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**Re-Invest City Homes "RICH" Program Sheet**  
**Program Description, Underwriting Criteria and Loan Terms**  
(attached to Common Council File #140550)

**Program Description**

1. The Neighborhood Improvement Development Corporation ("NIDC") will administer the Re-Invest City Homes ("RICH") pilot program.
2. The RICH program will make interest-free loans to buyers qualified by the NIDC to purchase and rehab City-owned single-family homes and duplexes in the most distressed census tracts of the City with the highest concentration of foreclosed, vacant and distressed properties. The purchase price for these properties shall be \$1. At closing, the buyer shall enter into a loan agreement with the City under the loan terms found in this document for the full cost of rehabilitating the property in accordance with the Rehabilitation Plan described in this document, plus any additional administrative costs incurred by the City and any buyer closing costs. The buyer will accept and record a first mortgage lien on the purchased property for the full loan amount.
3. Qualified buyers for the RICH program shall be identified by NIDC based on the underwriting requirements outlined in this document.
4. Participants in the RICH program agree to live in the rehabilitated properties as the participants' primary residence for at least 5 years after rehabilitation is completed.
5. NIDC shall identify qualified buyers who may be eligible for other NIDC-administered funding programs such as NIDC's Forgivable Loans program, and such potentially eligible qualified buyers shall apply to participate in applicable NIDC funding programs and any funds awarded will be used to defray the full cost of rehabilitating the property and reduce the amount of the RICH loan.
6. Monthly payments or the monthly amount forgiven on funds from other NIDC funding programs used to reduce the amount of the RICH loan will be included as debt when computing the

buyer's mortgage debt and total debt ratios if the NIDC funding is a loan or a forgivable loan, but not if the funding is a grant.

7. The NIDC shall pre-qualify buyers, based on the underwriting criteria found in this document, to work with the Department of City Development ("DCD") to develop a Rehabilitation Plan, which will include an estimate of costs to complete the Rehabilitation Plan, for rehabilitating the City-owned residential property the buyer wants to purchase through the RICH program.
8. The Rehabilitation Plan developed by DCD and the pre-qualified buyer shall be based on the City's scope-of-work estimates, including remedies of all code violations, and additional reasonable property improvements and amenities desired by the pre-qualified buyer so that the projected Borrower's Repayment amount to repay the debt incurred to complete the Rehabilitation Plan for the property does not exceed the borrower's underwriting mortgage debt ratio limit, nor result in a total debt ratio in excess of underwriting limits.
9. Rehabilitation Plan cost estimates shall include a reasonable margin for uncertainty and error to ensure actual costs to complete the Rehabilitation Plan do not exceed estimated costs. DCD shall further give priority to all scope-of-work and code remediation improvements when making and directing Rehabilitation Plan improvements.
10. The Rehabilitation Plan may include improvements made by, or otherwise arranged by the buyer, either at no cost or reduced cost for labor or materials, provided the City authorizes and oversees the improvements.
11. The full estimated cost of the improvements specified in Rehabilitation Plan for the property shall not exceed of the City's estimate of the property's assessed real estate tax value after rehabilitation improvements are completed.
12. The Rehabilitation Plan for a duplex may include conversion to a single-family residence, but whether converted or rehabilitated as a duplex, the debt incurred to complete the Rehabilitation Plan for the property shall not exceed underwriting criteria for the buyer's mortgage debt or total debt ratios.

13. DCD will arrange and execute a real estate closing for pre-qualified buyers who wish to proceed with purchase of a property and are qualified by NIDC to enter into a loan agreement with the City under the loan terms found in this document for the full cost of rehabilitating the property in accordance with the Rehabilitation Plan, plus any buyer closing costs.
14. No rehabilitation work shall begin before the buyer has fully complied with all underwriting, purchase and lien requirements stipulated in this document.
15. The City will as promptly as reasonable after the closing cause the improvements outlined in the Rehabilitation Plan to be completed by making the improvements directly with City work crews, or by the City arranging improvements to be made by independent contractors directed and overseen by the City, or by the buyer if authorized and overseen by the City.
16. All independent contractors rehabilitating properties under the RICH program shall comply with all community participation guidelines set by the City for development.
17. If during the course of rehabilitation, DCD determines the Rehabilitation Plan's cost estimate is unlikely to fully cover the actual expenditures needed to complete the Rehabilitation Plan, further rehabilitation shall be suspended, and DCD shall develop a revised cost estimate to complete the Rehabilitation Plan. The buyer will have the option to:
  - a. Enter into a new loan agreement with the City for the amount of the revised Rehabilitation Plan cost estimate provided NIDC determines the buyer is qualified for the higher mortgage amount. Rehabilitation improvements will re-commence after execution of this new loan agreement.
  - b. Nullify the original loan agreement and sell the property back to the City for \$1, in which case DCD will seek another qualified buyer for the property either through the RICH loan program or by other vehicle.
18. The buyer, at the buyer's request, may take up residency in the purchased property before rehabilitation improvements have been completed, provided the City rules the property safe and habitable, and that such residency will not unduly impede on-going rehabilitation work.

## **Underwriting Criteria**

The Neighborhood Improvement Development Corporation ("NIDC") shall consult the buyer's credit report for trends, but shall disregard "credit scores" in favor of the following criteria when qualifying buyers for the Re-Invest City Homes ("RICH") program:

1. The properties are City-owned single-family or duplex residential properties in the most distressed census tracts of the city with the highest concentration of foreclosed, vacant and distressed properties.
2. The rehabilitated property shall be owner-occupied for at least 5 years after purchase and the buyer must remain current on all property taxes.
3. The borrower shall:
  - a. Not have been a City of Milwaukee homeowner within the last 2 years.
  - b. Be employed continuously for one year, or be able to document self-employment with tax returns for 2 years.
  - c. Be current on rent and provide landlord statements attesting to rent payment history.
  - d. Be current on all utility payments and any debt obligations.
4. The borrower shall provide bank statements for the past 3 months.
5. The borrower's mortgage debt ratio, defined as total monthly principal payments on debt incurred by the borrower to complete rehabilitation of the property plus amortized monthly property taxes and homeowner's insurance premiums, divided by the borrower's gross monthly income, shall not exceed 30%.
6. The borrower's total debt ratio, defined as the borrower's total monthly debt payments including monthly payments for principal, taxes and insurance on the RICH loan, car payments, student loan payments, installment payments or other monthly debt repayments, divided by the borrower's gross monthly income, shall not exceed 40%.
7. The borrower shall have no:
  - a. Outstanding debt collection judgments at closing.
  - b. Bankruptcy judgments within the past 2 years.
  - c. Outstanding City citations.

8. Borrowers with credit scores which would not qualify them for conventional home loan mortgages shall receive credit counseling.

### **Loan Terms**

1. At closing, the borrower shall enter into a loan agreement with the City for the full estimated cost of rehabilitating the property in accordance with the Rehabilitation Plan described in this document, plus any additional administrative costs incurred by the City and any buyer closing costs.
2. The borrower shall accept and record a first mortgage lien on the purchased property for the full loan amount.
3. The loan amount shall be automatically reduced to equal actual expenditures to complete improvements specified in the Rehabilitation Plan, the Borrower's Repayment modified and the first mortgage lien amended, if the full estimated cost of rehabilitating the property in accordance with the Rehabilitation Plan exceeds actual rehabilitation expenditures.
4. The Borrower's Repayment of a RICH program loan is defined as the sum of the equal monthly principal repayment needed to repay the RICH loan within the agreed upon term, plus the monthly amortized property taxes and insurance costs for the property.
5. The loan repayment term may not exceed 120 months, and will be agreed upon by the City and the borrower at closing. The Borrower's Repayment amount for the agreed upon loan term shall not exceed the borrower's underwriting mortgage debt ratio limit, nor result in a total debt ratio in excess of underwriting limits. Loans shall be repaid over the shortest term reasonably possible without unduly straining the borrower's ability to repay and without unduly burdening the City.
6. Borrower's claiming a significant change in financial circumstances may at any time during the agreed-upon loan repayment term petition NIDC to increase or decrease the loan repayment term, and NIDC will agree to the change in term if reasonable, provided that if the loan term is increased the loan is completely repaid in not more than 120 monthly installments, and if the repayment term is decreased, the recalculated Borrower's Repayment amount shall not exceed the borrower's

underwriting mortgage debt ratio limit, nor result in a total debt ratio in excess of underwriting limits.

7. RICH loan repayment shall commence one month after all improvements outlined in the Rehabilitation Plan have been completed, or one month after the buyer takes up residency in the property, whichever is earlier.
8. The loan agreement shall stipulate the borrower:
  - a. Live in the rehabilitated property as the borrower's primary residence for at least 5 years after rehabilitation is completed.
  - b. Maintain appropriate homeowner's insurance coverage equal to the original principal amount of the RICH loan, or 80% of the property tax assessed value of the property, whichever is higher, for the life of the loan.
  - c. Be current on all real estate taxes, assessments and other charges on the property.
9. The outstanding balance of any RICH loan may repaid at any time and without penalty.
10. NIDC shall escrow or otherwise keep segregated the amortized monthly property tax and insurance cost portion of each monthly payment received from the borrower during the term of the loan, and shall disburse these escrowed or segregated funds to pay property taxes or insurance costs for the property when due.
11. The City shall have the right under the loan agreement to accelerate the loan making it due and payable in full upon any default of loan terms or conditions.
12. The loan agreement shall provide for the return of up to \$1,000 of the payments made by the borrower, less any unpaid taxes or other expenses accrued against the property, provided the defaulting borrower vacates the property within 30 days after the loan is accelerated and returns the property in good and clean condition to the City.
13. No rehabilitation work shall begin before the borrower has fully complied with all underwriting, purchase and lien requirements stipulated in this document.