

## Housing Stock Improvement Program Loan Term Sheet

- I. Introduction: The Housing Stock Improvement Program (HSIP) provides forgivable, interest-free loans between \$1,000 and \$25,000 to owner-occupants of one- to 4-unit residential properties within the city of Milwaukee. For borrowers making more than 100% of Milwaukee County median household income, 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:	0%
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.
Loan Payment:	None, unless terms of loan not fulfilled
Security:	Mortgage lien placed on property
Income Limit:	200% of Milwaukee County median household income
Eligible Structures:	1 to 4 unit residential properties; must be owner-occupied
Eligible Projects:	"Essential" property work.

- II. Project Eligibility: Projects eligible for loan forgiveness include:
- A. Roofing and porch installation or maintenance, including related exterior painting and carpentry.
  - B. Other essential 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 the subject property and on all property taxes and mortgages on all property owned in the city of Milwaukee, or is on an approved payment plan.

- C. The loan-to-assessed value ratio of the mortgage outstanding against the property is 90 percent or greater at the time of application.
  - D. A homeowner's insurance is current on the subject property or will be reinstated as a result of approved projects.
  - E. 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 determined by the NIDC.
  - F. The property does not have any outstanding DNS orders upon completion of approved HSIP projects.
  - G. 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.
  - H. Project work is performed by licensed contractors approved by the NIDC.
- IV. Underwriting: Program staff shall ensure that the program is in compliance with 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. For instance, if an owner completes 6 years of owner-occupancy, 20% of the loan will be forgiven; if 7 years, 40%; and so forth.

**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+
<b>Repayment Amount</b>	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.
- D. Household income shall be calculated consistent with the procedures used to calculate household income under the federal HOME Program.
- E. 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.

**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 100%	0%	\$49,300	\$56,300	\$63,300	\$70,300	\$76,000	\$81,600
101 to 150%	25%	\$73,950	\$84,450	\$94,950	\$105,450	\$114,000	\$122,400
151 to 200%	50%	\$98,600	\$112,600	\$126,600	\$140,600	\$152,000	\$163,200
Above 200%	Ineligible	N/A	N/A	N/A	N/A	N/A	N/A

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

	<b>Neighborhood Improvement Program (NIP)</b>	<b>Pilot Compliance Loan Program</b>	<b>Housing Stock Improvement Program (HSIP)</b>
<b>Types of Properties Eligible</b>	Owner-occupied, single-family homes or duplexes	Owner-occupied, single-family homes or duplexes	Owner-occupied, one- to 4-unit residential properties
<b>Ownership of Other Properties Restrictions</b>	Must own no other properties	No restriction	No restriction
<b>Min Yrs. of Prior/Ensuing Owner-Occupancy</b>	5 Years/5 Years	None; Loan payable upon transfer or conveyance of property	No Minimum/10 Years; incremental forgiveness after 5 years
<b>Household Annual Income Eligibility Restrictions</b>	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
<b>Participation Requirements</b>	No matching requirement	Current outstanding DNS building code orders against property	0%-50% match required from homeowner; based on income
<b>Area of Availability</b>	Must reside within CDBG area	Citywide	Citywide
<b>Other Requirements</b>	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
<b>Loan Terms</b>	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
<b>Minimum/Maximum Scope of Work</b>	\$5,000 to \$24,500; may exceed with CDBG approval	\$1,000 to \$15,000	\$1,000 to \$25,000
<b>Prior Program Participation Restrictions</b>	Must not have received prior NIP or other City home repair assistance	No restrictions	No restrictions
<b>Eligible Projects</b>	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.)
<b>Administering Agency</b>	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
<b>Funding Source</b>	CDBG/HOME Funds	Essential Services and Compliance Program Special Purpose Account	Tax Incremental Revenue, pursuant to s. 304-96, Code of Ordinances