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FOR INFORMATION CALL

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Ald. Michael J. Murphy
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Amendments double funding for STRONG Homes Loan program

With the signing of Mayor Tom Barrett’s budget, Milwaukee homeowners will soon be able to tap into \$1 million in partially-forgivable loans to fund essential home repairs as a part of the STRONG Homes Loan program.

The Milwaukee Common Council doubled the \$500,000 that was originally set aside for the program during its budget deliberations, **President Michael J. Murphy said**, because of the program’s capacity to provide relief to property owners whose homes have lost significant value during the foreclosure crisis.

“This unique program shows great potential to support homeownership and promote neighborhood stability,” Alderman Murphy said. “We expect to see many people apply to be a part of the STRONG Homes Loan program.”

Starting in January, owner-occupants can apply for loans of up to \$20,000 to pay for emergency repairs, essential rehabilitation and code correction orders, with interest rates between zero and three percent. Qualifying households must have an income at or below 120 percent of the area median (\$84,360 for a family of four). 25 percent of the loan amount will be forgiven if the owner stays in the home for 10 years.

“Supporting middle- and working-class homeowners is crucial to increasing neighborhood stability,” said Alderman Robert Bauman, a co-sponsor of the amendment. “This program will assist them in making much-needed repairs and maintaining the value of their investments, all while improving the quality of life in their neighborhoods.”

A term sheet is attached. More information is available at milwaukee.gov/NIDC.

STRONG HOMES LOAN PROGRAM

BACKGROUND

The City currently operates a number of loan programs to assist homeowners in rehabilitating their properties. These programs are funded with Federal block grant and HOME dollars, tax incremental funding (in existing TID districts) and City funds. Based on the collective experience of City Departments in the administration of these programs, and in reviewing other programs available for similar purposes throughout the community, gaps remain in the resources available to assist homeowners in addressing home rehabilitation needs.

These include the following:

- Several programs (comprising the majority of funding dedicated for this purpose) are federally funded and require “whole house rehab” to achieve total code compliance and lead abatement. This increases the cost of assistance and the number of homeowners who can be served and often precludes the ability to limit rehabilitation plans to essential repairs – e.g., roof or furnace replacement.
- Federal programs have income guidelines – typically <80% of AMI – and homeowners with incomes over these limits who may not have conventional financing options available to them (especially as a result of the real estate downturn) cannot access resources.
- Due to limited resources and/or federal requirements, many programs are geographically targeted and homeowners may not be able to access them.
- Elderly residents with limited incomes may not be able to afford any monthly payments – even using programs with very low interest loans and flexible repayment terms.
- Some homeowners with the capacity to make payments on loans may not be able to qualify for loans because they are underwater on their mortgages due to the housing market decline – even with liberal underwriting guidelines that allow loan to value ratios of up to 150%.

The Strong Homes Loan Program is designed to:

- Assist as many homeowners as possible given that funding sources are not unlimited
- Address critical housing needs that promote the retention of homeownership (e.g., foreclosure prevention, the cancellation of homeowners insurance, the abatement of code violations, essential and emergency repairs)
- To the maximum extent possible, provide a future source of revenue that can fund additional activity (a program that “revolves” funds)
- Fill gaps which aren’t being addressed by limitations of existing programs – e.g., income restrictions, rehab limitations, geographic restrictions, etc.

STRONG HOMES LOAN PROGRAM GUIDELINES

The Strong Homes Loan Program will offer loans to owner occupants of 1-4 family properties throughout the City of Milwaukee on a first come, first served basis. Loans can be used to address essential home repairs as described in the program guidelines. Loans are repayable, with terms and rates based on income and ability to pay. A deferred payment option is available for low income elderly and disabled homeowners. Technical assistance will be provided to homeowners under the program to assist them in undertaking their rehabilitation projects. The Program will be administered by the Department of City Development (DCD).

Loan Type:	Repayable Loan
Interest Rate:	Based on Income: <50% of AMI – 0%, > 50% of AMI – 3% (deferred payment loans carry no interest rate). Rates will be reviewed annually and can be adjusted to reflect changes in market rates.
Term:	Up to 15 years, deferred payment option available for low income elderly and disabled residents
Min. /Max. Loan Amount:	\$1,000 - \$20,000
Loan Payment:	Payments will be based on an amortization period of up to 15 years (based on ability to pay). Deferred payment option available for low income elderly and disabled residents.
Homeownership Retention Credit/Forgiveness	Homeowners can earn a “retention” credit – with 25% of the original principal amount of the loan forgiven after 10 years, as long as they continue to own and occupy the property
Security:	Mortgage will be placed on property
Income Limits:	75% of the funds dedicated for the program will be reserved for families with household incomes of <80% of AMI, 25% of the funds dedicated for the program will be available to families with incomes between 80%-120% of AMI*
Eligible Structures:	1-4 family owner occupied residential properties
Geographic Area:	Program available Citywide

*The 75%/25% allocation of funds based on household income is designed to be consistent with the provisions of S. 66.1105 (6)(g)(3) of Wisconsin Statutes governing the use of TID funds for housing purposes – which is a potential funding source for the program.

I. Project Eligibility:

Eligible rehabilitation for emergency and essential repairs, including:

- Abate outstanding building code orders
- Repair or replace roofing / flashing /gutters if there is an active leak affecting habitable rooms, if homeowner’s insurance has been cancelled due to the need to repair/replace roofing, or if the roof has reached the end of its useful life
- Repair or replace a non-functioning furnace / boiler (“no heat”)
- Replace a non-functioning water heater

- Repair leaking water piping if there are active leaks into habitable rooms, or if sewer gas is entering the home
- Repair collapsed sewer laterals between house and street tap
- Repair leaking water laterals between house and stop box
- Repair serious electrical hazards
- Repair hazardous structural conditions (including failing porches)
- Correct a condition that is a threat to health and safety

II. Terms and Conditions:

- Property must be an owner-occupied 1-4 unit residential property located in the City of Milwaukee
- “Household income will be determined using the gross income of all residents of the property, consistent with the methodology used for calculating household income under the federal HOME program.
- Property owner must be current on all property taxes, mortgages and utility payments, or on an approved payment plan. No minimum credit score, but program underwriting guidelines will require that applicants be credit worthy, have a history of making payments on time, and have sufficient household income to support the proposed loan payment. No maximum loan to value.
- Homeowner’s insurance must be in force, or in the case of a cancellation due to a necessary repair, must have confirmation that it will be reinstated once the repair is complete.
- Property owner will sign a note and mortgage to secure payment of and collateralize the loan.
- Project work must be performed under permit by licensed contractors approved by NIDC.
- Technical Assistance component will be provided by DCD rehabilitation staff, including preparation of a scope of work, assistance in the bidding process and oversight of the construction and payment process.
- Any outstanding code orders must be corrected through the rehabilitation project undertaken with the City loan.

Income Eligibility for the Purpose of Determining Interest Rate

<50% of Area Median Income – 0% interest rate, with deferred (no monthly payment) option for elderly and disabled homeowners
>50% of Area Median Income – 3% interest rate

2014 Income Guidelines

Family Size	50% of Area Median Income	80% of Area Median Income	120% of Area Median Income
1	\$24,650	\$39,400	\$59,160
2	\$28,150	\$44,950	\$67,560
3	\$31,650	\$50,650	\$75,960
4	\$35,150	\$56,250	\$84,360
5	\$38,000	\$60,750	\$91,200
6	\$40,800	\$65,250	\$97,920
7	\$43,600	\$69,750	\$104,640
8	\$46,400	\$74,250	\$111,360

III. **Transferability:**

Loans are due and payable upon sale or transfer of the property or if the house is no longer owner occupied, except assumptions may be allowed at the discretion of NIDC in the following circumstances:

- Transfer of the property to a surviving spouse upon the death of the borrower, provided the spouse remains at the property.
- Transfer of the property to a beneficiary as a result of the death of the borrower provided the beneficiary provides proof of residency at the property within 6 months of transfer of the property. If the original loan was a deferred payment loan, assumptions in this circumstance would require the beneficiary to begin to make monthly payments on the loan balance.

IV. **Other Provisions**

- Funds will be available on a first come first served basis, until funds are exhausted.
- Loan repayments will be utilized to fund additional lending activity under the program.
- For borrowers with incomes over 80% of AMI who may have conventional financing available to them, NIDC reserves the right to refer them to other funding sources.