

Housing Stock Improvement Program Loan Term Sheet

- I. Introduction: The Housing Stock Improvement Program (HSIP) provides forgivable, interest-only loans between \$1,000 and \$25,000 to owner-occupants of one- to 4-unit residential properties within the city of Milwaukee. These funds are conditional to matching funds provided by owner-occupants; matching fund requirements are based on income. Participation in the program is provided on a first-come, first-served basis until available funds are exhausted. Funds for the program are provided through tax increments, subject to availability and pursuant to s. 66.1105(6)(g)3, Wis. Stats. and s. 304-96, Milwaukee Code of Ordinances.

Table 1. Housing Stock Improvement Program Loan Summary.

Loan Type:	Forgivable Loan
Interest Rate:	Lower of: core personal consumption expenditures price index and federal funds effective rate
Minimum Term:	10 yrs., incremental loan forgiveness available after 5 yrs.
Min./Max. Loan Amount:	\$1,000 to \$25,000
Matching Funds:	0% to 50% of approved project costs, depending on income eligibility
Loan Payment:	Interest only, unless terms of loan not fulfilled
Security:	Mortgage lien placed on property
Income Limits:	None
Eligible Structures:	1 to 4 unit residential properties; must be owner-occupied
Eligible Projects:	No specific limitations

- II. Project Eligibility: Projects eligible for loan forgiveness include:

- A. Roofing, siding, gutter and window installation or maintenance.
- B. Electrical, plumbing and heating work and other mechanical installation or maintenance.
- C. Kitchen, bath and other remodeling, including painting and carpentry.
- D. Energy conservation, including solar installations.
- E. Garage, porch or fence maintenance or installation.
- F. Conversion of property from multi- to single-family.
- G. Other property maintenance or improvement projects intended to improve property value, as approved by the NIDC.

III. Terms and Conditions: All of the following criteria shall be required for participation in the Housing Stock Improvement Program:

- A. The property is an owner-occupied one- to 4-unit residential property located in the City of Milwaukee.
- B. The property owner is current on all property taxes, mortgages and utility payments on all property owned in the city of Milwaukee, or is on an approved payment plan.
- C. A homeowner's insurance is current on all property owned by an applicant.
- D. Prior to loan disbursement, the property owner matches a portion of the loan amount, depending on income thresholds determined by the NIDC and less the determined value of any match credit, as described in section VII.
- E. The property does not have any building code violations upon completion of approved HSIP projects.
- F. The property owner agrees to enter into a written agreement to provide the City with a mortgage against the property to secure payment to the City should the property owner not fulfill the terms of the loan.
- G. Project work is performed by licensed contractors approved by the NIDC.
- H. Borrowers make monthly payments of interest only until the terms of the loan are fulfilled. Interest shall be set at the same rate as the Federal Reserve's core personal consumption expenditures price index or the federal funds effective rate, whichever is lower on the origination date of the loan, and shall be calculated annually based on the outstanding principal balance of the loan, less 10 percent each year for the life of the loan.

IV. Underwriting: The NIDC, as part of its underwriting criteria for HSIP loans, shall require that borrowers' current housing costs do not exceed 30 percent of a household's gross monthly income, according to s. 66.1105(2)(ab), Wis. Stats.

V. Loan Forgiveness: Applicants, provided they meet other program requirements, are eligible for loan forgiveness up to \$25,000. Loans are completely forgiven if all of the following are true:

- A. The property remains the primary residence of an owner for a minimum of 10 years from the date of loan approval.
- B. The property owner maintains ownership of the property for a minimum of 10 years from the date of loan approval.

C. Owner-occupants have met and continue to meet the Term and Conditions specified in section III.

VI. Transferability: Loans are due and payable in full upon any default of loan terms or conditions, except that deferral of loan repayment may be allowed under continued terms once per loan at the discretion of the NIDC in the following cases:

- A. The transfer of the property to a surviving spouse upon the death of the borrower, provided the spouse provides proof of primary residency at the property within 6 months of transfer of the property.
- B. The transfer of the property to a beneficiary in a will as a result of the death of the borrower, provided the beneficiary provides proof of primary residency at the property within 6 months of transfer of the property.
- C. The transfer of the property to an executor or administrator of the borrower's estate, including transfer into a living trust or joint tenancy.

VII. Remedies: Property owners failing to meet the terms of the loan agreement shall be responsible for loan repayment according to the following conditions:

- A. During the first 5 years of the loan, the owner shall pay back the loan in full, including interest calculated at the time of repayment.
- B. After 5 years of consecutive owner-occupancy, loan repayments shall be prorated, including interest due, by the portion of time the owner ceases to be an owner-occupant.

Table 2. Housing Stock Improvement Program Loan Terms, by Repayment Period.

Repayment Year	0-1	1-2	2-3	3-4	4-5	5-6	6-7	7-8	8-9	9-10	10+
Interest Amount	Fixed at same rate as Federal Reserve's core personal consumption expenditures price index or federal funds effective rate, whichever is lower at loan origination										N/A
% of Principal From Which Interest is Calculated	100	90	80	70	60	50	40	30	20	10	N/A
Repayment Amount	Full loan amount					Incremental forgiveness; amount due prorated by length of owner-occupancy less than 10 years					Full forgiveness

VIII. Matching Funds:

- A. Thresholds shall be determined using available Milwaukee County median household income statistics at the time of loan approval.
- B. Matching requirements shall be set according to the percent of median household income thresholds provided in Table 3 below.
- C. In lieu of providing matching funds, borrowers may elect to forego incremental loan forgiveness, and instead agree to pay the full loan amount if failing to meet the terms of the loan agreement at any time prior to 10 years of owner-occupancy.

Table 3. 2014 Income Thresholds for Matching Funds, by Family Size.

% of Median Income	Match of Project Costs	2014 Thresholds, by Family Size					
		1	2	3	4	5	6+
Below 50%	0%	\$24,650	\$28,150	\$31,650	\$35,150	\$38,000	\$40,800
51 to 60%	5%	\$29,580	\$33,780	\$37,980	\$42,180	\$45,600	\$48,960
61 to 70%	10%	\$34,510	\$39,410	\$44,310	\$49,210	\$53,200	\$57,120
71 to 80%	15%	\$39,440	\$45,040	\$50,640	\$56,240	\$60,800	\$65,280
81 to 90%	20%	\$44,370	\$50,670	\$56,970	\$63,270	\$68,400	\$73,440
91 to 100%	25%	\$49,300	\$56,300	\$63,300	\$70,300	\$76,000	\$81,600
101 to 150%	30%	\$73,950	\$84,450	\$94,950	\$105,450	\$114,000	\$122,400
151 to 200%	40%	\$98,600	\$112,600	\$126,600	\$140,600	\$152,000	\$163,200
Above 200%	50%	N/A	N/A	N/A	N/A	N/A	N/A

- D. Household income shall be based on the total annual income of all members of a household, including additional owners not currently residing at the property.
- E. Credits may be applied to matching funds at the discretion of the NIDC. Credits shall be applied specifically for the approved project and may include in-kind contributions of cash, donated time, goods, services and materials, according to the following guidelines:
 - 1. In-kind voluntary work contributions by the borrower shall be assessed at the fair market value of the time and scope of work expected to be performed, as determined by the NIDC.
 - 2. In-kind voluntary work contributions by licensed and bonded professional service providers may be eligible for credit, provided the volunteer submits to the homeowner a letter including the services to be performed, a flat fee or hourly rate,

and an estimate of the time needed to complete the work, based on current and accepted professional standards.

3. Permanent equipment or material contributed as capital to approved projects by the borrower may be credited using documented receipts or the current fair market value, whichever is less, and prorated by the time or amount used.
 4. Equipment loaned or leased by the borrower may be credited using documented receipts or the current fair market value, whichever is less, and prorated by the time used.
 5. The value of federal, state or local taxes, fees or other charges foregone or deferred due to the completion of approved projects may be credited at the time the tax, fee or other charge is officially waived, deferred or otherwise foregone.
 6. Other project-related costs, including any actual time or dollars contributed in direct support of approved projects, may be eligible for credit, subject to approval by the NIDC.
- F. Money from other City of Milwaukee programs shall not be credited toward HSIP matching requirements, but other monies from federal, state or private entities may be eligible, subject to applicable restrictions and upon approval of the NIDC.
- G. Match credits shall not be granted until actual services, equipment, material or monies are provided.

Table 4. Comparison of Selected City of Milwaukee Loan Programs.

	Neighborhood Improvement Program (NIP)	Pilot Compliance Loan Program	Housing Stock Improvement Program (HSIP)
Types of Properties Eligible	Owner-occupied, single-family homes or duplexes	Owner-occupied, single-family homes or duplexes	Owner-occupied, one- to 4-unit residential properties
Ownership of Other Properties Restrictions	Must own no other properties	No restriction	No restriction
Min Yrs. of Prior/Ensuing Owner-Occupancy	5 Years/5 Years	None; Loan payable upon transfer or conveyance of property	No Minimum/10 Years; incremental forgiveness after 5 years
Household Annual Income Eligibility Restrictions	At or below 50% of Area Median Income (2014 family of 4: ≤\$35,150)	At or below 50% county median income; income threshold may be waived by ZND Committee	No maximum income limits
Participation Requirements	No matching requirement	Current outstanding DNS building code orders against property	0%-50% match required from homeowner; based on income
Area of Availability	Must reside within CDBG area	Citywide	Citywide
Other Requirements	Must be current on all property taxes, mortgage and utility payments, and hold current homeowner's insurance	Must be current on all property taxes, mortgage and utility payments, and hold current homeowner's insurance	Must be current on all property taxes, mortgage and utility payments, and hold current homeowner's insurance
Loan Terms	Forgivable loan, 0% interest (excluding mechanical work, which is repaid when property is sold or owner ceases to be an occupant)	Deferred payment loan, 0% interest	Forgivable loan, interest-only payment
Minimum/Maximum Scope of Work	\$5,000 to \$24,500; may exceed with CDBG approval	\$1,000 to \$15,000	\$1,000 to \$25,000
Prior Program Participation Restrictions	Must not have received prior NIP or other City home repair assistance	No restrictions	No restrictions
Eligible Projects	Abatement of building code violations, lead hazard reduction, and maintenance/mechanical work; not a remodeling loan program	Abatement of building code violations; not a remodeling loan program	Various (maintenance/mechanical work, remodeling, duplex conversion, etc.)
Administering Agency	Administered by local NIP service agencies; DNS approves projects; local contractors perform work	DNS approves projects, secures liens and directs contractors to perform work	NIDC approves projects, secures liens and verifies that work is completed as approved
Funding Source	CDBG/HOME Funds	Essential Services and Compliance Program Special Purpose Account	Tax Incremental Revenue, pursuant to s. 304-96, Code of Ordinances