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PREPARED TESTIMONY OF REPRESENTATIVE TRAVIS TRANEL

Before the
Assembly Committee on Housing and Real Estate
Regarding the
Wisconsin Housing and Economic Development Authority homeownership loan program
Assembly Bill 158
Thursday May 2, 2013

I would like to thank Chairman Murtha for scheduling Assembly Bill 158 for a public hearing and the committee members for allowing me to speak today.

The bill I am co-authoring, with Senator Farrow, would allow existing Wisconsin Housing and Economic Development Authority (WHEDA) loan holders to take advantage of lower interest rates by refinancing. In my view, this is a very common sense thing to do.

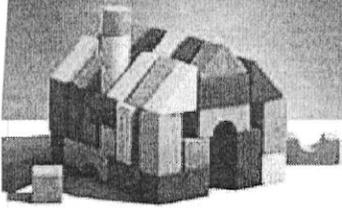
WHEDA works closely with lenders and local governments to facilitate affordable financing programs to help promote homeownership with their low-cost, fixed interest rate mortgages. The homeownership mortgage loan program allows WHEDA along with an authorized lender to make, purchase, or assume loans to finance the construction, long-term financing, or rehabilitation of certain residential properties.

Currently, WHEDA homeownership mortgage loans may not be made to finance the purchase or replacement of an existing mortgage unless the existing mortgage is a construction loan, temporary financing, or a loan made to finance a rehabilitation project. With these guidelines in place, WHEDA is prevented from allowing its own borrowers to refinance for lower-rate loans.

Nearly 80% of all legislative contacts WHEDA receives are due to this restriction imposed on its borrowers. There are 196 constituents in my district and 17,000 statewide that would benefit from allowing a refinancing option. By passing this bill we would be helping a lot of low-to moderate income working families reduce their home mortgage payments and relieve some financial stress.

This is common sense legislation that helps people that need it most. I would like to thank the 29 co-sponsors of this bi-partisan bill for their support. I respectfully ask the committee to support passage of this bill.

Thank you for your time and I am happy to take any questions you might have.



WHEDA Borrowers Would Benefit

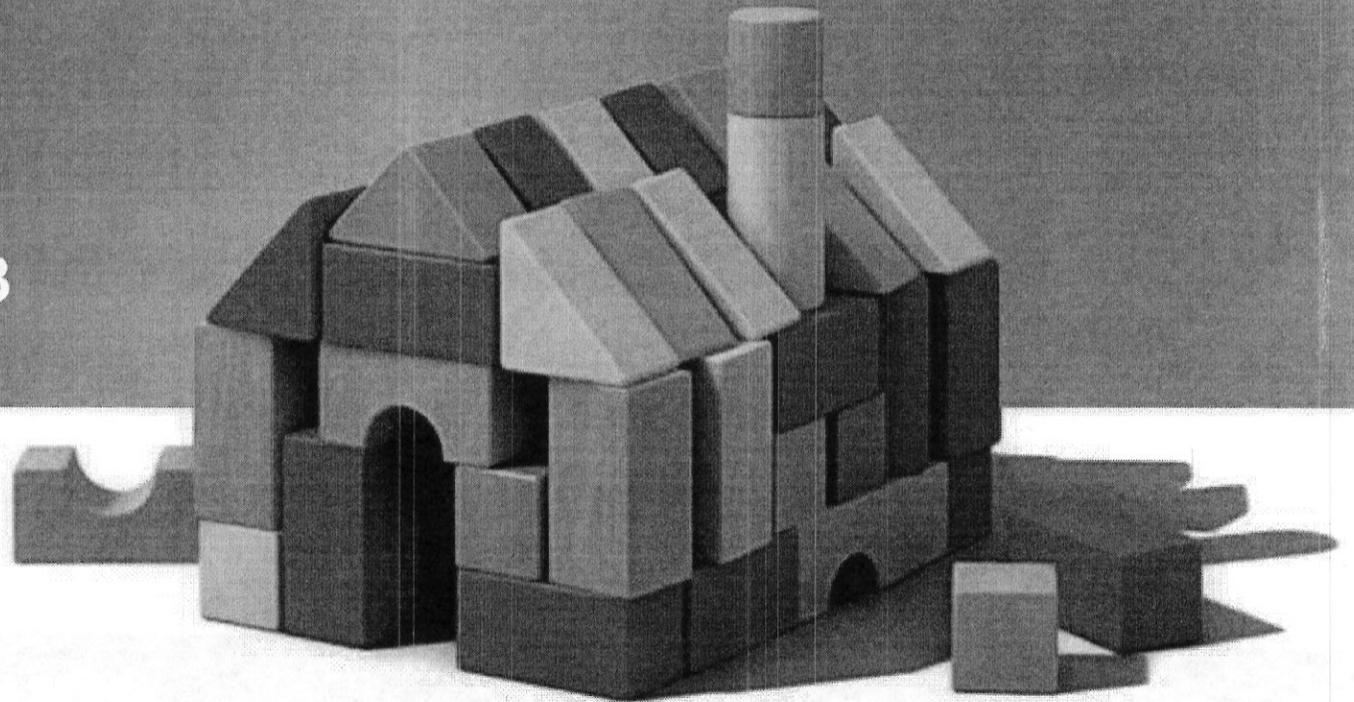
Roughly 17,000 WHEDA borrowers have an economic incentive to refinance!

Interest Rate	Households	UPB (\$)
7.01% or Higher	1,587	46,379,664
6.51 - 7.00%	1,640	113,204,719
6.01 - 6.50%	3,407	301,510,810
5.51 - 6.00%	3,930	331,678,679
5.01 - 5.50%	4,655	372,673,427
4.51 - 5.00%	868	72,467,451
4.01 - 4.50%	253	25,343,770
3.51 - 4.00%	651	51,220,215
TOTAL	16,991	1,314,478,737

WHEDA

*Providing Refinance Opportunities
to Existing WHEDA Borrowers*

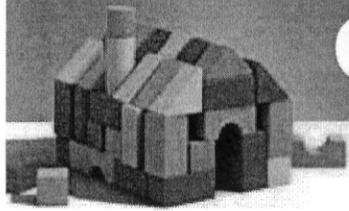
January 2013





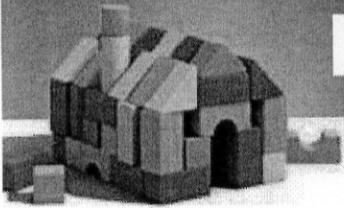
Agenda

- WHEDA's Single Family Vision
- Refinancing WHEDA Borrowers
- Changing Chapter 234
- Refinance Programs WHEDA Could Offer
- WHEDA Historic Loan Performance
- Impact on Lenders



Our Vision

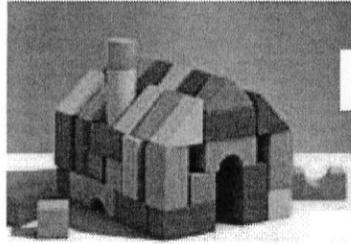
WHEDA strives to be the wholesaler that local banks, credit unions and mortgage companies rely on for access to innovative, affordable, fixed-rate loans to serve the home financing needs of Wisconsin's low- to moderate-income working families.



Keys to Achieving the Vision

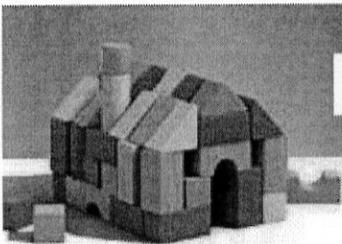
WHEDA must stay committed to providing:

- A broad array of affordable mortgage products
- Low interest rates and affordable monthly payments
- Down payment and closing cost assistance options
- Flexible loan pricing options for lenders
- A simple, intuitive portal for electronic commerce
- Next-day turnaround and consultative underwriting
- Training and tools to assure Lenders find success
- Accessible, responsive and customer-oriented servicing
- A portfolio that performs better than the nation and WI



Refinancing WHEDA Borrowers

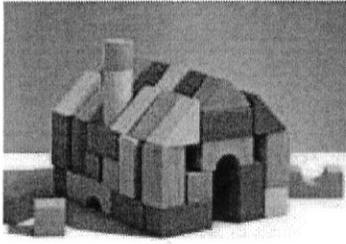
- WHEDA today cannot refinance its own borrowers into lower-rate loans
- WHEDA seeks a legislative change that will allow it to refinance loans for its own borrowers
- As with WHEDA's purchase-money mortgages, refinance-money mortgages would be originated by a **WHEDA Participating Lender**



How Borrowers Benefit

- Their interest rate would be reduced
- WHEDA would continue to service their home loan
- The borrower would be provided a new Job Loss Protection (JLP) policy at no cost by WHEDA ¹

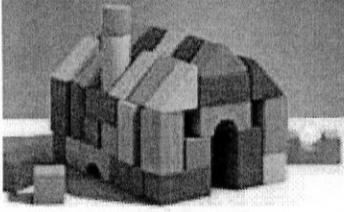
¹ *JLP covers PITI payments for up to six (6) months if the borrower becomes involuntarily unemployed during the first two (2) years after loan closing*



WHEDA Borrowers Would Benefit

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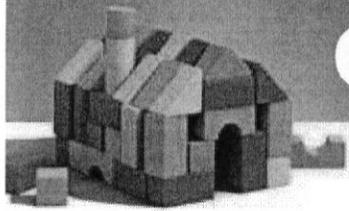


Changing Chapter 234 – Current

234.59(3)3(e)

A homeownership mortgage loan may not be made to finance the acquisition or replacement of an existing mortgage given by the applicant. This paragraph does not apply to any of the following:

1. A construction loan.
2. Temporary initial financing.
3. A loan made to finance a rehabilitation.

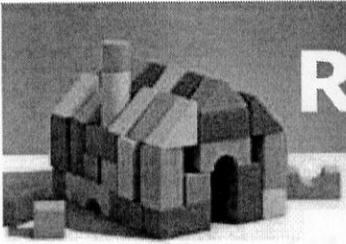


Changing Chapter 234 – Proposed

234.59(3)3(e)

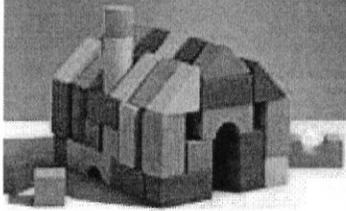
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1. A construction loan.
2. Temporary initial financing.
3. A loan made to finance a rehabilitation.
4. A loan made to pay off a loan funded or serviced by the Authority.



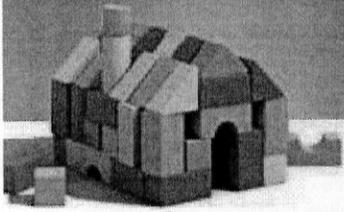
Reasons Borrowers Don't Refinance

- Unaware
- Unmotivated
- Home is "under water" (i.e.: debt exceeds value)
- Poor credit (perhaps due to extenuating circumstance, such as family illness or job loss)



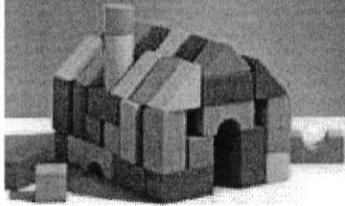
Today's Refinance Options

Program	Loan Eligibility/ Program Parameters	Could WHEDA Offer?
Traditional	<ul style="list-style-type: none"> • Pay off any loan • Must meet standard underwriting criteria • Fannie, Freddie, or FHA offer traditional refinance programs • "Under water" borrowers not eligible 	<p style="text-align: center;">Yes <i>Fannie and FHA only</i></p>
HARP <i>(Expires 12/31/13)</i>	<ul style="list-style-type: none"> • Can't qualify for traditional refinance • Current on loan in last 6 months • Current LTV is greater than 80% (no maximum LTV) • Current loan is guaranteed by Fannie or Freddie prior to May 31, 2009 • A Fannie loan may refinance into Fannie HARP loan; and a Freddie loan may refinance into a Freddie HARP loan 	<p style="text-align: center;">No <i>WHEDA loans are not eligible</i></p>
FHA Short Refinance <i>(Expires 12/31/14)</i>	<ul style="list-style-type: none"> • Can't qualify for traditional refinance • Current on your mortgage • Current LTV is greater than 100% and current lender agrees to reduce amount of debt to 97.75% • Current loan is <u>not</u> guaranteed by Fannie, Freddie, FHA, VA or USDA • Must meet standard FHA underwriting criteria • Total DTI may not exceed 55% 	<p style="text-align: center;">Yes <i>Could apply to WHEDA bond-funded loans</i></p>



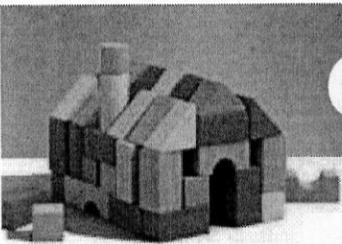
Today's Refinance Options *(Cont'd)*

Program	Loan Eligibility/ Program Parameters	Could WHEDA Offer?
<p>FHA 2nd Lien Program (FHA2LP) <i>(Expires 12/31/14)</i></p>	<ul style="list-style-type: none"> • Can't qualify for traditional refinance • Eligible for FHA Short Refinance • Obtained loan on or before January 1, 2009 • Second mortgage may be reduced or eliminate if the second mortgage servicer agrees • Combined LTV cannot exceed 115% after refinance 	<p>Yes <i>Could apply to WHEDA bond-funded loans</i></p>
<p>Potential New Program for 2013</p>	<ul style="list-style-type: none"> • Obama Administration is discussing new program under which Fannie and Freddie would refinance loans for "under water" borrowers who have non-Fannie/Freddie loans • Could impact an estimated 900,000 borrowers totaling \$226 billion in loans • An attempt to reduce the nation's estimated \$689 billion in negative equity <p><i>(Wall Street Journal, Dec. 26, 2012)</i></p>	<p>Yes <i>Could apply to WHEDA bond-funded loans</i></p>



Today's Refinance Options *(Cont'd)*

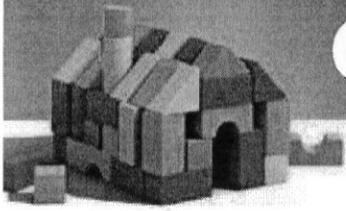
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Custom Program Development

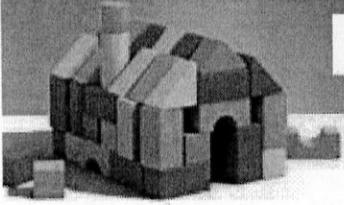
- Under its contract with Fannie Mae, WHEDA could offer a 97% LTV refinance alternative that doesn't require private MI
- Under both its FHA and Fannie Mae program, WHEDA could provide secondary financing on refinance loans

Note: These are options generally only available to state HFAs!



Community Solutions Initiative

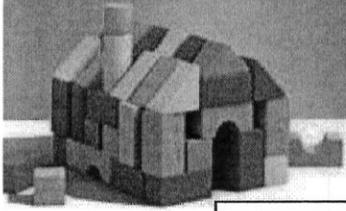
- WHEDA is working with lenders to form loan pools for the purpose of funding non-conforming loans under its Community Solutions Initiative
- WHEDA's plan is to provide subordinate debt (as credit enhancement), thus protecting lenders' investment in the loan pool
- If allowed to fund refinance loans, WHEDA's loan pool could be broadened to include refinance loans to WHEDA borrowers who don't qualify for other options for one reason or another



Historic Loan Performance

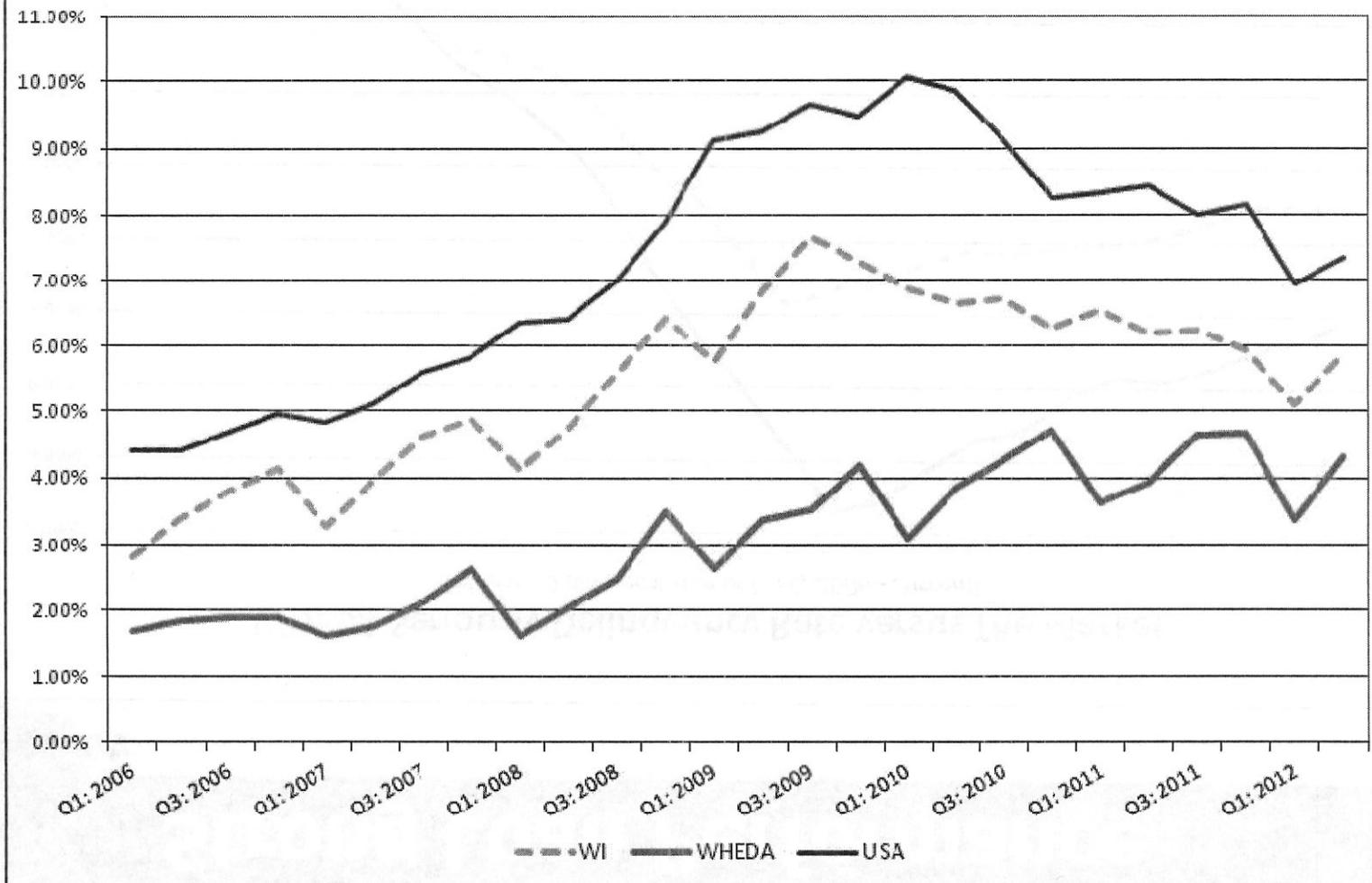
- WHEDA loan underwriting focuses on the borrower's ability to repay
- WHEDA loan servicing focuses on customer service and assisting borrowers to avoid foreclosure
- The result is that WHEDA's loan performance is recognized as among the best in the nation by rating agencies (*Standard & Poor's and Moody's*)
- WHEDA's loans perform better than state and national averages at all points along the default curve

Strong Loan Performance

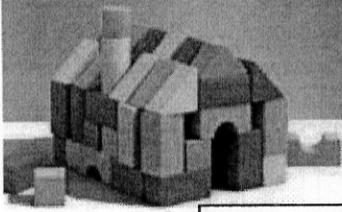


WHEDA Delinquency Rate versus The Market

(% loans 30 90 days past due; 2006 Current)

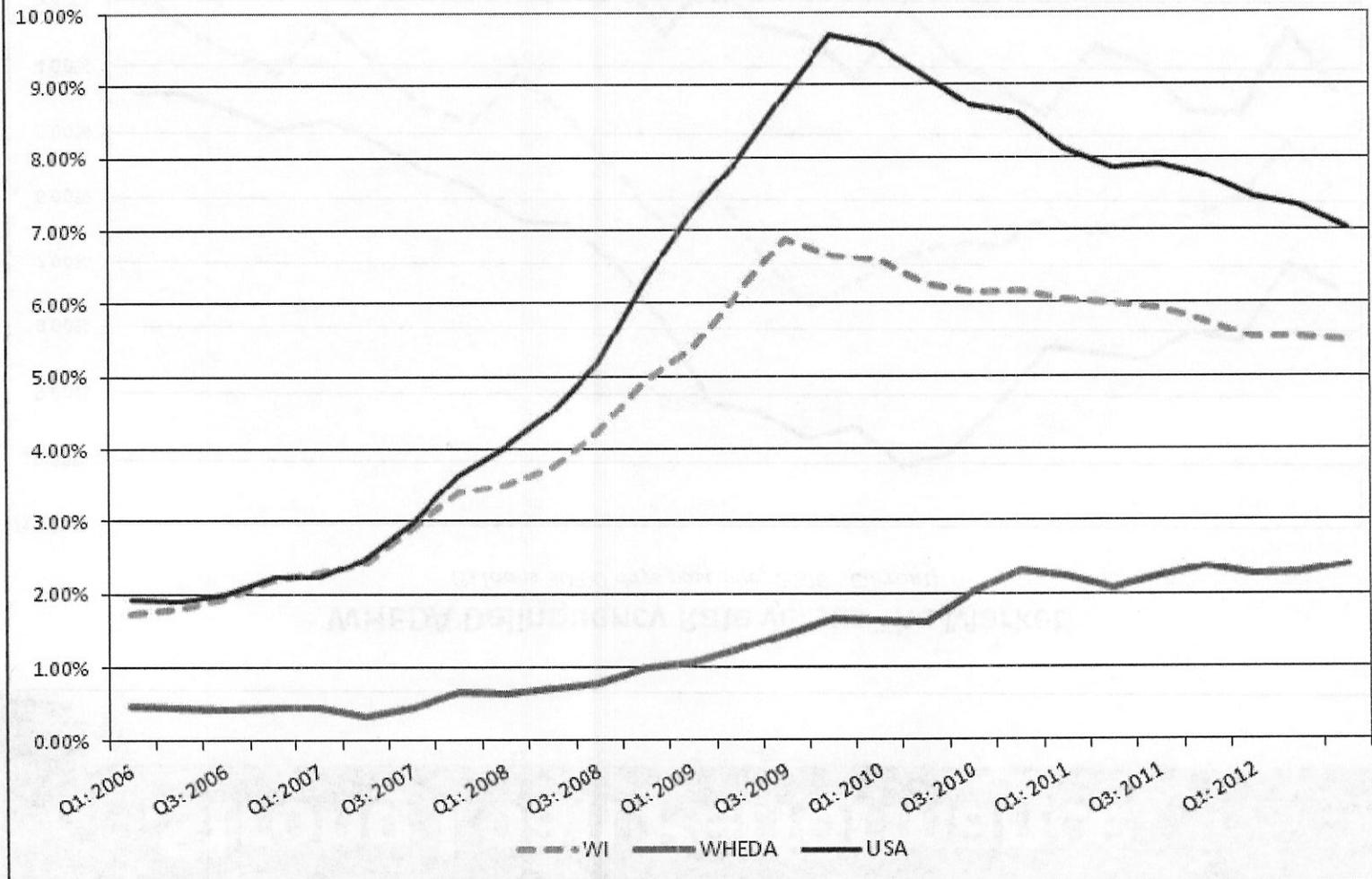


Strong Loan Performance

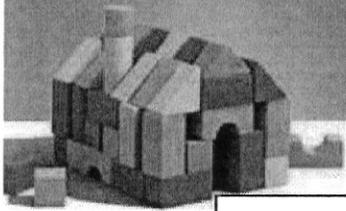


WHEDA Seriously Delinquency Rate versus The Market

(% loans 90 days past due or in FC; 2006 - Current)

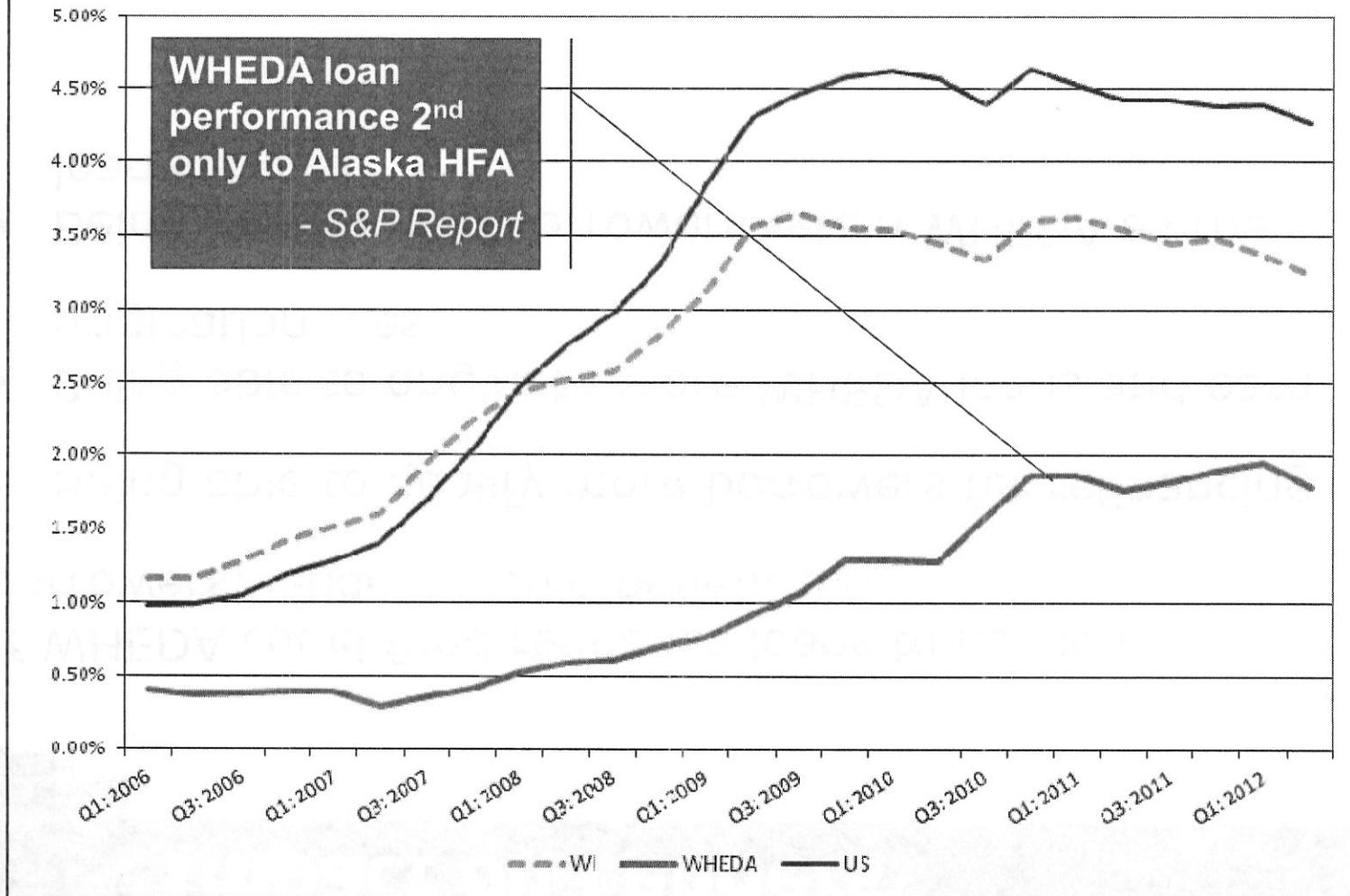


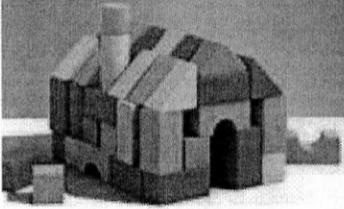
Strong Loan Performance



WHEDA Foreclosure Rates versus The Market

(2006 - Current)





Impact on Lenders

If WHEDA could fund refinance loans to its own borrowers, lenders would benefit by:

- Being able to qualify more borrowers for refinancing
- Being able to originate more WHEDA loans and earn origination fees
- Being able to help borrowers retain WHEDA as their loan servicer

Note: Lenders would have the choice to determine if they were going to offer the WHEDA refinance loan.

Contact

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