAPITOL

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Assembly Bill 593- WHEDA Modernization Bill  
Assembly Housing Committee, September 13, 2005  
Testimony By Rep. Wieckert

Good day. I am pleased to be the primary author of this legislation making important changes to the way WHEDA does business.

The word that best sums up my intent in drafting this legislation is modernization. This modernization bill coming forward to this committee is all about moving WHEDA into the 21st Century so that it can better serve Wisconsin residents.

Working with local government, real estate brokers, developers and lenders including banks and credit unions to assure that the interests of all stakeholders are served by this legislation, WHEDA will gain the means to better help provide affordable housing and economic development needs – now, and well into the future.

What does the WHEDA modernization bill do?

Relating to WHEDA's single-family lending programs, this bill will allow the Authority to increase income limits that qualifying its customers, matching more flexible federal guidelines. The bill thus enables WHEDA to serve many more residents who are seeking to buy their first homes.

This change will have particularly significant positive impact in rural Wisconsin, where the gap between wages and housing prices in many places presents a continuing challenge.

The bill also eliminates present loan-to-value limits that WHEDA is currently obliged to follow. This change would remove a significant barrier to homeownership by eliminating required down payments where appropriate.

That will give more people a chance to take the huge first step toward the American Dream. But be assured that WHEDA will continue to abide by both federal and lending industry guidelines, as well as the prudent man's test.

In addition, the bill will modernize WHEDA home lending guidelines to make them consistent with private lending practices relating to appraisal and duplex construction. Not only will more people qualify for WHEDA financing, these changes will save time and money, both for WHEDA and its borrowers.

WHEDA doesn't just help put people into their own homes. Another important WHEDA mission is to help existing homeowners keep their houses in good repair and up to date. Affordable homes kept in good repair are good for communities as well as owners.

WHEDA home improvement loans are already attractive because of their below-market fixed rate and because WHEDA has no equity requirement. Even if you just closed on your first mortgage loan, you may qualify for WHEDA home improvement financing.

The bill would modernize WHEDA's home improvement program by enabling finance guidelines consistent with current practice throughout the private lending industry. Through this legislation, WHEDA will now be able to lend money to eligible households for fencing, landscaping and other upgrades commonplace in modern, attractive housing.

The benefits of these changes are significant. For example, this legislation will increase support of Wisconsin's Energy Star conservation program among lower-income households. It will give the borrower affordable resources to purchase energy-efficient appliances and major systems.

The bill also would permit WHEDA for the first time to provide home improvement loans to structures less than 10 years old, in recognition of the fact that even relatively young homes sometimes need repairs and improvements.

Additionally, this legislation also will eliminate current maximums for both home improvement loan amount and term. Those changes will make WHEDA home improvement loans more consistent with industry practices and will better serve lower income homeowners.

One of the most important components of this legislation before you is language that expands WHEDA's bonding authority from the current \$325 million to \$600 million for rental housing lending.

Raising that bond cap is a critical factor why the modernization bill needs to pass during this legislative session.

Through its rental housing program, WHEDA has helped finance tens of thousands of affordable housing units statewide. These units serve lower and fixed income residents, including young workers, the disabled, and seniors. In exchange for WHEDA loans, developers and owners agree to offer some or all of their apartment units at reduced rents.

But we are nearly at the end of the line for this important WHEDA program if we don't authorize a higher bond cap. WHEDA will in a short while be the victim of its own



success, unable to issue further bonds to obtain the revenues it needs to make further multifamily development loans.

If that happens, not only will new apartment developments be unable to obtain critical WHEDA financing will be effective, but existing affordable apartments that are falling into disrepair will not be able to obtain help through WHEDA's affordable housing preservation programs.

The losers will be everyone in Wisconsin. Those most directly affected will be the working families, seniors, special-needs residents and others who depend on affordable housing made possible only through WHEDA's multifamily finance programs.

Last year, the Governor's Task Force on Housing Preservation reported that the state must implement significant policy changes by decade's end or risk losing 831 apartment properties containing 35,135 units of affordable housing, most of it privately owned. To help overcome that threat, the task force specifically recommended raising WHEDA's multifamily bonding cap.

This bill responds to the task force recommendation. We estimate the bond cap increase in this bill will provide WHEDA multifamily financing programs the resources to operate another five to six years.

It's important to note that this rise in WHEDA's bond cap will be revenue neutral from the standpoint of the state budget. As in all the other provisions of this bill, WHEDA will remain self-funded and not use any state tax dollars. WHEDA's bonding has no fiscal effect to the state but maintaining a cap on the revenue bonds does serve a usually for purpose of requiring WHEDA to "check-in" with legislature on an on-going basis.

WHEDA is not just the state's housing finance authority. It also has "economic development" in its name. The Authority is an important player in the state's economic development efforts, and this legislation takes notice. It modernizes WHEDA economic development programs to better serve today's business and agricultural marketplace.

The bill gives WHEDA more freedom to help start-up and expanding businesses create good jobs through loan guarantees and subsidies.

The bill also clarifies existing statutory language to ensure that WHEDA programs can accommodate debt refinancing where a prospective customer is also financing new business expansion. Allowing both things to happen in one loan deal is contemporary practice in the business lending markets. This change will make WHEDA small business lending more flexible, attractive and relevant.

Current statutory language is very cumbersome and makes it difficult for WHEDA-backed business projects to qualify for debt refinancing. This change allows WHEDA to offer support that is more flexible and attractive to business borrowers.

The bill also would eliminate the current \$750,000 loan amount cap that accompanies WHEDA business financing. Instead WHEDA could provide an unlimited loan amount. As the economy grows, an increasing number of loan requests from smaller enterprises exceed \$750,000, making WHEDA support unavailable. WHEDA has been forced on some occasions to write two separate notes on loans over \$750,000.

WHEDA's maximum loan guarantees will not in themselves change, so enabling WHEDA to guarantee part of an unlimited loan amount will not increase the Authority's fiscal exposure. Yet this change will provide much needed additional help to start-up and expanding businesses.

In agricultural financing, the bill would allow WHEDA to lengthen the term of its loan guarantees from five to ten years, where the proceeds will be used for the construction of improvements to facilities or land.

The current five-year term for agricultural financing is not in line with industry norms, nor does it match the 10-year term WHEDA already allows for property acquisitions. This change will make WHEDA's offerings more competitive, flexible and user friendly.

So that is what this legislation does. We need this legislation because we know that – as successful as it already is – WHEDA can provide even more resources in service to first-time homebuyers, affordable rental housing, business and agriculture.

Times have changed. Needs have changed. Markets have changed. WHEDA must be able to address these changes if it is continue having a meaningful, positive impact across the state.

All this and more will be accomplished by legislation that requires not a single state tax dollar.

As a WHEDA board member, I am proud to say that the Authority has not waited for these changes to come along. It has been very aggressive, innovating to reach out in creative ways, while respecting current law. But there comes a time when the law itself has in some cases become outmoded, a hindrance that is holding back WHEDA's good programs, just when we need them the most.

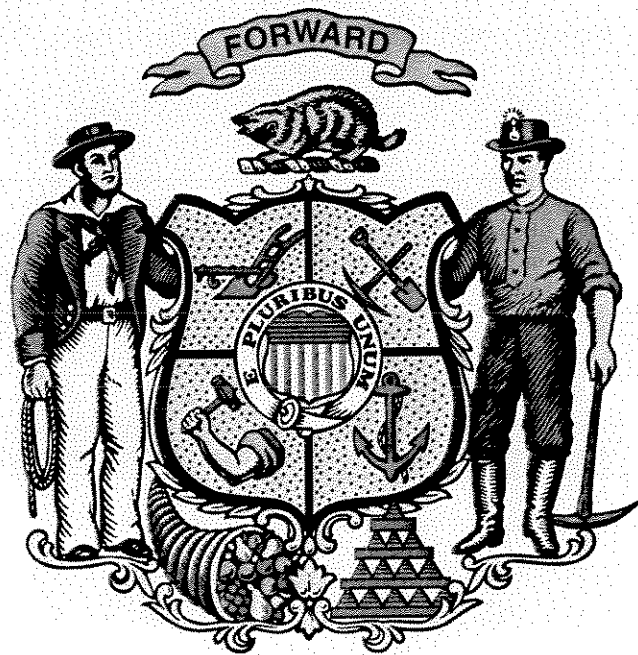
In order to keep on moving forward, we need to sharpen WHEDA's tools. And we need to do it now. That's because there are new housing and economic development challenges within sight that demand our immediate attention.

WHEDA programs provide real economic help for communities big and small, from the central-most neighborhoods of Milwaukee to the most rural reaches of Douglas County. Now it's time for us to widen WHEDA programs that have a proven track record of creating wealth,

Through this legislation, we can take an important step forward in helping WHEDA meet its mission. We can better ensure that everyone in our state, regardless of income, is able to find a dry roof over their heads at a price they can afford. We can better support small business entrepreneurs who are creating the next generation of family-supporting jobs.

In order to meet this advancing need, WHEDA must ramp up its efforts. And to do that, WHEDA needs your support in revising the rules and laws mostly developed a generation ago. This bill accomplishes that, and I urge you to recommend its passage.

Thank you.



# LENA C. TAYLOR

Wisconsin State Senator • 4th District

**Testimony of State Senator Lena C. Taylor**  
**Assembly Committee on Housing**  
**September 13, 2005**  
**Assembly Bill 593**

Chairman Wieckert, Members of the Committee, thank you for allowing me the opportunity to submit written testimony on Assembly Bill 593, the WHEDA Modernization Act. This bill would streamline regulations which currently govern the ways in which WHEDA can assist first-time home buyers, making it easier for WHEDA to help people become home owners. It is estimated conservatively that this legislation will grow the state's economy by more \$100 million and create scores of new, family-supporting jobs. This is an important bill, and I appreciate the Committee holding a hearing on it.

For more than three decades, WHEDA has been a vital ingredient to the economic growth strategies of neighborhoods and communities throughout Wisconsin. However, it has been more than ten years since WHEDA's statutory authority has been updated, and, due to an ever evolving economy, it is becoming increasingly difficult for WHEDA to leverage the full range of lending options the private housing finance and business lending markets have to offer.

In my own district, located in the heart of Milwaukee, WHEDA's programs have made a visible difference. I have seen neighborhoods which were once uniformly impoverished and economically stagnant, transformed into robust economic hubs abounding with public-private partnerships. These partnerships now offer new, self-supporting economic opportunities and motivate continued growth.

Over the past couple of years in the 4<sup>th</sup> Senate District alone, WHEDA has awarded more than \$4 million to small and medium-sized businesses for advancement opportunities and \$15 million in multi-family housing credits creating more than 170 affordable housing units. Additionally, WHEDA's home loan program has helped 340 families become first-time homeowners, backing \$30 million in mortgages.

Though these figures are impressive, there continues to be an untapped market in my district and elsewhere that WHEDA can access only with the passage of this legislation. WHEDA estimates that passage of this legislation will increase lending and economic development activities by more than \$1 million over the next several years in the 4<sup>th</sup> Senate District.

As you may anticipate, similarly impressive gains can be expected in many areas of the state, especially rural communities. It is my pleasure to testify that this piece of legislation will not pit urban and rural communities against each other. Rather, it will uniformly assist needy communities all across Wisconsin.

Chairman Wieckert, Members of the Committee, this legislation will secure and extend WHEDA's ability to promote affordable housing and to help create additional jobs in every one of your communities. I am confident that like me, you seek to usher in a new era of prosperity in Wisconsin, and, for that reason, I urge you to support AB 593 today.

Thank you for your support and for your attention.

HERE TO SERVE YOU!