

City of Madison

American Dream Downpayment Initiative Underwriting Guidelines February 2008



Community Development Office
Department of Planning and Community and
Economic Development
215 Martin Luther King Jr. Blvd., Room 280
P.O. Box 2985
Madison, WI 53701-2985

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PREFACE

The Madison American Dream Downpayment Initiative Underwriting Guidelines, developed by the City of Madison Community Development Office, includes the program requirements approved by the City of Madison CDBG Commission and Common Council.

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215 Martin Luther King Jr. Boulevard, Room 280
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Website: www.cityofmadison.com/cdbg

Office Hours: 8:00 a.m. to 4:30 p.m., Monday thru Friday

The Madison American Dream Downpayment Initiative is funded by the Federal Department of Housing and Urban Development (HUD).

NOTE: The requirements and the forms necessary to administer this program are subject to change. Updates can be found on the Community Development Office website.

INTRODUCTION

The City of Madison Community Development Office promotes and facilitates homeownership opportunities for lower income households. The Madison American Dream Downpayment Initiative, funded by the Federal Department of Housing and Urban Development (HUD), is one method the Community Development Office can use to achieve this goal.

The Madison American Dream Downpayment Initiative provides first-time homebuyers, displaced homemakers and single parents with a long-term deferred loan to assist with purchasing a home located within the City of Madison. The program offers loan assistance ranging from a minimum of \$1,000 to a maximum amount of 6% of the purchase price not exceeding \$10,000. The assistance can be used to cover the down payment on a home and eligible closing costs.

The down payment assistance is typically a second mortgage loan that will become due and payable to the City of Madison when the property is sold, transferred or ceases to be the primary residence of the homebuyer. The Madison American Dream loan will be allowed as a third mortgage in the case of Inclusionary Zoning Units or when used in conjunction with other Community Development Office funds. The total limit of assistance cannot exceed the amount specified in the annual Program Framework. The loan repayment includes the initial loan amount plus a proportional share of appreciation based on the percentage of assistance provided.

To ensure the loans are consistently originated and processed, the Madison American Dream Downpayment Initiative eligibility requirements have been established and approved by the City of Madison CDBG Commission and the Common Council. The Community Development Office will generally follow the WHEDA HOME Program underwriting guidelines unless otherwise stated in this document. The following pages detail the American Dream Downpayment Initiative program.

ELIGIBILITY REQUIREMENTS

Property Eligibility

The property must meet the follow requirements:

- The property must be a single family attached or detached dwelling, a condominium or part of a duplex located in the **City of Madison**.
- For 2008, HUD has established the maximum value of the home being purchased using Madison American Dream Downpayment assistance as equal to or less than **\$223,250**.
- Be safe and sanitary, as verified by a City of Madison Minimum Housing and Property Maintenance Code inspection report.
- All properties built before 1978 have been inspected for lead paint and be determined to be lead safe prior to acquisition.
- Have passed an environmental review conducted by the City of Madison Community Development staff.
- Be marketed and sold for no more than their appraised value at the time of sale, as verified by an independent appraisal obtained by the first mortgage lender.

Homebuyer Eligibility

The homebuyer must meet the following requirements:

- Have a household gross annual income that does not exceed **80% of the area median income** limits as published annually by HUD.

2008 INCOME LIMITS BY FAMILY SIZE

| Household Size | Gross Annual Income Levels |
|----------------|----------------------------|
| 1 | \$43,050 |
| 2 | \$49,200 |
| 3 | \$55,350 |
| 4 | \$61,500 |
| 5 | \$66,400 |
| 6 | \$71,350 |
| 7 | \$76,250 |
| 8 | \$81,200 |

Gross annual income includes income from the following sources: wages, overtime, commissions, bonuses, profit sharing, tips, business income, child support, interest and dividends from funds retained after the closing, and other types of periodic payments which are anticipated for the 12 month period commencing with the date of the request. Gross annual income is based on the HUD 24 CFR Part 5 definition of annual income.

- Be a first-time homebuyer, a displaced homemaker or a single parent.
 - HUD Definitions:
 - A **first-time homebuyer** is defined as any individual listed on the deed, mortgage and note who has not owned a home during the three-year period prior to purchase of a home with Madison American Dream Downpayment Assistance. For married couples, if only one individual is listed on the deed, mortgage and note, HUD requires that both individuals qualify as first time homebuyers as defined above.
 - A **displaced homemaker** is defined as an adult who has not worked full-time full-year in the labor force for a number of years but has, during such years, worked primarily without compensation to care for the home and family and is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.
 - A **single parent** is defined as an individual who is unmarried or legally separated from a spouse and has one or more minor children for whom the individual has custody or joint custody, or is pregnant.
- Complete an approved first-time homebuyer education course or a homebuyer study guide. A training certificate must be submitted to the Community Development Office prior to receiving funding.
- Be an owner-occupant of the property and take occupancy within 60 days of acquisition of the property.
- Be a documented United States citizen or eligible alien.
- Provide all financial data and other relevant information required to document the borrower's eligibility for a loan and give written permission to obtain verification of such information from appropriate sources.
- Qualify for a first mortgage that does not exceed WHEDA's prevailing market rate by more than 2%.
- Does not own any other real estate.

Non-Taxable Income

Non-taxable income may be adjusted upward to 125% when calculating ratios. This source of income should be expected to continue for the next 3 years. CD Office and agency staff will require documentation for non-taxable income (i.e. child support, alimony, pension/retirement, disability, public assistance, and Social Security payments).

Level of Assistance Available

For FY08 funds, the loan assistance will range from a minimum of \$1,000 to a maximum of 6% of the purchase price not to exceed \$10,000.

Down Payment Requirement

There is no cash down payment required.

Combined Qualifying Ratio

The accepted combined housing and total debt to income ratio is **36%**. An expanded combined ratio of **40%** may be allowed with strong compensating factors such as good savings history, history of comparable rent expense, excellent credit history, good rent history and stable employment. For borrowers with strong compensating factors and a median credit score of **720** or above, the combined ratio may be expanded up to a maximum of **45%**. The Community Development Supervisor or designee will approve loan requests with a combined ratio **below 30%** on a case-by-case basis.

Maximum Loan-to-Value

The total of the initial principal mortgage amount, the Madison American Dream Downpayment second mortgage and any other loans collateralized by the property, shall not exceed **100% loan to value** based on the purchase price of the property or the appraised value which ever amount is less.

Home Inspection

The homebuyer will be required to have a home inspection completed. The home must meet the City of Madison Minimum Housing and Property Maintenance Code requirements before Madison American Dream Downpayment assistance will be provided. The City of Madison contracted inspector will provide all inspections. For newly constructed properties, a certificate of occupancy will be accepted in lieu of a Madison Minimum Housing and Property Maintenance Code inspection.

The Madison Minimum Housing and Property Maintenance Code inspection fee may be granted to the homebuyer through the Madison American Dream Program depending on the loan amount. The inspection will be scheduled once it is determined that the homebuyer qualifies for the program.

Lead Based Paint Inspection

Lead based paint inspection will be conducted on all homes built prior to 1978 in accordance with the Lead-Based Paint Poisoning Prevention Act 42 USC 3535 (d), 4821 and 4851, and its implementing regulations in 24 CFR 35, as well as State of Wisconsin Code HFS 163 and City of Madison MGO 7.49. The City of Madison contracted inspector will provide the lead based paint inspection and clearance test for the property.

The lead based paint inspection and clearance test fees may be granted to the homebuyer through the Madison American Dream Program depending on the loan amount. The inspection will be scheduled once it is determined that the homebuyer qualifies for the program.

If the property does not pass inspection after the first clearance test, the contractor performing the lead paint stability work will be responsible for the payment of any additional tests.

Stacking of Funds

Combining funds from more than one down payment and closing cost loan program will be allowed however the Madison American Dream loan must remain the second mortgage. Exceptions will be allowed for the Madison American Dream funds to be the third mortgage in the case of Inclusionary Zoning Units or when used in conjunction with other Community Development Office funds. These funds can be stacked with the City of Madison Home-Buy funds.

Total Assistance Limits

For 2007-2008, the Community Development Office maximum assistance from all funding sources for any property is \$51,000. For properties that are accessible, the limit is \$56,000.

Property Taxes and Homeowner Insurance

Homebuyers must escrow the property taxes and have homeowner insurance as a condition of the first mortgage.

Eligible Closing Costs

Madison American Dream Downpayment funding can be used for the following costs incurred by the homebuyer:

- Appraisal fee
- Credit reports
- Title closing fee
- Title insurance
- Recording fee
- Property inspection fee (as required by the City of Madison)
- Lead paint inspection fee (as required by the City of Madison)
- Legal fees
- Survey
- Flood certification
- First mortgage loan origination fee up to the equivalent of one point

Ineligible Closing Costs

The program allows up to 2 points for loan origination and/or discount. Will pay up to 1 point of an origination fee and no discount points. Loans with more than 2 points origination and/or discount are ineligible under this program.

Loan Repayment

The mortgage will require a repayment equal to the amount of Madison American Dream Downpayment funds invested or the percent of appraised value, whichever amount is greater. The repayment is due and payable to the City of Madison at the time the property is sold, transferred or ceases to be the primary residence of the homebuyer. Loan repayment must be completed in full. Partial payments will not be accepted. Complete loan payments can be made prior to the property being sold, transferred or ceases to be the primary residence of the homebuyer. In this case, the homebuyer will be responsible for the cost of an appraisal that is acceptable to the City of Madison. Appraisals no more than 6 months old will be used to determine the loan repayment amount.

Example:

| | |
|---|-----------|
| Home purchase price | \$150,000 |
| Madison American Dream loan assistance | \$9,000 |
| Percentage of Madison American Dream funds invested | 6% |
| Home appraisal at the time the homebuyer sells or pays off the loan | \$175,000 |
| Loan repayment equals 6% of the appraised value | \$10,500 |

Loan Subordination

The Madison American Dream Downpayment Initiative will subordinate the second mortgage loan according to the terms of the Community Development Office Homeowner Loan Subordination Policy.

Non-discrimination

Madison American Dream Downpayment assistance will be made available to all persons without regard to race, national origin or ancestry, color, religion, sex, age, handicap/disability, marital status, source of income, arrest record or conviction record, less than honorable discharge, physical appearance, sexual orientation, political beliefs, familial status, or student status. The loans will be granted based on the homebuyer eligibility and the availability of funds.

Privacy Concerns

Homebuyer information obtained by the Community Development Office will determine eligibility for the Madison American Dream Downpayment Initiative according to the underwriting standards. Certain information will not be disclosed outside the Community Development Office without consent except to the person or company verifying the information including, but not limited to, the employer, bank, lender, and any other credit reference as needed to verify other credit information and as permitted by law.

Appeals Process for Denial of a Madison American Dream Down-payment Loan

The homebuyer may appeal any denial of a Madison American Dream Downpayment loan to the CDBG Commission at their next regularly scheduled Commission meeting following the denial of a loan. The decision from the CDBG Commission will be final.

LOAN PROCESSING

Loan Application Package

The Community Development Office will generally follow the WHEDA HOME Program underwriting guidelines unless otherwise stated in these underwriting guidelines. The first mortgage lender must submit the following information to the Community Development Office for review:

1. Completed loan application (FHLMC, FNMA or equivalent application form)
2. Good Faith Estimate of Settlements Costs
3. Appraisal Report
4. Credit Report
5. Verification of Income – Verification of Employment form and 1 month of pay stubs or 3 months of pay stubs.
6. Verification of Deposit – 6-month average for checking accounts and current balance for savings accounts
7. Verification of rent – only applicable if alternative credit documents are needed.
8. Offer to Purchase
9. Homebuyer Training Certification
10. Other pertinent information to underwrite a loan (i.e. divorce papers, child support documentation, bankruptcy discharge papers and schedule of debts, late payment explanation, etc.)
11. Condominium Insurance Warranty (if applicable)
12. Copy of last year's federal tax returns including ALL schedules, W2s and attachments. Self-employed borrowers must provide most recent 2 years of federal tax returns with ALL schedules and attachments.
13. Downpayment Funds Borrower's Affidavit
14. Downpayment Funds Borrower's Authorization
15. City of Madison Conflict of Interest Statement

Please submit the complete loan package to:

Pam Rood, Grants Administrator
Community Development Office
Madison Municipal Building, Room 280
215 Martin Luther King, Jr. Blvd.
P. O. Box 2985
Madison, WI 53701-2985

Loan Application Processing

The Community Development Office will review the complete loan package for accuracy, program compliance and technical content on the basis of general underwriting standards **within a minimum of 15 business days**. **The 15 business days will begin once all required documents are collected.**

Based on the verified information contained in the loan request file, a recommendation will be made for approval or denial of the homebuyer as the loan recipient. Upon approval or denial, the homebuyer and lender will receive written notice stating the conditions of the loan approval or the basis for denial.

Closing

The Community Development Office will be responsible for closing the American Dream loan and will expect the loan closing to be done in conjunction with the closing of the first mortgage loan. Any changes to the first mortgage loan amount after the initial loan approval requires written approval from the Community Development Office. The closing time must be scheduled in consultation with the Community Development staff person who will attend the closing.

An acceptable preliminary Settlement Statement (HUD-1), a copy of the title work and a copy of the hazard insurance binder which shows the City as a second mortgagee must be submitted to the Community Development Office 2 full business days prior to loan closing. Any changes to the preliminary settlement statement must also be submitted to the Community Development Office.

The homebuyer shall provide and pay for the recording of the City's mortgage and condo rider (if applicable) at the closing.

Cancellation of a Madison American Dream Downpayment Loan

The Community Development office will discontinue work on an application for the following reasons:

- The homebuyer is not eligible for a Madison American Dream loan.
- The property for which the loan is sought is not eligible for financing under the Madison American Dream Downpayment Initiative.
- The homebuyer refuses or is unable to supply all financial data and other relevant information required to determine loan eligibility.
- If the homebuyer has adequate funds for the down payment and closing costs, Madison American Dream Downpayment assistance will not be available.
- The homebuyer withdraws their loan request.

Cancellation and termination of a loan request or loan will cause the Community Development Office to issue a written notice of cancellation to the lender and to the homebuyer at his or her mailing address as set forth in the application.

APPENDIX

EXAMPLES OF CITY OF MADISON FORMS

- SAMPLE COMMITMENT LETTER
- PROMISSORY NOTE
- MORTGAGE
- CONDOMINIUM RIDER
- CONDOMINIUM INSURANCE WARRANTY
- HOMEBUYER EDUCATION CERTIFICATE
- DOWNPAYMENT/ASSISTANCE FUNDS BORROWER'S AFFIDAVIT
- CITY OF MADISON CONFLICT OF INTEREST STATEMENT
- DOWNPAYMENT/ASSISTANCE FUNDS BORROWER'S AUTHORIZATION

CITY OF MADISON SUBORDINATION POLICY

SAMPLE – Loan approval letter

Dear _____:

Congratulations! Your request to acquire a Madison American Dream Downpayment loan as a second mortgage for _____ has been approved. The City of Madison's loan commitment is for \$_____, which will be applied to the acquisition cost of the property.

This loan commitment is subject to the following contingencies:

1. The applicant's ability to complete the purchase of the property at a purchase price of \$_____.
2. Subject to a first mortgage loan in the amount of \$_____. **Any changes to the first mortgage loan amount, requires written approval by the City.**
3. Receipt of an acceptable preliminary Settlement Statement and a copy of the Title work to be received by the Community Development Office a minimum of 3 full business days prior to loan closing.
4. Copy of the hazard insurance binder showing the City as a second mortgagee.
5. Execution of the City's Note and the City's Second Mortgage. These documents are to be returned to the City of Madison Community Development Office.

Any changes in the first mortgage loan amount must be approved by the City prior to loan closing.

This firm commitment is effective this _____ day of _____, 20____, for a period of ninety days, expiring _____, 20_____.

Sincerely,

Pam Rood
Community Development Grants Administrator

cc: Lender

PROMISSORY NOTE

BORROWER(S) NAMES:

AMOUNT OF LOAN: **\$**

PLACE:
Madison, Wisconsin

DATE:

FOR VALUE RECEIVED, the Borrower(s) promises to pay to the order of the CITY OF MADISON, a Wisconsin municipal corporation, at its offices located at 210 Martin Luther King Jr. Boulevard, Madison, Wisconsin, 53703, the greater of (i) the sum of Dollars (\$_____), or (ii) an amount equal to _____% of the current fair market value of the Property as determined by an appraisal acceptable to the City at the time of repayment, immediately upon the earliest of the sale, transfer, change or discontinuance in the permitted use of the Property located at _____, Madison, Wisconsin and further described on Exhibit A, which is attached hereto and incorporated herein by reference (the "Property").

THIS NOTE is secured by a Mortgage dated _____, from the Borrowers to the City (the "Mortgage").

DELINQUENCY CHARGE. If a payment owed under the Note is not paid on or before the 15th day after its due date, the City may collect a delinquency charge equal to 12% per annum on the unpaid balance until the amount due under the Note is paid in full.

THIS NOTE, including the entire balance of principal, together with late charges, shall become immediately due and payable to the City without notice or demand upon the occurrence of any of the following:

- a. If the payment due under this Note is not paid when due;
- b. If the Borrower(s) shall default in any of the covenants, agreements, provisions, terms or conditions of the Mortgage securing this transaction, which provisions are incorporated herein by reference, and the default is not cured within the time period provided in the Mortgage;
- c. Title to, or equitable ownership in, the Property is transferred to any party other than transfers to a spouse that result from marriage, divorce or death of a spouse;
- d. If the property is not the primary residence of the Borrower(s).

The Borrower(s) and endorsers of this Note, jointly and severally, agree to waive demand, notice of non-payment and protest, and in the event suit shall be brought for the collection hereof, or the same has to be collected upon demand of an attorney, to pay reasonable attorney's fees for making such collection, through and including all appellate levels and post-judgment proceedings.

No delay or omission on the part of the holder hereof in exercising any right hereunder shall operate as a waiver of any such right or of any other right under this Note. A waiver on any one occasion shall not be construed as a bar to or a waiver of any such right on any future occasion. The Borrowers for itself, its successors and assigns, does hereby expressly waive presentment for payment, notice of dishonor, presentment, notice of protest, protest and diligence in collection. It is expressly understood and agreed that the Borrower(s) shall not be released from the covenants herein contained by reason of any forbearance or extension of time granted or release of any subsequent owner or owners of the property mortgaged as secured for this obligation.

This Note may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement is sought.

THE BORROWER(S) acknowledges receipt of an exact copy of this Note.

NOTICE TO BORROWER(S)

- A. DO NOT SIGN THIS IF IT CONTAINS ANY BLANK SPACES.**
- B. YOU ARE ENTITLED TO AN EXACT COPY OF ANY AGREEMENTS YOU SIGN.**
- C. YOU HAVE THE RIGHT AT ANY TIME TO PAY IN ADVANCE THE UNPAID BALANCE DUE UNDER THIS NOTE.**

Signed and sealed this ____ of _____, _____ at Madison, Wisconsin.

Borrower Name (please print) _____

Borrower Signature _____

Co-Borrower Name (please print) _____

Co-Borrower Signature _____

Witness Name (please print) _____

Witness Signature _____

DOCUMENT NO.

REAL ESTATE MORTGAGE

whether one or more) mortgages, conveys, assigns, grants a security interest in and warrants to

in consideration the sum of _____

(\$ _____), loaned or to be loaned to _____

("Borrower, "whether one or more), evidence by Borrower's note(s) or agreement dated _____

the real estate described below, together with all privileges, hereditaments, easements and appurtenances, all rents, leases, issues and profits, all claims, awards and payments made as a result of the exercise of the right of eminent domain, and all existing and future improvements and fixtures (all called the "Property") to secure the Obligations described

1. Description of Property. (This property is is not the homestead of Mortgagor.)

RECORDING AREA

NAME AND RETURN ADDRESS

CDBG Office
215 MLK Jr. Blvd., Rm 280
P.O. Box 2985
Madison, WI 53701-2985

Parcel Identifier No.

- If checked here, description continues or appears on attached sheet.
- If checked here, this Mortgage is a construction mortgage.
- If checked here, Condominium Rider is attached.

2. Title. Mortgagor warrants title to the Property, excepting only restrictions and easements of record, municipal and zoning ordinances, current taxes and assessments not yet due and _____

3. Escrow. Interest will will not be paid on escrowed funds if an escrow is required under paragraph 8(a) on the reverse side.

4. Additional Provisions. Mortgagor agrees to the Additional Provisions on the reverse side, which are incorporated herein. The undersigned acknowledges receipt of an exact copy of this Mortgage.

NOTICE TO CUSTOMER IN A TRANSACTION GOVERNED BY THE WISCONSIN CONSUMER ACT

(a) **DO NOT SIGN THIS BEFORE YOU READ THE WRITING ON THE REVERSE SIDE, EVEN IF OTHERWISE ADVISED.**

(b) **DO NOT SIGN THIS IF IT CONTAINS ANY BLANK SPACES.**

(c) **YOU ARE ENTITLED TO AN EXACT COPY OF ANY AGREEMENT YOU SIGN.**

(d) **YOU HAVE THE RIGHT AT ANY TIME TO PAY IN ADVANCE THE UNPAID BALANCE DUE UNDER THIS AGREEMENT AND YOU MAY BE ENTITLED TO A PARTIAL REFUND OF THE FINANCE CHARGE.**

Signed and Sealed _____
(Date)

(SEAL)

(Type of Organization)

By: _____
(Title)

*

By: _____ (SEAL)
(Title)

*

AUTHENTICATION

Signatures of _____

authenticated this _____ day of _____

Title: Member State Bar of Wisconsin or _____
authorized under §706.06, Wis. Stats

This instrument was drafted by _____

OR ACKNOWLEDGMENT

STATE OF WISCONSIN
County of _____ } ss.
This instrument was acknowledged before me on _____

by _____

(Name(s) of persons(s))
as _____
(Type of authority; e.g., officer, trustee, etc., if any)
of _____
(Name of party on behalf of whom instrument was executed, if any)

*
Notary Public, Wisconsin
My Commission (Expires)(Is) _____

*Type or print name signed above.

ADDITIONAL PROVISIONS

5. Mortgage as Security. This Mortgage secures prompt payment to Lender of (a) the sum stated in the first paragraph of this Mortgage, plus interest and charges according to the terms of the promissory notes or agreement of Borrower to Lender identified on the reverse side, and any extensions, renewals or modifications signed by any Borrower of such promissory notes or agreement, (b) to the extent not prohibited by the Wisconsin Consumer Act (i) any additional sums which are in the future loaned by Lender to any Mortgagor, to any Mortgagor and another or to another guaranteed or endorsed by any Mortgagor primarily for personal, family or household purposes and agreed in documents evidencing the transaction to be secured by this Mortgage, and (ii) all other additional sums which are in the future loaned by Lender to any Mortgagor, to any Mortgagor and another guaranteed or endorsed by any Mortgagor, (c) all interest and charges, and (d) to the extent not prohibited by law, all costs and expenses of collection or enforcement (all called the "Obligations"). This Mortgage also secures the performance of all covenants, conditions and agreements contained in this Mortgage. Unless otherwise required by law, Lender will satisfy this Mortgage upon request by Mortgagor if (a) the Obligations have been paid according to their terms, (b) any commitment to make future advances secured by this Mortgage has terminated, (c) Lender has terminated any line of credit under which advances are to be secured by this Mortgage, and (d) all other payments required under this Mortgage and the Obligations and all other terms, conditions, covenants, and agreements contained in this Mortgage and the documents evidencing the Obligations have been paid and performed.

6. Taxes. To the extent not paid to Lender under paragraph 8(a), Mortgagor shall pay before they become delinquent all taxes, assessments and other charges which may be levied or assessed against the Property, or against Lender upon this Mortgage or the Obligations or other debt secured by this Mortgage, upon Lender's interest in the Property, and deliver to Lender receipts showing timely payment.

7. Insurance. Mortgagor shall keep the improvements on the Property insured against direct loss or damage occasioned by fire, flood, extended coverage perils and such other hazards as Lender may require, through insurers approved by Lender, in amounts, without co-insurance, not less than the unpaid balance of the Obligations or the full replacement value, whichever is less, and shall pay the premiums when due. The policies shall contain the standard mortgage clause in favor of Lender and, unless Lender otherwise agrees in writing, the original of all policies covering the Property shall be deposited with Lender. Subject to Lender's approval, Borrower is free to select the insurance agent or insurer through which insurance is obtained. Mortgagor shall promptly give notice of loss to insurance companies and Lender. All proceeds from such insurance shall be applied, at Lender's option, to the installments of the Obligations in the inverse order of their maturities (without penalty for prepayment) or to the restoration of the improvements on the Property. In the event of foreclosure of this Mortgage or other transfer of title to the Property, in extinguishment of the indebtedness secured hereby, all right, title, and interest of Mortgagor in and to any insurance then in force shall pass to the purchaser or grantee. If Mortgagor fails to keep any required insurance on the Property, Lender may purchase such insurance for Mortgagor, such insurance may be acquired by Lender solely to protect the interest of Lender (it will not cover Mortgagor's equity in the Property), and Mortgagor's obligation to repay Lender shall be in accordance with Section 10.

8. Mortgagor's Covenants. Mortgagor covenants:

- (a) **Escrow.** If an escrow is required by Lender, to pay Lender sufficient funds, at such times as Lender designates, to pay when due (1) the estimated annual real estate taxes and assessments on the Property, (2) all property and hazard insurance premiums, (3) flood insurance premiums, if any, (4) if payments owed under the Obligations are guaranteed by mortgage guaranty insurance, the premiums necessary to pay for such insurance, and (5) other items agreed to be included in the escrow. Lender may, at any time, collect and hold such escrow funds in an amount not to exceed the maximum amount a lender for a federally related mortgage loan may require for Mortgagor's escrow account under the federal Real Estate Settlement Procedures Act of 1974, as amended from time to time. Lender may estimate the amount of escrow funds due on the basis of current data and reasonable estimates of future expenditures of future escrow account funds or as otherwise required by applicable law. Lender shall apply the escrowed funds against taxes, assessments and insurance premiums when due or as otherwise required by law. Escrowed funds may be commingled with Lender's general funds. If the escrowed funds held by Lender exceed the amount permitted to be held by applicable law, Lender shall account to Mortgagor for the excess escrowed funds in a manner determined by Lender or as otherwise required by applicable law. If the escrowed funds held by Lender at any time are not sufficient to pay the escrow account items when due, Lender may notify Mortgagor in writing, and Mortgagor shall pay to Lender the amount necessary to make up the deficiency in a manner determined by Lender or as otherwise required by applicable law;
- (b) **Condition and Repair.** To keep the Property in good and tenable condition and repair, and to restore or replace damaged or destroyed improvements and fixtures;
- (c) **Liens.** To keep the Property free from all liens and encumbrances superior or inferior to the lien of this Mortgage and not described in paragraph 2 on the reverse side without the City's prior written approval;
- (d) **Other Mortgages.** To perform all of Mortgagor's obligations and duties under any other mortgage or security agreement on the Property and any obligation to pay secured by such a mortgage or security agreement;
- (e) **Waste.** Not to commit waste or permit waste to be committed upon the Property;
- (f) **Conveyance.** Not to sell, assign, lease, mortgage, convey or otherwise transfer any legal or equitable interest in all or part of the Property, or permit the same to occur without the prior written consent of Lender and, without notice to Mortgagor, Lender may deal with any transferee as to his interest in the same manner as with Mortgagor, without in any way discharging the liability of Mortgagor under this Mortgage or the Obligations;
- (g) **Alteration or Removal.** Not to remove, demolish or materially alter any part of the Property, without Lender's prior written consent, except Mortgagor may remove a fixture, provided the fixture is promptly replaced with another fixture of at least equal utility;
- (h) **Condemnation.** To pay to Lender all compensation received for the taking of the Property, or any part, by condemnation proceeding (including payments in compromise of condemnation proceedings), and all compensation received as damages for injury to the Property, or any part. The compensation shall be applied in such manner as Lender determines to rebuilding of the Property or to the Obligations in the inverse order of their maturities (without penalty for prepayment);
- (i) **Inspection.** Lender and its authorized representatives may enter the Property at reasonable times to inspect it, and at Lender's option to repair or restore the Property and to conduct environmental assessments and audits of the Property;
- (j) **Ordinances.** To comply with all laws, ordinances and regulations affecting the Property; and
- (k) **Subrogation.** That Lender is subrogated to the lien of any mortgage or other lien discharged, in whole or in part, by the proceeds of the note(s) or agreement identified on the reverse side.

9. Environmental Laws. Mortgagor represents, warrants and covenants to Lender (a) that during the period of Mortgagor's ownership or use of the Property no substance has been, is or will be present, used, stored, deposited, treated, recycled or disposed of on, under, in or about the Property in a form, quantity or manner which if known to be present on, under, in or about the Property would require clean-up, removal or some other remedial action ("Hazardous Substance") under any federal, state or local laws, regulations, ordinances, codes or rules ("Environmental Laws"); (b) that Mortgagor has no knowledge, after due inquiry, of any prior use or existence of any Hazardous Substance on the Property by any prior owner or person using the Property; (c) that, without limiting the generality of the foregoing, Mortgagor has no knowledge, after due inquiry, that the Property contains asbestos, polychlorinated biphenyl components (PCBs) or underground storage tanks; (d) that there are no conditions existing currently or likely to exist during the term of this Mortgage which would subject Mortgagor to any damages, penalties, injunctive relief or clean-up costs in any governmental or regulatory action or third-party claims relating to any Hazardous Substance; (e) that Mortgagor is not subject to any court or administrative proceeding, judgment, decree, order or citation relating to any Hazardous Substance; and (f) that Mortgagor in the past has been, at the present is, and in the future will remain in compliance with all Environmental Laws. Mortgagor shall indemnify and hold harmless Lender, its directors, officers, employees and agents from all loss, cost (including reasonable attorneys' fees and legal expenses), liability and damage whatsoever directly or indirectly resulting from, arising out of, or based upon (i) the presence, use, storage, deposit, treatment, recycling or disposal, at any time, of any Hazardous Substance on, under, in or about the Property, or the transportation of any Hazardous Substance to or from the Property, (ii) the violation or alleged violation of any Environmental Law, permit, judgment or license relating to the presence, use, storage, deposit, treatment, recycling or disposal or any Hazardous Substance on, under, in or about the Property, or the transportation of any Hazardous Substance to or from the Property, or (iii) the imposition of any governmental lien for the recovery of environmental clean-up costs expended under any Environmental Law. Mortgagor shall immediately notify Lender in writing of any governmental or regulatory action or third-party claim instituted or threatened in connection with any Hazardous Substance on, in, under or about the Property.

10. Authority of Lender to Perform for Mortgagor. If Mortgagor fails to perform any of Mortgagor's duties set forth in this Mortgage, Lender may after giving Mortgagor any notice and opportunity to perform which are required by law, perform the duties or cause them to be performed, including without limitation signing Mortgagor's name or paying any amount so required, and the cost shall be due on demand and secured by this Mortgage, bearing interest at the highest rate stated in any document evidencing an Obligation, but not in excess of the maximum rate permitted by law, from the date of expenditure by Lender to the date of payment by Mortgagor.

11. Default; Acceleration; Remedies. If (a) there is a default under any Obligation secured by this Mortgage, or (b) Mortgagor fails timely to observe or perform any of Mortgagor's covenants or duties contained in this Mortgage, then, at the option of Lender each Obligation will become immediately payable unless notice to Mortgagor or Borrower and an opportunity to cure are required by §425.105, Wis. Stats., or the document evidencing the Obligation and, in that event, the Obligation will become payable if the default is not cured as provided in that statute or the document evidencing the Obligation or as otherwise provided by law. If Lender exercises its option to accelerate, the unpaid principal and interest owed on the Obligation, together with all sums paid by Lenders as authorized or required under this Mortgage or any Obligation, shall be collectible in a suit at law or by foreclosure of this Mortgage by action, or both, or by the exercise of any other remedy available at law or equity.

12. Waiver. Lender may waive any default without waiving any other subsequent or prior default by Mortgagor.

13. Power of Sale. In the event of foreclosure, Lender may sell the Property at public sale and execute and deliver to the purchasers deeds of conveyance pursuant to statute.

14. Assignment of Rents and Leases. Mortgagor assigns and transfers to Lender, as additional security for the Obligations, all rents which become or remain due or are paid under any agreement or lease for the use or occupancy of any part or all of the Property. Until the occurrence of an event of default under this Mortgage or any Obligation, Mortgagor has the right to collect the rents, issues and profits from the Property, but upon the occurrence of such an event of default, and the giving of notice by Lender to Mortgagor declaring that constructive possession of the Property is in Lender, Mortgagor's license to collect is terminated and Lender shall be entitled to such rents, issues and profits and may, after giving Mortgagor any notice and opportunity to perform required by law, notify any or all tenants to pay all such rents directly to Lenders. All such payments shall be applied in such manner as Lender determines to payments required under this Mortgage and the Obligations. This assignment shall be enforceable and Lender shall be entitled to take any action to enforce the assignment (including notice to the tenants to pay directly to Lender or the commencement of a foreclosure action) without seeking or obtaining the appointment of a receiver or possession of the Property.

15. Receiver. Upon the commencement or during the pendency of an action to foreclose this Mortgage, or enforce any other remedies of Lender under it, without regard to the adequacy or inadequacy of the Property as security for the Obligations, Mortgagor agrees that the court may appoint a receiver of the Property (including homestead interest) without bond, and may empower the receiver to take possession of the Property and collect the rents, issues and profits of the Property and exercise such other powers as the court may grant until the confirmation of sale, and may order the rents, issues and profits, when so collected, to be held and applied as the court may direct.

16. Foreclosure Without Deficiency Judgment. If the Property is a one-to-four family residence that is owner-occupied at the commencement of a foreclosure, a farm, a church or owned by a tax exempt charitable organization, Mortgagor agrees to the provision of §846.101 Wis. Stats., and as the same may be amended or renumbered from time to time, permitting Lender, upon waiving the right to judgment for deficiency, to hold the foreclosure sale of real estate of 20 acres or less six months after a foreclosure judgment is entered. If the Property is other than a one-to-four family residency that is owner-occupied at the commencement of a foreclosure, a farm, a church or a tax exempt charitable organization, Mortgagor agrees to the provisions of §846.103, Wis. Stats., and as the same may be amended or renumbered from time to time, permitting Lender, upon waiving the right to judgment for deficiency, to hold the foreclosure sale of real estate three months after a foreclosure judgment is entered.

17. Expenses. To the extent not prohibited by law, Mortgagor shall pay all reasonable costs and expenses before and after judgment, including without limitation, attorneys' fees, fees and expenses for environmental assessments, inspections and audits, and fees and expenses for obtaining title evidence incurred by Lender in protecting or enforcing its rights under this Mortgage.

18. Severability. Invalidity or unenforceability of any provision of this Mortgage shall not affect the validity or enforceability of any other provision.

19. Successors and Assigns. The obligations of all Mortgagors are joint and several. This Mortgage benefits Lender, its successors and assigns, and binds Mortgagor(s) and their respective heirs, personal representatives, successors and assigns.

20. Entire Agreement. This Mortgage is intended by the Mortgagor and Lender as a final expression of this Mortgage and as a complete and exclusive statement of its terms, there being no conditions to the full effectiveness of this Mortgage. No parol evidence of any nature shall be used to supplement or modify any terms.

CONDOMINIUM RIDER

THIS CONDOMINIUM RIDER, made this ____ day of _____, 20____, is incorporated into and shall be deemed to amend and supplement the Mortgage (the "Mortgage") of the same date given by the undersigned (the "Borrower") to secure Borrower's Note to the City of Madison (the "Lender") of the same date and covering the Property described in the Mortgage and located at _____, Madison, Wisconsin.

The Property includes a unit in, together with an undivided interest in the common elements of, a condominium project known as _____ (the "Condominium Project"). If an Owner's Association or other entity which acts for the Condominium Project (the "Owner's Association") holds title to property for the benefit or use of its members or shareholders, the Property also includes Borrower's interest in the Owner's Association and the uses, proceeds and benefits of Borrower's interest.

CONDOMINIUM COVENANTS. In addition to the covenants and agreements made in the Mortgage, Borrower further covenants and agrees as follows:

A. Condominium Obligations. Borrower shall perform all of Borrower's obligations under the Condominium Project's Condominium Instruments. The Condominium Instruments are: (i) the Declaration; (ii) Bylaws; (iii) code of rules or regulations; and (iv) other equivalent documents. Borrower shall promptly pay, when due, all dues and assessments imposed pursuant to the Condominium Instruments.

B. Hazard Insurance. So long as the Owner's Association maintains a master or blanket policy on the Condominium Project which is satisfactory to Lender and which provides insurance coverage for the periods, in the amounts, and against the hazards Lender requires, including fire and hazards included within the term "extended coverage", then Borrower's obligation under paragraph 7 of the Mortgage to maintain hazard insurance coverage on the Property is deemed satisfied to the extent that the required coverage is provided by the Owner's Association policy.

Borrower shall give Lender prompt notice of any lapse in required hazard insurance coverage.

In the event of a distribution of hazard insurance proceeds in lieu of restoration or repair following a loss to the Property, whether to the unit or to the common elements, any proceeds payable to Borrower are hereby assigned and shall be paid to Lender for application to the sum secured by the Mortgage, with any excess paid to Borrower.

C. Lenders' Prior Consent. Borrower shall not, except after notice to Lender and with Lender's prior written consent, either partition or subdivide the Property or consent to:

(i) abandonment or termination of the Condominium Project, except for abandonment or termination required by law in the case of a taking by condemnation or eminent domain or substantial destruction by fire or other casualty;

(ii) any amendment to any provision of the Condominium Instruments if such provision is for the express benefit of Lender; or

(iii) termination of professional management of the Condominium Project and assumption of self-management by the Owner's Association.

By signing below, Borrower accepts and agrees to the terms and provisions of this Condominium Rider.

BORROWER SIGNATURE _____

DATE _____

Condominium Insurance Warranty

BORROWER NAME _____

CO-BORROWER NAME _____

NAME OF ASSOCIATION _____

ASSOCIATION PHONE NUMBER (____) _____

1. Does the condominium association maintain a "master" or "blanket" type of insurance policy with premiums being paid as a common expense? Yes No
2. Does the policy protect against loss or damage from fire or other hazards covered by standard extended endorsements? Yes No
3. Does the policy cover all of the general and limited common elements? Yes No

If the answer to questions 1, 2, or 3 was no, the property is not eligible for City of Madison financing.

4. Does the master or blanket policy also cover interior walls, fixtures and equipment, inside the individual units (i.e. plumbing, electrical, cabinets, etc)? Yes No

If No, an individual certificate of hazard insurance naming the City of Madison as mortgagee and a receipt for payment of first year's premium must be attached.

The insurance certificate must show adequate dwelling coverage as described in the Madison American Dream Downpayment Underwriting Guidelines. Adequate dwelling coverage is the lesser of 100% of the insurable value of the improvements, as established by the property insurer, and provides for claims to be settled on a replacement basis **OR** the unpaid principal balance of the mortgage.

The Condo Association Declaration Page and this Condominium Insurance Warranty must be forwarded to the City of Madison Community Development Office 5 business days before closing.

Signature of Loan Officer

Date

Certificate of Education

BORROWER(S) NAME _____

INSTRUCTOR _____ **DATE** _____

Borrower Acknowledgement of Home Buyer Education

I certify that I have received Community Home Buyer Program education materials and have completed the education process. This certificate verifies that I understand the following topics:

- Ratios & Pre-Qualification
- Credit Report
- Budgeting
- Appraisals
- Closing Costs
- Down Payment
- PITI
- Property Inspection

Borrower Signature

Co-Borrower Signature

**DOWN PAYMENT/ASSISTANCE (DP/A) FUNDS
BORROWER'S AFFIDAVIT**

Borrower Name: _____ **Co-Borrower Name:** _____

Property Address: _____

A. Attest Statement

1. I/We has applied for a mortgage loan from _____, (Lender) its successors and assigns or agents. I/We have also applied for Down Payment/Closing Cost Assistance or other funding from (circle all that apply): City of Madison (American Dream and/or Home-Buy and/or CD Office Funds), Dane County, Realtor's Association of South Central Wisconsin, Movin' Out, or other sources (list): _____

In applying for the loan(s)/funding, I/We completed a loan application containing various information on the purpose of the loan(s)/funding, the amount and source of the down payment, employment and income information, and assets and liabilities. I/We certify that all of the information is true and complete. I/We made no misrepresentations in the loan/funding application or other documents, nor did I/We omit any pertinent information.

2. I/We fully understand that it is a Federal crime punishable by fine or imprisonment, or both, to knowingly make any false statements when applying for these mortgage loans/funding, as applicable under the provision of Title 18, United States Code, Section 1014.
3. Please read each statement carefully and answer appropriately. The information provided will be used to determine your eligibility for a loan.

B. Household Income and Residents

List all persons intending to occupy the residence regardless of relationship, age or income. List the gross annual income from all sources for each person intending to occupy the residence. Household gross annual income includes total income from all sources including, but not limited to: wages, interest, dividends, commissions, payments from annuities, retirement plans, social security, and any other source of income. Exclusions from annual income are one-time lump sum payments, such as inheritances, capital gains or insurance settlements. Please attach an additional page if there are more than 7 people in your household.

| Household Names | Age | Relationship to Borrower | Gross Monthly Income |
|-----------------|-----|--------------------------|----------------------|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

Total Number of Residents _____

Total Household Income \$ _____

C. Beneficiary Information

Borrower

Race/National Origin:

- White/Caucasian
- Black/African American
- Black/African American & White/Caucasian
- Native Hawaiian/Other Pacific Islander
- Asian
- Asian & White/Caucasian
- American Indian/Alaskan Native
- Am. Indian/Alaskan Native & Black/African American
- Am. Indian/Alaskan Native & White/Caucasian
- Other : _____

Other: **Hispanic** **Disabled**

Co-Borrower

Race/National Origin:

- White/Caucasian
- Black/African American
- Black/African American & White/Caucasian
- Native Hawaiian/Other Pacific Islander
- Asian
- Asian & White/Caucasian
- American Indian/Alaskan Native
- Am. Indian/Alaskan Native & Black/African American
- Am. Indian/Alaskan Native & White/Caucasian
- Other : _____

Other: **Hispanic** **Disabled**

D. Basic Affirmations

1. The total purchase price as listed on the accepted Offer to Purchase does not include the sale of any personal property. The accepted Offer to Purchase is the only contract between the seller of the property and My/Ourselves, no side deals, other terms, conditions, understandings or agreements between the seller and My/Ourselves exist unless stated on the Offer to Purchase.
2. I/We will occupy as my principal full-time residence within 60 days after the closing of the loan. I/We will not use the property as a recreational or vacation home, or rent the property to any other person (except for the non-owner occupied units of a two to four unit property).
3. I/We understand that I/We have a continuing obligation to amend and/or supplement the information provided herein if any of the representations I/We have made should change prior to closing, and that the representations made herein shall survive the closing of the loan.
4. For American Dream and/or State of WI funds, I/We certify that I/We have not had an ownership interest in any principal residence during the three-year period preceding the date of this affidavit or I am a displaced homemaker or a single parent.
5. For CD Office, American Dream and Dane County funds, I/We certify that I/We and all the persons who will live in the household are documented United States citizens or resident aliens.
6. I/We have provided true copies of last year’s income tax and return and income statements (including wages, interest income, self-employment income, SSI or SSDI, retirement or pension income, etc.).

E. For married applicants only

I/We understand the following:

Notice for Married Applicants: No provision of any marital property agreement, statutory individual property classification agreement (“opt-out” agreement) under Section 766.587 of the Wis. Statutes, unilateral statement under Section 766. 59 of the Wis. Statutes, or court order under Section 766.70 of the Wis. Statutes adversely affects the interest of the creditor unless the creditor is furnished with a copy of the agreement, statement, or order or has actual knowledge of the adverse provision when the obligation to the creditor is incurred.

Notice to Non-applicant Spouse: If the credit applied for is subject to the Wisconsin Consumer act and is individual credit, or joint credit with an applicant who is not your spouse, the creditor is required by Section 766.56(3)(b) of the Wisconsin Statutes to notify your spouse of the extension of credit.

F. Receipt of Information

For Public funds, I/We have received a copy of the booklet Protect Your Family from Lead in Your Home (not applicable for properties built after 1978).

G. Loan Terms

1. I/We understands that I/We will be required to sign a promissory note(s) and mortgage(s).
2. I/We understand that the loan may be due and payable when the property is sold, refinanced, transferred, or no longer the principal residence of the borrower(s).
3. **For City of Madison funds (except Home-Buy)**, I/We understand that the repayment amount will be the loan amount plus a proportional share of the equity.

For the purpose of applying for a down payment assistance loan(s)/funding, the undersigned certifies that all of the above statements and information are true.

Borrower's Signature/Date

Co-Borrower's Signature/Date

Subscribed and Sworn to before me on this _____ day of _____, 20____.

Notary Public, State of Wisconsin

My Commission Expires_____

City of Madison Conflict of Interest Statement

Borrower Name: _____

Co-Borrower Name: _____

Property Address: _____

You have submitted a request for a Home-Buy Down and/or American Dream Payment/Closing Cost loan. The City, based on State requirements, requires that we make you aware of certain facts and collect certain information from you. Consequently, we require that you complete the following information and submit this sworn affidavit to our office prior to approving your loan. You should read this statement carefully; making a false statement under oath may subject you to criminal penalties.

Do you have “Family”¹ or business ties to any of the following “Covered Persons”²?

If **yes**, disclose the nature of the relationship.

| NAMES OF COVERED PERSONS | RELATIONSHIP |
|---------------------------|--------------|
| Mayor David J. Cieslewicz | |
| Terri Goldbin | |
| Percy Brown | |
| Pam Rood | |
| Barb Constans | |
| Hickory Hurie | |
| Jed Sanborn | |
| Brenda Konkel | |
| Lauren Cnare | |
| Michael Verveer | |
| Robbie Webber | |
| Judy Olson | |
| Cindy Thomas | |
| Zach Brandon | |
| Paul Skidmore | |
| Kenneth Golden | |
| Tim Gruber | |
| Brian Benford | |
| Isadore Knox, Jr. | |
| Timothy Bruer | |
| Larry Palm | |
| Judy Compton | |
| Santiago Rosas | |
| Paul Van Rooy | |
| Noel Radomski | |
| Austin King | |

“Family” includes:

- Spouse
- Fiancée / Fiancé
- Children and Children-in-Law
- Brothers and Brothers-in-Law
- Sisters and Sisters-in-Law
- Parents and Parents-in-Law

- Anyone who receives more than 50% of his or her support from the covered person (e.g., adopted child, foster child).
- Domestic partner

“Covered Persons” includes any persons who are employees, agents, consultants, officers, or elected or appointed officials, of the grantee who exercise, or have exercised, any functions or responsibilities with respect to the HCRI and American Dream housing activities, or who are in positions to participate in decision-making processes or gain inside information with regard to housing activities, either for themselves or those with whom they have family or business ties, during their tenure in the position for one year thereafter.

Conflict of Interest Statement

MGO 3.47(5) Disclosure Statement

Are any of the Borrowers a City employee, elected City official, City board or committee member or an immediate family member of the aforementioned? “Immediate family” member of a City employee, official or board/committee member means a spouse, a registered domestic partner, or a relative by marriage, adoption or lineal descent who receives more than one-half of his or her support from the City employee, official or board/committee member.

_____ Yes _____ No

If answered ‘Yes’ above, Borrowers will be required to provide written disclosure of the nature and extent of the relationship or interest to the Common Council and the Director of the Department of Planning and Development prior to loan approval.

The undersigned hereby certify that all of the above statements and information are true.

Dated _____, 20_____.

Borrowers Signature

Co-Borrower Signature (if applicable)

Print Name

Print Name

Subscribed and Sworn to before me on this _____ day of _____, 20_____.

Notary Public, State of Wisconsin

My Commission Expires _____

**DOWN PAYMENT/ASSISTANCE (DP/A) FUNDS
BORROWER'S AUTHORIZATION**

To Whom It May Concern:

1. A. I/We have applied for a mortgage loan from:
_____ (Lender) its successors and/or assigns.
- B. I/We have applied for down payment/closing cost assistance from:

(Verification Agents) its successors and/or assigns.

As part of the application process, Lender and Verification Agents and/or their assigns may verify information contained in my/our loan/funding application and in other documents required in connection with the loan/funding, either before the loan/funding is closed or as part of its quality control program.

2. I/We authorize you to provide Lender, Verification Agents, and/or assigns any and all information and documentation that they request. Such information includes, but is not limited to: employment history and income; disability payments, social security, pension, and retirement funds verification; bank verification, money market, stocks, bonds, and similar account verification; credit history; copies of income tax returns; and any other information deemed necessary in connection with a consumer credit or a real estate transaction.
3. Lender, Verification Agents and/or assigns that purchase the mortgage(s) may address this authorization to any party named in the loan/funding application or disclosed by any consumer credit reporting agency or similar source.
4. A copy of this authorization may be accepted as an original.
5. Your prompt reply to Lender, Verification Agents and/or assigns that purchased the mortgage(s) is appreciated.

NOTICE TO BORROWERS: This notice to you is required by the Right to Financial Privacy Act of 1978. The Department of Housing and Urban Development, Federal Housing Administration, or Veterans Administration have a right of access to financial records held by financial institutions in connection with the consideration or administration of assistance to you. Financial records involving your transaction will be available to HUD, FHA, or VA without further notice or authorization but will not be disclosed or released by this institution to another government agency without your consent except as required by law.

BORROWER'S AUTHORIZATION FOR COUNSELING

If I fail to make any mortgage payment as agreed, I understand that the Servicer of my mortgage loan may refer me to a third-party counseling organization or a mortgage insurer that will advise me about finding ways to meet my mortgage obligation. I hereby authorize the Servicer to release certain information related to the Servicer's own experience with me to such third-party counseling organization or mortgage insurer and request that the counseling party contact me.

I further hereby authorize the third-party counseling organization or mortgage insurer to make a recommendation about appropriate action to take with regard to my mortgage loan, which recommendation may assist the Servicer in determining whether to restructure my loan or to offer other extraordinary services that could preserve my long-term homeownership.

PRIVACY ACT NOTICE

The information obtained by the Lender, Verification Agents, and/or assigns will determine program eligibility in the Program(s) under the Program(s) standards. The information will not be disclosed outside the Lender, Verification Agent, and/or assigns without your consent except to the person or company verifying the information including, but not limited to, your employer, bank, lender, and any other credit reference as needed to verify other credit information and as permitted by law. You do not have to give us this information, but if you do not your application may be delayed or rejected.

Borrower Signature

Date

Co-Borrower Signature

Date

CITY OF MADISON COMMUNITY DEVELOPMENT OFFICE HOMEOWNER LOAN SUBORDINATION POLICY

Mission:

This loan subordination policy is designed to remain consistent with the CD Office's Affordable Housing mission.

Guidelines:

The City of Madison CD Office will consider a loan subordination request from an individual borrower who has a loan with the CD Office where the subordination results in one of the following:

1. Simple refinancing such as interest rate reduction and/or there is a mortgage loan product change (when a balloon or ARM matures and the client switches to a fixed product).
2. Cash out refinancing where the homeowner seeks to use a portion of their appreciated home equity for other purposes.

The following are a list of subordination requirements:

Simple Refinancing:

1. A non-refundable fee of \$150.00 will be submitted with the subordination request (a check made payable to the City of Madison).
2. The new first mortgage loan cannot exceed the current mortgage loan balance secured ahead of the CD Office loan (excluding reasonable lenders fees).
3. Lender fees may be rolled into the new loan.
4. The CD Office loan shall be in no less than second position.
5. The following documents are required at the time of the request:
 - a. Letter from the borrower (this letter must be signed by the borrower) requesting the subordination and explaining why they want to refinance. This letter should state that the borrower understands all loan terms including all loan amounts, interest rates/terms, and the new loan product.
 - b. The lender will submit a mortgage commitment, specifically detailing the terms and conditions of the new loan, total loan amount, interest rate, and loan product. They will also state in the cover letter that they understand the City of Madison mortgage will remain in no less than second position and that an escrow for taxes and insurance must be included in the loan. If there is a land use restriction on the property the letter from the lender must also state that they understand that the land use restriction will remain in place until the period of affordability is completed.
 - c. Copy of the title commitment, HUD1 – US Dept. of Housing and Urban Development Draft Settlement Statement, and appraisal must accompany the letter requesting the subordination.
 - d. The CD Office will require a minimum of 10 working days to review the documents and make a determination.
 - e. The CD Office will agree to subordination for a simple refinance no more than once in any 12-month period.

Cash Out Refinancing:

1. A non-refundable fee of \$250.00 will be submitted with the subordination request (a check made payable to the City of Madison).
2. Lender fees may be rolled into the new loan.
3. The loan to value ratio of the original CD Office loan, as specified in the terms of the original Promissory note from the borrower to the City, shall remain constant in any refinance situation requiring subordination from the CD Office.
4. The new total loan-to-value ratio for the home cannot exceed 95%, including loans from all sources.
5. The new loan must have a fixed term and a fixed interest rate.
6. Debt to income ratios cannot exceed acceptable standards. Acceptable standard debt-to-income ratios are 30% for debt related to the home purchase (PITI) and 36% for all debt. Expanded ratios of 33% and 40% may be allowed with strong compensating factors such as good savings history, history of comparable rent expense, excellent credit history, etc.
7. The CD Office loan shall be in no less than second position.
8. The following documents are required at the time of the request:
 - a. Letter from the borrower (this letter must be signed by the borrower) requesting the subordination and explaining why they want to refinance and include a description explaining the cash out amount needed. This letter should state that the borrower understands all loan terms including all loan amounts, interest rates/terms, and the new loan product.
 - b. The lender will submit a mortgage commitment specifically detailing the terms and conditions of the new loan, total loan amount, interest rate, and loan product. The information should include information on the current debt ratios of the borrower. They will also state in the cover letter that they understand the City of Madison mortgage must be in no less than second position and that an escrow for taxes and insurance must be included as part of the terms of their loan. If there is a land use restriction on the property the letter from the lender must state that they understand the restriction will remain in place until the period of affordability has been completed.
 - c. A copy of the title commitment, HUD1 – US Dept. of Housing and Urban Development Draft Settlement Statement, and a current appraisal must accompany the letter requesting the subordination.
 - d. The CD Office will require a minimum of 15 working days to review the documents and make a determination.
 - e. The CD Office will agree to a subordination for a cash-out no more than once in any 24-month period.

NOTE: Changes to this policy will be subject to review and approval by the CDBG Commission.