Wisconsin Housing and Economic Development Authority

Informational Paper 89

Wisconsin Legislative Fiscal Bureau
January, 2015

Wisconsin Housing and Economic Development Authority

Prepared by

Paul Ferguson

Wisconsin Legislative Fiscal Bureau
One East Main, Suite 301
Madison, WI 53703
http://legis.wisconsin.gov/lfb

TABLE OF CONTENTS

Wisconsin Housing and Economic Development Authority

Introduction

The Wisconsin Housing and Economic Development Authority (WHEDA) was originally created as the Wisconsin Housing Finance Authority by Chapter 287, Laws of 1971, to help create safe and affordable housing for low- to moderate-income households in Wisconsin. The Authority is a public body corporate and politic authorized to sell taxable and tax-exempt mortgage revenue bonds and use the proceeds to fund loans to eligible homebuyers, housing developers and businesses at below-market interest rates. The Authority was created for this purpose because the state is prohibited from incurring this type of debt by Article VIII, Section 7 of the Wisconsin Constitution, and the state is also disallowed under Article VIII, Section 10 from being party to "internal improvements," which the Wisconsin Supreme Court has generally interpreted to include private housing. At the time of its creation, it was also considered infeasible to use state appropriations to finance a substantial increase in housing stocks given the associated costs. Subsequently, WHEDA's mission was expanded to include providing financing for economic and agricultural development and it was given its present name. The Authority mostly works through participating banks, savings and loans, mortgage bankers, and other lenders and sponsors.

The Authority is not a state agency. Its operating budget and authorized positions are not included in the state budget and are not subject to direct legislative control. Revenues to finance its operating budget primarily come from interest earnings on loans it makes, investments of its assets and administrative fees it assesses. As of July 1, 2014, WHEDA staff included approximately 147 authorized full-time equivalent (FTE) employees. The Authority is divided into an executive office and the following nine teams: (a) administration/human resources; (b) legal; (c) finance; (d) single-family; (e) commercial lending, which includes multifamily housing and economic development programs; (f) information technology; (g) business development; (h) risk and compliance; and (i) marketing. The Authority's teams are similar to divisions in state agencies.

BACKGROUND

History

The Authority began operations in July, 1973, following the Wisconsin Supreme Court decision in State Ex. Rel. Warren v. Nusbaum. The Court held that the Authority was not a state agency and that the State of Wisconsin did not have an enforceable legal obligation to back the Authority's bonds. Consequently, the constitutional prohibition on incurring debt for such purposes did not apply to the Authority, and it could issue bonds for housing programs. The Legislature made a start-up appropriation of $250,000 in general purpose revenue (GPR), and the Authority repaid that amount from operating funds after establishment.

The Authority's governing board consists of 12 members, six of whom are public members appointed by the Governor with the advice and consent of the Senate for staggered, four-year terms. The remaining six members are: (a) the Chief Executive Officer of the Wisconsin Economic Development Corporation or a designee; (b) the Secretary of the Department of Administration (DOA) or a designee; and (c) one senator and representative of each political party, all four of whom are appointed from the Senate and Assembly standing committees on housing. In addition, section 234.02 (3) of the statutes requires that the Governor appoint: (a) one of the public members for a one-year term as chairperson; and (b) the Executive Director of the Authority, with Senate consent, to a two-year term. The Board meets bimonthly to carry out its responsibilities, which include authorizing bond issues, approving the Authority's annual operating budget and setting overall policy for the Authority and its staff.

In 1983, the mission of the Authority was expanded to allow the Authority to issue bonds to finance economic development projects and exports of Wisconsin products. Specifically, 1983 Act 81 authorized the Authority to make export loans and 1983 Act 83 authorized the Authority to make economic development loans to eligible small and medium-sized businesses. In recognition of the Authority's expanded responsibilities, it was renamed the Wisconsin Housing and Economic Development Authority (WHEDA).

1985 Act 9 created a credit relief outreach program (CROP) to be administered by WHEDA. The Act provided WHEDA with a state general purpose revenue (GPR) appropriation of $11.0 million for 1984-85 to guarantee agricultural production loans to eligible Wisconsin farmers and to provide interest rate subsidies on the loans. Then, in 1987 Act 421, the Authority was provided $7.5 million GPR for 1988-89 to guarantee and subsidize drought assistance loans.

After the creation of the CROP and drought assistance loan programs, the following additional loan guarantee programs were authorized:

- Small business (contract) (1989 Wisconsin Act 31);
- Agricultural development (1989 Act 31);
- Tourism (1989 Act 336);
- Target area (1991 Act 39);
- Nonpoint source pollution (1991 Act 309);
- Agricultural chemical cleanup (1993 Act 16);
- Clean air (1993 Act 16);
- Stratospheric ozone protection (1993 Act 16);
- Farm assets reinvestment management (1995

Act 150);

- Safe drinking water (1997 Act 27); and
- Small business development (1997 Act 27).

The small business development loan guarantee program combined each of the seven programs marked with an arrow, thus repealing their individual program status. Loan guarantee programs now are supported by the consolidated Wisconsin Development Reserve Fund (WDRF), which is detailed in Chapter 3.

Other housing programs begun in Wisconsin have either transferred to WHEDA or continued operating outside of WHEDA. The now-dissolved Department of Development was involved in administering certain housing programs, preparing the state housing plan and providing technical assistance until 1985 Act 29 transferred the Department's housing responsibilities to the Authority. In 1989, Act 31 created a Division of Housing in the Department of Administration to: (a) provide state funds for housing grants and loans through local organizations; (b) obtain and distribute federal housing funds; (c) coordinate housing programs and activities of state and local agencies; and (d) aid in the development of state housing policy. Under 1991 Act 39, DOA took over from WHEDA the administration of the federally funded rental rehabilitation program and McKinney program for permanent housing for disabled homeless. DOA also became the designated agency for administering most of the other federally funded housing programs. In 2003, however, most of DOA's housing programs were transferred to the Department of Commerce. Under 2011 Act 32, Commerce was eliminated, with its housing programs transferred back to DOA.

Chapter 208, Laws of 1973, authorized WHEDA to issue up to $140 million of revenue bonds for veterans' housing loans. The Authority sold two bond issues totaling $61,945,000 for such loans. The proceeds of the bonds were used to fund 2,072 home loans to eligible state veterans. Those bonds were redeemed in August 1991, and no bonds from those issues are outstanding. Although the Wisconsin Constitution prohibits public debt for construction of private housing, Chapter 26, Laws of 1975, authorized the state to issue general obligation bonds for veterans' mortgage loans. The shift from Authority-issued revenue bonds to state-issued general obligation bonds was made possible by an amendment to the Wisconsin Constitution which allowed the state to contract public debt to make funds available for veterans housing loans. Housing programs for veterans are discussed further in the Legislative Fiscal Bureau informational paper "State Programs for Veterans."

1993 Act 16 shifted the property tax deferral loan program from DOA to WHEDA. This program is described in the Legislative Fiscal Bureau informational paper "Property Tax Deferral Loan Program."

Other programs created in WHEDA have been either discontinued by the Authority or repealed from the statutes. These include: (a) a loan guarantee program under 1989 Act 335 for businesses emphasizing alternative uses of products recovered through recycling processes, which guaranteed seven loans for approximately $2 million prior to its repeal in 1993 Act 75; (b) a loan guarantee program for brownfields remediation, which was active in 1998 and 1999 but guaranteed no loans; and (c) an airport development zone loan program authorized under 2005 Act 487 to make loans for construction or expansion of airports in designated airport development zones, which was repealed in 2009 Act 2 and replaced with the state economic development tax credit after guaranteeing no loans. Other programs that have been repealed or inactivated, but that have remaining obligations outstanding or that continue to be authorized by statute, are discussed later throughout the paper.

Authority Financing

Summary

The Authority's assets and liabilities derive primarily from income receivable on outstanding loans, and from debts incurred on the sale of bonds and notes used to finance housing programs. As shown in Table 1, the Authority completed the 2012-13 and 2013-14 fiscal years with assets and reserves exceeding liabilities by about $609 million and $627 million respectively. Of these balances, approximately $422 million in 2012-13 and $432 million in 2013-14 were restricted for bond redemption funds and for funds which account for revenue and expenses of programs for which the source of funding is outside the Authority, such as legislative appropriations. These funds may be used only for permitted investments such as government-backed securities and bank deposits and permitted disbursements such as payment or repayment of principal, bond interest and program expenses.

The Authority's general reserve fund totaled about $187 million as of June 30, 2013, and about $195 million as of June 30, 2014. The statutes require WHEDA to establish a general reserve fund but provide discretion as to how certain assets of the fund are used. Table 1 shows that WHEDA had encumbered $158 million as of June 30, 2013, and $157 million as of June 30, 2014, of the general reserve balance for targeted single- and multifamily housing programs and economic development programs. An additional $28 million as of June 30, 2013, and $30 million as of June 30, 2014, had been encumbered for WHEDA operations. Unencumbered amounts remaining in the general reserve fund are required by statute to be set aside for a "Dividends for Wisconsin" plan. The plan is reviewed by the Governor and Legislature, and it specifies the total unencumbered general reserves that are to be allocated to single- and multifamily housing programs and economic development programs. A detailed description of the annual approval of the Dividends for Wisconsin plan is provided under the section "WHEDA Surplus Fund."

Table 1: WHEDA Combined Balance Sheet, 2013 and 2014 (June 30)

	2013	2014
Assets and reserves (cash; investments; loans and interest receivable; other)	$2,450,024,000	$2,151,353,000
Liabilities (bonds, notes and interest; payable; escrow deposits; other)	- 1,840,532,000	-1,524,224,000
Total restricted and unrestricted reserves	$609,492,000	$627,129,000
Less restricted reserves for bond resolutions, administered funds	- 422,308,000	- 432,276,000
General reserve fund balance	$187,184,000	$194,853,000
Less encumbered for housing and economic development activities	- 157,841,800	- 157,468,600
Less encumbered for WHEDA operations	- 27,989,300	- 30,008,500
Unencumbered general reserves ("Surplus" to Dividends for Wisconsin plan)	$1,352,900	$7,375,900

WHEDA Bond Issuance

Because it exists as an independent authority, WHEDA only in rare circumstances receives funding from state appropriations, such as for the Authority's startup and for various other housing and economic development programs. Instead, the Authority's primary sources of program funding historically have been proceeds from the issuance of taxable and tax-exempt bonds and notes, as well as funds in excess of required reserves. WHEDA historically has issued revenue bonds to finance most of its housing programs. Revenue bonds allow WHEDA to borrow money through bonding and lend the proceeds of the bond issues to third parties for such uses as the development of multifamily housing or the purchase of single-family homes.

Through June 30, 2014, WHEDA had issued approximately $9.4 billion in bonds and notes carrying WHEDA's general obligation for all of its programs. Approximately $1.4 billion was outstanding. General obligation bonds require WHEDA to repay bondholders using monies from repaid loans, or from other assets of the Authority. The annual volume of debt issued with WHEDA's general obligation is shown in Table 2. WHEDA also may issue bonds without its general obligation, which do not require the Authority to pledge general assets for repaying bondholders. WHEDA has issued at least $450 million in additional debt without its general obligation since 1984. WHEDA typically does not track outstanding amounts of these bonds. In both instances, the state has no legal obligation to back WHEDA-issued revenue bonds.

With respect to the sale of certain bonds and notes, the statutes require WHEDA to establish a capital reserve fund, which is to consist of at least the maximum amount of debt service that may be due on the applicable bonds in any future calendar year. The statutes limit WHEDA to $600 million in outstanding amounts for any bonds issued with a capital reserve requirement.

Further, the statutes require that if WHEDA realizes a deficit in a capital reserve fund for any subject bonds, the Chairperson of the Authority must certify to the Secretary of the Department of Administration (DOA), the Governor and the Joint Committee on Finance the amount required to restore the fund to the level necessary to meet minimum reserve requirements. If the certification is received in an even-numbered year prior to compilation of the budget, DOA must include an appropriation for that amount in the budget bill. In any case, the Joint Committee on Finance must introduce, in either house of the Legislature, a bill appropriating the certified amount to the Authority so that it can meet debt service payments. While the Legislature is not obligated to approve the appropriation, the statutes state that "the legislature hereby expresses its expectation

Table 2: Annual WHEDA General Obligation Borrowing

Calendar Year	Revenue Bonds Issued
1974	$37,615,000
1975	35,510,000
1976	53,635,000
1977	52,225,000
1978	132,035,000
1979	25,000,000
1980	159,000,000
1981	9,990,000
1982	226,725,000
1983	198,130,000
1984	191,111,800
1985	209,494,300
1986	101,635,000
1987	186,625,000
1988	446,564,200
1989	156,554,700
1990	265,130,000
1991	198,630,000
1992	356,170,000
1993	223,435,000
1994	93,615,000
1995	365,920,000
1996	293,440,000
1997	255,000,000
1998	281,680,000
1999	354,615,000
2000	235,785,000
2001	94,060,000
2002	559,725,000
2003	372,190,000
2004	386,295,000
2005	659,235,000
2006	663,665,000
2007	595,405,000
2008	259,965,000
2009	359,045,000
2010	142,775,000
2011	68,070,000
2012	86,210,000
2013	21,270,000
2014*	0
Total	$9,413,180,000

*Through June 30.

and aspiration that if ever called upon to do so, it shall make such appropriation" (s. 234.15(4) of the statutes). To date WHEDA has never realized a deficit in its capital reserves, and the Legislature has not been called upon to make an appropriation for such backing. WHEDA reports the amount of outstanding bonds supported by a capital reserve is $390,220,000 as of June 30, 2014, which is associated only with bonds issued to finance multifamily structures.

The following sections briefly discuss WHEDA programs for which revenue bonds may be issued. These programs are discussed in greater detail in Chapters 2 and 3. In some instances, bonds are no longer issued, or never have been issued, for certain programs. The sections therefore also note alternative program funding sources. (For further discussion of state bonding practices and a description of the different types of municipal bonds, see the Legislative Fiscal Bureau informational paper, "State Level Debt Issuance.")

1. Home Ownership Mortgage Loans. This program was established by Chapter 349, Laws of 1981, to enable eligible purchasers of single-family homes to secure low-cost mortgage financing. WHEDA carries out most of its lending for single-family home purchases under the WHEDA Advantage programs. Single-family home loans were previously made under the HOME program, although this program bore no relation to the federal HOME programs currently administered by DOA. WHEDA renamed the programs in April, 2009, after temporarily ceasing single-family home lending in October, 2008, due to unfavorable credit conditions in the United States. Upon resumption of lending in 2010, WHEDA began a new financing model through the Federal National Mortgage Association (Fannie Mae), and WHEDA also offers loans insured by the Federal Housing Administration (FHA).

At various times in WHEDA's history, the HOME/Advantage program has operated under statutory constraints on the amount of revenue bonds permitted to be outstanding, although these constraints have since expired. As of June 30, 2014, approximately $7.4 billion of general-obligation, corporate-purpose revenue bonds had been issued for single-family housing programs, of which approximately $875 million was outstanding.

As of December, 2014, the last issuance of bonds for single-family housing programs was in 2010. The Authority expects to resume funding single-family housing programs with mortgage revenue bonds in 2015, as described briefly in Chapter 2. Bonds issued by WHEDA for single-family housing may be issued under the state's amount of federal volume cap for tax-exempt bonding, which would allow interest earnings of the bonds to be exempt for purposes of federal income taxes. (The federal volume cap, as referenced throughout this paper, is based on state population and forms the basis for the amount of bonds a state may issue, the interest on which would not be subject to federal income taxes.)

2. Multifamily Housing Loans. WHEDA has used its authority to issue general corporate-purpose bonds to provide permanent financing for apartment developments intended primarily for low- and moderate-income households. Bonds may support construction loans for multifamily residences or the purchase and rehabilitation of existing multifamily residences to upgrade the stock of affordable housing. As of June 30, 2014, approximately $1.8 billion of general-obligation, corporate-purpose revenue bonds were issued for these purposes, of which $505 million was outstanding. WHEDA bonds issued for the development of multifamily housing may be eligible for interest earnings to be exempt from both federal and state income taxes. WHEDA also has dedicated a portion of its surplus reserves to a multifamily housing revolving loan program.

3. Housing Rehabilitation Loans. This program was established to support activities leading to the upgrading of the state's housing stock. The program, now known as the Home Improvement Advantage loan program, provides loans for alterations or repairs to existing housing. The Authority is allowed up to $100 million in outstanding revenue bonds under the program. No bonds are outstanding, although WHEDA has issued $97.6 million in such bonds in its history, with the last issuance occurring in 1992. Bonds issued for housing rehabilitation loans may be eligible for a federal tax exemption on interest earnings. The program currently is supported by a separate fund administered by WHEDA.

4. Property Tax Deferral Loan Program. Under this program, which was transferred to WHEDA in 1993, low- and moderate-income elderly homeowners are able to convert home equity into income to pay property taxes. WHEDA is authorized to issue up to $10 million in bonds to finance loans under this program but is also required to allocate a portion of its unencumbered general ("surplus") reserves to the program. No bonds have been issued for the program. A more complete discussion of this program may be found in the Legislative Fiscal Bureau informational paper, "Property Tax Deferral Loan Program."

5. Economic Development Loans. This program was established in 1983 to fund business development activities in the state. WHEDA was given authority to issue bonds to finance the program's loans, with the limit being increased under 1989 Act 281 from an original amount of $95 million to $200 million in aggregate principal. WHEDA issued $166.9 million of the $200 million limit, consisting of $93 million with the Authority's general obligation and $73.9 million without a general obligation. The last general-obligation issues were in 1995. As of June 30, 2014, the Authority had no outstanding economic development loans supported by bonds carrying WHEDA's general obligation; the Authority does not track outstanding bonds if they are not general-obligation issues.

WHEDA in 2011 passed resolutions to begin issuing new economic development bonds, and 2011 Act 214 changed the program's bonding authority from $200 million in aggregate bonding to $150 million annually for three fiscal years beginning in 2012-13, with extensions thereafter possible with the approval of the Joint Committee on Finance. WHEDA has issued $42.5 million in bonds under this authority, although the bonds did not carry WHEDA's general obligation. Bonds issued for economic development loans may be eligible for a federal tax exemption on interest earned. In addition to bond-supported funding, WHEDA uses a portion of its general reserves for an economic development lending program, which is discussed in Chapter 3.

One-Time Federal Bonding Support. In 2009, the U.S. Treasury Department used authority under the Housing and Economic Recovery Act of 2008 to create bonding support programs in response to poor credit conditions that had inhibited the ability of state housing finance agencies such as WHEDA to continue typical lending. WHEDA received one-time federal support for its bond issues under these programs, known as the New Issue Bond Program (NIBP) and the Temporary Credit and Liquidity Program (TCLP). Treasury charged housing finance agencies to access this funding, which was assessed as an increase on the interest rate of the bonds.

WHEDA's allocation under the NIBP was $325 million, which was split by Treasury into a $256 million portion for single-family lending and a $69 million portion for multifamily lending. Under the program, Treasury purchased securities with short-term interest rates from government-sponsored enterprises such as Fannie Mae and Freddie Mac. Treasury in turn allowed housing finance agencies to use these housing bonds to support single- and multifamily lending activity. Participants were required to convert these bonds to long-term, fixed-rate, tax-exempt bonds once loans were committed to them.

The TCLP allows WHEDA to access a facility to provide liquidity through 2015 for both single-family and multifamily bond issues. This program allowed WHEDA to replace financing for its bond issues previously provided by lending institutions that the Authority had come to view as unstable due to their holding of troubled assets. WHEDA's TCLP allocation was $298 million for single-family bond issues and $39 million for multifamily bond issues.

WHEDA Operating Funds

The Authority does not receive any state general purpose funds for its operations, but instead, the Authority earns revenue: (a) by charging loan interest rates higher than the interest it pays its bondholders, although the Authority's yield on bond-financed loans typically is limited by federal law to the interest paid on the bonds plus a premium that varies with the type of bond issued; (b) by collecting fees, such as loan origination and servicing fees, for the services it performs; and (c) by investing its reserves to produce income.

Table 3 provides an overview of the last six years of WHEDA's general and administrative expenses, along with amounts budgeted for 2014-15.

Table 3: WHEDA General and Administrative Expenses

2008-09	$19,581,000
2009-10	18,863,000
2010-11	18,700,000
2011-12	18,460,000
2012-13	18,395,000
2013-14	18,839,000
2014-15 (Budgeted)	18,668,000

WHEDA Surplus Fund

The Authority is required by statute to maintain an unencumbered general reserve fund, also referred to as a "surplus" fund, within its general fund, consisting of any Authority assets in excess of operating costs and required reserves. A calculation of unencumbered general reserve funds is done annually at the fiscal year end and reported by WHEDA to the Governor and the Legislature. To derive the figure, amounts are deducted from unrestricted reserves for purposes such as operating expenses, capital expenses and contingencies. In addition, it is necessary to deduct a portion of reserves encumbered or committed to various WHEDA programs beyond a certain date, which is usually the end of the next fiscal year. The remainder of the reserves is the Authority's available unencumbered general reserves. As shown in Table 1, a total of $7.4 million was available for this fund at the close of the 2013-14 fiscal year, with $1.4 million having been available in the preceding year.

Section 234.165 of the statutes outlines the procedure for gubernatorial and legislative review of the Authority's annual plan for the unencumbered funds. By August 31 of each year, the Chairperson of the Authority certifies to the Secretary of the Department of Administration two items: (a) the actual unencumbered funds available on the preceding June 30, the close of the previous state fiscal year; and (b) the projected funds available on the following June 30, at the close of the current state fiscal year. For those funds available on the preceding June 30, the Chairperson submits to the Governor a plan for expending or encumbering the funds during the current year. The Governor may modify the plan and is required to submit, within 30 days, his or her plan to the presiding officer of each house of the Legislature, who then refers the plan to the appropriate housing committees within seven days. The standing committee review period extends for 30 days after referral. Within the review period, either of the standing committees may request WHEDA to appear before it to discuss the plan. If such a request is made, the review period is extended until 30 days after the request has been made. If a standing committee and the Governor agree to modifications in the plan, the review period for all standing committees will continue for an additional 10 days after receipt of the modified plan.

The plan or modified plan is approved if no standing committee objects to it within the designated review period. If a standing committee objects to the plan or modified plan, the parts under objection are referred to the Joint Committee on Finance, which is required to meet in executive session within 30 days to consider the objections.

The Joint Committee on Finance may: (a) concur in the standing committee objections; (b) approve the plan or modified plan notwithstanding standing committee objections; or (c) modify the portions of the plan objected to by the standing committee. Until approved or modified under these provisions, the plan is not effective. With the exception of certain statutorily permitted transfers of funds from one plan category to another, the unencumbered general reserve funds may be expended or encumbered only in accordance with the approved plan.

WHEDA is required to allocate a portion of its unencumbered general reserve funds to: (a) match federal funds available under the McKinney Homeless Assistance Act; (b) match federal funds available under the home investment partnership program; and (c) fund the property tax deferral loan program.

A portion of WHEDA's unencumbered general reserves supplement bond proceeds to achieve more favorable interest rates or other lending terms. The Authority also has developed and administered several programs using these funds, and these programs are discussed in the following chapters. Appendix I lists the allocations of WHEDA's unencumbered general reserves in the "Dividends for Wisconsin" plans for each of the 2012-13 and 2013-14 fiscal years shown in Table 1.

In addition to funding specific programs from its unencumbered reserves, WHEDA has regularly been required to transfer a portion of those reserves to the state. Transfers of $22.6 million since 2001-02 have gone to both the state general fund and other state agencies that administer housing grants and loans. Past transfers to state agencies have generally been intended to offset equivalent amounts of general purpose revenue (GPR) funding for certain housing-related purposes, while transfers to the general fund have been similar to lapses required of state agencies under recent budget acts. Table 4 lists transfers from WHEDA's unencumbered reserves as required by recent budget acts or budget adjustment acts.

Table 4: Transfers from WHEDA Unencumbered Reserves

Year	Recipient Department/Fund	Amount
2001-02	Administration	$1,500,000
2002-03	Administration	3,300,000
2003-04	General Fund	2,375,000
2004-05	General Fund	2,125,000
2005-06	Commerce	3,000,000
2006-07	Commerce	2,000,000
2007-08	Commerce	3,025,000
2008-09	Commerce	3,000,000
2009-10	General Fund	225,000
2010-11	General Fund	225,000
2011-12	General Fund	900,000
2012-13	General Fund	900,000
Total		$22,575,000

CHAPTER 2

WHEDA HOUSING PROGRAMS

WHEDA's housing programs include multiple financing products for single-family and multifamily structures. Beginning in 2012, single-family first mortgages are funded mostly via the secondary mortgage market, although WHEDA in 2015 plans to resume offering single-family residential loans using mortgage revenue bonds. Several second-mortgage programs are financed through WHEDA's general reserves or other Authority funds. Multifamily programs are financed by mortgage revenue bonds and WHEDA general reserves. In addition, the Authority administers federal funding and tax credits for housing for low-income households. These and other programs are described in this chapter.

Single-Family Housing Programs

WHEDA Advantage

Background. The WHEDA Advantage loan program provides mortgage loans, financed by the government-sponsored enterprise Fannie Mae, to low- and moderate-income households in Wisconsin. WHEDA began lending under Fannie Mae Advantage in 2010, replacing the home ownership mortgage loan (HOME) program that WHEDA had suspended in October, 2008. (HOME, which was created in Chapter 349, Laws of 1981, should not be confused with the federally funded home investment partnership program administered by DOA, which also uses the acronym HOME.)

WHEDA ceased HOME lending on October 1, 2008, because the Authority's cost of borrowing increased significantly as investor demand for housing-related securities fell sharply. Lower bond demand would typically result in higher rates offered to prospective bond purchasers. However, the Authority reports the higher interest rates on bonds at that time would have required offering rates undesirably high to first-time home buyers served by the program. Additionally, the increase in troubled loans nationally around the 2007-2009 recession decreased the value of mortgage insurance, which is what WHEDA used as a primary means of insuring itself against default by HOME borrowers. Mortgage insurance was required on most HOME loans to compensate WHEDA in case of defaults by borrowers.

WHEDA's initial Fannie Mae Advantage loan products were based on a 2006 agreement between Fannie Mae and the National Council of State Housing Agencies (NCSHA), the trade association of state housing finance agencies (HFAs) such as WHEDA. WHEDA joined the agreement in 2008 following the suspension of the HOME program. The agreement established terms by which HFA loans would be sold to or guaranteed by Fannie Mae, and a national lending initiative known as Affordable Advantage was developed.

WHEDA announced the beginning of Fannie Mae Advantage in February, 2010, and was the first state HFA to implement the Affordable Advantage program framework. By late 2010, WHEDA had implemented a standard Fannie Mae Advantage loan, as well as several alternative Fannie Mae Advantage loan products to accommodate multiple profiles of loans, such as those with low loan-to-value (LTV) ratios or loans with a smaller down payment, but for which borrowers acquired mortgage insurance. Collectively, this variety of loans had the effect of offering a range of rates to borrowers with different profiles. These products were made available beginning September 1, 2010.

Shortly thereafter, Affordable Advantage was discontinued by the Federal Housing Finance Agency, the regulator and conservator of government-sponsored enterprises Fannie Mae and Freddie Mac. As such, beginning January, 2011, the standard WHEDA Advantage mortgage loan required loans to conform more closely to Fannie Mae's customary eligibility requirements. This included having an LTV no higher than 97%, which suggests a down payment of about 3% of the property purchase price, and required mortgage insurance for loans with an LTV higher than 80%.

In January, 2012, WHEDA began offering two loan types with Fannie Mae financing. These loans were developed by Fannie Mae for participating state HFAs, and the two products continue to be WHEDA's primary single-family loan products through 2014. One loan type requires borrowers to purchase mortgage insurance for loans exceeding 80% LTV, or equal to a 20% down payment. Borrowers in turn pay a lower interest rate. The other type allows borrowers to forego mortgage insurance, but pay a higher interest rate for the relatively higher risk of loss on a loan in the event of default. The loan with mortgage insurance has typically offered interest rates .25 to .75 percentage points lower than those without mortgage insurance.

Program Terms and Eligibility. Advantage loans are issued exclusively with 30-year terms at a fixed interest rate and with no prepayment penalties. Per statute, WHEDA also may not make a loan to a person without a Social Security number, and the property must be used as the principal residence of the borrower.

Household income remains a primary determinant of eligibility under the Advantage programs; this requirement remains in effect in state statutes. Appendix II provides estimated 2014 median family income by county, and Appendix III shows WHEDA Advantage income and loan limits by county.

WHEDA formerly limited HOME loans to properties selling at or below certain specified prices, and borrowers generally had to be first-time homebuyers. Each of these provisions allowed bonds issued to finance the program to qualify for the federal tax exemption on interest earnings, which in turn allowed HOME loans to be made at rates favorable to low- and moderate-income borrowers. These provisions have been modified for WHEDA Advantage, due mostly to WHEDA Advantage loans not using tax-exempt bonding to finance single-family lending programs. Borrowers need not be a first-time homeowner. However, a borrower may not receive a WHEDA Advantage loan if holding an ownership interest in another residential property. Loan limits now are those for Fannie Mae conforming loans, or $417,000 in Wisconsin. Despite a higher loan limit than under HOME, average WHEDA Advantage loans since 2010, as shown in Appendix IV, have been approximately $111,000, due to the continuation of income limits and lending standards limiting a borrower's monthly payments for housing and other debt as a percentage of income.

As of 2014, WHEDA Advantage is available only to most existing single-family dwellings and two-unit dwellings at least five years old. Federal law, state statutes and Fannie Mae guidelines allow WHEDA to finance structures with up to four dwelling units, as well as to finance major rehabilitation of a property. However, the Authority has elected to forego the offering of loans for such properties or activities, as WHEDA reports these activities are not typically in substantial demand, and certain Fannie Mae regulatory requirements for such properties or activities are more stringent.

Many other former HOME and current WHEDA Advantage provisions are similar or identical. For example, analogous provisions include: (a) a maximum loan-to-value ratio of 97%, suggesting a down payment of about 3% of the property's purchase price; (b) required mortgage insurance for certain loans; and (c) a minimum credit score. However, certain provisions under the WHEDA Advantage program are less restrictive. For instance, there is currently no minimum amount of a borrower's own funds that must be part of a down payment under Advantage for single-family properties. However, WHEDA's approved mortgage insurers in most cases require some amount to be paid directly from a borrower's own funds, as opposed to being gifts or from other sources. For those that require a contribution, the minimum is generally a percentage of the purchase price, from 1% to 3%, and in some cases the minimum contribution is the lesser of either that specified percentage or $1,000. A possible source for a borrower's down payment is Easy Close Advantage, which is discussed later in greater detail. By comparison, the minimum borrower contribution under HOME for single-family homes was 1% of the purchase price up to $500, or 3% of the purchase price in certain circumstances for borrowers with lower credit scores and high-LTV loans.

Program Financing and Administration. One primary difference between the HOME and Advantage programs relates to the type of loss protection on mortgage loans. Under HOME, WHEDA primarily used mortgage insurance to protect against loss in the event of borrower default. This ensured WHEDA's ability to repay its bondholders, even if borrowers missed monthly payments.

Under the Advantage program, WHEDA no longer holds all issued loans in its portfolio as it did under HOME. Rather, WHEDA now sells loans directly to Fannie Mae, which subsequently securitizes loans for sale on the secondary market. Under this system, WHEDA or its participating lenders service loans, while Fannie Mae assumes risks related to interest rates and loans not proceeding to closing.

WHEDA's current financing system for Advantage loans differs from the procedures WHEDA initially instituted when introducing the Fannie Mae-financed loan products in 2010. At that time, it was expected loans sold would be packaged into mortgage-backed securities, which WHEDA then would repurchase with proceeds generated from mortgage revenue bonds. By virtue of the Authority holding the securities backed by the mortgages sold to Fannie Mae, WHEDA would be guaranteed payment on mortgage loans by Fannie Mae. Fannie Mae's payment guarantee, however, would be supported by guarantee fees collected by WHEDA as part of borrowers' monthly payments and remitted to Fannie Mae.

Under the current financing system, borrowers continue to pay guarantee fees. For loans with both mortgage insurance and a Fannie Mae guarantee, Fannie Mae bondholders are made whole first by mortgage insurance and then Fannie Mae's guarantee in the event of a borrower default.

WHEDA has made a total of 3,305 loans for $367,094,100 under the Advantage program, as financed by Fannie Mae, from its inception in 2010 through June 30, 2014. As of June 30, 2014, 3,093 loans were outstanding with total balances of $332,081,100. Also, WHEDA issued approximately 110,000 loans totaling $6.9 billion during the HOME program's operation. As of June 30, 2014, WHEDA reports 11,081 HOME loans remain outstanding with total balances of $796,690,500. Loan activity for these programs is shown in Appendix IV.

Refi Advantage. The statutes prohibited homeownership mortgage loans from being issued for refinance purposes beginning with the enactment of the program under Chapter 349, Laws of 1981. Exceptions were granted for: (a) a construction loan; (b) temporary initial financing; and (c) loans for the financing of a substantial rehabilitation. 2013 Act 40 expanded these exceptions to include loans for paying off a loan already funded or serviced by WHEDA. The Authority began issuing refinance loans in October, 2013, under the name of WHEDA Refi Advantage.

The Refi Advantage program offers borrowers loans under the Fannie Mae-backed WHEDA Advantage loans. Borrowers must have at least 3% equity in the residence, and may opt for loans either with mortgage insurance and a lower interest rate, or no mortgage insurance and a relatively higher interest rate to compensate for the comparatively higher risk of loss on the loan. Refi Advantage is not available for: (a) condominiums; (b) manufactured homes; (c) persons with poor credit or with a bankruptcy or foreclosure incurred during the current loan term; (d) properties listed for sale; (e) properties on which payment of real estate taxes is at least 60 days past due; and (f) loans modified during the current term.

WHEDA has issued 18 Refi Advantage loans with a total value of $1,850,100, beginning with the first loans issued in October, 2013, through June 30, 2014. These loans are counted separately from the purchase loans noted above for the standard WHEDA Advantage loan program.

FHA Advantage

WHEDA began offering the Federal Housing Administration (FHA) Advantage mortgage loan in September, 2011. For WHEDA borrowers, the program bears many similarities to the Fannie Mae-financed WHEDA Advantage program. FHA Advantage mortgage loans are exclusively 30-year terms at a fixed interest rate. FHA Advantage loans may be for existing single-family properties and certain condominiums, but not for properties of two or more units, which are allowed under WHEDA Advantage. Program income limits are identical, although loan limits are generally less, at about $270,000 in most counties in 2014.

FHA Advantage borrowers must meet an FHA requirement of at least 3.5% down, although the program has no minimum contribution from the buyer; the down payment may be from a gift or other source. From the perspective of borrowers, loan interest rates for FHA Advantage loans have typically tracked rates offered on WHEDA Advantage loans with mortgage insurance. WHEDA reports FHA Advantage loans have more permissive underwriting and credit guidelines, which would tend to accommodate more prospective borrowers than the relatively stricter standards required by Fannie Mae. However, WHEDA also reports less stringent credit guidelines are likely to yield higher-cost loans for most borrowers in the FHA Advantage program, due to higher up-front and annual mortgage insurance premiums to compensate for the relatively riskier profile of borrowers.

WHEDA's loan financing under the FHA Advantage program is similar to its administration under the Fannie Mae-financed Advantage program, in that the Government National Mortgage Association, or Ginnie Mae, guarantees payment to the investors of mortgage-backed securities composed of FHA loans. However, unlike mortgage loans with Fannie Mae's guarantee, Ginnie Mae does not directly participate in the secondary marketing of loans as Fannie Mae does. Therefore, WHEDA issues its own Ginnie Mae mortgage-backed securities for the FHA Advantage loans it originates. WHEDA can either hold the securities or resell them to another purchaser.

Beginning in 2012, WHEDA entered an agreement with a private investment bank for selling its securities consisting of FHA Advantage loans. The bank purchases WHEDA's Ginnie Mae securities, and WHEDA agrees to make loans at rates specified by the bank, based on the price at which the bank can later sell the securities on the secondary market. WHEDA reports this arrangement reduces various pricing and other risks to which the Authority may otherwise be exposed in the marketing of the securities.

WHEDA has issued 102 loans under FHA Advantage since its inception through June 30, 2014, with total originations of $10,552,500. As of June 30, 2014, 98 loans remained outstanding, with outstanding principal of $10,101,900. FHA Advantage loan activity is shown in Appendix IV.

WHEDA Tax Advantage Program

In 2013, WHEDA began offering the WHEDA Tax Advantage program as an alternative means of using its portion of the state's tax-exempt bonding volume cap. Federal law allows bond-issuing housing agencies to convert available tax-exempt volume cap to mortgage credit certificates (MCCs), which entitle borrowers holding such certificates to claim a federal income tax credit for mortgage interest, as opposed to the mortgage interest deduction more commonly used by homeowners for federal income tax purposes. The credit is nonrefundable, meaning the credit claimed in any year may not exceed the filer's tax liability for that year. WHEDA reports it initiated the program mostly to avoid the lapse of unused volume cap that was scheduled to expire, which generally occurs three years following the originally scheduled expiration of a year's cap.

Under federal law, an MCC program may issue credit certificates of up to 25% of the amount of unissued bonds under the state volume cap; that is, every $4 in volume cap may be converted to $1 in mortgage credit certificates. For loans originated under an MCC program, an issuing agency may further determine the rate of credit to be applied to every dollar of interest paid annually by a borrower, but the rate must be no lower than 10% and no higher than 50%. Beginning in 2013, WHEDA has allowed borrowers a general 25% credit rate, although a 40% credit is available for qualifying veterans and for loans for properties in federal target areas of economic distress. The rate is applied to a borrower's annual mortgage interest paid, and the resulting amount is claimable as a credit against federal income taxes due. The annual credit is capped at $2,000, for filers with credit rates higher than 20%, but filers may carry over unused credits for up to three years, subject to the $2,000 cap, if applicable. The credit may be claimed annually over the life of the loan for interest paid each taxable year.

The following is an example of computing the credit allowed a borrower under the WHEDA Tax Advantage program: A borrower with a $100,000 loan at 5% interest would be expected to pay $4,966 in interest in the first full year of a loan, and, subject to the borrower's other tax liabilities, he or she could claim a credit of $1,242 with a 25% MCC rate or $1,987 with a 40% rate. Over the life of the loan, the borrower would expect to claim credits of approximately $23,300 with a 25% MCC rate or approximately $37,300 with a 40% MCC rate. For each year the borrower claims the mortgage interest credit, the person would have to reduce any claims of the mortgage interest deduction by the amount of credit claimed.

Because an MCC program relies on federal volume cap, an MCC program is bound by federal limits on mortgage revenue bonds, including those pertaining to purchase prices, a borrower's income and the borrower being a first-time homebuyer. (Income and purchase price limits are shown in Appendix III.)

At least 20% of credits available must be reserved for residences in federally identified target areas. Persons issued an MCC program loan also are subject to federal recapture of tax credits upon sale of a residence; however, borrowers using

Table 5: Mortgage Credit Certificates

Volume Cap Year (Year Converted)	Amount of Convertible Volume Cap	Amount Converted to MCCs (25%)	MCCs Issued	MCC Amount (Life of Loan)	MCC Cap Expiration (Dec. 31)
2009 (2012)	$445,600,000	$111,400,000	354*	$11,577,100	2014
2010 (2013)	462,464,100	115,616,000	0	0	2015
Total	$908,064,100	$227,016,000	354	$11,577,100	

* As of June 30, 2014.

WHEDA Advantage loans to finance the property purchase are eligible for WHEDA repayment of the recapture tax. Loans under the MCC program must be issued by a WHEDA-approved lender, but loans need not be WHEDA-issued products such as WHEDA Advantage or FHA Advantage. However, loans receiving an MCC may not simultaneously be financed through tax-advantaged instruments such as a tax-exempt mortgage revenue bond. Persons participating in an MCC program may refinance a mortgage loan, but an authorized MCC issuing agency would have to reissue a new certificate on the subsequent loan for the borrower to continue claiming the certificate credit.

Beginning in late 2012, WHEDA has converted volume cap to mortgage credit certificates as shown in Table 5. Unused volume cap may be issued credit certificates through the end of the second year following the initial conversion of unused cap; for example, WHEDA's first converted volume cap in 2012 may be issued as MCCs until December 31, 2014, and volume cap amounts converted in October, 2013, may be issued as MCCs until December 31, 2015. In addition to the conversions shown, in late 2014 WHEDA anticipated converting unused volume cap of $241,489,700 from 2011 to $60,372,400 in possible MCCs to be issued by 2016.

Under federal law, an MCC-issuing agency must calculate the certificates issued to date in the calendar year to determine its adherence to credit-issuance limits. Specifically, an agency must multiply, for each loan, the credit rate by the principal amount, and add the product for each loan. The sum of the products may not exceed 25% of the amount of unused volume cap for that year.

First-Time Home Buyer Advantage

Beginning January, 2015, WHEDA is offering a loan program for single-family residences funded by proceeds of federal tax-exempt mortgage revenue bonds. The program, known as First-Time Home Buyer (FTHB) Advantage, would be subject to requirements for bonds issued with a federal tax exemption for interest earnings. These include the requirement that borrowers be first-time home buyers under federal law, defined as not having owned a home in the preceding three years. Income and purchase price limits are shown in Appendix III. A borrower's annual income, combined with all sources of income of all adults who intend to purchase an eligible property or occupy the same dwelling unit as the applicant, in general is limited to 115% of the median income for the state or the area in which the home is located. However, certain adjustments to area median income specified in federal law may allow for this general income level to be increased for purposes of determining eligibility for loans. These adjustments include those for areas of high housing costs. Also, in designated target areas of economic distress, a participant's income may be up to 140% of adjusted income limits for households of four persons. Aside from generally more stringent income and purchase price limits, WHEDA applies other eligibility criteria consistent with the WHEDA Advantage (Fannie Mae) loan program. WHEDA expects interest rates on FTHB Advantage loans to be lower than rates under WHEDA Advantage (Fannie Mae).

Second-Mortgage Programs for Single-Family Housing

Home Improvement Advantage Loan Program

The Home Improvement Advantage program provides loans for needed repairs to borrowers' homes or to improve their homes' energy efficiency. WHEDA began the Home Improvement Advantage loan program in 2009 in conjunction with the Fannie Mae Advantage program. The Home Improvement Advantage loan program replaced the former home improvement loan program (HILP), which was suspended in April 2008. WHEDA suspended HILP due to low lending activity and declines in property values that began in 2007, which the Authority was concerned would increase the likelihood of losses in HILP lending if borrowers' homes entered foreclosure.

As of June, 2013, prospective borrowers need only meet income requirements to be eligible for a loan; previously, borrowers were required to have a WHEDA first mortgage on which payments were current for six months. In accordance with statutory provisions, annual household income limit under the program is 120% of the median family income in the area in which the home is located, or the median income in the state, whichever is greater, except in designated reinvestment neighborhoods where the income limit is 140%. Additionally, the Authority can increase or decrease the income limit by 10% for each person greater or less than four. Eligible properties generally include residential structures containing four dwelling units or fewer. Further, the borrower must be both the owner and occupant of the property. The program does not require borrowers to have any equity in their homes.

As of October, 2013, Home Improvement Advantage loans can be for up to $15,000, and may have a maximum term of 15 years. (HILP loans formerly had no maximum loan amount, with a $17,500 maximum having been repealed in 2006. The maximum loan term formerly was 15 years.) The statutes cap interest rates for home improvement loans at the greater of 8% or three percentage points over the rate required to repay holders of any bonds issued for program loans; beginning in October, 2013, WHEDA is administering the program to have a fixed rate as determined by market pricing. Additionally, a lower rate generally will be provided if the loan is in the first lien position, or, in other words, is not a second mortgage on the property; being in the first lien position generally means the loan is at a lower risk of loss in case of default, and the lower rate is intended to reflect that lower risk. Loan proceeds may be used only for housing additions, alterations or repairs to: (a) maintain decent, safe and sanitary conditions; (b) reduce the cost of owning or occupying the housing; (c) conserve energy; and (d) extend the economic or physical life of the property. Luxury improvements do not qualify under the program.

The statutes provide WHEDA the authority to issue bonds to fund the program, but no bonds have been issued since 1992, and none of the bonds are outstanding. Currently, the program is funded by the housing rehabilitation loan program administration fund, created by statute in WHEDA to provide for the administration of the housing rehabilitation loan program, including payment of origination, servicing and other fees, and to receive funds no longer needed for the redemption of outstanding bonds issued to fund the program. In addition to the administration fund, the statutes create several other housing rehabilitation loan program funds to facilitate WHEDA's implementation of the program. However, most other funds relate to bonds issued for the program, and as no bonds are outstanding, none of these funds is currently active.

As of June 30, 2014, WHEDA reported the housing rehabilitation loan program administration fund had a total balance of $9.5 million and total assets of $10.3 million, but total liabilities or program encumbrances of $10.3 million. 2013 Act 20 requires WHEDA annually to transfer to the Wisconsin Development Reserve Fund (WDRF) all funds in the housing rehabilitation loan program administration fund that are no longer required for the housing rehabilitation loan program. (The WDRF is a WHEDA-administered fund supporting several loan guarantees for economic development activities. It is discussed in greater detail in Chapter 3.) On the basis of the fund condition as of June 30, 2014, WHEDA determined no transfer to the WDRF was required. However, 2013 Act 175 transferred $2 million in 2013-14 from the housing rehabilitation loan program fund to the WDRF to support a loan guarantee program for emergency heating assistance for persons in Wisconsin impacted by heating emergencies declared by the Governor. These funds are expected to remain in the WDRF. (The emergency heating assistance loan guarantee program is discussed in greater detail in Chapter 3.)

Prior to 2013 Act 20, any excess housing rehabilitation program funds were to be transferred to the state's general fund. In 2000, the first year of the requirement, WHEDA transferred $1,500,000 to the state's general fund, but no additional transfers to the state general fund occurred prior to the Act 20 change.

The Authority made 15,212 home improvement loans totaling $102.8 million between the program's inception in 1979 and its suspension in April 2008. Additionally, since Home Improvement Advantage began lending in August, 2009, it has made 37 loans for $325,700 through June 30, 2014. As of June 30, 2014, 126 total home improvement loans were outstanding, with balances of $826,000. Appendix V provides information on home improvement loans since the program's inception.

Easy Close Program / HOME Plus

WHEDA began lending under HOME Easy Close in February, 1993. HOME Easy Close provided a deferred loan of up to $1,000 to assist individuals with their mortgage closing costs. An individual was eligible for an Easy Close loan if his or her income was not in excess of $35,000 and if the individual was otherwise eligible for a HOME loan. Easy Close loans generally had three-year terms. HOME Easy Close loans were made using an allotment from WHEDA's unencumbered general reserves.

WHEDA replaced the HOME Easy Close program with the HOME Plus program in April, 2002. HOME Plus encumbered resources from Easy Close and from HILP to offer loans or lines of credit for down payment and closing cost assistance and for home repairs. HOME Plus offered loans up to $10,000 at a fixed interest rate for a 15-year term. WHEDA made 6,333 HOME Plus loans totaling $59,575,600 over the life of the program, with an average loan value of $9,407. Of these amounts, 768 loans and $3,302,000 remain outstanding as of June 30, 2014.

WHEDA suspended HOME Plus in April, 2008, and began a new Easy Close Program, which was suspended in October, 2008, as HOME lending ceased. WHEDA restarted Easy Close Advantage in September, 2010, to work in conjunction with the other Advantage loan offerings. Easy Close now offers loans to assist with down payments, closing costs or mortgage insurance premiums. Maximum loans are: (a) the greater of $3,000 or 3% of the principal on the primary mortgage, on WHEDA Advantage loans under Fannie Mae financing; or (b) the greater of $3,500 or 3.5% of primary loan principal, for FHA Advantage loans. Easy Close Advantage loans must be a minimum of $1,000. The term may be up to 10 years. Beginning in January, 2015, interest rates are determined by WHEDA daily based on market rates. Borrowers with more than $15,000 in liquid assets at the time of application are not eligible for Easy Close. The Easy Close Advantage program is supported by an encumbrance of approximately $8.4 million from the Authority's general fund.

WHEDA made 2,965 loans for a total value of $3,632,300 under HOME Easy Close during its operation, not counting time it operated as HOME Plus. Additionally, through June 30, 2014, WHEDA made 937 loans for a total of $3,195,800 under the Easy Close Advantage program since it restarted in 2010. As of June 30, 2014, 1,062 loans worth $3,229,600 were outstanding.

Property Tax Deferral Loan Program

Under this program, low-income elderly homeowners are able to convert home equity into income to pay property taxes. This program is considered particularly beneficial for elderly homeowners who have little disposable income and a significant amount of home equity. WHEDA is authorized to issue up to $10,000,000 in bonds to finance property tax deferral loans. However, the unpredictable revenue stream of loan repayments is thought to make bond repayments difficult, and it is not clear bonds, if issued, would be eligible for a tax exemption on interest earnings, which would tend to increase interest rates offered to borrowers. Instead, the Authority allocates a portion of its unencumbered general reserves to serve as the program's exclusive funding source. Since WHEDA began administering the program in 1994, WHEDA has utilized these revenues to provide 3,726 loans totaling $7,308,700. WHEDA funded 24 loans for a total of $63,100 in its program year ending June 30, 2014, which generally paid participants' property taxes due for 2013. The average loan was $2,629. A more complete discussion of this program may be found in the Legislative Fiscal Bureau informational paper, "Property Tax Deferral Loan Program."

Multifamily Housing Programs

Multifamily Loan Fund

The Authority provides construction and permanent financing to develop multifamily housing for low- and moderate-income persons. For developments using WHEDA-issued bonds, WHEDA typically provides immediate project financing through its revolving loan fund, and then effectively converts the loan to long-term financing by issuing bonds and reimbursing the revolving fund with bond proceeds. WHEDA financing for multifamily developments occurs through both federally taxable and tax-exempt revenue bonds. State statutes provide that interest on most bond issues for multifamily affordable housing developments or elderly housing developments may be exempt from state personal income, corporate and franchise taxes.

For bonds to have interest earnings that are tax-exempt for federal income tax purposes, a project must comply with multiple provisions limiting the use of tax-exempt bonding. For example, bonds must be issued under the state's volume cap, which is determined by a per-capita amount adjusted for inflation. Federal law also mandates rent and occupancy restrictions that require developments financed with tax-exempt bonds to reserve a minimum percentage of units for households with income not exceeding a specific percentage of the area median. The most common thresholds that properties must meet are to reserve either 20% of units for persons at or below 50% of county median income, or 40% of units for persons at or below 60% of county median income. Additionally, most programs require total monthly rent, including utilities, to equal no more than 30% of the maximum qualifying income. Bonds earning taxable interest may be used in a variety of circumstances, such as with certain low-income housing tax credit (LIHTC) projects; as these projects already receive tax subsidies, federal law limits the additional tax preferences available to these projects through tax-exempt bonding.

Since 1974 through June 30, 2014, WHEDA has issued $1,789,170,000 in general-obligation, corporate-purpose revenue bonds for multifamily housing. Table 6 provides multifamily loan activity information for the past 10 years.

Table 6: Multifamily Loan Fund

Calendar Year	Number of Loans	Amount of Loans	Units Assisted	Average Loan Per Unit
2005	43	$72,648,717	2,339	$31,060
2006	31	73,092,523	1,741	41,983
2007	41	92,128,450	1,562	58,981
2008	23	52,177,470	1,058	49,317
2009	12	43,999,590	1,160	37,931
2010	13	47,517,005	646	73,556
2011	43	120,977,764	1,324	91,373
2012	24	153,360,896	1,942	78,971
2013	24	49,594,987	705	70,347
2014*	15	49,375,676	775	63,711
Total	269	$754,873,078	13,252	$56,963

* Through November 30.

WHEDA also uses encumbrances from its general reserves to administer its programs for the development and preservation of multifamily housing. Table 7 shows the funding allocated from the general reserve fund for multifamily housing programs. The largest component is the revolving fund, which totals approximately $69.4 million as of June 30, 2014.

Table 7: General Reserve Encumbrances for Multifamily Housing Programs

Program	June 30, 2014 Amount
General Revolving Fund	$69,382,798
Low-Income Housing Preservation Account	17,309,048
Very-Low-Income Housing -- Bond Savings	9,537,230
Interest Subsidy Funds	5,507,560
Housing Preservation Initiative	2,750,000
Multifamily Bond Support	2,745,017
Federal Home Loan Bank Matching Funds	2,400,000
U.S.D.A. Rural Preservation Fund	1,677,715
Homeless Fund	731,694
FNMA Secondary Market Initiative	700,000
HUD Rent Assistance Administration	-112,061
Total	$112,629,001

As of June 30, 2014, $731,700 in surplus reserves had been allocated to the homeless/special needs fund of the multifamily housing revolving loan program. These funds may be for such uses as: (a) the provision of permanent housing, group homes, and community-based residential facilities; (b) set-asides for the Affordable Housing Tax Credit for Homeless Program; and (c) matching federal grants under the McKinney Homeless Assistance Program.

The remaining $42.5 million in surplus reserves set aside for multifamily housing programs were dedicated as follows: (a) $17.3 million for preserving low-income rental housing; (b) $9.5 million for revolving loans for very low-income multifamily housing, initially generated from savings on refinanced bond issues; (c) $5.5 million to subsidize interest rates on multifamily project loans; (d) $2.75 million for the Housing Preservation Initiative, which funds rehabilitation, refinancing of current debt, and other activities to preserve multifamily housing within Wisconsin; (e) $2.7 million for support of multifamily housing revenue bonds; (f) $2.4 million to match funds available from the Federal Home Loan Bank of Chicago's Community First revolving loan program for affordable housing development and economic development; (g) $1.7 million for the U.S. Department of Agriculture Preservation Revolving Loan Fund, which supports preservation or revitalization of rural multifamily housing for low-income persons; and (h) $700,000 for the Fannie Mae Secondary Market Initiative, which collateralizes WHEDA's guarantee requirement for the sale of certain tax credit projects in WHEDA's loan portfolio. WHEDA also maintains an encumbrance for receipts from the U.S. Department of Housing and Urban Development (HUD) for administration of the federal Housing Choice Voucher and Moderate Rehabilitation rental assistance programs, which are federal Section 8 subprograms administered by WHEDA. As of June 30, 2014, WHEDA's expenditures for the programs exceeded receipts to date by approximately $112,100, which WHEDA considers a receivable amount from HUD.

WHEDA offers various financing structures for multifamily housing developments throughout Wisconsin. WHEDA's multifamily housing finance programs are generally more varied than those for single-family housing, which is due to several factors. For example, because loans under certain programs may be combined with allocations of the LIHTC, which is described further in the following sections, several loan programs are intended to accommodate financing gaps between tax credit awards and the project's total costs. Most multifamily lending programs are available to for-profit entities or nonprofit entities, including housing authorities. Most also allow financing for new construction or for existing buildings as acquisitions or rehabilitations.

Housing Programs Financed by Federal Funds and Other Sources

The Authority acts on behalf of the state in administering certain federally funded housing programs. The largest programs are the low-income housing tax credit (LIHTC), which encourages the development of multifamily properties with below-market rents for low-income households, and Section 8 housing assistance. WHEDA administers a portion, but not all, of the federal Section 8 assistance available in Wisconsin. The program does not use WHEDA or other state funds. This section also discusses federal funding made available in response to increases nationally in foreclosures and other adverse conditions observed in recent years in the single-family housing market.

Low-Income Housing Tax Credit Program

The federal Tax Reform Act of 1986 created a low-income housing tax credit program as an incentive to encourage private investment in the development and/or rehabilitation of low-income rental housing. By executive order of the Governor, WHEDA has been responsible for awarding the state's annual allowed credits. Table 8 shows the amount of federal tax credits awarded since the program's inception, as well as the associated number of low-income housing developments and units funded.

The LIHTC program functions by granting a proposed development an amount of future tax credits, the claims to which are typically sold at a discount to investors. As such, a proposed development receives capital to finance construction, and the investing entity can claim credits against its future tax liabilities by virtue of assisting the creation or improvement of low-income housing. A typical LIHTC development may combine several financing components, including: (a) contributions from the developer; (b) private financing from commercial lenders; (c) WHEDA-provided financing; (d) tax increment financing; and (e) capital from a tax-credit investor. Because the tax credits represent a portion of a total financing package that may be several times the value of the credits, credits often are considered to leverage other investment.

Table 8: Low-Income Housing Tax Credit

Calendar Year	Amount of Credits Applied	Number of Projects Funded	Number of Low-Income Units Created/ Rehabilitated	Average Tax Credit Per Unit
1987	$1,191,300	24	558	$2,135
1988	5,407,900	76	2,423	2,232
1989	6,072,500	120	2,800	2,169
1990	5,475,400	63	1,917	2,856
1991	6,768,370	40	1,781	3,800
1992	9,618,301	74	2,755	3,491
1993	547,672	11	273	2,006
1994	17,968,744	96	3,893	4,616
1995	25,482,563	46	1,892	13,469
1996	6,606,380	53	1,740	3,797
1997	7,400,045	39	1,645	4,499
1998	8,227,118	47	2,192	3,753
1999	7,397,832	38	2,009	3,682
2000	6,679,173	27	986	6,774
2001	8,511,465	41	1,531	5,559
2002	9,255,867	35	1,662	5,569
2003	11,641,161	40	2,353	4,947
2004	9,132,045	30	1,541	5,926
2005	9,143,988	23	1,118	8,179
2006	9,642,172	32	1,500	6,428
2007	10,591,025	38	1,401	7,560
2008	11,389,965	30	1,356	8,400
2009	43,509,281	53	3,225	13,491
2010	39,407,937	41	2,206	17,864
2011	18,990,939	33	1,686	11,264
2012	12,844,430	23	1,246	10,309
2013	12,961,619	27	1,078	12,024
2014	13,023,789	26	1,205	10,808
Total	$334,888,981	1,226	49,972	$6,702

The three categories of eligible developments are: (a) new construction or rehabilitation of existing housing when rehabilitation expenditures are at least $6,000 per unit or 20% of the value of the project's depreciable assets, whichever is greater; (b) new construction or rehabilitation financed by a subsidized federal loan or a tax-exempt bond; and (c) acquisition costs of existing housing, including rehabilitation work of at least $6,000 per unit or 20% of the adjusted depreciable assets in the building(s), whichever is greater. The maximum tax credit for qualifying units in eligible developments is adjusted monthly by the federal Department of the Treasury based on certain federal interest rates to reflect their present value. The maximum tax credit has been 9% per year for projects in the first category and 4% per year for projects in the other two categories. Once allocated to a project, the tax credit is received each of the 10 subsequent tax years. This means recipients generally are to earn 70% of the present value of costs for non-subsidized new construction and 30% of the present value of costs for acquisitions and subsidized new construction over the life of the credit. Since the beginning of the LIHTC program, rates have declined such that the effective annual credit rate has typically fallen below the 9% and 4% levels in recent years. For example, annual percentages have been around 7.6% and 3.25% throughout 2014. The federal Housing and Economic Recovery Act (HERA) of 2008 provided that projects awarded 9% credits that were placed in service after July 30, 2008, were guaranteed a 9% minimum credit, but the provision expired December 31, 2013, and program credit rates for projects entering service beginning in 2014 have reverted to floating rates.

Credit awards shown in Table 8 reflect only 9% credits, as these are the portion of tax credits awarded competitively. Further, the amounts shown each year represent the annual tax credit claim, which can be made for 10 years. Therefore, the $13 million in awards in 2014 could yield total tax credit claims of $130 million over 10 years, or an average of approximately $5 million for each of the 26 developments receiving awards. To generate capital for a development, each dollar of credits typically would be sold at a discount. Credit values tend to increase toward $1 in times of economic strength and decrease to lesser amounts in times of economic weakness; LIHTC prices have been about $0.90 on the dollar throughout much of 2014, according to national accounting firm Novogradac and Co. If assuming a 10% discount, or a sale at 90¢ on the dollar, $5 million would yield approximately $4.5 million in immediate capital for the financing of a development. Purchasers of credits for the LIHTC-financed property therefore take an equity stake in the property, typically for the life of the credit. On average, equity from credit sale may generate about 50% of the equity in a development financed by the 9% LIHTC, according to the Center for Housing Policy, although WHEDA reports in some instances, LIHTCs may account for most or all the equity generated for a development. Credits for 4% typically are awarded in conjunction with other tax-exempt financing, and there is no limit to their issuance.

A reduction in the market value of the credits generally requires additional funding (tax credit allocation) to support the same level of project costs. WHEDA reports higher discounts on each dollar of tax credits primarily accounts for the increasing per-unit cost shown in Table 8 around the time of the 2007-09 recession. WHEDA also reports per-unit averages will vary from year to year based on the mix of selected projects; specifically, rehabilitation projects are less expensive than new construction, and variation in the proportion of each project type will result in fluctuation in per-unit averages.

Several restrictions regarding unit affordability remain in place for 30 years on LIHTC properties. Either 20% or more of the units in a project must be available to, or occupied by, individuals with incomes at or below 50% of the county median income, or 40% of the units must be available to, or occupied by, persons with incomes at or below 60% of the county median income. In addition, gross rent paid by families in qualifying units, including a utility allowance, may not exceed 30% of the maximum qualifying income. Further, the program includes provisions authorizing the Internal Revenue Service to recapture a portion of the tax credit for either a qualifying unit or an entire project if the income targets are not met. Provisions of the program limit individual investors in qualifying projects in both the amount of credit that can be applied to federal tax liability and the amount of losses that can be deducted.

As of 2003, total state base allocations are $1.75 per resident, although the figure is now about $2.20 to $2.30 after being adjusted annually for inflation. Wisconsin's 2015 and 2016 allocations are expected to be approximately $12.8 million, according to WHEDA. WHEDA's allocations in 2009 and 2010 reflect federal increases of approximately $30 million annually under the federal Heartland Disaster Tax Relief Act of 2008. That act allocated an additional $30 million for disaster relief efforts after severe flooding in parts of Wisconsin in mid-2008. Wisconsin's pool of credits also increased about 20¢ per person for 2009 pursuant to HERA. The Authority must set aside 10% of each year's allocation of credits for projects sponsored by qualified non-profit organizations. WHEDA has also established, for its 2013 and 2014 awards, a maximum single-year credit of $850,000 per project, or $8.5 million for the 10-year span of a project's credit.

WHEDA assesses fees for applications for the LIHTC. Application fees totaled approximately $1.4 million and $1.6 million in the 2013 and 2014 fiscal years, respectively. The Authority also charges fees for monitoring income-eligibility compliance of completed and operating LIHTC projects. Annual base monitoring fees generally are $25 to $45 per unit, depending on the project's time completed under monitoring. LIHTC developments also are subject to one-time initial monitoring fees of up to $5,000 upon commencing occupancy. WHEDA reports monitoring fees collected totaled $1.7 million and $1.9 million in the 2013 and 2014 fiscal years, respectively.

ARRA Initiatives. In response to a significant decline in investor interest in LIHTC projects around the 2007-09 recession, the American Recovery and Reinvestment Act (ARRA) of 2009 contained two initiatives intended to encourage continued investments. First, the Tax Credit Assistance Program (TCAP) provided approximately $2.25 billion in additional funding to state housing finance agencies to provide additional investments to projects already awarded tax credits in federal fiscal years 2007, 2008 or 2009. All of WHEDA's TCAP allocation of $35,594,900 was committed by May, 2010.

The ARRA also established the Tax Credit Exchange Program, under which state housing finance agencies awarded grants directly to developers of qualifying low-income housing projects. Grants were in lieu of future tax credits, which has the effect of exchanging future tax credits for immediate cash funding to further stalled projects. Although both TCAP and Exchange awards provide up-front financing to allow for continued progress in low-income housing developments, the programs differ in that Exchange recipients will not receive future tax credits. WHEDA's Exchange awards generally were larger than TCAP awards. Of the $3.1 billion available nationally for Exchange awards, WHEDA received an allocation of $139,572,400 in Exchange funds. WHEDA allocated and closed awards for all Exchange funds by December, 2010. A total of 76 projects received funding through the TCAP and Exchange programs.

Rent Assistance (Section 8) Programs

WHEDA administers several forms of housing assistance under the federal Section 8 housing program. These programs are described below. Although federal policy in recent years has expanded the use of tenant-based housing assistance, WHEDA continues administering subsidies paid under project-based provisions of the Section 8 program.

Project-Based Rental Assistance. Eligibility for project-based Section 8 assistance is generally limited to households at or below 50% of median family income levels shown in Appendix II. In some cases, households may be eligible at up to 80% of median family income, but such instances would be limited, and federal provisions target available Section 8 assistance to households of no more than 30% of median family income. Tenants are generally responsible for paying 30% of their monthly income toward rent, and the remainder is covered by federal assistance under contracts negotiated with property owners at the time of the property's construction or acquisition and adjusted annually to reflect changes in the rental market and other costs of living. Federal project-based contracts generally run for the duration of the mortgage on the property, which is typically 20 to 40 years.

WHEDA provides project-based assistance under one of two HUD contract regimes: (a) traditional contract administration (TCA); or (b) project-based contract administration (PBCA). TCA properties, which generally have WHEDA mortgages, receive monthly payments according to payment vouchers the property owner submits to WHEDA. WHEDA forwards claims to HUD and funds returned by HUD pay both WHEDA, as the mortgagee, and the property owner for the rental subsidy. Under PBCA, WHEDA similarly receives and verifies payment claims submitted by property owners, then forwards claims to HUD. HUD in turn disburses funds to WHEDA, which forwards payments to property owners. All federal TCA and PBCA funds handled by WHEDA, as well as the Authority's administrative responsibilities under each category, are set forth in what is known as an annual contributions contract (ACC).

In 2013-14, WHEDA administered housing assistance payments of approximately $12.2 million under its traditional Section 8 contract, or about $1 million monthly. Housing assistance payments for the PBCA portfolio total about

$148.2 million, or about $11.8 million per month. Total PBCA units assisted are approximately 28,100, while total TCA units assisted are approximately 3,200. For administering these contracts, WHEDA in 2013-14 received payments from HUD of approximately $5.8 million, including $5,172,900 for the PBCA portfolio and $638,900 for the traditional contract.

Housing Choice Voucher Program. This federal program is a tenant-based subsidy, under which persons eligible for subsidies have flexibility in selecting their residence. Total federal assistance administered in 2013-14 was approximately $7.4 million, during which time WHEDA administered approximately 1,600 vouchers across the state. Beginning January 1, 2015, WHEDA is budgeted approximately 2,200 vouchers per month in all or part of 40 counties. Total annualized housing assistance for the vouchers may approach $10 million.

Eligibility for a rental voucher generally is limited to families with income at or below 50% of the county median income level. The household pays 30% of its income for rent, with the federal government covering the remainder, up to the local housing authority's payment standard. WHEDA limits recipients to one move per year in Wisconsin, but vouchers are otherwise portable. This means a voucher household can move to another area where a voucher program is operational and still retain the voucher benefit. Additionally, once a family has been certified to receive a voucher, it can be recertified annually as long as it remains income-eligible and the program is operational in the area where the family lives. For administering the housing choice vouchers, WHEDA received administrative reimbursements of $651,000 in 2013-14.

National Foreclosure Mitigation Counseling Program

WHEDA participates in the National Foreclosure Mitigation Counseling Program (NFMCP), created by Congress in December, 2007, to address the increasing frequency of foreclosures nationally. Federal funds are administered by NeighborWorks America, with which WHEDA has entered agreements to administer grant funding the Authority has received since the program was created. As shown in Table 9, WHEDA has been awarded funds in six of eight funding rounds held from the NFMCP's creation through June, 2014. Most funds have been designated for foreclosure intervention counseling services, such as evaluating the financial circumstances of at-risk homeowners and assessing options such as loan restructuring or refinancing, mortgage assumption by a third party, or sale of the property.

Table 9: National Foreclosure Mitigation Counseling Program Allocations to WHEDA

Year (Round)	WHEDA Award	Total Awarded
2008 (1st)	$437,800	$130,438,400
2008 (2nd)	348,600	202,626,500
2009 (3rd)	0	48,198,800
2010 (4th)	50,100	59,505,300
2011 (5th)	123,600	67,719,400
2012 (6th)	50,100	73,870,100
2013 (7^{th})	47,000	70,157,100
2014 (8^{th})	0	63,100,100
Total	$1,057,200	$715,615,700

WHEDA Foundation Grant Program

In 1983, the Authority created the Wisconsin Housing Finance Authority (WHFA) Foundation, later renamed the WHEDA Foundation, a nonprofit corporation organized to make grants to nonprofit organizations and local governments to create and rehabilitate housing for low- and moderate-income persons, the elderly, handicapped and disabled persons, and persons in crisis. The Authority's surplus reserves provide funding for Foundation grants. The WHEDA Board approves Foundation grants, as selected by WHEDA staff, and transfers funds to the Foundation so it can meet its grant commitments. Housing grants are awarded through an annual, statewide competition and each proposal is evaluated based on project need, implementation, impact and budget. Since the inception of the grant program in 1985 through September, 2014, $22.0 million has been awarded, including 26 grants totaling $500,000 in 2013 and 28 grants totaling $355,000 in 2014.

Inactive Housing Programs

The Authority has suspended several single-family housing programs in recent years, due to economic conditions, low demand or the exhaustion of available funding. These programs and their outstanding obligations, if any, are discussed below. Also discussed are two programs created to address the stability of the state housing market during and after the 2007-09 recession; the programs remain authorized in statute but were never implemented.

Zero-Down Program

The Zero-Down Program operated between June, 2006, and April, 2008. It offered buyers an affordable mortgage without a down payment for purchase of: (a) an existing 1- or 2-unit owner-occupied residence; (b) a double-wide manufactured home; or (c) a newly constructed 1- or 2-unit owner-occupied home. WHEDA suspended the program due to the loans' perceived risk, which made mortgage insurance for such loans more difficult to purchase, and which resulted in poor ratings given to bonds issued for the program. WHEDA issued a total of 1,839 Zero-Down loans during the program's operation, with total principal of $220.8 million. As of June 30, 2014, WHEDA had 734 loans and $78,144,500 outstanding from the program.

Neighborhood Advantage Program

The WHEDA Neighborhood Advantage Program was created in 2009 using funds awarded to Wisconsin under the federal Neighborhood Stabilization Program (NSP). NSP, which was created within HUD as part of the Housing and Economic Recovery Act of 2008, was intended to provide emergency assistance for redevelopment of abandoned and foreclosed homes. The Department of Commerce allocated approximately $5.8 million of the state's $38.8 million share of NSP funds to WHEDA, which planned to use $4 million to establish a loan-loss reserve program. The reserve was to support approximately $33 million in loans for the purchase of foreclosed or abandoned homes that would be rehabilitated and occupied as primary residences. The reserve was to compensate lenders for losses on loans that defaulted. However, the loan-loss reserve never became operational, and Commerce reallocated $4 million intended for the program. WHEDA instead used $1,878,500 in NSP funds to provide down-payment and closing-cost grants on a first-come, first-served basis. The grants supplemented funds provided by borrowers on a WHEDA-originated loan. WHEDA sold all Neighborhood Advantage loans to Fannie Mae.

Neighborhood Advantage loans were 30-year, fixed-rate loans for existing, vacant single-family properties on which initial lenders foreclosed. Loans were limited to Brown, Kenosha, Milwaukee, Racine and Rock Counties. Borrowers were required to provide a down payment of 20%, at least $1,000 of which was to come from the borrower's own funds. Borrowers with household income between 50% and 120% of their county's median were eligible for assistance up to 25% of the loan amount with a $35,000 maximum, and households with income of less than 50% of the county median were eligible for assistance up to 50% with a $50,000 maximum.

WHEDA made 57 Neighborhood Advantage loans totaling $3,742,800 during the program's operation, for an average loan of about $65,700. Additionally, the average NSP-funded grant for down payments and closing costs was $33,000. Neighborhood Advantage assistance on closed loans included the following: (a) $1,111,600 assisting 33 loans in Rock County; (b) $473,300 assisting 14 loans in Milwaukee County; (c) $235,000 assisting eight loans in Brown County; and (d) $58,600 assisting two loans in Racine County. As of June 30, 2014, 47 loans were outstanding with remaining principal of $2,752,700.

Workforce Advantage

WHEDA Workforce Advantage was a second-mortgage loan offered to borrowers whose employers participate in an employer-assisted housing program. Employer-assisted housing programs are intended to encourage an entity's employees to search for and purchase housing near their place of employment. Programs may offer homeownership counseling and advocacy services, with others offering forgivable loans contingent on the employee completing a minimum period of service with the organization.

WHEDA offered Workforce Advantage from 2005 until January, 2014, at which point it was discontinued mostly due to low lending volume. The program was funded from WHEDA's general reserves. Loans were up to $5,000 with a minimum employer match of $1,000 in conjunction with Fannie Mae-financed WHEDA Advantage loans. Loans could have a maximum term of 15 years. Borrowers were limited to having no more than $10,000 in liquid assets at the time of application, and Workforce Advantage loans were not be combined with an Easy Close Advantage loan. WHEDA made 15 Workforce Advantage loans during the program's operation for a total of $74,100. WHEDA reports most of the loans were made by the Authority to its employees. As of June 30, 2014, three loans remained outstanding with a total balance of $9,200.

FHLBC Advantage

WHEDA began offering FHLBC Advantage loan in March, 2012, for assistance with down payments, closing costs or mortgage insurance premiums. The program was discontinued effective January 2, 2014, due mostly to low volume. Loans were to be at least $1,000 and a maximum of 3% of the principal on a first mortgage loan, or $3,000, whichever is greater. Borrowers were required to hold a WHEDA Advantage (Fannie Mae) loan, and also were to be receiving other assistance under Federal Home Loan Bank of Chicago (FHLBC) programs. Loans were funded by WHEDA's general reserves. WHEDA issued eight FHLBC Advantage loans for $21,800 during the program's operation. As of June 30, 2014, eight loans and $19,100 remained outstanding.

Strategic Blight Elimination Grants

In August and October of 2012, WHEDA awarded a total of $1,118,700 to governmental

Table 10: WHEDA Strategic Blight Elimination

City	Award	Structures Targeted
Milwaukee	$500,000	39
Racine	120,000	9
Wausau	98,000	6
Oshkosh	60,000	4
Stoughton	45,000	2
La Crosse	40,000	4
Mauston	39,000	6
Granton	38,778	1
Portage	25,000	1
Oconomowoc	24,000	3
Merrill	20,000	1
Baraboo	19,440	1
Eau Claire	18,950	1
River Falls	14,803	1
Mountain	13,500	1
Oconto Falls	13,500	1
Oconto	10,195	1
Monroe	9,500	1
Abrams	9,000	1
Total	$1,118,666	84

bodies and nonprofit organizations in 19 cities for the demolition of abandoned homes in blighted areas. As shown in Table 10, approximately 45% of the funding available was awarded in Milwaukee. Targeted homes were to be: (a) directly inhibiting development or investment in the area; (b) substantial safety concerns in the neighborhood; or (c) in areas with plans for later redevelopment for other housing, commercial or public uses. Applicants were required to have free and clear title to the properties at the time of demolition. All grants were disbursed, on a reimbursement basis, in 2012-13 and 2013-14.

Funding for Milwaukee was proposed as part of the Transform Milwaukee initiative, a program announced in April, 2012, to increase deployment of WHEDA's housing and economic development programs in targeted areas of Milwaukee. Transform Milwaukee is discussed in detail in Appendix VII.

All blight elimination grants were funded by amounts received by Wisconsin under the 2012 National Mortgage Settlement between the five largest mortgage servicing banks, the federal government and 49 states, including Wisconsin. The settlement resolved investigations into allegedly illegal activities by the banks in foreclosure proceedings. The strategic blight elimination funds include $618,700 administered on behalf of the Department of Financial Institutions and $500,000 administered on behalf of the Department of Justice.

Qualified Subprime Loan Refinancing

WHEDA was authorized by 2009 Act 2 to issue mortgage revenue bonds to refinance qualified subprime mortgage loans, which the act defines as adjustable-rate mortgage loans made from 2002 through 2007 for a single-family home. Other than this limited allowance, state law at the time mostly did not allow WHEDA single-family home loans to be made for acquiring or replacing an existing mortgage. Federal law also prohibits most mortgage revenue bonds to be issued for refinancing loans. However, changes under Act 2 would have allowed WHEDA to use an exception made by the federal Housing and Economic Recovery Act of 2008 authorizing housing finance agencies to make limited refinancing of qualifying subprime mortgage loans using tax-exempt mortgage revenue bonds. By December 31, 2010, when the federal exception expired, WHEDA had not begun a refinancing program for qualifying subprime loans and issued no such bonds. WHEDA's only significant refinancing program has been the Refi Advantage program discussed in a separate section.

Homeowner Eviction and Lien Protection Program

2009 Act 2 created the homeowner eviction and lien protection program (HELP) to provide funding with which a loan-loss reserve would encourage lenders to modify terms of troubled mortgage loans. Under the program, WHEDA would have entered into agreements requiring participating lenders to make loan terms more favorable for distressed borrowers. In exchange for modifying these loans, lenders would be able to make claims against the loan-loss reserve to recover any losses resulting from subsequent defaults. Act 2 provided WHEDA $4 million general purpose revenue (GPR) in one-time funding to establish the reserve and specified any unencumbered GPR was to lapse to the state's general fund on June 30, 2010.

WHEDA secured approximately $5 million in commitments from five state lenders for loans to be supported by the reserve. However, it was unclear whether the GPR appropriation violated the Wisconsin Constitution's general prohibition on state involvement with internal improvements. Therefore, no GPR was disbursed and the reserve was never created.

WHEDA ECONOMIC DEVELOPMENT PROGRAMS

WHEDA carries out several activities that are intended to encourage economic development in the state. The Authority issues guarantees on economic development loans made by private lenders, primarily using funds in the Wisconsin Development Reserve Fund to support guarantees. WHEDA also is responsible for distributing tax credits and other funds available under various federal programs. The Authority also has made available portions of its unencumbered general reserves, as well as economic development bonding authority, to make loans directly to small- and medium-sized businesses. Each of these areas is described below.

Guarantee Programs

The Authority operates several programs established by the Legislature that guarantee loans made by private lenders to qualified businesses. The Legislature appropriated funds to back the loan guarantees, and that funding is held in the Wisconsin Development Reserve Fund (WDRF). The fund is described below, followed by descriptions of each of the loan guarantee programs. In addition to the loan guarantee programs funded from the WDRF, the neighborhood business revitalization loan guarantee program is funded from WHEDA's general reserves.

Wisconsin Development Reserve Fund

The WDRF was created by 1991 Wisconsin Act 39 through the consolidation of several existing guarantee funds: (a) the agricultural production loan fund (CROP fund); (b) the drought assistance and development loan fund; and (c) the recycling loan fund. Each of these separate funds had been created to back guarantees made under loan guarantee programs authorized by the Legislature. The consolidated WDRF now backs guaranteed loans made by private lenders by reserving funds to repay lenders for any losses from defaulted loans made under any of these guaranteed programs. The WDRF also funds the administrative costs of the loan guarantee programs and pays interest subsidies for certain loan guarantee programs.

The WDRF has received several legislative appropriations or other statutorily required transfers since the creation of the first loan guarantees in the 1980s. The net amount received by the WDRF is approximately $22.9 million. Legislative appropriations or other transfers to the fund have totaled $31.2 million, including: (a) $23.2 million GPR; (b) $5.5 million from the former recycling fund; (c) $2 million from the housing rehabilitation loan program administration fund; (d) $375,000 from the petroleum inspection fund; and (e) $162,500 from the agrichemical management fund. (These amounts do not include a $5.8 million transfer in 1999 from the housing rehabilitation loan program fund solely to cover a guarantee payment for a defaulted loan to Taliesin in Spring Green, which is discussed in a separate section.) The most recent transfers were $2.5 million GPR and $2 million from the housing rehabilitation loan program fund, both of which occurred in 2013-14. Appropriations and transfers generally have been in conjunction with the creation of new loan guarantee programs, most of which have been repealed or otherwise discontinued. Transfers from the WDRF to the state general fund or other segregated funds have

Table 11: WHEDA Loan Guarantee Program Authority as of June 30, 2014

Loan Guarantee Program	Guarantees Outstanding	Guaranteed Amounts Outstanding	Historical Loans Made	Historical Loans Defaulted	Default Rate
Small Business	94	$7,984,746	443	41	9.2%
FARM	34	3,055,920	350	10	2.9
CROP*	38	2,025,933	15,561	223	1.4
Drought Relief**	22	274,950	23	1	4.3
Agribusiness	2	213,134	35	7	20.0
Total	190	$13,554,683	16,412	282	1.7%

* CROP amounts include only activity beginning in 1993.
** Drought relief program figures represent only activity since program's reactivation in 2012.

totaled $8.3 million, including: (a) $4 million to the environmental fund; (b) $3.5 million to the state general fund; and (c) $817,000 to the former recycling fund. The last transfer from the WDRF was in 2003-04.

2001 Act 16 replaced maximum guarantee authorities that had been established separately for the agribusiness, credit relief outreach (CROP), farm assets reinvestment management (FARM) and small business development loan guarantee programs supported by the WDRF. Instead, Act 16 established that "the total principal amount or total outstanding guaranteed principal amount of all loans that the authority may guarantee" may not exceed $49.5 million. WHEDA interprets this to mean the total amounts on which it has guaranteed payment must not exceed $49.5 million. As shown in Table 11, on June 30, 2014, $13.6 million in loan guarantees were outstanding, leaving approximately $36 million in potential guarantee authority.

The balance available in the WDRF was approximately $9.2 million on June 30, 2014. These reserves secure guarantees made under WDRF programs and support repayments to lenders in case of program loan defaults. The ratio of authorized guarantee amount to reserves amount is referred to as WDRF's leverage factor. The 1997-99 biennial budget act increased the leverage factor from 4:1 to 4.5:1 for all currently active guarantee programs backed by the fund. This means the WDRF must have at least one dollar in reserve for every $4.50 in outstanding guarantee authority. On July 1, 2014, the WDRF had a 1.48:1 ratio, based on actual loan guarantee activity through June 30, 2014. That is, for every $1.48 in outstanding loans guaranteed, the WDRF had one dollar in reserve. The leverage factor relative to the maximum statutory guarantee authority of $49.5 million was $5.40:1, meaning the WDRF had $1 in reserve for every $5.40 in allowable guarantee authority. Based on a 4.5:1 leverage factor and the June 30, 2014, balance, the WDRF had an effective guarantee maximum of $41.2 million, rather than the authorized level of $49.5 million. Remaining available guarantee authority, therefore, was $27.7 million, based on the fund balance and the outstanding guarantees as of June 30, 2014.

The WDRF has had a balance as high as $21.1 million at the close of 1991-92, the fiscal year in which the consolidated fund was created from its constituent predecessors. The balance has been below $11 million, the level at which it could guarantee the full $49.5 million statutory guarantee maximum, since 2005-06, and it declined to as little as $5.4 million as of June 30, 2013.

Table 12: Wisconsin Development Reserve Fund Condition

	2011-12	2012-13	2013-14	2014-15 (Est.)
Opening Balance	$7,883,500	$6,241,000	$5,391,800	$9,159,400
Revenues				
State Appropriations and Transfers	$0	$0	$4,500,000	$0
Fee Income	187,400	136,300	80,800	100,000
Investment Income	124,300	-76,600	89,800	70,000
Recovered Payments	5,200	7,400	900	0
Revenue Subtotal	$316,900	$67,100	$4,671,500	$170,000
Expenditures				
Guarantee Payments	$787,200	$300,700	$408,800	$300,000
Admin. Reimbursement	1,172,200	604,400	495,100	500,000
Interest Subsidies (Drought)	0	11,200	0	0
Expenditures Subtotal	$1,959,400	$916,300	$903,900	$800,000
Closing Balance	$6,241,000	$5,391,800	$9,159,400	$8,529,400

Table 12 shows the condition of the WDRF since 2011-12. Recent declines in the fund balance have been attributable to a combination of historically high guarantee payments, declining revenues from investment income, and administrative reimbursements to WHEDA that typically have exceeded fee and other income. These factors are discussed briefly in the following paragraphs. The $3.8 million increase in the balance during 2013-14 is due to $4.5 million in legislatively directed transfers into the WDRF.

Guarantee Payments. In the 10 fiscal years preceding 2009-10, guarantee payments averaged $205,900 annually, with a high of $334,200 in 2001-02. In the 2009-10 through 2013-14 fiscal years, guarantee claims have averaged $610,500, and reached as high as approximately $1 million in 2010-11. Although claims have decreased since recent highs, claim payments still are estimated to contribute to a yearly deficit and further declines in the fund balance.

Administrative Reimbursements. Reimbursements from the WDRF balance to WHEDA for program administration averaged approximately $850,000 annually in the 10 fiscal years from 2004-05 through 2013-14. However, as shown in Table 12, reimbursements decreased significantly in 2012-13 and 2013-14. Although lower administrative cost reimbursements preserve more of the fund's balances, lower administrative costs may also coincide with lower guarantee activity, which could indicate lower potential revenues, as discussed in the following paragraphs.

Fee and Investment Income. Recent reductions in WDRF investment income have been significant, from a recent high of $613,600 in 2006-07 to losing $76,600 in value during 2012-13. Declining WDRF reserves have reduced the balances on which interest is calculated. Rates of return on most of the low-risk products in which WDRF balances are invested also have been lower in recent years relative to historical standards. WDRF balances are directed by WHEDA policy to be invested in vehicles such as certificates of deposit, money market funds, U.S. or municipal government-backed securities, and other investment-grade instruments.

Declines in the overall fund balance may have the effect of reinforcing declines in fee income. This is because lower balances reduce available guarantee authority, which in turn has the effect of reducing new guarantee activity. Because many WDRF fees for loan closing, origination or servicing are based on a percentage of the guarantee or the amount outstanding, lower guarantee activity limits the fee revenues generated as outstanding balances are paid off and new originations decrease.

In response to declining fund balances, the Authority's governing board in April, 2012, approved several WDRF program changes including fee increases, reductions in guarantee percentages and terms, and prioritizing guarantees based on factors such as employment potential, other financing available, and potential impacts to the surrounding community. Individual program changes are detailed in later sections.

While the statutes specify a maximum WDRF guarantee authority of $49.5 million, the statutes provide that WHEDA may request the Joint Committee on Finance to authorize an increase or decrease in the guarantee authority for the WDRF programs. WHEDA is required to include in its request a projection, for the end of the fiscal year, of the balance in the fund were the request to be approved and the balance if the request were not approved. The Authority must then receive the approval of the Joint Committee on Finance under s. 13.10 of the statutes before any change in total guarantee authority takes effect.

Annually, on June 30, WHEDA is required to transfer to the state's general fund any balance in the WDRF which remains after deducting: (a) amounts sufficient to pay outstanding claims; and (b) a reserve amount sufficient to maintain the required leverage factor (4.5:1) of total principal guarantee authority to reserve fund balance under each loan program backed by the fund. The WHEDA Executive Director is required to submit a signed statement to the Secretary of the Department of Administration and the Joint Committee on Finance that lists the amounts deducted to pay outstanding claims and to fund remaining guarantees. WHEDA's last transfer from WDRF reserves to the state's general fund was $463,400 in 2003-04. The Authority also must provide a report to the Chief Clerk of each house of the Legislature and to the Joint Committee on Finance by November 1 of each year on the number and amount of all loans guaranteed by the fund, as well as the loan default rate.

A description of each of the programs backed by the WDRF follows.

Credit Relief Outreach Program (CROP)

The Authority was provided $11 million GPR in 1984-85 to guarantee agricultural production loans to Wisconsin farmers and to provide interest subsidies on the loans. This program is known as the credit relief outreach program, or CROP. Loans under the program may be used to purchase fertilizer, seed, fuel, pesticides, tillage services, crop insurance, animal feed or any other service or consumable good necessary to produce an agricultural commodity.

The Authority is to set annually the maximum guarantee amount for loans made under the program, subject to a range specified in the statutes. These limits previously were a minimum of $30,000 and a maximum of $100,000, but 2011 Act 80 broadened the range of eligible loans to between $2,000 and $150,000. WHEDA has offered guarantees on loans up to the $150,000 maximum each year, which applies to both individual loans, if a borrower has no outstanding CROP-guaranteed loans, as well as an individual borrower's total outstanding amounts, if loans from earlier years are not paid in full. The limit also applies: (a) to individuals with a stake in multiple entities, such as a person receiving otherwise separate loans for both a sole proprietorship and a corporation in which the person has ownership; and (b) a single entity, even if held by multiple owners. In addition, WHEDA by statute is to guarantee 90% of each qualifying agricultural production loan of less than $50,000 made by a participating lender, or 80% of each loan greater than $50,000.

Of the 141 CROP loans WHEDA had guaranteed from 2012 through June 30, 2014, 29 loans were for $150,000. An additional 10 were higher than the previous maximum of $100,000 but less than $150,000, and 21 were at the previous maximum of $100,000. All were guaranteed at 80%.

Although the interest rate on each loan is determined by the participating lending institution, rates may not exceed a maximum determined annually by WHEDA. For loans guaranteed in 2014, this rate was the prime lending rate on the date of closing, plus two percentage points, which equaled 5.25% for all of 2014. WHEDA also imposed a maximum rate of 7%, had the prime rate risen above 5%. If the prime rate and the interest rate on a guaranteed loan each exceed 10%, the statutes require WHEDA to use WDRF funds to subsidize each loan by paying 2% of the loan principal to the lender.

WHEDA charges an application fee of 2% of the overall CROP loan amount, with a minimum of $500 and a maximum of $3,000 on a $150,000 loan. Application fees beginning with the 2013 lending year were 2%, pursuant to an increase approved in May, 2012, as part of WHEDA's package of fee changes to loan guarantee programs. Fees also apply for increases to guaranteed loan amounts if the combined loan amounts exceed $25,000. These fees are 2% of: (a) the difference between the new loan total and $25,000, if the borrower's obligations did not previously exceed $25,000; or (b) the additional amount borrowed, for accounts already borrowing more than $25,000. For the 2012 and 2013 calendar years, revenues for application fees were $84,900 and $60,400, respectively. Revenues in 2014 through June 30 were $47,000.

WHEDA also assesses a fee for loans that enter forbearance, which either postpones or restructures a loan's outstanding principal. The fee is $600 beginning with the 2013 lending year. WHEDA received $3,600 in forbearance fees in each of 2012 and 2013, and $600 in 2014 through June 30. All fees are deposited in the WDRF.

To be eligible for CROP, active Wisconsin farmers must meet several conditions: (a) the farmer does not meet the participating lender's minimum standards of creditworthiness to receive an agricultural production loan in the normal course of the lender's business; (b) the amount of the farmer's debts totals at least 40% but not more than 85% of the amount of the farmer's assets; (c) in the judgment of the lender, it is reasonably likely that if the farmer receives a guaranteed loan, the farmer's assets, cash flow and managerial ability are sufficient to preclude voluntary or involuntary liquidation before April 1 of the next calendar year; and (d) the farmer does not appear on a statewide support lien docket for delinquency in making child support or maintenance payments, unless the farmer submits an approved payment agreement. Farmers also must have sufficient insured collateral to cover the value of a loan, and those in bankruptcy or in default on previous WHEDA loans are ineligible.

WHEDA has authority to make CROP loans subject to emergency eligibility criteria. WHEDA may guarantee a loan to an otherwise ineligible farmer if the Governor determines that an emergency situation exists and existing eligibility criteria prohibit WHEDA from adequately responding to the emergency situation. However, WHEDA must submit the proposed emergency provisions to the Joint Committee on Finance for review and approval under s. 13.10 of the statutes. It should be noted that unlike other CROP loans, the level of loan principal for which WHEDA may guarantee repayment for emergency guaranteed loans is not specified. These emergency procedures were last used in 1999 in response to low prices producers were receiving for hogs. The Joint Committee on Finance approved WHEDA to guarantee emergency loans totaling no more than $5,000,000 and no more than $50,000 in total CROP loans to any individual producer. WHEDA was allowed to guarantee up

Table 13: Credit Relief Outreach Program (CROP)

Calendar Year	Loans Guaranteed	Total Loan Amounts	Average Loan	Total Guarantee Amounts	Average Guarantee	Guarantee Percentage	Default Rate
1985	833	$11,158,424	$13,395	$10,042,582	$12,056	90%	9.84%
1986	1,369	17,745,967	12,963	15,971,370	11,666	90	5.62
1987	1,535	19,488,213	12,696	17,539,392	11,426	90	3.71
1988	1,786	23,246,443	13,016	20,921,799	11,714	90	2.97
1989	1,675	22,660,831	13,529	20,394,748	12,176	90	1.91
1990	1,587	21,386,814	13,476	19,248,133	12,129	90	3.78
1991	1,977	24,941,018	12,616	22,446,916	11,354	90	2.12
1992	2,002	26,485,593	13,230	23,837,034	11,907	90	2.15
1993	2,014	27,223,979	13,517	24,419,895	12,125	90	1.24
1994	2,040	28,378,933	13,911	25,527,839	12,514	90	1.27
1995	1,453	20,094,233	13,829	18,084,810	12,477	90	1.79
1996	1,585	23,182,457	14,626	20,864,211	13,164	90	2.21
1997	1,425	20,885,895	14,657	18,797,305	13,191	90	1.47
1998	1,173	17,583,448	14,990	15,285,103	13,491	90	0.51
1999	764	12,572,153	16,456	11,314,938	14,810	90	0.79
2000	695	13,426,749	19,319	12,084,074	17,387	90	2.01
2001	572	12,000,505	20,980	10,800,455	18,882	90	0.87
2002	450	9,870,445	21,934	8,883,400	19,741	90	1.78
2003	482	10,761,231	22,326	9,685,108	20,094	90	0.62
2004	451	10,503,917	23,290	9,453,526	20,961	90	0.22
2005	446	14,663,725	32,878	12,628,291	28,315	86	1.12
2006	408	14,450,578	35,418	12,310,370	30,172	85	1.47
2007	371	14,762,218	39,790	12,426,552	33,495	84	0.54
2008	362	15,260,825	42,157	12,784,472	35,316	84	3.31
2009	446	28,286,902	63,424	23,166,178	51,942	82	2.46
2010	164	10,361,521	63,180	8,465,755	51,620	82	2.44
2011	108	7,786,235	72,095	6,303,191	58,363	81	0.94
2012	87	7,354,925	84,539	5,933,132	68,197	81	0.97
2013	35	2,935,685	83,877	2,379,767	67,993	81	0.00
2014*	19	1,685,900	88,732	1,355,170	71,325	80	N.A.
Total	28,314	$491,145,762	$17,346	$433,895,516	$15,324	88%	2.35%

*Through June 30.

to 90% of the principal of any hog production emergency loan. Most eligibility requirements were substantially similar to those in the regular CROP program. WHEDA made 24 loans totaling $1,058,400, $952,560 of which was guaranteed, in 1999 under the hog production emergency loan guarantee program. All 24 loans were repaid.

Originally, CROP was created as a one-year program to assist eligible farmers in obtaining capital during economically difficult periods in the state and national agricultural economies. The program was repeatedly extended until 1995 Act 5 eliminated the one-year provision, making it a permanent loan guarantee program. Through June 30, 2014, WHEDA had 38 outstanding guarantees totaling $2,025,900. Table 13 provides information on the CROP program for each year of the program's existence.

The statutes set the term of a CROP loan at one year from the date of issuance. Prior to 2011 Act 80, the term was not to extend beyond March 31 of the next calendar year, except the lender could extend the term up to three months, or no later than June 30. In addition, the proceeds of a CROP loan may not be applied to the outstanding balance of any other loan, except that the proceeds may be used twice to refinance a previously received CROP loan provided that 60% of the previous year's CROP loan is repaid. Further, the lender must obtain a security interest for repayment of the loan in the agricultural commodity resulting from one of the loan proceeds. Finally, unless waived by WHEDA, the borrower must obtain a minimum level of catastrophic insurance to protect the agricultural commodity against risk of loss and the proceeds must be payable to the lender.

Drought Assistance Loan Guarantees. In response to widespread drought conditions in Wisconsin, WHEDA in July, 2012, announced the resumption of the agricultural production drought assistance loan guarantee program. The program was created under 1987 Act 421 in response to drought conditions in 1988. It was provided $7.5 million GPR as seed funding that was later merged into the WDRF.

WHEDA initially announced it would accept applications through December 28, 2012, although the application period was subsequently extended to December 31, 2013. WHEDA capped total loans in the 2012-13 period at $15 million in principal, or 1,000 loans total at $15,000 each, which is the maximum loan amount set by statute. During the drought assistance program's 2012-13 operation, WHEDA approved 23 loans, with total principal of $320,500 and total guarantees of $288,500. The last loans were issued in March, 2013. As of June 30, 2014, 22 guarantees were outstanding for $275,000.

By statute, eligible farmers must meet mostly the same requirements as under a basic CROP loan noted above, as well as be projected to lose 40% or more of their crops as a result of drought. Costs eligible for drought assistance loans include much of the same inputs that are allowed under standard CROP loans such as feed, fertilizer, seed, pesticides, crop insurance and tillage services. Drought assistance loans may also fund irrigation for drought-stressed commodities.

Guarantees are set at 90% of principal. Interest rates are established by lenders and must be fixed for the loan term. For the 2012-13 period, WHEDA established maximum rates for drought assistance loans at the prime rate (3.25% throughout 2012) plus two percentage points, as under CROP, but less 1.167 percentage points to account for the interest subsidy spread over a three-year term. The statutes also require an interest-subsidy payment of 3.5% of loan principal from the WDRF to participating lenders. These subsidies, in the form of up-front payments to lenders, secure lower interest payments for borrowers over the term of a loan, which is a maximum of three years by statute. The interest-subsidy payment, it should be noted, is mandatory under the drought assistance loan program and not contingent on a loan having a high interest rate, as under a basic CROP loan. For the 2012-13 drought assistance loan period, WHEDA made total interest subsidy payments of approximately $11,200.

Application fees for the drought assistance loan guarantee program were 1% of the loan amount. WHEDA received application fees of approximately $3,200 for the loans guaranteed in 2012-13.

Farm Assets Reinvestment Management Loan Guarantee Program (FARM)

1995 Act 150 provided WHEDA the authority to administer a farm assets loan guarantee program. Loans eligible for the guarantee financing include: (a) the acquisition of agricultural assets such as machinery, equipment, facilities, land and livestock kept more than one year; (b) the costs of improvements to farm facilities; or (c) refinancing of existing debt only if a farmer is expanding existing farm operations. To be eligible for a FARM loan guarantee, an individual must be currently operating a farm or must intend to operate a farm and have at least three years of farming experience including day-to-day operations of a farm. In addition, eligible farmers must: (a) reside in Wisconsin or, if the farm is a partnership or corporation, be registered in Wisconsin; (b) have a debt amount that does not exceed 85% of the farmer's assets, including both the debt load of the FARM loan and the value of the assets to be acquired or improvement to be made with the loan proceeds; (c) have a participating lender that considers the farmer's assets, cash flow and managerial ability sufficient to preclude voluntary or involuntary liquidation during the term of the loan; (d) no history of defaults on a WHEDA loan and no delinquency in child support payments; and (e) have sufficient insured collateral to cover the value of the loan. Program loans may be used in conjunction with other government loan programs, such as the federal Farm Service Agency or Small Business Administration loan programs.

Under the program, WHEDA may guarantee the lesser of 25% of the amount of the loan made by a participating lender or an amount equal to the potential borrower's net worth. Also, the total outstanding principal amount of all guaranteed FARM loans made to a borrower may not exceed: (a) $100,000 if any of the FARM loans use any other state or federal credit assistance program; and (b) $200,000 if loans were not associated with other state or federal assistance.

The interest rate and loan terms, including any fees or charges, are approved by WHEDA, while the lender is required to obtain a security interest in the assets of the borrower sufficient to secure repayment of the loan. Loan guarantees under FARM may not exceed 10 years for improvements or acquisitions of buildings or land. Loan guarantees may not exceed five years for purchases of equipment or livestock.

WHEDA charges a $150 application fee and a guarantee origination fee on each FARM loan. The origination fee increased from 1% of the guarantee amount to 2% beginning May 1, 2012. For calendar year 2012, application fees totaled $900 and origination fees totaled $10,100. For 2013, application fees totaled $300 and origination fees totaled $2,700. For 2014 through June 30, application fees have totaled $300 and origination fees have totaled $2,500. Amounts collected are deposited in the WDRF.

As of June 30, 2014, 350 loans with guarantees worth $21.0 million had been made. Guarantees outstanding totaled 34 for $3,055,900. Table 14 provides information on historical activity un-

Table 14: Farm Assets Reinvestment Management Loan Guarantee Program (FARM)

Calendar Year	Number of Loans Guaranteed	Total Loan Amounts	Guaranteed Loan Amounts	Average Guarantee Amount
1996	5	$360,000	$90,000	$18,000
1997	21	4,776,405	847,850	40,374
1998	10	1,578,000	394,500	39,450
1999	33	5,780,519	1,312,379	39,769
2000	35	7,519,435	1,758,859	50,253
2001	25	6,229,867	1,313,716	52,549
2002	26	7,388,251	1,631,062	62,733
2003	24	4,662,878	1,100,220	45,843
2004	23	5,104,562	1,258,081	54,699
2005	24	6,766,891	1,566,683	65,278
2006	23	6,162,945	1,431,736	62,249
2007	15	6,299,167	1,415,628	94,375
2008	27	9,469,653	2,172,321	80,456
2009	23	8,639,237	1,945,205	84,574
2010	9	3,986,790	732,624	81,403
2011	16	4,343,847	1,082,196	67,637
2012	8	5,797,477	822,203	102,775
2013	2	480,000	118,850	52,500
2014*	1	200,000	50,000	50,000
Total	350	$95,546,104	$21,044,113	$60,126

*Through June 30.

der the FARM program.

Small Business Development Loan Guarantee Program

The 1997-99 biennial budget repealed several loan guarantee programs backed by the WDRF, and consolidated much of the loan guarantee authority for those repealed programs under a single program called the small business development loan guarantee program. The program is intended to provide credit enhancement on loans made by participating financial institutions to small businesses located in Wisconsin that would create or retain jobs. Program changes made under 2011 Act 79 specify small businesses as those with no more than 250 full-time employees. Eligible borrowers need not be actively engaged in the recipient small business, which was a statutory requirement prior to Act 79, but eligible borrowers must not be delinquent in the payment of child support. Elected governing bodies of federally recognized American Indian tribes or bands in this state are also eligible for small business development loan guarantees.

Small business loans eligible for guarantees under the program are those used for direct or related expenses for the purchase or improvement of land, buildings, machinery, equipment or inventory associated with: (a) the expansion or acquisition of a business; (b) the start-up of a small business in a vacant storefront in the downtown area of a city, village or town in the state; or (c) the start-up of a child care business. Loan proceeds may refinance existing debt if the borrower expands an existing business. WHEDA has further specified that any eligible refinancing: (a) must result in better terms to the borrower; (b) must be for debt that is both current and has never been more than 30 days past due; and (c) is accompanied by a business expansion with a value at least one-third the balance of the debt being refinanced. Loans otherwise cannot be used for refinancing, the production of an agricultural commodity, or certain prohibited business types.

The small business development loan guarantee operates through participating lenders, which must meet several requirements for each loan issued. Lenders must determine that the borrower is unable to secure adequate conventional financing on terms similar to those offered by WHEDA, and lenders must determine it is reasonably likely that a borrower will be able to repay the loan in full with interest. Lenders must also have a security interest in the assets being acquired with loan proceeds, and must agree to the guarantee percentage established for the loan by WHEDA. Lenders also establish interest rates on loans, although the statutes specify loan rates are subject to WHEDA approval. Fixed-rate loans are to be standard rates used by the lender for commercial lending, and variable-rate loans may not exceed the prime rate plus 2.75 percentage points. The maximum variable rate would therefore be 6%, as of December 1, 2014.

Effective May 1, 2012, WHEDA made several changes to the small business development loan guarantee program, as part of the overall changes to loan guarantee programs. One change shortened the maximum guarantee to five years. WHEDA expected the shorter guarantee term to both allow WDRF funds to cycle faster and support more lending and increased fee revenues, but also provide credit enhancement immediately following start-up or expansion, in which time WHEDA estimates the default risk is highest. Therefore, the maximum loan term in the small business development program continues to be 15 years by statute, but WHEDA's guarantee will be, at most, five years. The five-year maximum guarantee reduces the previous maximum guarantees on: (a) fixed assets, which were previously eligible for a 15-year guarantee; and (b) inventory or permanent working capital, which were previously eligible for a guarantee of seven years. Revolving working capital, which typically is financed through loans of shorter terms, remains eligible for a guarantee of up to two years.

WHEDA also determined prospective small business borrowers, beginning May 1, 2012, would be required to report the following during a loan application: (a) full-time equivalent positions created or retained as a direct result of the financing to be received, as well as expected pay and benefits to be offered; (b) other financing involved, such as other governmental loan guarantees or tax-increment financing; and (c) the nature of the expected economic impact, such as providing a new service in a community or creating employment opportunities in an area of high unemployment. WHEDA reports it will use this information to direct available guarantee authority toward proposals with the highest expected employment and economic impacts as well as having additional financial support.

Another WHEDA program change reduced the maximum guarantee percentage on small business development loan guarantees to 50% of the loan amount for loans closed after May 1, 2012. Most loans since the program's inception have been guaranteed at 80%.

The reduction in guarantee percentages followed the enactment of 2011 Act 79, which increased eligible loan and guarantee amounts to the lesser of 80% or $750,000. This would represent a maximum loan principal of $937,500, assuming an 80% guarantee, and these limits applied to fixed assets, inventory and permanent working capital. Following Act 79, WHEDA also administratively increased the maximum guarantee on revolving working capital to the lesser of 80% or $200,000. Previously, guarantees were limited by statute to the lesser of 80% or $200,000, which WHEDA applied to loans for fixed assets, permanent working capital and inventory. WHEDA had also specified lower limits of 80% up to $80,000 for revolving working capital.

Between Act 79's effective date in December, 2011, and June 30, 2014, WHEDA guaranteed 17 small business development loans. Two loans in that period, one each in 2011 and 2013, received a $750,000 guarantee. Two other loans, both in 2012, were guaranteed for an amount greater than the previous maximum of $200,000.

Since the inception of the small business development loan guarantee program through June 30, 2014, WHEDA has guaranteed 443 loans for $42.8 million. Historical program activity is shown in Table 15. Not included in the table are loans made prior to the consolidation of small business loan programs. All loans for these predecessor programs were retired during the 2012-13 fiscal year. As of June 30, 2014, 94 small business guarantees were outstanding for $7,984,700.

Effective May 1, 2012, WHEDA increased closing fees to 3% of the guaranteed amount on loans. Previously, closing fees were 1.5% of the guarantee amount on loans of $150,000 and less

Table 15: Small Business Loan Guarantee Program

Calendar Year	Number of Loans Guaranteed	Guarantee Amount	Average Guarantee Amount
1997	1	$65,250	$65,250
1998	30	2,542,359	84,745
1999	30	2,573,610	85,787
2000	50	5,052,574	101,051
2001	34	3,048,692	89,667
2002	38	3,026,059	79,633
2003	22	2,069,574	94,072
2004	23	2,503,744	108,858
2005	26	2,412,532	92,790
2006	41	4,544,915	110,852
2007	39	4,025,246	103,211
2008	36	2,989,787	83,050
2009	19	2,366,417	124,548
2010	19	1,596,485	84,026
2011	23	2,019,487	87,804
2012	6	768,810	128,135
2013	4	1,043,135	260,784
2014*	2	145,745	72,873
Total	443	$42,794,421	$96,601

*Through June 30.

or 2.5% of the guaranteed amount on loans greater than $150,000. WHEDA also charges an annual servicing fee of 0.5% of the outstanding guaranteed balance of small business loans, payable by the lender annually each February 1. WHEDA intends the servicing fee to encourage lenders to release WHEDA guarantees from loans that are performing and allow WHEDA to use available funds for new guarantees. Fee revenues are deposited to the WDRF. Revenues from closing fees were $44,500 in 2012, $31,300 in 2013 and $2,000 in 2014 through June 30. Servicing fee revenues were $23,000 in 2012, $22,100 in 2013 and $19,600 in 2014 through June 30.

Transform Milwaukee Loan Guarantee. WHEDA has set aside a portion of the WDRF and other WHEDA-administered funds for loan guarantees for small businesses in the Transform Milwaukee area. No loan guarantees under this initiative were completed during Transform Milwaukee's initial two-year period from May, 2012, through April, 2014. The program is described in greater detail in Appendix VII.

Contractors Loan Guarantee Program. Under this program, which is part of the small business development loan guarantee, WHEDA guarantees loans to contractors to provide financing that allows the business to cover costs necessary to complete an eligible contract. Loans are intended to be repaid following the contractor's payment for completing work. In order to be eligible for a guarantee under the program, a business must have been: (a) awarded a contract, purchase order or other WHEDA-approved instrument by a government agency or business with gross annual sales of at least $5 million; (b) have been in business for at least 12 months; and (c) have no more than 250 full-time employees. Eligible expenses include employee salaries and benefits, inventory, supplies, and equipment needed to complete the contract.

Under the program, WHEDA will guarantee up to 50% or $750,000 of a loan. This program is also subject to the guarantee percentage decrease from 80% to 50%, effective with loans closed after May 1, 2012. Closing fees (3% of the guaranteed amount on loans) and annual servicing fees (0.5% of the outstanding guaranteed balance of the loan) are identical to the main small business development program. WHEDA has guaranteed four loans under this program, but none since 2011: (a) a $100,000 loan in 2005; (b) a $242,000 loan in 2006; (c) a loan for $150,000 in 2010; and (d) a $100,000 loan in 2011. All were guaranteed at 80%.

Agribusiness Loan Guarantee Program

Under this program, WHEDA guarantees loans for the development of new or more viable methods for processing or marketing raw agricultural commodities grown in Wisconsin. Agribusinesses located in communities of 50,000 or less in total population are eligible to apply for guaranteed loans. Agribusiness loan guarantees also are available to commercial fishing operators who harvest whitefish from Lake Superior, although no such loans have ever been guaranteed using this authority.

WHEDA has statutory authority to guarantee up to $750,000 in loan principal at 90%, or $675,000 in guarantees. Effective May 1, 2012, WHEDA has reduced the maximum guarantee to 50%, or $375,000 in guarantees under the statutory limit on principal. Loans may be used for working capital, the purchase of a building or equipment, or initial marketing expenses. Refinancing of existing debt is not permitted except in cases of business expansion. Unless extended by WHEDA, the maximum loan guarantee term is five years, effective for loans guaranteed beginning May 1, 2012. The previous maximum guarantees were 15 years for fixed assets and seven years for inventory and permanent working capital. Interest rates may be fixed or variable and are determined by lenders, but subject to WHEDA approval. As under the small business development loan guarantee program, variable-

Table 16: Agribusiness Loan Guarantee Program

Calendar Year	Number of Loans Guaranteed	Guarantee Amount	Average Guarantee Amount
1991	7	$1,360,750	$194,393
1992	5	1,757,500	351,500
1993	4	447,011	111,753
1994	1	178,500	178,500
1995	1	450,000	450,000
1996	0	0	0
1997	0	0	0
1998	2	1,200,000	600,000
1999	0	0	0
2000	3	739,814	246,605
2001	1	44,640	44,640
2002	2	478,579	239,290
2003	0	0	0
2004	2	300,000	150,000
2005	1	599,846	599,846
2006	0	0	0
2007	2	482,400	241,200
2008	0	0	0
2009	0	0	0
2010	2	273,440	136,720
2011	1	600,000	600,000
2012	1	96,000	96,000
2013	0	0	0
2014*	0	0	0
Total	35	$9,008,480	$257,385

*Through June 30.

rate loans may not exceed the prime rate plus 2.75 percentage points. The maximum variable rate would therefore be 6%, as of December 1, 2014.

As of June 30, 2014, WHEDA has made 35 loans in this program for $9,008,500 in guarantees. Two guarantees totaling $213,100 were outstanding. Historical loan guarantees are shown in Table 16.

As under the small business development loan guarantee program, agribusiness loan guarantees are subject to closing fees of 3% of the guaranteed amount and servicing fees of 0.5% of the outstanding guaranteed balance, payable annually by February 1. These fees are identical to those under the small business development loan guarantee program, and were increased effective May 1, 2012, by the same amounts. Revenues for closing fees were $1,400 in 2012, with none in 2013 or 2014, through June 30. Servicing fee revenues were $1,900 in each of 2012 and 2013, and $800 in 2014 through June 30.

Propane Guarantee Program and Consumer Heating Assistance Guarantee Program

In early 2014, WHEDA began two WDRF-supported loan guarantees to address abnormally high costs of propane for residential heating and other commercial purposes. Market prices for propane during the season had risen sharply due to several factors in the preceding months that had reduced supply in the Midwest. Price increases also coincided with the onset of colder-than-average temperatures in early 2014, when high demand for heating fuels was anticipated. The loan guarantee programs are discussed separately in the following paragraphs.

Propane Guarantee Program. In January, 2014, WHEDA announced a temporary loan guarantee program for existing propane dealers to purchase propane. In February, 2014, the program was expanded to include the purchase of propane or propane equipment by existing small businesses. The program was implemented administratively by WHEDA, and generally operated under the terms of the small business development loan guarantee program. Loans to propane dealers could be guaranteed up to 50% of loan principal or $50,000, whichever is less, while loans to other small businesses for purchasing propane may be guaranteed at up to 50% or $25,000, whichever is less. WHEDA limited total guarantees to $3 million, for total lending of $6 million, assuming 50% guarantees. Guarantees are limited to no more than one year. Closing fees for the program were 1% of the guaranteed amount. This program is scheduled to expire December 31, 2014. As of November 1, 2014, WHEDA had not received any applications for the program.

Consumer Heating Assistance Guarantee. The consumer heating assistance guarantee (CHAG) was created in March, 2014, under 2013 Act 175. The program authorizes WHEDA to guarantee loans primarily to individuals for extraordinary costs they may incur for heating during a state of emergency. The CHAG program was intended to complement the business-oriented propane guarantee program.

Eligible borrowers are individuals with annual household income of no more than 200% of median family income, as shown in Appendix II, for the county of the borrower's residence. Borrowers also cannot appear on the statewide child support lien docket. In addition, a lender would have to determine: (a) the loan is necessary for the borrower to pay heating costs related to the declared emergency; (b) the borrower would have sufficient income and assets to purchase propane under normal market conditions; (c) the borrower is unable to secure conventional financing for propane purchases on reasonably equivalent terms; and (d) the borrower is reasonably likely to make repayment of the loan, given the borrower's credit profile and security, if any, held by the lender for the loan.

2013 Act 175 was created to be a periodic program, activated only in the event the Governor were to declare a state of emergency relating to heating and the availability of heating fuels. Subsequent to an emergency declaration, Act 175 requires WHEDA within 14 days to submit a plan for administering the loan program to the Joint Committee on Finance. The program could be implemented only by approval of the Committee under s. 13.10 of the statutes. Act 175 authorizes WHEDA to issue loan guarantees for up to 120 days beginning with an approval by Joint Finance, and a second 120-day period may be approved by the Committee upon WHEDA's request. However, for the 2014 heating emergency, Act 175 waived the Joint Finance approval process, in light of the Governor having declared a state of emergency related to propane availability on January 25, 2014. Instead, Act 175 allowed loan guarantees to be made for 120 days beginning with the bill's effective date. Act 175 took effect March 29, 2014, and WHEDA opened the 2014 application period through July 25, 2014.

As with other WDRF programs, CHAG loans would be originated by lending institutions that have agreed to participate in the program, with proceeds being payable either to propane end users directly or to a supplier of propane with whom a prospective borrower has arranged a purchase. WHEDA is required to guarantee not less than 50% and not more than 80% of the principal of the loans up to $2,500, equivalent to between $1,250 and $2,000 at the specified guarantee percentages. The Joint Committee on Finance is authorized to modify the $2,500 loan principal limit in reviewing a WHEDA program administrative plan pursuant to an emergency declaration. Loan terms are limited to two years, with extensions to a third year possible at the discretion of the lender. WHEDA is to establish the duration of guarantees. Loan interest rates are subject to a maximum level established by WHEDA in consideration of market conditions.

In addition to providing for a guarantee, the program requires WHEDA to pay a subsidy of 3.5% of principal on guaranteed loans annually for up to two years. This subsidy would lower borrowers' interest payments similar to the interest-subsidy provision under the drought relief loan guarantee program, as discussed in a separate section.

Under Act 175, initial funding for the CHAG program was to come from a transfer of $2 million from the housing rehabilitation loan program fund to the WDRF. Act 175 required WHEDA to allocate the entire $2 million to heating assistance guarantees for the 120-day sign-up period following the act's effective date. Thereafter, funds are to remain in the WDRF.

WHEDA reports although it received inquiries about CHAG following its creation, no loan guarantee applications were received by the CHAG sunset on July 25, 2014. WHEDA reports state lenders typically found prospective borrowers to have insufficient creditworthiness.

Guarantee Programs Funded by WHEDA Unencumbered Reserves

In addition to loan guarantee programs funded from the WDRF, WHEDA funds the neighborhood business revitalization loan guarantee program from its unencumbered general reserves.

Neighborhood Business Revitalization Loan Guarantee Program. This program, started by WHEDA in 2003, guarantees loans to businesses or developers for the expansion or acquisition of commercial real estate or a small business having annual revenue of less than $5 million. Under the program, WHEDA will guarantee up to 50% of loan principal or $750,000, whichever is less, on loans for fixed assets and inventory, and up to 50% or $200,000 on loans made to finance working capital. Guarantee percentages were each reduced from 75% effective May 1, 2012. The maximum guarantee term is five years for fixed assets, inventory or permanent working capital, and two years for a loan for revolving working capital. Interest rates for these loans are set by the lender with WHEDA's approval, and a variable rate loan may not exceed the prime rate plus 2.75%.

WHEDA charges a closing fee of 3% of the guaranteed principal amount, and an annual servicing fee, payable each February 1, equal to 0.5% of the outstanding amount guaranteed. Closing fee revenues of $34,800 were collected in 2012. No closing fees were collected in 2013 or 2014 through June 30. Servicing fees collected were $9,400 in 2012, $7,500 in 2013 and $5,800 in 2014 through June 30.

Table 17: Neighborhood Business Revitalization Guarantee Program

Calendar Year	Number of Loans Guaranteed	Guaranteed Amount
2003	4	$1,924,998
2004	3	1,204,780
2005	5	2,182,282
2006	4	1,358,271
2007	2	998,199
2008	6	1,387,098
2009	3	1,936,159
2010	3	800,780
2011	2	1,599,999
2012	0	0
2013	0	0
2014*	0	0
Total	32	$13,392,566

*Through June 30.

No neighborhood business revitalization loans have been made since 2011. Table 17 provides an overview of all historical loans made under the program. As of June 30, 2014, three loans were outstanding with total guarantees of $1,905,600.

General Fund Reserve for Loan Guarantees. In August, 2009, the Authority created a $3 million reserve to guarantee additional loans in a manner similar to that used by the WDRF. At the time, WDRF guarantee authority had decreased to approximately $900,000, due primarily to increased origination, forbearance and default activity under CROP in 2009. As of November, 2014, $3 million remained encumbered.

Economic Development Lending

WHEDA is authorized in the statutes to make economic development loans as well as to issue bonds to finance such lending. This economic development loan program was created in 1983 Act 83, but WHEDA effectively ceased the program in 1999 with its last issuance of an economic development bond. However, in April, 2012, WHEDA announced the creation of the WHEDA Participation Lending Program (WPLP), which would resume economic development lending under the existing statutory authority. Economic development loans may be financed through a revolving fund supported by WHEDA's general reserves, or by economic development bonding authority granted to WHEDA. These mechanisms are discussed below in greater detail.

As of June 30, 2014, WHEDA had closed six loans under the WPLP using its revolving fund. Annual WPLP activity from 2012 through June 30, 2014, is shown in Table 18. It should be noted Table 18 shows only those loans for which WHEDA has expended its own funds. The Authority also has made one economic development bond issuance in August, 2012, for $42.5 million. WHEDA issued as a conduit, meaning any bonds do not carry WHEDA's general obligation, nor does WHEDA carry any liability on them.

Background. The economic development loan program is the only economic development program in WHEDA's authorizing statutes that is granted bonding authority. The Authority issued bonds under the program until 1999, when the program was discontinued, in part as a result of the small business loan guarantee program being created under the 1997 biennial budget act. Further, economic development bonding activity came to be centralized in the federal industrial revenue bond (IRB) program, formerly administered by the Department of Commerce and now administered by the Wisconsin Economic Development Corporation (WEDC).

Table 18: WHEDA Participation Lending Program

Calendar Year	Number of Loans Closed	WHEDA Loan Amount
2012	3	$2,084,575
2013	3	3,521,018
2014*	0	0
Total	6	$5,605,593

*Through June 30.

The economic development loan program, also known previously as the business development bond (BDB) program, provided low-interest, fixed-rate loans to eligible small and medium-sized manufacturing firms to construct, purchase, expand and improve land, buildings and equipment in order to retain or expand employment. The program initially was authorized $95 million in bonding, which was increased to $200 million under 1989 Act 281. Bonds totaling $166,898,000 were issued through the BDB program up to 1999. Because the bonding limit applied to aggregate (total) principal of the issuances, as opposed to only outstanding amounts, WHEDA had about $33.1 million in available economic development bonding authority, had the Authority elected to use it. Of the $166.9 million issued, $93 million carried WHEDA's general obligation. The last general-obligation issues were in 1995, and all were retired as of June 30, 2014. WHEDA does not track amounts outstanding on bonds that do not carry its general obligation.

Program Funding. WHEDA's economic development lending has two funding mechanisms. One is an expanded bonding authority, which increased under 2011 Act 214 from $200 million in total principal to $150 million in total principal annually in the 2013, 2014 and 2015 fiscal years. Beginning July 1, 2015, Act 214 allows WHEDA to seek a three-year extension of the annual bonding authority from the Joint Committee on Finance under a 14-day passive review procedure. The act specifies that if WHEDA determines a continuation of the program would promote "significant economic development" in the state, it may submit a written request to the Joint Finance Committee stating the reasons for that determination. If the Joint Finance co-chairs do not notify WHEDA within 14 working days that the Committee will meet to review the request, WHEDA may issue bonds and notes up to $150 million in principal in each of the three fiscal years beginning with the year in which Finance approval is given. If the Committee Co-Chairs notify WHEDA the Committee will meet to review the request, WHEDA may only issue new bonds and notes upon a vote of the Committee. The act does not specify the number of times WHEDA may seek an extension of bonding authority from the Joint Committee on Finance.

The statutory authority for the economic development bonding program states the capital reserve requirement, which was discussed earlier with regard to WHEDA's issuance of housing-related bonds, and which contains the implicit backing of the Legislature under the moral obligation clause, does not apply to economic development bonds. However, should WHEDA issue a bond with its general obligation, the Authority remains prohibited from assuming unsecured or uncollateralized risk for any economic development loan. (This prohibition was termed "primary risk" prior to Act 214.) WHEDA reports in the past it complied with this provision by requiring borrowers to secure a letter of credit, upon which draws could be made in the event of default.

Although WHEDA has issued economic development bonds with the Authority's general obligation, this is not required, as the statutes specify that WHEDA "has no moral or legal obligation or liability to any borrower" under the economic development loan program, except as expressly provided by written contract. At this time, WHEDA expects most, and perhaps all, future economic development bonds would be issued without the Authority's general obligation. Instead, WHEDA most often would be a conduit that would arrange for sale or private placement of the bonds and the disbursement of funds to the borrower, but with no liabilities incurred by WHEDA or its reserves. Other forms of credit enhancement, such as a letter of credit, would be determined on a case-by-case basis.

The second funding source was established in WHEDA's 2011-12 Dividends for Wisconsin plan, which set aside $12 million from WHEDA's surplus general reserves for economic development purposes. In April, 2012, WHEDA encumbered the entire amount as a revolving loan fund that would make economic development loans to those unable to secure sufficient conventional financing, but who, with WHEDA assistance, may secure a package of financing from multiple sources. These would typically include other such sources as private loans, loans from the U.S. Small Business Administration, New Markets Tax Credits (discussed later), other community development financial institutions or local economic development corporations. Additional WHEDA general reserves of $3,717,000 in 2012-13 and $1,047,000 in 2013-14 have been added to the fund, bringing the total encumbrance for the fund to $16,764,000 as of June 30, 2014. This does not represent a fund balance, but rather the initial basis from which the revolving funds would be issued as loans and returned as principal and interest payments. The 2014-15 Dividends for Wisconsin plan allocates additional reserves of $3 million or more to the WPLP revolving fund.

Eligibility and Loan Terms. Prior to 2011 Act 214, eligible economic development projects included: (a) land, a plant or equipment for various types of facilities, including those for manufacturing, national or regional headquarters, product storage or distribution, retail (subject to certain conditions), research and development, recreational activities or tourism, processing or production of agricultural commodities, railroad operation, and solid waste recycling; (b) long-term activities, such as research and development, performed by either manufacturing firms or firms engaged in research and development (R&D) of manufactured products; and (c) equipment, materials or labor used to make energy-conserving improvements to commercial or industrial facilities. Act 214 retained most of these criteria, with the following modifications: (a) eligible land, plants or equipment may include those used for commercial real estate activities; (b) conditions limiting the eligibility of retail facilities were removed; and (c) long-term activities are specified as R&D or long-term working capital, and conditions on the types of firms engaging in such activities are repealed.

The statutes did not previously have a general limit on principal amounts of loans, but loans were restricted in certain circumstances. Specifically, a loan could not be more than 4% of the program's total bonding authorization ($8 million under the previous bonding limit) if a firm, together with its parent company, subsidiaries and affiliates, had gross annual sales exceeding $5 million. Further, loans could not be made to: (a) firms whose gross annual sales, when combined with affiliates, parent companies and subsidiaries, exceeded $35 million; or (b) firms that had participated in a tax-increment financing district. Act 214 repealed these provisions. WHEDA, however, remains required to give preference to firms: (a) more than 50% owned or controlled by women or minorities; (b) that, together with affiliates, parent companies and subsidiaries have gross annual sales of $5 million or less and employ 250 persons or fewer (25 persons prior to Act 214); or (c) that are new, and have less than 50% of ownership controlled or held by another business and have principal operations in Wisconsin. WHEDA has retained, as a general administrative policy, a maximum loan limit of $2 million.

Further, WHEDA is to consider the following in assessing a prospective loan: (a) the extent to which employment will be maintained or increased; (b) whether the project is to be located in an area of high unemployment or low income; and (c) the extent to which the project would not occur without WHEDA involvement. WHEDA is also to consider the number of other participants in the financing of a project, but Act 214 increased the stringency of this consideration by requiring that any economic development loan have one or more financial institutions participating in the project. WHEDA has subsequently established a requirement of at least 50% of financing being provided by another source.

Federal Programs

New Markets Tax Credits

The New Markets Tax Credits (NMTC) Program provides federal tax credits for individuals who make qualifying investments in community development entities (CDEs). A CDE must in turn invest in development activities in qualifying low-income communities, most of which are in major U.S. urban areas. Credits are good for up to 39% of a qualifying investment and are made over seven years.

NMTCs function similarly to the low-income housing tax credit, in that projects that are awarded credits typically sell the credits to investors, who take an equity stake in the project and receive tax credits over a specified period. In the case of the NMTC program, credits are received over seven years. WHEDA reports NMTCs typically have sold at a greater discount per dollar of credits as compared to LIHTCs. This is due to several reasons, including: (a) NMTC participants often expend higher amounts on monitoring and compliance costs than LIHTC participants during the life of a project's credit, which reduces the effective return on credits; and (b) NMTCs tend to represent a riskier investment than LIHTCs, due in part to more stringent provisions for the recapture of NMTCs, should the financed project be noncompliant with program provisions, relative to recapture provisions for noncompliant LIHTC-financed properties. However, credit sale prices in each program can vary significantly based on project and market conditions. As with the LIHTC program, NMTCs are often part of a larger financing package that may include private financing, contributions from the developer or credit purchaser, or other publicly supported funding such as tax-increment financing.

Between 2003 and 2011, WHEDA partnered with Legacy Bancorp as co-founders and members of the Wisconsin Community Development Legacy Fund (WCDLF), a nonstock corporation organized to apply for NMTCs from the U.S. Department of the Treasury and distribute credits throughout Wisconsin. In March, 2011, Legacy Bank, a component of Legacy Bancorp, failed and was closed. WHEDA subsequently created the Greater Wisconsin Opportunities Fund (GWOF) in June, 2011, to continue as a WHEDA-controlled CDE that would apply for and distribute NMTCs in Wisconsin.

WHEDA-affiliated CDEs have received seven NMTC allocations since 2004, as shown in Table 19. Of these amounts, WHEDA has expended all but $50 million as of June 30, 2014, as the 2014 award of $50 million was announced in early June of that year. The award amounts listed represent the amount of qualifying equity investments on which an allocating agency (WCDLF or GWOF) may award credits. In other words, since 2004, investors in projects approved by WHEDA-affiliated entities for NMTCs have been authorized to claim total tax credits of 39% of $500 million, or about $195 million. Table 20 shows the NMTC projects approved by year, along with the total qualifying investments of projects each year and the corresponding amount of estimated tax credits.

Table 19: New Markets Tax Credit Awards (Millions $)

Year	Award Amount	Award Entity	Amount Committed
2004	$100.0	WCDLF	$100.0
2007	120.0	WCDLF	120.0
2008	100.0	WCDLF	100.0
2009	85.0	WCDLF	85.0
2011	10.0	WCDLF	10.0
2013	35.0	GWOF	35.0
2014	50.0	GWOF	0.0
Total	$500.0		$450.0

Table 20: New Markets Tax Credit Allocations to Projects (Millions $)

Year	Number of Projects	Investment Basis	Approx. Credits
2005	12	$88.5	$34.5
2006	3	11.5	4.5
2007	1	30.0	11.7
2008	2	31.0	12.1
2009	4	41.5	16.2
2010	3	40.2	15.7
2011	3	63.0	24.6
2012	5	101.5	39.5
2013	2	13.3	5.2
2014	3	29.5	11.5
Total	38	$450.0	$175.5

State Small Business Credit Initiative

The State Small Business Credit Initiative (SSBCI) was enacted under the federal Small Business Jobs Act of 2010, which provided $1.5 billion for states to allocate to programs that would increase credit access for small businesses. The federal act requires that state programs be either: (a) capital access programs, or CAPs, under which borrower businesses receive loans backed by a loan-loss reserve funded by the borrower, the lending financial institution, and a participating state; or (b) other credit support programs (OCSPs) that can demonstrate $1 of new private credit for every $1 in public investment, and, in combination with CAPs and other state programs, would be reasonably expected to have the ability to generate new small business lending of 10 times the amount of the federal contribution. Each type of program is to benefit businesses with 500 employees or fewer and be limited to loans of $5 million, although OCSPs may extend credit support to borrowers with up to 750 employees and to loans with principal not exceeding $20 million. The federal authorizing legislation provides state program commitments expire in March, 2017, at which point funds can continue to be deployed at the state's discretion.

Wisconsin's award of SSBCI funds was $22,363,554. Wisconsin's funds formally were awarded to DOA, as the Authority does not have the requisite authorizations under state law to commit the state to binding agreements with the federal government, as is required of participating state agencies under SSBCI. WHEDA, therefore, participates in the program through an agreement with DOA. Treasury disburses funds to states in three allocations, with approximately one-third of total funding available in each allocation. WHEDA's allocations will be approximately $7.4 million in each of the first two and $7.6 million in the third and final allocation. WHEDA received its first $7.4 million installment in September, 2011, and the second was approved by Treasury in March, 2013.

WHEDA initially allocated Wisconsin's awarded funds as follows: (a) $16,000,000 for the Wisconsin Equity Fund; (b) $3,363,554 for the WHEDA guarantee program; and (c) $3,000,000 for the Wisconsin Capital Access Program. WHEDA reports lender interest in the CAP program was insufficient due to its limited compatibility with other types of financing. As a result, in January, 2013, WHEDA received approval to reassign $3 million for the Wisconsin CAP to the Wisconsin Equity Fund. Additionally, in 2012, WHEDA reallocated $2 million from the guarantee program to the WVDF. As a result of the reallocations, the total WEF allocation increased to $21 million.

The following paragraphs describe each SSBCI component in greater detail:

Wisconsin Equity Fund. The WEF consists of the Wisconsin Venture Debt Fund (WVDF) and the Wisconsin Equity Investment Fund (WEIF). WVDF is provided up to $11 million in SSBCI funding, including a $9 million initial allocation and $2 million reallocated from the WHEDA guarantee program, while WEIF is provided up to $10 million, including an initial allocation of $7 million plus $3 million reallocated from the Wisconsin CAP. Under both the WVDF and WEIF, WHEDA expects to make capital available to small businesses mostly, although not exclusively, in low-income areas.

The WVDF is intended to provide first- or second-stage venture capital financing, which would go to firms that have established substantial operations such that the entity's revenues are sufficient to support regular payments on debt. These borrowers also are anticipated to be those with the greatest potential for growth in the relatively near term. As of October, 2014, WHEDA had allocated WVDF funds as follows: (a) $8 million to the Wisconsin Economic Development Corporation for the WEDC Technology Venture Fund, focused on manufacturing, life science and technology firms; (b) $1.5 million to the Madison Development Corporation for complementing its existing venture capital programs focused on technology, life science, and materials science companies; and (c) $1.5 million for the Milwaukee Economic Development Corporation to complement the M7 Venture Debt Loan Program for technology and life and material science firms in Milwaukee, Waukesha, Washington, Ozaukee, Racine, Kenosha and Walworth Counties. WHEDA reports each entity's programs generally provide loans of three to five years with an initial interest-only period of perhaps six months.

The WEIF provides equity investment in small businesses in low-income communities. WHEDA reports this equity financing is to be diversified, in that investments will be made in firms at varying stages of development as well as throughout multiple industries. Further, securing an equity stake, as WEIF investments do, differs from the approach of the WVDF, which provides capital to borrowers as a loan but without taking ownership in the recipient firm. WHEDA issued a request for proposals in November, 2011, for firms interested in managing the $7 million allocation for the WEIF. Generation Growth Capital of Milwaukee (the Generation Growth Capital Fund II) was selected to receive $4 million and the NEW Capital Fund of Appleton (NEW Capital Fund II) was selected to receive $2 million. Generation Growth Capital is expected to dedicate the $4 million allocation primarily to relatively mature growth- and revenue-stage manufacturing and non-technology firms. NEW Capital Fund is to focus on early-stage life and material science and information technology firms.

Capital Midwest Fund (Capital Midwest Fund II) of Milwaukee was selected to receive $1 million, but this award was later declined. WHEDA reports this amount, combined with the $3 million reallocated from the Wisconsin CAP, is expected to be awarded by 2015.

Table 21 shows the annual disbursements of SSBCI funds, as well as the number of entities that received funding anew in the year. Twenty-seven firms have received a total of $8.21 million in SSBCI funding since 2011 through June 30, 2014, including two firms that have received funding under both the WVDF and WEIF. Firms may be able to receive allocations in multiple draws that may occur in multiple years; therefore, the annual figures in Table 21 should not be construed as representing the total number of firms that received the amount of funding listed.

WHEDA Guarantee Program. The WHEDA Guarantee Program would use SSBCI funding to make loan guarantees to small businesses. WHEDA reports loan guarantees are intended to complement tax-credit or other financing, and perhaps on more flexible terms than allowable under WDRF-funded programs. However, no loan guarantees have been made using the $1.4 million of encumbered SSBCI funds as of June 30, 2014, and WHEDA reports these funds may be reallocated to the WEF in the future.

Program Administration. WHEDA may use

Table 21: State Small Business Credit Initiative Funding

Wisconsin Venture Debt Fund

Calendar Year	Amount	Number of Newly Funded Entities
2011	$190,000	1
2012	3,528,000	7
2013	2,592,500	11
2014*	462,500	3
Subtotal	$6,773,000	22

Wisconsin Equity Investment Fund

Calendar Year	Amount	Number of Newly Funded Entities
2012	$547,000	2
2013	720,000	4
2014*	170,000	1
Subtotal	$1,437,000	7
Total	$8,210,000	27**

*Through June 30.
** A total of 27 firms have received SSBCI funding, including two that have received funding under both the WVDF and WEIF.

5% of the first allocation and 3% each from the second and third allocations, or a total of $818,500 from the $22.4 million total, to be reimbursed for incurred administrative costs. As of June 30, 2014, WHEDA had used $417,200 for administrative costs, or about half its allowance.

Inactive Programs

Linked Deposit Loan Subsidy Program

The linked deposit loan (LiDL) program assisted private financial institutions in providing low-cost, short-term loans to certain small businesses more than 50% controlled or owned by minority group members or women. Eligible persons could borrow from $10,000 to $99,000 for a two-year term. Prior to its retirement, WHEDA financed the program with $3,000,000 of its unencumbered general reserves. Private financial institutions would use the capital to make below-prime rate loans to eligible borrowers. Upon agreement with a participating lender, the Authority would purchase certificates of deposit (CDs) from the lender, although the rate payable to WHEDA on the CDs for the duration of the linked deposit loan was to be lower than the lender's customary rate. In return for the Authority accepting a below-market rate on its investment, the lender would charge the LiDL borrower a below-prime interest rate on the loan. The Authority's deposit was not a guarantee or collateral and the borrower was solely responsible for loan repayment. Lenders determined loan terms and conditions. From 1998 to its closure in 2010, the LiDL program generated 235 loans totaling $12.7 million. WHEDA reports the final loan under the program was made in June, 2010, and matured in August, 2012.

Guaranteed Loans for the Restoration of Taliesin (Home of Frank Lloyd Wright)

1991 Wisconsin Act 39 authorized WHEDA to guarantee loans made to a non-profit organization that owns or leases cultural and architectural landmark property and improvements -- Taliesin, Frank Lloyd Wright's home in Spring Green. Guarantees were to be made under the WDRF and were to back loans of up to $8,000,000 made from the proceeds of WHEDA-issued economic development bonds or loans made by a private lender. The proceeds of the guaranteed loans were required to be used for: (a) acquiring, constructing, improving, rehabilitating, or equipping Taliesin; or (b) purchasing or improving land, buildings, or machinery or equipment or related expenses. Interest income received by individuals from the proceeds of any bonds that WHEDA issues to finance loans for Taliesin is exempt from state taxation. Further, real or personal property of Taliesin is exempted from general property taxation.

In October, 1993, $7,583,600 was loaned to the Taliesin Preservation Commission through the proceeds of debt instruments issued by WHEDA. The WDRF was used to guarantee 90% of the principal amount of the loan. WHEDA and the Commission restructured the loan agreement in April, 1997, to eliminate interest on the loan and split the loan into two parts. Payment on $6.5 million in principal would be deferred until January, 1999, while principal payments would be required on another $1.1 million. The smaller loan would be due in full in September, 2016.

A large portion of the loan ($6,494,700) defaulted in January, 1999. The WDRF, as guarantor, was responsible for repayment of 90% of the defaulted amount, or $5,845,200, with the remaining amount paid from a WHEDA reserve account for the loan. 1999 Act 9 transferred $5,845,200 in December, 1999, from the housing rehabilitation loan program administration fund to the WDRF to pay off the guarantee on the defaulted portion of the Taliesin loan. 1999 Act 9 further eliminated the guarantee program used for the Taliesin loan. The Commission paid off $422,200 on the remaining $1,122,200 in disbursements, with $700,000 in principal, of which $630,000 was guaranteed, remaining outstanding on December 31, 2008.

In January, 2009, WHEDA further restructured the remaining outstanding amounts to encourage a Taliesin fundraising initiative for a broad program to repair deteriorating buildings at the site. Under the agreement, WHEDA deferred principal payments of $60,000 in each of 2008 and 2009 and $70,000 in each of 2010 and 2011. Further, for every dollar Taliesin raised and subsequently spent on identified capital improvements, WHEDA was to forgive Taliesin's debt by the same amount, up to the remaining $700,000, by September 1, 2012. As a condition of the agreement, Taliesin was to deposit fundraising proceeds to an account from which expenditures were restricted to building repairs. Taliesin also was to provide WHEDA with a four-year capital improvement plan, and was to report every six months on the progress of the building and fundraising campaigns. The agreement provided Taliesin was to resume annual principal payments beginning September 1, 2012, on amounts remaining outstanding if the full $700,000 had not been raised and expended. The overall loan remained due in full by September, 2016. However, as of September, 2012, WHEDA had forgiven all remaining amounts based on Taliesin's fundraising.

Beginning Farmer Loan Program

2007 Act 125 repealed the Beginning Farmer Loan Program. Between July, 1994, and the program's discontinuation, WHEDA was authorized to issue up to $17.5 million in bonds and notes to provide financial institutions with capital to finance loans to beginning farmers. Eligible farmers were engaged in farming or wished to engage in farming and who met the federal Internal Revenue Code definition of first-time farmers for the purpose of determining whether a private activity bond is a tax-exempt bond. Loan proceeds could purchase agricultural land, agricultural improvements and depreciable agricultural property. The bonds and notes issued under this program were sold to financial institutions upon approval of a loan to a beginning farmer. They are special limited revenue obligation bonds and carry no general moral or legal obligation of WHEDA.

WHEDA issued $8,641,800 in bonds to 59 private lenders while the program was active. The last issuance was in 2005. As all bonds were issued without WHEDA's general obligation, WHEDA does not track current information on amounts outstanding.

Safe Drinking Water Loan Guarantee Program

The 1997 biennial budget act created a safe drinking water loan guarantee program for projects that improve the quality of drinking water in water systems not owned by local units of government. Unlike WDRF-guaranteed programs, eligible loans would be guaranteed by funds deposited to the Wisconsin drinking water reserve fund, supported in part by transfers that may be made by the Department of Natural Resources (DNR) from the safe drinking water loan fund of the environmental improvement fund.

Under the program, WHEDA may guarantee up to 80% of the principal of an eligible loan for individual loans. The total outstanding principal amount for all guaranteed safe drinking water loans generally is limited to $3.0 million. WHEDA is required to maintain a balance of at least one dollar for every $4.50 in total outstanding guaranteed principal authorized under the program. All loans guaranteed under this program are backed by the moral obligation of the Legislature to appropriate any funds necessary to meet the obligations created.

Prior to 1995, DNR and EPA negotiated policy and procedural issues related to the implementation of the program. In the fall of 2006, DNR indicated that EPA would require each small, privately owned water supply system that wanted to participate in the program to be scored according to the state's priority system and placed on a priority list with all other safe drinking water loan projects, requiring the borrower to incur costs for engineering and consulting activities. Funds would have to be allocated by project priority, meaning that loan guarantees would be issued once per year, based on the funding list. DNR determined that EPA requirements would be so onerous that a safe drinking water loan guarantee program could not be implemented.

Public Affairs Network Loan Guarantee

2011 Act 32 created a program guaranteeing up to $5 million in loan principal to nonprofit public affairs networks that primarily broadcast

Wisconsin legislative proceedings and coverage of state politics. It is likely the lone entity that would qualify on this basis is the WisconsinEye Public Affairs Network, which began broadcasting in 2007 and is currently supported by contributions from viewers and philanthropic efforts of various individuals and organizations.

The program authorizes WHEDA or a participating lender to make the loan, although an eligible loan may not exceed $5 million in principal. Eligible uses for loan proceeds include operating or capital expenses, provided that the loan will not refinance existing debt or be used for entertainment expenses. The lender must also take a security interest in the real or personal property of the borrower to ensure repayment of the loan.

The loan would be primarily guaranteed by the WDRF. However, the statutes allow WHEDA to transfer up to $5 million from the housing rehabilitation loan program administration fund to the WDRF if WDRF balances are insufficient to support the amount necessary for the loan. The program's authorizing statute also contains a moral obligation clause, under which the Legislature expresses its expectation and aspiration to make the Authority whole for any defaults on loans issued under the program.

The term of an eligible loan is established at a minimum of 13 years, with no principal or interest payments due during the first three years following issuance. The statutes limit total guarantees to $5 million, although no guarantee percentage is specified, meaning WHEDA would be required to establish the applicable guarantee percentage in the course of the loan being issued.

Following the enactment of 2011 Act 32, WisconsinEye announced it did not wish to pursue such financing in light of its mission for independent coverage of state government. As of 2014, WHEDA had no plans to make any loans or guarantees under this program.

APPENDICES

The following appendices are included to provide additional information on the Authority and its programs.

- Appendix I details the allocations of WHEDA's unencumbered general reserves for the 2013-14 and 2014-15 fiscal years.

- Appendix II lists Wisconsin county median incomes that are used for eligibility purposes in certain housing programs.

- Appendix III lists income and loan limits as of December, 2014 for various WHEDA single-family lending programs.

- Appendix IV displays WHEDA HOME, Advantage, and FHA Advantage single-family lending activity.

- Appendix V displays historical lending activity for home improvement programs.

- Appendix VI provides summary information regarding each current WHEDA program.

- Appendix VII summarizes the Transform Milwaukee initiative begun by WHEDA in May, 2012.

APPENDIX I

Allocations of WHEDA Unencumbered General Reserves

2014-15

Activity	Amount
Home Ownership	$2,000,000
Multifamily Housing	1,000,000
Small Business and Economic Development	3,675,949
Housing Grants and Services	700,000
Total	$7,375,949

2013-14

Activity	Amount
Home Ownership	$0
Multifamily Housing	0
Small Business and Economic Development	1,047,865
Housing Grants and Services	305,000
Total	$1,352,865

Sources: WHEDA 2014-15 "Dividends for Wisconsin" plan submitted August, 2014; WHEDA 2013-14 "Dividends for Wisconsin" plan submitted August, 2013.

APPENDIX II

Estimated 2014 Median Family Income by County

County	Median Income	County	Median Income
Adams	$49,500	Marathon	$65,400
Ashland	47,300	Marinette	55,900
Barron	56,000	Marquette	56,600
Bayfield	57,800	Menominee	37,500
Brown	68,200	Milwaukee	70,300
Buffalo	57,200	Monroe	62,800
Burnett	49,400	Oconto	60,400
Calumet	71,200	Oneida	58,100
Chippewa	64,800	Outagamie	71,200
Clark	54,100	Ozaukee	70,300
Columbia	70,800	Pepin	61,500
Crawford	54,900	Pierce	82,900
Dane	80,800	Polk	61,900
Dodge	66,300	Portage	63,700
Door	63,500	Price	57,500
Douglas	64,300	Racine	68,600
Dunn	63,900	Richland	57,400
Eau Claire	64,800	Rock	61,000
Florence	50,800	Rusk	50,200
Fond du Lac	66,800	Sauk	67,400
Forest	48,200	Sawyer	50,100
Grant	58,300	Shawano	56,100
Green	67,200	Sheboygan	65,100
Green Lake	65,800	St. Croix	82,900
Iowa	71,900	Taylor	58,000
Iron	49,100	Trempealeau	61,600
Jackson	54,300	Vernon	58,100
Jefferson	68,700	Vilas	53,800
Juneau	56,600	Walworth	70,700
Kenosha	63,500	Washburn	52,200
Kewaunee	68,200	Washington	70,300
La Crosse	66,300	Waukesha	70,300
Lafayette	62,000	Waupaca	62,700
Langlade	52,600	Waushara	53,700
Lincoln	62,400	Winnebago	68,800
Manitowoc	61,400	Wood	60,300

Source: U.S. Department of Housing and Urban Development.

Note: Income eligibility for certain WHEDA loans is based on provisions in the Internal Revenue Code, which generally specifies a limit of 115% of state or area median family income. Other adjustments under federal law may allow for higher income limits, as shown in Appendix III, than suggested by data above.

Under the Section 8 programs, eligibility at 30%, 50% or 80% of median family income would apply to the levels above for a four-person household. Income thresholds are adjusted for households smaller or larger than four.

APPENDIX III

Income and Loan Limits

WHEDA Advantage and FHA Advantage

This appendix lists, by county, the maximum income for households to be eligible for WHEDA Advantage and FHA Advantage first-mortgage loans. Also shown are the maximum amounts for single-family loans by county under FHA rules. All Fannie Mae loans are limited to $417,000.

	Advantage Income Limit		FHA Loan Limit
	1-2 Persons	3+Persons	
Adams	$76,245	$89,505	$271,050
Ashland	76,245	89,505	271,050
Barron	76,245	89,505	271,050
Bayfield	76,245	89,505	271,050
Brown	78,430	92,070	271,050
Buffalo	76,245	89,505	271,050
Burnett	76,245	89,505	271,050
Calumet	81,880	96,120	271,050
Chippewa	76,245	89,505	271,050
Clark	76,245	89,505	271,050
Columbia	81,420	95,580	271,050
Crawford	76,245	89,505	271,050
Dane	92,920	109,080	271,050
Dodge	76,245	89,505	271,050
Door	76,245	89,505	271,050
Douglas	76,245	89,505	271,050
Dunn	76,245	89,505	271,050
Eau Claire	76,245	89,505	271,050
Florence	76,245	89,505	271,050
Fond du Lac	76,820	90,180	271,050
Forest	76,245	89,505	271,050
Grant	76,245	89,505	271,050
Green	77,280	90,720	271,050
Green Lake	76,245	89,505	271,050
Iowa	82,685	97,065	271,050
Iron	76,245	89,505	271,050
Jackson	76,245	89,505	271,050
Jefferson	79,005	92,745	271,050
Juneau	76,245	89,505	271,050
Kenosha	76,245	89,505	365,700
Kewaunee	78,430	92,070	271,050
La Crosse	76,245	89,505	271,050
Lafayette	76,245	89,505	271,050
Langlade	76,245	89,505	271,050
Lincoln	76,245	89,505	271,050
Manitowoc	76,245	89,505	271,050
Marathon	$76,245	$89,505	$271,050
Marinette	76,245	89,505	271,050
Marquette	76,245	89,505	271,050
Menominee	76,245	89,505	271,050
Milwaukee	80,845	94,905	288,650
Monroe	76,245	89,505	271,050
Oconto	76,245	89,505	271,050
Oneida	76,245	89,505	271,050
Outagamie	81,880	96,120	271,050
Ozaukee	80,845	94,905	288,650
Pepin	76,245	89,505	271,050
Pierce	95,335	111,915	318,550
Polk	76,245	89,505	271,050
Portage	76,245	89,505	271,050
Price	76,245	89,505	271,050
Racine	78,890	92,610	271,050
Richland	76,245	89,505	271,050
Rock	76,245	89,505	271,050
Rusk	76,245	89,505	271,050
Sauk	77,510	90,990	271,050
Sawyer	76,245	89,505	271,050
Shawano	76,245	89,505	271,050
Sheboygan	76,245	89,505	271,050
St. Croix	95,335	111,915	318,550
Taylor	76,245	89,505	271,050
Trempealeau	76,245	89,505	271,050
Vernon	76,245	89,505	271,050
Vilas	76,245	89,505	271,050
Walworth	81,305	95,445	271,050
Washburn	76,245	89,505	271,050
Washington	80,845	94,905	288,650
Waukesha	80,845	94,905	288,650
Waupaca	76,245	89,505	271,050
Waushara	76,245	89,505	271,050
Winnebago	79,120	92,880	271,050
Wood	76,245	89,505	271,050

APPENDIX III (continued)

Income and Loan Limits

Tax Advantage and FTHB Advantage

This appendix lists, by county, the maximum income for households and home purchase prices under the WHEDA Tax Advantage and FTHB Advantage programs. These programs are supported by federal tax preferences, and requirements differ from those for the WHEDA Advantage and FHA Advantage programs. Cities and counties partially containing target areas are listed on the following page.

	Income Limit		Loan Limit		Income Limit		Loan Limit
	1-2 Persons	3+Persons			1-2 Persons	3+Persons	
Adams	$66,300	$76,245	$265,150	Marathon	$66,300	$76,245	$265,150
Ashland *	79,560	92,820	324,000	Marinette *	79,560	92,820	324,000
Barron *	79,560	92,820	324,000	Marquette *	79,560	92,820	324,000
Bayfield *	79,560	92,820	324,000	Menominee	66,300	76,245	265,150
Brown	68,200	78,430	265,150	Milwaukee	70,300	80,845	265,150
Buffalo	66,300	76,245	265,150	Monroe	66,300	76,245	265,150
Burnett *	79,560	92,820	324,000	Oconto *	79,560	92,820	324,000
Calumet	72,200	83,030	265,150	Oneida	66,300	76,245	265,150
Chippewa	66,300	76,245	265,150	Outagamie	72,200	83,030	265,150
Clark *	79,560	92,820	324,000	Ozaukee	70,300	80,845	265,150
Columbia	70,800	81,420	265,150	Pepin	66,300	76,245	265,150
Crawford *	79,560	92,820	324,000	Pierce	82,900	95,335	265,150
Dane	80,900	93,035	265,150	Polk	66,300	76,245	265,150
Dodge	66,300	76,245	265,150	Portage	67,600	77,740	265,150
Door	66,300	76,245	265,150	Price	66,300	76,245	265,150
Douglas	66,300	76,245	265,150	Racine	68,600	78,890	265,150
Dunn	66,300	76,245	265,150	Richland	66,300	76,245	265,150
Eau Claire	66,300	76,245	265,150	Rock	66,300	76,245	265,150
Florence	66,300	76,245	265,150	Rusk *	79,560	92,820	324,000
Fond du Lac	66,800	76,820	265,150	Sauk	67,400	77,510	265,150
Forest	66,300	76,245	265,150	Sawyer *	79,560	92,820	324,000
Grant	66,300	76,245	265,150	Shawano	66,300	76,245	265,150
Green	68,100	78,315	265,150	Sheboygan	67,100	77,165	265,150
Green Lake	66,300	76,245	265,150	St. Croix	82,900	95,335	265,150
Iowa	71,900	82,685	265,150	Taylor	66,300	76,245	265,150
Iron *	79,560	92,820	324,000	Trempealeau *	79,560	92,820	324,000
Jackson *	79,560	92,820	324,000	Vernon	66,300	76,245	265,150
Jefferson	68,700	79,005	265,150	Vilas	66,300	76,245	265,150
Juneau *	79,560	92,820	324,000	Walworth	70,700	81,305	265,150
Kenosha	83,520	97,440	265,150	Washburn	66,300	76,245	265,150
Kewaunee	68,200	78,430	265,150	Washington	70,300	80,845	265,150
La Crosse	69,200	79,580	265,150	Waukesha	70,300	80,845	265,150
Lafayette	66,300	76,245	265,150	Waupaca	66,300	76,245	265,150
Langlade	66,300	76,245	265,150	Waushara	66,300	76,245	265,150
Lincoln	66,300	76,245	265,150	Winnebago	68,300	78,545	265,150
Manitowoc	66,300	76,245	265,150	Wood	66,300	76,245	265,150

* Counties are federal target areas of economic distress and subject to higher income and purchase price limits.

APPENDIX III (continued)

Income and Loan Limits

Tax Advantage and FTHB Advantage

Urban Targeted Areas

	Income Limit		
	1-2 Persons	3+Persons	Loan Limit
• Augusta	$79,560	$92,820	$324,000
• Beloit	79,560	92,820	324,000
• Clear Lake	79,560	92,820	324,000
• Eau Claire	79,560	92,820	324,000
• Green Bay	81,840	95,480	324,000
• Janesville	79,560	92,820	324,000
• Kenosha	83,520	97,440	324,000
• La Crosse	83,040	96,880	324,000
• La Farge	79,560	92,820	324,000
• Madison	97,080	113,260	324,000
• Milwaukee	84,360	98,420	324,000
• Racine	82,320	96,040	324,000
• Sheboygan	80,520	93,940	324,000
• Superior	79,560	92,820	324,000
• Waukesha	84,360	98,420	324,000
• Wausau	79,560	92,820	324,000

Partial County Targeted Areas

• Menominee	$79,560	$92,820	$324,000

APPENDIX IV

Homeownership Mortgage Loan Program (HOME) and WHEDA Advantage

Historical Bonding Activity

Bond Issue	Amount of Bonds Issued	Amount Available for Loans	Mortgage Rate
1980 Series A	$45,000,000	$38,575,000	9.67%
1982 Series A	100,000,000	89,641,656	13.75
1982 Issue II	50,000,000	49,097,612	10.75, 11.0
1983 Issue I	60,000,000	52,213,244	10.25
1983 Issue I	90,000,000	80,436,614	10.70
1983 Issue II	35,000,000	31,971,568	11.00
1984 Issue I	140,000,955	116,242,940	11.25
1984 Issue II	41,110,948	32,836,675	10.90
1985 Issue I	169,995,438	155,959,688	9.65
1985 Issue II	10,003,263	9,172,580	9.90
1985 Issue III	19,495,597	18,060,409	9.75
1986 Series A	30,740,000	28,850,000	8.65
1986 Series B	67,105,000	62,500,000	7.99
1987 Series A	44,625,000	42,000,000	8.85
1987 Series B&C	100,000,000	94,750,000	8.75
1987 Series D&E	42,000,000	39,250,000	8.99
1988 Series A&B	75,000,000	71,160,000	8.875
1988 Series C	135,000,000	130,843,434	8.80
1988 Series D	204,999,158	198,585,859	8.60
1989 Series A	36,150,000	35,251,514	8.97
1989 Series B&C	73,769,715	71,542,450	8.55
1990 Series A,B&C	168,130,000	163,637,469	8.95
1990 Series D&E	79,300,000	76,805,714	8.88
1991 Series A,B&C	89,500,000	86,641,615	8.85
1991 Series 1,2&3	97,565,000	94,823,229	8.21, 7.9
1992 Series A&B	96,285,000	79,760,000	7.99
1992 Series 1&2	100,000,000	98,097,000	7.71
1993 Series A&B	116,165,000	114,150,000	7.00, 8.25
1994 Series A&B	82,645,000	70,468,982	6.50, 8.25
1994 Series C&D	50,000,000	48,957,000	7.68
1994 Series E&F	30,000,000	29,800,000	8.49
1995 Series A&B	125,000,000	121,355,383	8.17
1995 Series C,D&E	100,000,000	96,910,590	7.79
1995 Series F,G&H	70,000,000	68,600,000	7.60
1996 Series A&B	75,000,000	74,180,000	7.13
1996 Series C&D	75,000,000	74,167,000	7.47
1996 Series E&F	60,000,000	59,223,000	7.04
1997 Series A,B&C	85,000,000	84,189,000	7.49
1997 Series D,E&F	95,000,000	94,029,000	7.01
1997 Series G,H&I	75,000,000	73,869,000	6.74

APPENDIX IV (continued)

Homeownership Mortgage Loan Program (HOME) and WHEDA Advantage

Historical Bonding Activity

Bond Issue	Amount of Bonds Issued	Amount Available for Loans	Mortgage Rate
1998 Series A,B&C	$126,785,000	$101,785,400	6.42%
1998 Series D&E	115,000,000	113,887,742	6.60
1998 Series F&G	95,000,000	94,021,706	6.54
1999 Series C,D&E	90,000,000	89,098,970	6.65
1999 Series F,G,H&I	80,000,000	80,000,000	6.87
2000 Series A,B&C	70,000,000	69,279,000	7.79
2000 Series E&F	63,000,000	63,000,000	7.75
2000 Series H	35,000,000	33,786,440	8.90
2001 Series A,B,C&D	94,060,000	85,126,000	6.50
2002 Series A,B,C&D	135,565,000	78,230,000	5.87
2002 Series E,F,G&H	160,000,000	113,114,000	5.87
2002 Series I&J	95,000,000	95,000,000	5.87
2003 Series A	110,000,000	109,164,000	5.40
2003 Series B	110,000,000	108,878,000	5.38
2003 Series C&D	110,215,000	87,304,000	5.54
2004 Series A&B	136,295,000	126,763,000	5.45
2004 Series C&D	150,000,000	146,672,299	5.44
2005 Series A&B	131,200,000	117,517,063	5.35
2005 Series C	200,000,000	195,348,457	5.26
2005 Series D&E	148,500,000	146,985,300	5.26
2006 Series A&B	200,000,000	196,000,000	5.15
2006 Series C&D	247,585,000	244,432,872	6.16
2006 Series E&F	180,000,000	175,900,692	6.28
2007 Series A&B	180,000,000	174,025,427	6.12
2007 Series C&D	225,000,000	219,513,224	5.91
2007 Series E&F	130,000,000	126,075,047	5.88
2008 Series A&B	190,000,000	185,901,840	5.77
2010 Series A/2009 Series A-1	100,000,000	100,571,840	5.23
Total	$6,947,790,074	$6,535,987,544	

APPENDIX IV (continued)

Homeownership Mortgage Loan Program (HOME) and WHEDA Advantage

HOME Loan Activity

Year	Number of Loans	Amount
1980	805	$29,379,485
1981	203	9,630,508
1982	1,284	43,660,764
1983	5,073	187,441,013
1984	4,033	155,837,376
1985	4,797	178,371,061
1986	2,263	84,187,848
1987	3,782	156,612,841
1988	4,338	181,742,936
1989	6,334	283,246,121
1990	6,951	317,373,822
1991	4,112	180,466,199
1992	4,532	206,409,766
1993	2,103	91,891,081
1994	4,079	207,870,035
1995	4,670	254,059,161
1996	3,838	203,155,696
1997	3,957	227,046,845
1998	4,498	287,348,073
1999	3,332	218,719,693
2000	3,532	243,875,966
2001	2,645	194,477,594
2002	3,507	287,143,978
2003	4,004	360,337,356
2004	4,132	408,066,669
2005	5,226	566,143,209
2006	4,553	499,528,927
2007	4,705	522,056,353
2008	2,746	295,336,844
2009	0	0
Subtotal	110,034	$6,881,417,220

APPENDIX IV (continued)

Homeownership Mortgage Loan Program (HOME) and WHEDA Advantage

WHEDA Advantage (Fannie Mae) Loan Activity

2010	657	$74,007,746
2011	374	39,305,692
2012	640	71,238,720
2013	1,077	119,772,833
2014*	557	62,769,115
Subtotal	3,305	$367,094,106

FHA Advantage Loan Activity

2010	2	$163,300
2011	0	0
2012	11	1,167,569
2013	49	5,056,540
2014*	40	4,165,107
Subtotal	102	$10,552,516
Total	**113,441**	**$7,259,063,842**

* Through June 30.

Note: Activity does not reflect refinance loans made under WHEDA Advantage (Fannie Mae).

APPENDIX V

Home Improvement Loan and Home Improvement Advantage Programs

Bond Issue	Amount of Bonds Issued	Amount Available for Loans	Mortgage Rate
R-1 Subordinated	$4,880,000	---	---
1979 Series A	20,120,000	$22,398,868	4, 6, 8%
1981 Series A	9,990,000	12,761,268	9.9, 12.9, 14
1983 Series A	10,000,000	10,275,307	10.95
1984 Series A	9,999,850	9,773,539	10.95
1985 Series A	10,000,000	10,275,000	10.5
Prepayments and Excess Revenues	---	2,700,000	8
1988 Series A	12,635,000	11,679,975	8.75
1990 Series A&B	10,000,000	9,272,200	8.75
1992 A&B	10,000,000	9,140,250	8
Total	$97,624,850	$98,276,407	

Home Improvement Loan Activity by Calendar Year

Year	Number of Loans	Amount
1979	448	$2,504,434
1980	2,800	16,636,013
1981	255	1,480,773
1982	981	5,931,679
1983	1,084	6,339,121
1984	1,722	11,607,301
1985	1,279	8,803,193
1986	365	2,688,067
1987	160	1,152,813
1988	654	3,911,100
1989	1,326	7,650,629
1990	977	6,624,234
1991	580	4,135,288
1992	457	3,469,618
1993	308	2,333,329
1994	341	2,868,054
1995	257	2,369,850
1996	194	1,668,622
1997	176	1,645,406
1998	147	1,376,213
1999	111	1,097,043
2000	93	902,591
2001	55	497,948
2002	53	578,320
2003	49	558,077
2004	57	720,667
2005	94	1,084,911
2006	101	1,080,965
2007	79	1,002,996
2008*	8	126,101
Subtotal	15,212	$102,845,356

*Program was suspended effective April, 2008.

APPENDIX V (continued)

Home Improvement Loan and Home Improvement Advantage Programs

Home Improvement Advantage Loan Activity By Calendar Year

Year	Number of Loans	Amount
2009	6	$42,690
2010	2	20,000
2011	5	41,368
2012	6	39,884
2013	12	95,113
2014*	6	89,631
Subtotal	37	$325,686
Total (Both Programs)	**15,249**	**$103,171,042**

*Through June 30.

APPENDIX VI

Summary of Primary WHEDA Programs
Housing Programs

Program	Purpose	Primary Funding	Program Activity
WHEDA Advantage (Fannie Mae or FHA)	Mortgage loans for the purchase of homes by low- and moderate-income households.	Secondary market sales of loans; mortgage revenue bonds utilized in past	In 2013, 1,126 loans totaling $124,829,373 were made.
Home Improvement Advantage Program	Housing rehabilitation loans to low- and moderate-income households.	State-seeded revolving loan fund; revenue bond proceeds eligible	In 2013, 12 loans were issued for $95,113.
WHEDA Refi Advantage	Refinance WHEDA-issued first-mortgage loans.	Secondary market sales	In 2013, nine loans for $837,750 were issued.
WHEDA Tax Advantage	Award mortgage credit certificates (MCCs) for eligible owners of single-family homes to claim federal income tax credits for mortgage interest paid.	Federal tax-exempt volume cap	In 2013, 209 MCCs were issued with an approximate lifetime value of $6.8 million.
Multifamily Loan Program	Financing to developers of multifamily projects for low- and moderate-income households.	Revenue bond proceeds and WHEDA general reserves	In 2013, 24 loans for $49,594,987 were made, representing 705 units.
Easy Close Advantage Program	Loans of up to $3,000 for down payment or home mortgage closing costs.	WHEDA general reserves	In 2013, 454 loans totaling $1,552,300 were made.
WHEDA Foundation Grant Program	Grants to nonprofit organizations for housing-related purposes.	WHEDA general reserves	In 2014, grants of $355,000 were distributed among 28 organizations.
Property Tax Deferral Loan Program	Loans to low-income elderly homeowners for payment of property taxes.	WHEDA general reserves	In the 2014 program year (December, 2013, through June, 2014), 24 loans totaling $63,100 were made.
Low-Income Housing Tax Credit Program	Federal tax credits to developers of low-income rental housing.	Federal tax credits	In 2014, $13,023,789 worth of (one-year) tax credits was approved for 26 projects and 1,205 low-income units.
Section 8/Project-Based Rental Assistance	Housing payments directly to property owners to subsidize rental housing for persons of low income.	Federal funds	As of November, 2014, WHEDA administers monthly subsidies equivalent to $160.4 million annually, which covers 31,300 units.
Section 8/Housing Choice Voucher Program (Tenant-Based Rental Assistance)	Federal housing vouchers to low-income households.	Federal funds	As of January, 2015, WHEDA administers 2,239 vouchers equivalent to assistance of approximately $10 million per year.

APPENDIX VI (continued)

Summary of Primary WHEDA Programs

Economic Development Programs

Program	Purpose	Funding Source	Program Activity
Credit Relief Outreach Program (CROP) and Drought Assistance Loan Guarantees	Guarantee loans to farmers for agricultural production, including, in 2012 and 2013, loans for drought relief assistance.	Wisconsin Development Reserve Fund (WDRF)	In 2014 through June 30, 19 CROP loans were closed with total guarantees of $1,355,170. Twenty-three drought assistance loans were guaranteed for $288,450 from August, 2012, through the application period expiring December 31, 2013.
Farm Assets Reinvestment Management (FARM) Loan Guarantee Program	Guarantee for the acquisition of farm assets and/or improvements of agricultural facilities or land.	WDRF	In 2013, one loan was made with a guarantee of $52,500.
Small Business Development Loan Guarantee Program	Guarantee loans for the acquisition or expansion of a business with less than 50 employees.	WDRF	In 2013, four loans with total guarantees of $1,043,135 were made.
Agribusiness Loan Guarantees	Guarantee loans for projects resulting in the development of new or more viable methods for processing or marketing a Wisconsin-grown commodity.	WDRF	No loans have been guaranteed since 2012.
Contractors Loan Guarantee Program	Guarantee loans to contractors for the completion of a contract as part of the small business development loan guarantee.	WDRF	As of June 30, 2014, the last lending under this subprogram was one loan in 2011 at a guarantee of $80,000.
Neighborhood Business Revitalization Guarantee Program	Guarantee loans for the expansion or acquisition of small businesses or commercial real estate.	WHEDA general reserves	No loans have been guaranteed since 2011.
Economic Development Lending	Lending for economic development projects to create or maintain employment in the state.	WHEDA general reserves; also, bonding authority of up to $150 million annually through 2014-15, with possible extensions under a passive review by the Joint Committee on Finance.	From 2012 through June 30, 2014, six loans had been issued for $5,605,593 using WHEDA's general-reserve revolving fund. Since the resumption of economic development bonding in 2011-12, one loan for $42.5 million was made using economic development bonds in August, 2012; it does not carry WHEDA's general obligation.
New Markets Tax Credits	Allocate federal income tax credits to encourage economic development projects in low-income areas.	Federal tax credits	WHEDA-affiliated entities have been awarded $450 million total since 2004. In 2013, qualifying equity investments of $13,273,100 were approved for tax credits.
State Small Business Credit Initiative	Increase credit access to small businesses through lending, equity investments and loan guarantees.	Federal funds	WHEDA is administering $22.4 million for Wisconsin. Approximately $3.3 million was disbursed to recipient firms in 2013.

APPENDIX VII

Transform Milwaukee

On April 30, 2012, WHEDA and the Governor announced the creation of Transform Milwaukee, which would utilize resources primarily from, or allocated by, WHEDA to encourage construction and redevelopment of housing and commercial properties throughout Milwaukee's 30th Street corridor, the Menomonee Valley, the Port of Milwaukee and the Milwaukee Aerotropolis, a multimodal transportation hub proposed for an area south of General Mitchell Airport. WHEDA expected Transform Milwaukee to include at least $100 million in total WHEDA-directed expenditures and allocations of tax credits over a two-year period beginning May 1, 2012. Further, WHEDA expected its activities would prompt an additional $100 million in funding from various private and public sources, for a total of $200 million over the two-year period. In general, the additional funding would come from: (a) other equity financing secured by projects receiving federal tax credits under the low-income housing tax credit (LIHTC) and New Markets Tax Credits (NMTC) programs described elsewhere in the paper; (b) down payments and other additional financing for multifamily housing developments; (c) down payments on single-family residence purchases; and (d) other supplementary financing for recipients of various loans or grants.

WHEDA reported $80.8 million in WHEDA-directed expenditures or allocations had occurred as of April 30, 2014, with an estimated $133.7 million in additional public and private commitments having occurred as a result. WHEDA re-

Table 22: WHEDA Funding for Transform Milwaukee

Program	Two-Year WHEDA-Directed Amount	Fund Source	Estimated Additional Funding
Economic Development			
Economic Development Bonding and New Markets Tax Credits	$50,000,000	Federal tax credits	$29,408,700
Economic Development Direct Loans	252,000	WHEDA reserves	379,000
SSBCI Equity Investment Fund	470,000	Federal funds	680,000
Multifamily Housing Development			
Multifamily Housing Financing	18,435,400	WHEDA bonding, reserves	41,841,900
Low-Income Housing Tax Credits	4,494,100	Federal funds	57,879,100
Single-Family Housing Development			
Single-Family Mortgage Lending	4,616,900	Secondary market sales	294,200
NW Impact -- Housing Rehabilitation	1,800,000	WHEDA reserves	1,800,000
Other Programs			
WHEDA Foundation Grants	210,000	WHEDA reserves	654,800
Stormwater Study	250,000	WHEDA reserves	646,000
TM Strategic Plan	267,700	WHEDA reserves	110,500
Subtotals	$80,796,100		$133,694,200
Total WHEDA and Other Sources		$214,490,300	

ports approximately $112 million in additional funding was from private sources participating on NMTC projects and multifamily housing developments. Additional public financing amounted to approximately $21.7 million, according to WHEDA, and most of these amounts also were associated with NMTC and multifamily housing developments. The following sections describe components of the WHEDA-directed and outside funding. Table 22 summarizes the funding that occurred as of the two-year anniversary of Transform Milwaukee's launch.

Economic Development

Economic Development Bonding and New Markets Tax Credits. NMTCs were awarded for $30 million on qualifying investment for a Marriott hotel redevelopment in Downtown Milwaukee. In addition to NMTCs authorized for the project, WHEDA issued $42.5 million in federally tax-exempt revenue bonds in late 2012. The bonds were sold to private purchasers and did not carry WHEDA's general obligation, meaning the Authority is not liable to bondholders for any failure to make payment.

In addition, WHEDA awarded NMTCs for $20 million in qualifying investments for the Global Water Center in 2012. The Global Water Center is a redevelopment of former warehouse space and now includes office and research space for several water-related businesses and educational institutions.

It should be noted that NMTCs are awarded on the basis of total qualifying equity investments in a project. Tax credits claimable are 39% of the project's qualifying investment, meaning $50 million recognized by WHEDA for the two Transform Milwaukee-area projects would equate to total possible credits of $19.5 million. WHEDA reports total additional financing participating in the NMTC-awarded developments is $29,408,700.

Direct Participation Economic Development Loans. In 2012, WHEDA made a loan of $252,000 under its Participation Lending Program in the Transform Milwaukee area to a metals manufacturing and fabrication company. Additional financing for the loan is estimated at $379,000.

Small Business Equity Programs. WHEDA allocated $470,000 to two projects through a venture capital program administered with the Milwaukee Economic Development Corporation. Funding is provided as loans under the Wisconsin Venture Debt Fund (WVDF); the WVDF is a component of Wisconsin's State Small Business Credit Initiative program, under which WHEDA is administering $22.4 million of federal funds on the state's behalf. WHEDA reports additional funding participating in the awarded projects is $680,000.

Small Business Loan Guarantees. Although no loan guarantees were made under Transform Milwaukee in its initial two-year period, WHEDA has pledged $3.25 million to make loan guarantees to small businesses in the Transform Milwaukee area. These funds include $2.5 million GPR appropriated to the WDRF in 2013-14, as well as $750,000 WHEDA is administering from its $2 million share of the 2012 National Mortgage Settlement. The $3.25 million for loan guarantees, if leveraged at a 4.5:1 ratio in accordance with WDRF provisions, and guaranteeing loans at 50%, could support loans of more than $29 million. Guarantees would be administered using similar provisions to the small business loan guarantee program described in Chapter 3. Notable exceptions would be Transform Milwaukee guarantees are eligible for reduced or waived fees and for 80% guarantees.

Multifamily Housing Development

Multifamily Housing Financing. WHEDA reports seven loans totaling $18,435,400 were issued in the Transform Milwaukee area for multifamily housing developments in the two-year initial period. Total additional financing contributed was reported to be $41,841,900, which includes developer down payments and other financing secured for projects. Loans may be supported by WHEDA's general reserves and by mortgage revenue bonds, which require a percentage of units in each financed property to be set aside for households at or below certain percentages of area median income. Bonds financing multifamily housing developments may carry both federal and state tax exemptions on interest earnings.

Low-Income Housing Tax Credits. WHEDA awarded $4,494,100 in federal low-income housing tax credits during Transform Milwaukee's initial two-year period. This figure represents the single-year amount of tax credits that may be claimed by investors, which is claimable for each year of a 10-year period. Therefore, total credits claimed for the selected projects would be approximately $45 million. As future credits commonly are sold by developers at a discount to other investors in exchange for up-front financing, LIHTCs are considered to leverage other financing. WHEDA estimates the additional financing secured by LIHTC projects was about $57.9 million.

Single-Family Housing Development

Single-Family Mortgage Lending. WHEDA reports it made 46 loans for single-family residences in Transform Milwaukee's first two years for a total of $4,616,900 under its standard WHEDA Advantage loans. Borrower down payments were $159,500, and additional funding of $134,600 was provided from various private sources and several local, federal and state programs, including WHEDA Easy Close.

Northwest Side Community Development Corporation. In 2012 and 2013, WHEDA and the Milwaukee-based nonprofit organization Northwest Side Community Development Corporation (NWSCDC) approved a number of lending initiatives to be carried out in partnership under the Transform Milwaukee initiative. As of April 30, 2014, NWSCDC was operating two single-family residential development programs through a wholly owned subsidiary known as NW Impact. In both programs, NW Impact acquires distressed properties in need of improvements or repairs. Properties are then rehabilitated and either sold or rented.

WHEDA initially agreed to commit approximately $2.5 million of Authority funds to NWSCDC for these single-family residential and other small-business lending initiatives. Since 2013, a planned economic development lending program has not been implemented, and a single-family residential development program that would have purchased and modified troubled or nonperforming loans, rather than properties, has not been feasible to implement.

As of April, 2014, WHEDA's participation in the program includes a 15-year, no-interest loan of up to $1.8 million from the Authority's Home Ownership Development Fund, which is maintained as an encumbrance in its general fund. Of this amount, $1,300,000 is for funding direct housing-related costs, and $500,000 is for working capital to administer the programs. Additional private financing of $1.8 million has been made to NW Impact, all of which is for direct housing purchases. WHEDA reports NW Impact has until July 31, 2015, to draw upon the funds. On that date, funds committed to projects would become the outstanding loans and would become payable over the 15-year term. If total direct housing costs were less than the $3.1 million available, amounts committed to the loans would be in proportion to each of the amounts offered by WHEDA and the private lender, or at about a 58%:42% split. As properties are sold or rents received, these funds received by NW Impact would pay down the outstanding loans, with the private loan to be repaid first.

As of April 30, 2014, WHEDA reports seven single-family residences had been acquired for subsequent rehabilitation. WHEDA had approved draws of $296,700 from the allotment for working capital.

Miscellaneous Funding

WHEDA Foundation Grants. The WHEDA Foundation granted $210,000 of WHEDA's unencumbered general reserves to 10 recipients serving the Transform Milwaukee project area during the initiative's first two years. WHEDA estimates additional funding secured by the Foundation-funded projects was $654,800, although $512,000 of this amount is attributed to one project, and half of the awardees reported no additional funding secured.

Stormwater Study. At the request of the Milwaukee Metropolitan Sewerage District (MMSD), WHEDA approved $250,000 from its 2011-12 Dividends plan for an MMSD-commissioned study of stormwater management in the 30st Street corridor north of the Menomonee River to Lincoln Creek. The studies are intended to minimize or eliminate flood potential in residential and industrial areas targeted for development. An additional $646,000 was contributed to the study by MMSD.

Transform Milwaukee Strategic Plan. WHEDA has commissioned an assessment of several industrial areas in the Transform Milwaukee project boundaries to determine resources available and how future activities of WHEDA and other entities can best be deployed. WHEDA allocated $267,700 for the strategic plan, which is expected to be completed in early 2015. Additional amounts of $110,500 were contributed by other private and public sources as of April 30, 2014.

Blight Elimination Grants. As discussed in Chapter 2, WHEDA administered $500,000 from the state's share of the 2012 National Mortgage Settlement for competitive grants to demolish abandoned, blighted properties in Milwaukee. Grants were awarded for the demolition of one- to four-unit residences, and were intended to clear low-value housing stock that could be replaced by green space or new housing or commercial development. WHEDA grants funded the demolition of 39 properties in Milwaukee.

Blight elimination grants are not shown in Table 22, as WHEDA considers the National Mortgage Settlement to be an atypical funding source compared to Authority funds or allocations of federal funds and tax credits customarily administered by WHEDA. However, WHEDA reports awarded funds were deployed in the designated Transform Milwaukee area.

Past Funding in Milwaukee

Table 23 shows lending and tax credit allocations in the City of Milwaukee for 2007 through 2011, the five full years preceding Transform Milwaukee's implementation. Three circumstances should be noted to explain unusually high or low amounts in the table. First, WHEDA temporarily ceased most single-family lending from October 2008, to March, 2010, accounting for significantly lower lending activity in 2009. Additionally, LIHTC amounts allocated to Wisconsin were increased for 2009 and 2010 under the federal Heartland Disaster Tax Relief Act of 2008. Finally, the LIHTC program also was augmented by additional funding under the American Recovery and Reinvestment Act of 2009 through the Tax Credit Assistance Program (TCAP) and Tax Credit Exchange Program (Exchange). The programs provided additional financial support in 2009 and 2010 for LIHTC projects to alleviate financing difficulties such projects experienced following the 2007-2009 recession.

Table 23 shows total funding of $330.4 million during the five-year period from 2007 through 2011, with funding of $103.8 million for single-family housing, $115.2 million in multifamily housing, and $111.4 million in economic development funding. Annual funding averaged over $66.1 million, including $20.8 million for single-family housing, $23 million for multifamily housing and $22.3 million for economic development projects.

Not shown in Table 23 are lending activities under several second-mortgage or low-volume programs including: (a) the Home Improvement Advantage loan program; (b) Easy Close Advantage; and (c) the neighborhood business revitalization loan guarantee program. These programs did not significantly contribute toward achieving the two-year initial funding goals of Transform Milwaukee.

Table 23: Previous WHEDA Funding in the City of Milwaukee under Transform Milwaukee Component Programs

Program	2007		2008		2009		2010		2011	
Single-Family Housing										
First Mortgages	$59,095,844	(502)	$35,594,300	(308)	$345,997	(4)	$6,939,342	(68)	$1,810,847	(19)
Multifamily Housing										
Loans	$4,464,999	(3)	$7,650,000	(2)	$5,991,892	(2)	$9,007,441	(4)	$20,601,074	(4)
Low-Income Housing Tax Credits (LIHTC)	4,424,500	(12)	4,270,173	(8)	16,851,353	(21)	15,392,643	(10)	6,128,064	(9)
LIHTC/Loans Combined Deals	8,304,584	(2)	7,669,018	(1)	4,418,147	(1)	0	(0)	0	(0)
Subtotal	$17,194,083	(17)	$19,589,191	(11)	$27,261,392	(24)	$24,400,084	(14)	$26,729,138	(13)
Economic Development										
Small Business Dev. Loan Guarantees	0	(0)	442,539	(6)	1,128,799	(9)	472,000	(4)	185,600	(2)
New Markets Tax Credits	0	(0)	31,000,000	(2)	10,000,000	(1)	5,250,000	(1)	62,976,896	(3)
Subtotal	$0	(0)	$31,442,539	(8)	$11,128,799	(10)	$5,722,000	(5)	$63,162,496	(5)
WHEDA Total	**$76,289,927**	**(519)**	**$86,626,030**	**(327)**	**$38,736,188**	**(38)**	**$37,061,426**	**(87)**	**$91,702,481**	**(37)**

Note: Parentheses indicate the number of loans or projects awarded funding for the corresponding dollar amount.