



SUMMARY
HOMEBUYER'S ASSISTANCE (HBA) LOAN PROGRAM
CITY OF MADISON, WISCONSIN
(AN ACQUISITION & REHABILITATION LOAN PROGRAM)



This program provides loans to eligible borrower(s) in financing a portion of the acquisition, rehabilitation and closing costs of an eligible owner-occupied, one-to-eight unit property located in the City of Madison. Additional funds needed may be provided by a conventional first mortgage loan, down payment assistance loans/grants and borrower(s) funds. To be eligible for a City of Madison Homebuyer's Assistance Loan (HBA), the following conditions must be met:

TYPES OF LOANS

- (1) **Installment Loans (IL)**. Installment loans shall be provided to households earning more than 80% of the Dane County Median Income (DCMI) but less than 125% DCMI, \$100,000 as of 3/09. The annual rate of interest to be charged for the HBA loans shall equal the cost of City of Madison borrowed funds in the year plus a service fee of one percent, rounded upward to the nearest one-quarter of one percent. The current interest rate as of 1/09 is 5%. The maximum term of the loan shall not exceed twenty years.
- (2) **Deferred Payment Loans (DPL)**. DPL shall be provided to households earning 80% of the Dane County Median Income or less. On the tenth anniversary, the DPL (the original principal loan amount plus a one-time 10% interest charge) will convert to an Installment loan at an interest rate equal to the Installment Loan rate at the time the loan was closed (as of 1/09 this rate is 5%), amortized over 15 years. The principal loan amount and a one-time 10% interest charge would be due if the borrower(s) sells, vacates, cash-out refinances or transfers the property during years 1 through 9.
- (3) **Matching Down Payment Funds**. Additional funding may be available to match Home-Buy funds for borrower(s) purchasing a property which has been designated to receive matching funds or for borrower(s) whose income is no more than 50% of the DCMI.
- (4) **Short Term Financing for Developers**. Short-term loans may be provided to developers in connection with construction/rehabilitation and conversion of one-to-eight unit properties that are to be sold to owner-occupants with incomes at 125% of the DCMI or less. Short-term land acquisition financing and land write down may be available. For more information go to www.cityofmadison.com/homeloans or call Terri Goldbin 608-266-4223.

BORROWER(S)

- A. Must be the owner-occupant of the subject property.
- B. Must obtain a first mortgage loan.
- C. Must provide a 3% cash down payment of the Total Project Cost. Total Project Cost = Purchase Price + Rehabilitation Costs + Closing Costs. A minimum of 1% of the down payment must come from borrower(s) own funds.
- D. Must not exceed an annual income of 125% of the Dane County Median Income to apply for an Installment Loan. The current income limit is \$100,000. (Current as of 3/09.).
- E. Must not exceed an annual income of 80% of the Dane County Median Income to apply for a Deferred Payment Loan.

Dane County Median Income (DCMI)

**2009 INCOME LIMITS BY
FAMILY SIZE**

<u>Persons in Family</u>	<u>50% of Median</u>	<u>80% of Median</u>
1	\$28,000	\$44,800
2	32,000	51,200
3	36,000	57,600
4	40,000	64,000
5	43,200	69,100
6	46,400	74,250
7	49,600	79,350
8 or more	52,800	84,500

PROPERTY

- A. Must be a one to eight-unit **owner-occupied** building.
- B. Must be in need of rehabilitation of at least 10% of the purchase price.
- C. Must be located within the City of Madison.

MAXIMUM LOAN AMOUNT

The maximum loan under the program shall not exceed 30% of the acquisition, rehabilitation and closing costs (Total Project Cost). The maximum loan amount is \$40,000 for a single-family structure and \$10,000 for each additional unit up to a maximum of \$110,000 for an eight-unit structure. However, the combination of the first mortgage and the HBA Loan cannot exceed 105% of the after-rehabilitation value of the property, as determined by City Staff.

OTHER TERMS & CONDITIONS

The HBA loan becomes due and payable when one of the following occurs:

- A. Title to, or equitable ownership in, the property is transferred to any party other than the surviving spouse of the borrower(s); or
- B. The borrower(s) vacate the property; or
- C. The borrower(s) defaults in meeting any of the terms and conditions of the HBA Loan Agreement; or
- D. The borrower(s) refinances with cash-out.

Borrower(s) should be aware that this program requires:

- A home inspection report, and a lead-based paint inspection (if applicable)
- A \$50 application fee is charged at loan closing and is payable from borrower(s) own funds.
- A 1.5% loan processing fee based on the loan amount, 6% construction contingency set-aside to be escrowed, title insurance fee, recording fee and interest charge may be charged at the loan closing. These are eligible costs which can be included in the HBA loan amount.
- Construction Draw Fees. The City will pay for up to four construction draw fees, beyond that it will be at the borrower's expense.

EXAMPLES OF ELIGIBLE REHABILITATION ITEMS

The HBA Loan may cover remodeling and expansion; construction of garages, driveways and fences; repair and replacement of siding, windows, doors, electrical systems, furnaces, air conditioners, plumbing systems and fixtures, roofs, cabinets, floor coverings; insulation and weatherization; painting; landscaping, etc.

EXAMPLE

Assume the following: single-family dwelling listed for sale at \$175,000 with \$30,000 in rehabilitation work.

1. Cost of property	\$175,000
2. Rehabilitation Costs	30,000
3. 1st Mortgage Closing Costs	<u>2,000</u>
TOTAL Project Cost	207,000

The total cost of the above would breakdown as follows:

1. 3% minimum borrower(s) cash down payment	\$ 6,210	(\$207,000 x 3%. 1% must be borrower(s) own funds.)
2. City HBA Loan (up to a maximum loan of \$40,000)	\$40,000	(\$30,000 for rehabilitation + \$10,000 for additional down payment & closing costs)
3. First mortgage loan	<u>\$160,790</u>	
TOTAL COST	\$207,000	

PROCESSING STEPS

Step 1: The Lender submits a loan application file (see checklist) to: Economic Development Division, 215 Martin Luther King Jr. Blvd, Ste 312, Box 2983, Madison, WI 53701-2983.

Step 2: City Rehabilitation Staff and a Lead-Based Paint Inspector (if applicable) arrange with Borrower(s) to inspect the property.

Step 3: The Borrower(s) submit bids for review by the Rehabilitation Staff from qualified contractors for the work items to be covered by the HBA Loan funds.

Step 4: The Borrower(s) attend the HBA and first mortgage Loan closing to sign loan documents. A title company will escrow the construction funds.

Step 5: Commencement of construction work.

Step 6: Rehabilitation Staff conducts progress inspections and authorizes payouts.

Step 7: Final inspection of completed work by Rehabilitation Staff.

For assistance or more information on program requirements, please call Terri Goldbin 608-266-4223.

