



Department of Planning & Community & Economic Development

Community Development Division

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Child Care
Community Resources
Community Development Block Grant
Madison Senior Center

To: CDBG Committee

From: Linette Rhodes, Interim Community Development Grants Supervisor

Date: April 27, 2018

RE: Recommended changes to Home Buy the American Dream

The Home Buy the American Dream program (HBAD) provides a no-interest deferred payment loan to assist eligible first-time home buyers with down payment and closing costs in the purchase of a home within the greater Madison area. Funding is provided by the Wisconsin Division of Housing through its Housing Cost Reduction Initiative (HCRI) program, Community Development Block Grant (CDBG) funds and City Levy. The Community Development Division (CDD) serves as the lead fiscal agency and provides loan administration.

Attached to this memo are the current underwriting guidelines for HBAD, with recommend edits for review. Staff recommends the following major changes to improve service to residents in need of down payment and closing cost assistance:

1. Remove the requirement that all household members must be documented United States citizens or a permanent or temporary resident alien.
2. Remove the detailed list of acceptable qualifying income and replace with language to follow the first mortgage lenders guidelines.
3. Remove the maximum cap of CDD-funded assistance allowed in one transaction.
4. Remove the detailed list of credit report requirements and replace with language to follow the first mortgage lenders guidelines.



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City of Madison

Home-Buy the American Dream Underwriting Manual ~~May 2017~~April 2018

Community Development Division
P.O. Box 2627
Madison, WI 53701-2627

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PREFACE

The City of Madison Underwriting Guidelines developed by the City of Madison Community Development Division and includes the program requirements approved by the City of Madison CDBG Committee.

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Email: homeloans@cityofmadison.com
Website: www.cityofmadison.com/homeloans

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

The Madison Home-Buy the American Dream Program is funded by the Federal Department of Housing and Urban Development (HUD), the State of Wisconsin Department of Administration Division of Housing and the City of Madison.

NOTE: The requirements and the forms necessary to administer this program are subject to change. Updates can be found on the website at www.cityofmadison.com/homeloans

INTRODUCTION

The City of Madison promotes and facilitates homeownership opportunities for low-to-moderate income households. A common recognized obstacle to homeownership for first-time home buyers is accumulating the necessary funds for down payment and closing costs on a property which is affordable to the home buyers. The City programs are designed to provide assistance to low-to-moderate income households by covering a portion of the down payment and closing costs. These buyers otherwise would not be able to accumulate the necessary funds to qualify for a mortgage loan.

The City of Madison provides first-time home buyers, with a long-term deferred loan funded by HUD, the State of WI and the City of Madison to assist with purchasing a home located within the City of Madison or Dane County. The program offers loan assistance up to ~~\$10,000~~ \$20,000 for City of Madison properties and \$5,000 for Dane County properties (minimum loan \$1,000). The assistance can be used as a mortgage reduction assistance to cover down payment and closing costs on the purchase of a home.

This assistance is ~~typically a second- junior~~ mortgage loan that will become due and payable to the City of Madison when the property is sold, cash-out refinanced for other than property improvements, the property is transferred or ceases to be the primary residence of the home buyer. ~~The City of Madison loan will be allowed as a third mortgage when used in conjunction with other funds from the City.~~ The total limit of assistance from the City of Madison cannot exceed the amount specified in the annual Community Development (CD) Division Goals and Priorities statement (currently \$54,000). The loan repayment includes a shared appreciation amount.

To ensure the loan is consistently originated and processed, eligibility requirements have been established and approved by the City of Madison CDBG and the Community Development Committee. The Program is intended to be responsive to the particular needs of the City of Madison and the Dane County Community. Accordingly, the content, policies, procedures and administration of the Program will be subject to continuing review and evaluation; it should be expected, therefore that changes will be made to the Program from time-to-time on the basis of operating experience, and as community needs change. The following pages detail the underwriting guidelines for the program.



**City of Madison
Home-Buy the American Dream**

Down payment and closing cost assistance for first-time home buyers
www.cityofmadison.com/home_loans (website)
homeloans@cityofmadison.com (email)

Eligible Property	<ul style="list-style-type: none"> • Must be located in City of Madison or Dane County • Single family home, condo or one-half a duplex 														
Program Purpose	Down payment and closing cost assistance														
Loan Amount	Maximum loan amount up to \$40,000 <u>\$20,000</u> City; \$5,000 Dane County; minimum \$1,000														
Loan Terms	Deferred until sale, cash-out refinance for other than property improvements, the property is transferred or ceases to be the primary residence of the home-buyer. Repayment amount will be original loan amount or original loan amount plus a proportional share of appreciation based on the percentage of assistance provided by the City, whichever is greater.														
Maximum CLTV	103%														
Ratios	Maximum ratios 38%/45%. Housing-to-Income ratio less than 25% is ineligible <u>unless granted an exception.</u>														
Borrower Contribution	Borrower must have 1% of their own funds into the transaction														
Asset Limits	Borrower cannot have greater than 12 months of Principal, Interest, Taxes and Insurance (PITI) in liquid assets after closing														
Income Requirements (subject to change annually)	<table border="0"> <thead> <tr> <th>Household Size</th> <th>Income Limit</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>\$50,350 <u>\$47,600</u></td> </tr> <tr> <td>2</td> <td>\$57,550 <u>\$54,400</u></td> </tr> <tr> <td>3</td> <td>\$64,750 <u>\$61,200</u></td> </tr> <tr> <td>4</td> <td>\$71,900 <u>\$68,000</u></td> </tr> <tr> <td>5</td> <td>\$77,700 <u>\$73,450</u></td> </tr> <tr> <td>6</td> <td>\$83,450 <u>\$78,900</u></td> </tr> </tbody> </table>	Household Size	Income Limit	1	\$50,350 <u>\$47,600</u>	2	\$57,550 <u>\$54,400</u>	3	\$64,750 <u>\$61,200</u>	4	\$71,900 <u>\$68,000</u>	5	\$77,700 <u>\$73,450</u>	6	\$83,450 <u>\$78,900</u>
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6	\$83,450 <u>\$78,900</u>														
Inspection Requirements	<p>City of Madison will order a Housing Quality Standards (HQS) inspection for CITY OF MADISON PROPERTIES ONLY. All loan application packages must include a private property inspection. The City of Madison will order a Minimum Housing Code Inspection on City of Madison properties as well. If the property was built prior to 1978, a Lead-Based Paint Inspection will also be ordered. For Dane County properties, outside the City of Madison, borrower must provide a copy of private 3rd party inspection. be required for all City of Madison properties. All Minimum Housing Code/safety issues will be required to be repaired prior to closing, unless an exception has been granted.</p>														
Underwriting Timeline	Allow 20 Business days from receiving documentation from lender. The 20 business days will begin once all required documents are collected.														

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Other

Borrower may not own other property at time of closing.
Income includes all occupants over the age of 18.
Must be a first-time home buyer, which includes the following:
• Individual who has not owned property in last 3 years
• Single-parent with a dependent minor child
First mortgage must have a minimum term of 30 years
First mortgage must escrow taxes and insurance

ELIGIBILITY REQUIREMENTS

Property Eligibility

The property must meet the follow requirements:

- The property must be a single family home, condominium or half a duplex located in the **City of Madison or Dane County**.
- Provide a private property inspection report for all Dane County properties (excludes City of Madison) with all loan application packages. City will order an HQS (Housing Quality Standards) inspection report FOR ALL CITY OF MADISON properties.
- Be safe and sanitary, as verified by a City of Madison Minimum Housing Code inspection report for City of Madison properties.
- All City of Madison properties built before 1978 will have a lead paint inspection report ordered by the City of Madison. All lead paint issues are to be corrected prior to closing, unless granted an exception.
- City of Madison properties must pass an Environmental Review conducted by the City of Madison Community Development Division staff.
- Cannot be sold for more than appraised value, as verified by an independent appraisal obtained by the first mortgage lender. (lr????)
- Be the principal residence of the borrower.
- Must not be located in the 100-year flood plain.

Home Buyer Eligibility

The home buyer must meet the following requirements:

Income Limit

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

2018 INCOME LIMITS BY FAMILY SIZE (Subject to change annually)

Household Size	Gross Annual Income Levels
1	\$50,350 \$47,600
2	\$57,550 \$54,400
3	\$64,750 \$61,200
4	\$71,900 \$68,000
5	\$77,700 \$73,450
6	\$83,450 \$78,900
7	\$89,200 \$84,350
8	\$94,950 \$89,800

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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.**

First-time home buyer

Be a first-time home buyer, or a single parent:

- A **first-time home buyer** is defined as any individual listed on the deed, mortgage and note who has not owned a property during the three-year period prior to purchase. For married couples, if only one individual is listed on the deed, mortgage and note, HUD requires that both individuals qualify as first-time home buyers as defined above.
- A **single parent** is defined as an individual who is unmarried or legally separated from a spouse and has one or more dependent minor children for whom the individual has custody or joint custody, or is pregnant. At time of loan closing, the single parent cannot own any other property.

Education

Complete a HUD-approved, first-time home buyer education. An education certificate must be submitted, prior to the closing. The home buyer's education certificate must be dated no more than 18 months prior to loan closing.

Citizenship

~~Be a documented United States citizen or a permanent or temporary resident alien. For resident aliens, provide a valid social security number and an employment authorization document (EAD) issued by U.S. Citizenship and Immigration Services (USCIS).~~

Mortgage Qualification

Qualify for a first mortgage that does not exceed WHEDA's prevailing market rate by more than 2% and has an amortization period of at least 30 years and taxes and insurance are escrowed by first mortgage holder.

Child Support/Maintenance

Arrearages for child support, birthing, maintenance or other expenses owed to the state must be paid in full prior to closing.

Ownership of Other Property

The subject property must be owner-occupied and the borrower may not have ownership interest in any other real estate within the last 3 years at the time of closing. The borrower

must take occupancy within 60 days of acquisition of the property.

Income

Income Limit

Maximum income, 80% of Dane County Area Median Income Limit.

Required Employment Documentation

Provide three months worth of paystubs or Verification of Employment and one month of paystubs. If the borrower has been on their present job for less than one year, a full written Verification of Employment (VOE) is required.

Current Employment Documentation

Documentation for current employment must include:

- Wage rate
- Average hours and overtime hours worked per week
- Year-to-date earnings
- Date of employment
- Frequency of payment
- Previous year earnings

Other Income documentation

- Current Social Security Award Letter
- One year history of child support verified through the Department of Workforce Development
- Pension Letter
- A disability benefits statement from the benefits payer

Tax Transcripts/Tax Returns

Copy of federal tax return and W-2s for the last year will be required for all individuals who intend to occupy the property. Tax return will be reviewed for compliance income, self employed activity, unreimbursed employee expenses, and income from assets.

Self Employed Borrower

For individuals participating in partnerships and/or corporations provide copies of the business tax returns for the last two years in addition to the personal tax returns from the last two years.

Compliance Income

Compliance income is the anticipated income of anyone age 18 or older who intends to occupy the property, regardless of their relationship to the borrower. This may include adult children, parents, aunts, uncles, grandparents, partners, companions, etc.

Compliance income is generally calculated by projecting forward the current gross income by 12 months.

Inclusions:

- Earned income of all occupants over the age of 18. [Earnings in excess of \\$480 for each full-time student 18 years old or older \(excluding the head of household or spouse.\)](#)
- Unearned income of all occupants under the age of 18
- Social Security Income (SSI)
- Child support
- Alimony
- Pension/retirement
- Disability
- Public Assistance
- Interest and dividend income on funds retained after closing
- Self employment income (adding back, depletion, meals and entertainment, and business use of home). An allowance for depreciation of assets used in a business or profession may be deducted based on straight-line depreciation. If a business is operated at a loss, such loss may not be used to offset income generated from other sources.

Exclusions:

- Earned income for all occupants under the age of 18
- Foster care income
- Food stamps
- Non-recurring payments from
- Inheritances
- Insurance settlements
- Lottery winnings
- Gambling winnings
- Capital gains
- Settlements for personal loss
- Mortgage Credit Certificate (MCC)

Qualifying Income

Qualifying income is the verified, stable income of the borrower and is used to calculate ratios. [City of Madison will use the qualifying income as underwritten by the first mortgage lender.](#)

Overtime

Overtime income must show a history of at least 24 months with the current employer. (LR or can it be 12 mo????? And same for below items.)

Commission, Bonus, Tip, and Profit Sharing

Commission, bonus, tip, and profit sharing income must show a history of at least 24 months with the current employer.

Non-taxable Income (Child Support, SSI)

Non-taxable income is adjusted upward 125%. This source of income should be expected to continue for the next 3 years.

Child support and alimony must be documented with a 12-month history from the Department of Workforce Development.

Social Security, pension/retirement, and public assistance must be verified with a current award letter.

Disability income must be verified with a copy of the disability policy or benefits statement and a statement from the benefits payer.

Second Job

Second job (part-time or full-time) income requires a 24-month history and a strong likelihood of continuation.

Military Income

For full-time military personnel, use base pay plus additional pay (hazard pay, rations, clothing allowance, etc.) if the additional pay is likely to be received in the future.

Reserve pay may be used as qualifying income if it can be verified as having been uninterrupted for the previous two years and has a strong likelihood of continuation.

Seasonal and Unemployment

Seasonal employment and unemployment compensation may be considered if there is a minimum two-year history with the same employer.

Unreimbursed Employee Expense

Calculate a 24-month average of Unreimbursed Employee Expenses on the borrower's personal tax returns and reduce monthly qualifying income. If the expenses are auto lease or auto loan related, count the monthly payment as a debt.

Self Employment, Corporation, Partnership, and S Corporation Income

Average the net income from the prior two years personal and business tax returns. If the income for the most recent year shows a substantial decline, the income from that year will be used. A sharp decline in the most recent year will be closely reviewed to determine if the business has the ability to support the borrower's debt obligations.

Business Operated at a Loss

Negative cash flow from a business reduces other qualifying income. If the business is operated at a loss, such loss may not be used to offset income generated from other sources when determining compliance with income limits.

Boarder Income (for household with a person with a disability only)

If the loan to value is 90% or less, monthly rental income received from roommates may be added to the applicant's other income before ratio analysis. Rental income can be considered as acceptable stable income, in an amount up to 30% of total gross income that is used to qualify the borrower for the mortgage if:

- The individual has lived with borrower for 12 months
- Boarder can prove history of shared residency
- Boarder can provide a history of rental payments for 12 months via copies of canceled checks

Mortgage Credit Certificate

~~EXCLUDE~~ this tax credit from qualifying income.

Section 8 Housing Choice Voucher

~~Provide a copy of the calculation of Housing Assistance Payment (HAP) from the local Housing Authority and add this benefit to qualifying income. This income may be grossed up to 125% as it is nontaxable income.~~

Down Payment

Borrower must have cash down payment of 1% ~~from their own funds~~ into the transaction.

Source of Down Payment

Cash on Deposit

Funds must be invested in the borrower's account at least 2 months prior to the loan application date. When deposits greater than 25% of annual qualifying income are made to a borrower's account within two months of a loan application, the borrower will be required to provide source documentation.

Gifts

An acceptable gift donor may be a spouse, parent, sibling, child, grandparent, aunt, uncle, cousin, domestic partner or fiancé who has lived with the borrower for the last 12 months.

Verify and document the gift using a Gift Affidavit form.

All gift funds must be verified and received by the borrower prior to the closing.

For funds verification, the following is required:

- Copy of gift check (or withdrawal documentation) to borrower showing the donor as the remitter.
- Copy of borrower's deposit receipt or a bank statement that shows the deposit.

Earnest Money

Provide a copy of the cancelled earnest money check.

Retirement Funds

The net withdrawal amount, after any penalties, may be an acceptable source of down payment. Use 60% of the vested balance when calculating available cash to close and reserve funds if the withdrawal has not yet occurred.

Sale of Personal Asset

The purchaser of the asset cannot be an interested party in the sales transaction.

Provide the following:

- Proof of ownership
- Fair market value of the item sold
- Bill of sale or copy of the transferred title
- Receipt of funds

Tax Refund

Satisfactory documentation includes:

- Copies of the refund checks
- Proof of deposit in the borrower's account
- Copy of the borrower's tax return

Borrowed Funds

The loan must be fully secured by the borrower's own asset, repayable on a monthly installment basis, and fully amortized. Provide the following:

- Copy of the fully executed note
- Receipt of funds
- Proof of ownership
- Verification of asset value.

The term of the loan must be reasonable based on the life of the asset.

Cash at Home

Cash at home generally is not an acceptable source of down payment.

Exceptions may be made if the borrower has no history of using:

- Checking accounts
- Savings accounts
- Loans
- Credit cards

Funds must be deposited and verified prior to closing.

Repayment of Debt

Funds received from repayment of loans to family and friends must be verified and reconciled with the borrower's ability to have made such loans.

Asset Limits for Eligibility (Reserves)

The maximum amount of "liquid assets" that the home buyer can have in reserves after closing cannot exceed the equivalent of twelve months of Principal, Interest, Taxes and Insurance (PITI).

"Liquid assets" will include but not be limited to such things as: checking accounts, savings accounts, life insurance net cash value, stocks, bonds, mutual funds, money market funds and annuities, personal property held as an investment, lump sum or one time receipts such as an inheritance, lottery winnings, capital gains; or mortgages or deeds of trust as held by an applicant. Excluded are such things as IRA's, 401K plans, pension profit sharing, other pensions, employee retirement funds, assets not accessible to an applicant and personal property. All assets must be verified for income compliance.

Stacking of Funds

Combining funds from more than one down payment and closing cost loan program will be allowed. ~~however the City's funds must take a second lien position. Exceptions will be allowed for when there are other City funds involved that a third mortgage position will be allowed.~~

~~**Total Assistance Limits**~~

The maximum amount of funds available from all City of Madison sources may not exceed the maximum amount of assistance per unit listed in the annual "Community Development Program Goals and Priorities." For 2018~~2~~³, the maximum assistance from all City funding sources for any property is \$54,000.

Credit

Credit Report

Obtain a triple-merged credit report for all borrowers, including a non-applicant spouse, if applicable.

Length of Credit History

The borrower's credit report must have 2 years of active credit history with a minimum of three 12-month trade lines. Applications with insufficient trade lines (thin credit file) may be supplemented with alternative credit references. See the Non-Traditional Credit section for acceptable sources.

Analysis of Credit Report

Credit history within the past 12 months will be a strong factor in the underwriting decision. Borrowers should exhibit no late payments, judgments or new collections within the past 12 months. Late payments within 13-24 months will be evaluated on a case-by-case basis.

Collections & Charge-Offs

Medical collections cannot exceed an aggregate total of \$5,000 and must have a payment plan established. Non-medical collections and charge-offs less than two years old must be paid in full.

Judgments, Tax Liens

Must be paid-in-full prior to closing. Provide a recorded satisfaction.

Derogatory Accounts, Foreclosures, Bankruptcy's, etc.

Bankruptcy Chapter 7

Document two years of re-established good credit after the discharge of the bankruptcy. Provide a complete copy of the discharge papers including all schedules. Provide a written explanation for the bankruptcy.

Bankruptcy Chapter 13

Document one year of repayment history under the Chapter 13 bankruptcy. Provide a copy of the written permission from bankruptcy court to enter into a mortgage transaction. Provide a written explanation for the bankruptcy.

Foreclosure, Deed-in-lieu & Short Sales

Document three years of re-established good credit. Provide a written explanation for the foreclosure/short sale.

Non-Traditional Credit

Alternative credit references are acceptable when sufficient traditional sources are not available. Document 3 sources of alternative credit references each having at least a 12-month history of being paid on time.

Required credit references for non-traditional credit borrowers are:

- Verification of Rent—verification from someone other than a professional management company should be verified with copies of 12 months cancelled checks. If cancelled checks are unavailable, check public landlord-tenant records for court filings, judgments, or evictions. No history of delinquency within the past 24 months (or since inception, if less than 24 months).
- A utility (i.e. gas, electric)

Examples of other forms of alternative credit references are:

- Auto insurance premiums paid monthly
- Telephone or cell phone payments
- Cable payments

Only one 30-day delinquency is allowed within the last 12 months. No collections or judgments (other than medical) filed within the past 24 months. (LR, delete prior 2 sentences????). Judgments must be paid in full.

Provide 12 months of cancelled checks or 12 months of payment history. Bank statements do not, by themselves, validate payments, but can be used to supplement other sources.

Alternative credit references must include all of the following:

- Creditor's name
- Name of person providing the reference
- Date account was opened
- Amount of highest credit
- Current status of the account
- Required payment amount
- Unpaid balance
- Payment history

Undisclosed Debt

Document any discrepancies between the credit report and information disclosed in the application or elsewhere. All debts must be documented and the payments will be included in the ratios.

Disputed Accounts

Any disputed account noted on the credit report must be remedied prior to loan approval.

Debt Analysis

Qualifying Ratios

Maximum ratios of 38/45% allowed. Borrower(s) with a housing-to-income ratio less than 25% are ineligible, [unless the assistance is needed to qualify for first mortgage financing.](#)

Guarantors/Co-Signers

Guarantors and co-signers are allowed only for credit purposes. The borrower must be able to support the monthly housing payment within the programs ratio guidelines without the support of the co-signers income.

Maximum Loan-to-Value

The total of the of the first mortgage plus the city funded mortgage(s) and any other loans collateralized by the property, shall not exceed 103% total combined loan to value based on the purchase price of the property or the appraised value which ever amount is less.

Housing Payment

First mortgage must have a minimum term of 30 years.

The monthly payment includes principal and interest, taxes, hazard insurance, condo fees, flood insurance and mortgage insurance premium, if applicable. Home buyers must escrow the property taxes and home owners insurance as a condition of the first mortgage.

Revolving Accounts

Use 3% of the outstanding balance of a revolving account for the monthly payment if the 3% payment is higher than what appears on the credit report.

~~Use 5% of the balance if no payment amount is listed on the credit report.~~

Payment in full and closing of revolving debt account can exclude debt payment in ratio calculation.

Installment Debt

Include all installment debt with a remaining term of 10 months or more. Principal buy down of installment debt to reach a remaining term of 10 months is acceptable.

Installment debts with fewer than 10 months remaining are generally excluded. However, debts with less than 10 months may be counted if the amount of the debt affects the borrower's ability to pay the mortgage payments immediately after closing.

Lease payments are always included in ratios.

Authorized User Accounts

Do not count authorized user accounts as a credit reference unless the borrowers can provide cancelled checks to verify they have been making the payments for at least 12 months. If the

borrowers have been making the payments, include the monthly payment in the borrowers' debt ratio.

If the borrower is an authorized user of a trade line that belongs to a non-applicant spouse the lender must include the monthly payment when calculating the borrower's debt ratio.

Non-applicant Spouse Debt

All open and active accounts will be included in ratios. The borrower will not be held responsible for payment of collections and judgments incurred by a non-applicant spouse prior to the documented date of the marriage.

Child Support and Maintenance

Include all child support obligations with a remaining term of 10 months or more. All child support, birthing expenses, and maintenance arrearages must be paid prior to closing.

Student Loans

~~Payments for student loans which are deferred for three years or more may be excluded from borrower's total debt ratio. If repayment begins in less than three years a payment must be included in the borrower's total debt ratio. If no payment is listed on the credit report the monthly payment must be based on the standard amortization of the loan received from the lender.~~

The City of Madison will use the student loan debt as determined by the first mortgage lender when underwriting for eligibility.

Business Debt

Obtain 12 months of cancelled checks to verify the obligation was paid with company funds. If delinquencies have occurred in the past 12 months, include the debt as part of the borrower's individual obligations.

Co-Signature Debt

A borrower's co-signed obligation is not considered debt if the borrower can provide documentation that the last 12 months of payments have been paid by the primary debtor.

Property Eligibility

Principal Residence

The property must be the borrower's principal residence. The borrower must occupy the subject property within 60 days of loan closing.

Location

The property must be a single family dwelling, a condominium or one half a duplex located in the City of Madison or Dane County.

Property Types

Eligible Properties

- Single family home
- Condominium
- One half a duplex

Ineligible Properties

The following types of properties are not acceptable:

- Commercially used properties
- Time share units
- Earth homes
- Dome homes
- Geothermal homes
- Log homes

Offer to Purchase

Provide a copy of the complete and fully executed contract including all addendums, counters, amendments, and notices.

Voluntary Acquisition Form

It will be the responsibility of the home buyer to submit a Voluntary Acquisition Form with the Offer to Purchase to the seller. This form is used to satisfy the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA). Neither the City of Madison nor the home buyers have the right to acquire the property by eminent domain.

Appraisal

Cannot be sold for more than the appraised value at the time of sale, as verified by an independent appraisal obtained by the first mortgage lender. Appraisal requirements are as follows:

- Obtained in compliance with the Appraiser Independence Requirements
- Compliant with Uniform Appraisal Dataset requirements
- An interior & exterior review by a licensed appraiser
- Based on the “as is” value of the property (Exception allowed when using the City’s Homebuyer’s Assistance loan program.)
- Appraiser must confirm they were provided with a complete copy of the Offer to Purchase and verify Interested Party Contributions (IPCs), if applicable

The following exhibits must accompany the appraisal:

- Exterior building sketch with dimensions
- Street map that shows the location of the property and comparables
- Original photographs showing the front, back, and street scene of the subject property and the front of each comparable

- Interior photographs of the kitchen, all bathrooms, main living area, examples of physical deterioration, examples of recent updates

Property Inspections

Home Inspection

City of Madison will order a Housing Quality Standards (HQS) inspection for CITY OF MADISON PROPERTIES ONLY. For City properties, if constructed prior to 1978 a lead based paint inspection will also be ordered. All Dane County properties require a private property inspection report be submitted with the loan application package. All properties must meet the City of Madison Minimum Housing Code requirements and be decent, safe and sanitary. Any necessary repairs must be completed prior to closing, unless an exception has been granted, before City assistance will be provided. In addition, the City of Madison contracted inspector will provide a Minimum Housing Code inspection for City of Madison properties only. The City inspection will be scheduled once it is determined that the home buyer qualifies for the program. For newly constructed properties, a Certificate of Occupancy will be accepted in lieu of a Minimum Housing Code inspection- Housing Quality Standards inspection.

Lead Based Paint Inspection

A lead based paint inspection will be conducted on all City of Madison 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 inspection will be scheduled once it is determined that the home buyer 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.

Environmental Review

Any property within the City of Madison must pass an environmental review conducted by the City of Madison Community Development Division staff.

Condition of Property

All properties must be safe and sanitary as verified by a private property inspection report for all properties plus City of Madison properties will have a Housing Quality Standards City of Madison Minimum Housing Code inspection report completed. All minimum housing code repairs must be completed prior to closing.

Other Program Requirements

Eligible Closing Costs

- Appraisal fee
- Credit report
- Closing fee

- Title insurance
- Recording fee
- Survey
- Property inspection
- Flood certification
- Reasonable loan original and processing fees. Reasonable will be based on WHEDA fees
- Tax service
- Prepaid escrows
- First Year Mortgage Insurance Premium or funding fee
- Home buyer education fee
- Other WHEDA fees, as appropriate

Loan Repayment

The mortgage will require a shared appreciation repayment which will be calculated based on the accepted Offer sales price in an arm’s length transaction. Otherwise value will be based on a current appraised value which is to be supplied by our mortgagee. The repayment is due and payable to the City of Madison at the time the property is sold, cash-out refinance for other than property improvements, the property is transferred or ceases to be the primary residence of the home buyer.

Example:

Home purchase price	\$150,000
City loan	\$ 10,000
Percentage of City funds invested	6.66%
Sales price at the time the home buyer sells or current appraised value if pays off the loan	\$175,000
Loan repayment equals 6.66% of the Offer sales price or current appraised value	\$11,665

Loan Subordination

The City will subordinate its mortgage loan(s) according to the terms of the City Loan Subordination Policy.

Non-discrimination

City 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, gender identity, political beliefs, familial status, student status, income level or source of income. The loans will be granted based on the home buyer eligibility and the availability of funds.

Privacy Concerns

Home buyer information obtained by the City will determine eligibility for the loan program(s) according to these underwriting standards. Certain information will not be disclosed outside the City 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 Home-Buy the American Dream Loan

The home buyer may appeal any denial of a City loan to the CDBG Committee at their next regularly scheduled Committee meeting following the denial of a loan. The decision from this Committee will be final.

LOAN APPLICATION PROCESSING

The City will review the complete loan package for accuracy, program compliance and technical content on the basis of general underwriting standards ***within a minimum of 20 business days***. **The 20 business days will begin once all required documents are collected.** MAKE SURE FILE IS SUBMITTED WITH CORRECT FIRST MORTGAGE AMOUNT, OTHERWISE THIS COULD INCREASE PROCESSING TIME.

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

Closing

The City loan closing will be done in conjunction with the closing of the first mortgage loan. Any changes to the mortgage loan amounts or interest rates after the initial loan approval requires written approval from the City. The closing time must be scheduled in consultation with the City.

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 City 5-4 full business days prior to loan closing. An acceptable Closing Disclosure is to be submitted at least 24 hours prior to closing; any changes to the Closing Disclosure must also be submitted to the City.

~~The home buyer shall provide and pay for the recording of the City's mortgage and condo rider (if applicable) at the closing and satisfaction at the time loan is repaid.~~

Cancellation of a City Loan

The City will discontinue work on an application for the following reasons:

- The home buyer is not eligible for a City loan.
- The property for which the loan is sought is not eligible for financing
- The home buyer refuses or is unable to supply all financial data and other relevant information required to determine loan eligibility.
- If the home buyer has excessive liquid assets. The home buyer withdraws their loan request.

Cancellation and termination of a loan request will cause the City to issue a written notice of cancellation to the lender and to the home buyer.

APPENDIX CITY OF MADISON FORMS

- REPAIR EXAMPLES
- CHECKLIST
- PROMISSORY NOTE
- MORTGAGE
- CONDOMINIUM RIDER
- VOLUNTARY ACQUISITION FORM
- BORROWER'S AUTHORIZATION
- W-9 <http://www.irs.gov/uac/Form-W-9,-Request-for-Taxpayer-Identification-Number-and-Certification>
- SUBORDINATION POLICY

REPAIR EXAMPLES

List of Repairs required for Home-Buy the American Dream will include:

- Electrical hazards
- Window conditions (i.e. non-operational, broken or missing panes, screens, adequate ventilation)
- Heat (i.e. operational, source in each room, provide adequate heat, safe heating conditions)
- Wall, ceiling, floor, foundation, exterior surfaces, chimney conditions (i.e., sound, free from hazards)
- Lead paint (if lead and cracking, peeling, loose properly treat in lead safe manner)
- Doors (properly installed and maintained, weather tight, properly installed hardware)
- Working stove, oven range, refrigerator
- Hot/cold water and operational sinks and tub or shower proper discharge pipe and installed in safe manner, free of lead pipes
- Operational toilet free from sewer back up
- Stairs, rails and porches sound and free from hazards
- All fixed joints appropriately caulked
- Discharge from roof, gutters and sump pump kept off neighbor's property.
- Acceptable fire exits
- Free of infestation
- Free from heavy accumulation of garbage or debris inside/outside
- Smoke/CO detectors per code in working order and properly installed

This list is not all inclusive. There may additional repairs required due to safety, health and code issues.



City of Madison Home Buyer 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, Room 406, Madison, Wisconsin, 53703, the greater of (i) the sum of XXXXXThousand and no/100 Dollars (\$XX,000), or (ii) an amount equal to XX.0% of the accepted sales price of the Property in an arm's length transaction or the current fair market value of the Property as determined by an appraisal submitted by the borrower and conducted within the prior six months by a licensed appraiser acceptable to the City of Madison.

THIS NOTE is secured by a Mortgage dated, _____, 20__, from the Borrowers to the City.

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 and appreciation as defined in (ii) above, 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 either Borrower, a Borrower's surviving spouse, or a Borrower's domestic partner as defined in Section 39.03(2)(n), Madison General Ordinances 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;
- b) Title to, or equitable ownership in, the Property (as defined in the Mortgage) is transferred to any party other than a spouse or domestic partner as defined in Sec. 39.03(2)(n), Madison General Ordinances, of either of the undersigned;
- c) The Property is no longer occupied as a residence by either of the undersigned or the surviving spouse, or domestic partner as defined in Section 39.03(2)(n), Madison General Ordinances of either of the undersigned, if any;
- d) Cash-out refinance of any superior mortgage on the Property other than for home improvements.

- e) In the event of foreclosure or deed in lieu of foreclosure of Prior Security Deed or assignment of the first mortgage to the Secretary of Housing and Urban Development, any provisions herein or any provisions in any other collateral agreement restricting the use of the property or otherwise restricting the Borrower's ability to sell the Property shall have no further force or effect. Any person (including his successors or assigns) receiving title to the Property through a foreclosure or deed in lieu of foreclosure of a Prior Security Deed shall receive title to the Property free and clear from such restrictions.

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 security for this obligation.

From sale proceeds, borrower is allowed to recover at least the original purchase price, sales commission and the cost of capital improvements. In the event of a foreclosure the amount due and payable shall be the net proceeds, if any, from the foreclosure sale. Net proceeds are defined as the sales price minus superior loan repayment and any closing costs incurred by the borrower(s).

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 _____, 20__ at Madison, Wisconsin.

Borrower Signature _____
Print Name _____

Borrower Signature _____
Print Name _____

DOCUMENT NO. _____

REAL ESTATE MORTGAGE

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

_____ ("Lender")
in consideration the sum of _____

_____ Dollars
(\$ _____), 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 in paragraph 5 on the reverse side, including but not limited to repayment of the sum stated above plus certain future advances made by Lender.

NAME AND RETURN ADDRESS

Community Development Division
P.O. Box 2627
Madison, WI 53701-2627

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

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 _____ any superior mortgages.

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)

*

_____ (SEAL)

*

_____ (SEAL)

*

_____ (SEAL)

*

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 comingled 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 of 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 residence 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 _____

BORROWER SIGNATURE _____

DATE _____



Department of Planning & Community & Economic Development

Community Development Division

30 W. Mifflin Street, 8th Floor
Mailing Address:
P.O. Box 2627
Madison, Wisconsin 53701-2627
Phone: (608) 266-6520
Fax: (608) 261-9626
www.cityofmadison.com

Child Care
Community Resources
Community Development Block Grant
Madison Senior Center

VOLUNTARY ACQUISITION

Dear _____;

I (we), _____, am (are) interested in acquiring property you own at _____ for a proposed project which may receive funding assistance from the U.S. Department of Housing and Urban Development (HUD).

Please be advised that I (we) do not have authority to acquire your property by eminent domain. In the event we cannot reach an amicable agreement for the purchase of our property, we will not pursue this proposed acquisition.

I (we) are prepared to offer you _____ to purchase your property. We believe this amount represents the current market value of your property. Please contact us at your convenience if you are interested in selling your property.

In accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA), owner-occupants who move as a result of voluntary acquisition are not eligible for relocation assistance.

If you have any questions about this notice or proposed project, please contact Community Development Division of City of Madison at the contact information above.

Sincerely,

Signature

Date

Signature

Date

Delivered to Seller by _____ on _____.

Borrower's Authorization

Borrower Name: _____

Co-Borrower Name: _____

Property Address: _____

I/We have applied for a mortgage loan from:

_____ (Lender) its successors and/or assigns.

I/We have applied for down payment/closing cost assistance from:

Down Payment Plus

Home Start

Other (list) _____

As part of the application process, City of Madison and/or their assigns may verify information contained in my/our loan application and in other documents required in connection with the loan request, either before the loan is closed or as part of its quality control program after closing.

1. I/We authorize my lender's staff to provide City of Madison, and/or assigns any and all information and documentation that the 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.
2. Lender, Verification Agents and/or assigns that purchase the mortgage(s) may address this authorization to any party named in the loan application or disclosed by any consumer credit reporting agency or similar source.
3. A copy of this authorization may be accepted as an original.
4. City of Madison will promptly reply to Lender, Verification Agents and/or assigns that purchased the mortgage(s).

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, State of Wisconsin and City of Madison has 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 City of Madison, State of Wisconsin, HUD and any other party doing audit on their behalf 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 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

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 Annual Income

Total Number of Residents _____ **Total Household Income \$** _____

Beneficiary Information

Borrower Race/National Origin		Co-Borrower Race/National Origin	
	White/Caucasian		White/Caucasian
	Black/African American & White/Caucasian		Black/African American & White/Caucasian
	Native Hawaiian/Other Pacific Islander		Native Hawaiian/Other Pacific Islander
	Asian		Asian
	Asian & White/Caucasian		Asian & White/Caucasian
	American Indian/Alaskan Native		American Indian/Alaskan Native
	Am. Indian/Alaskan Native & Black/African American		Am. Indian/Alaskan Native & Black/African American
	Am. Indian/Alaskan Native & White/Caucasian		Am. Indian/Alaskan Native & White/Caucasian
	Other:		Other:
	Hispanic		Hispanic
	Disabled		Disabled
	Elderly (62+)		Elderly (62+)

98

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. This property is not being obtained by eminent domain.
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.
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. 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 single parent with a dependent child.
5. I/We have provided true copies of last year’s income tax return and income statements (including wages, interest income, self-employment income, SSI or SSDI, retirement or pension income, etc).

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.

Receipt of Information

1. **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).
2. **Subordination and Appeal Policies,** I/We have reviewed the City of Madison’s subordination policy and appeal policy for residential mortgage loans. Information is found at www.cityofmadison.com/homeloans
3. **Notice regarding lobbying ordinance:** If you are seeking approval of a development that has over 40,000 gross square feet of non-residential space, or a residential development of over 10 dwelling units, or if you are seeking assistance from the City with a value of over \$10,000 (this includes grants, loans, TIF or similar assistance), then you likely are subject to Madison’s lobbying ordinance, sec. 2.40, MGO. You are required to register and report your lobbying. Please consult the City Clerk for more information. Failure to comply with the lobbying ordinance may result in fines of \$1,000 to \$5,000.

Loan Terms

1. I/We understand(s) that I/We will be required to sign a promissory note(s) and mortgage(s). I/ we will be responsible for recording fees and any fees charged by the title company for closing these loans.
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) under the terms of the promissory note.
3. I/We understand that the loans have a repayment of the original loan amount plus a proportional share of appreciation based on the percentage of assistance provided.

Conflict of Interest

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	NAMES OF COVERED PERSONS	RELATIONSHIP
David Ahrens		Susan Morrison	
Samba Baldeh		Dan O’Callaghan	
Shiva Bidar-Sielaff		Jim O’Keefe	
Colin Bowden		Larry Palm	
Keetra Burnette		Matthew Phair	
Jennifer Campbell		Linette Rhodes	
Mark S Clear		Marsha A. Rummel	
Denise DeMarb		Paul Skidmore	
Natalie Erdman		Mayor Paul R. Soglin	
Sara Eskrich		Ben Van Pelt	
Terri Goldbin		Michael Verveer	
Amanda Hall		Craig Wilson	
Ricky Hunt		Zach Wood	
Rebecca Kemble		Ledell Zellers	
Steve King			
Kazoua Lor			
Arvina Martin			
Barbara McKinney			

¹“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

²“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 Home Buy the American Dream 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.

MGO 3.35(5)(e) 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 Community and Economic Development prior to loan approval.

Attest Statement

For the purpose of applying for a down payment assistance loan(s), the undersigned certifies that all of the above statements and information are true. The City of Madison is required that we make you aware of certain facts and collect information from you. Consequently, we require that you complete this 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. The undersigned understands 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 as applicable under the provision of Title 18, United States Code, Section 1014.

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_____

Request for Taxpayer Identification Number and Certification

**Give Form to the
requester. Do not
send to the IRS.**

Print or type See Specific Instructions on page 2.	1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.	
	2 Business name/disregarded entity name, if different from above	
	3 Check appropriate box for federal tax classification; check only one of the following seven boxes: <input type="checkbox"/> Individual/sole proprietor or single-member LLC <input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate <input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶ _____ Note. For a single-member LLC that is disregarded, do not check LLC; check the appropriate box in the line above for the tax classification of the single-member owner. <input type="checkbox"/> Other (see instructions) ▶ _____	
	4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3): Exempt payee code (if any) _____ Exemption from FATCA reporting code (if any) _____ <small>(Applies to accounts maintained outside the U.S.)</small>	
	5 Address (number, street, and apt. or suite no.)	Requester's name and address (optional)
	6 City, state, and ZIP code	
	7 List account number(s) here (optional)	

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Note. If the account is in more than one name, see the instructions for line 1 and the chart on page 4 for guidelines on whose number to enter.

	Social security number											
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		-										

Part II Certification

Under penalties of perjury, I certify that:

- The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
- I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
- I am a U.S. citizen or other U.S. person (defined below); and
- The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 3.

Sign Here	Signature of U.S. person ▶	Date ▶
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General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. Information about developments affecting Form W-9 (such as legislation enacted after we release it) is at www.irs.gov/fw9.

Purpose of Form

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following:

- Form 1099-INT (interest earned or paid)
- Form 1099-DIV (dividends, including those from stocks or mutual funds)
- Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
- Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
- Form 1099-S (proceeds from real estate transactions)
- Form 1099-K (merchant card and third party network transactions)

- Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
- Form 1099-C (canceled debt)
- Form 1099-A (acquisition or abandonment of secured property)

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See What is backup withholding? on page 2.

By signing the filled-out form, you:

- Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
- Certify that you are not subject to backup withholding, or
- Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income, and
- Certify that FATCA code(s) entered on this form (if any) indicating that you are exempt from the FATCA reporting, is correct. See *What is FATCA reporting?* on page 2 for further information.

Note. If you are a U.S. person and a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

Definition of a U.S. person. For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien;
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States;
- An estate (other than a foreign estate); or
- A domestic trust (as defined in Regulations section 301.7701-7).

Special rules for partnerships. Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax under section 1446 on any foreign partners' share of effectively connected taxable income from such business. Further, in certain cases where a Form W-9 has not been received, the rules under section 1446 require a partnership to presume that a partner is a foreign person, and pay the section 1446 withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid section 1446 withholding on your share of partnership income.

In the cases below, the following person must give Form W-9 to the partnership for purposes of establishing its U.S. status and avoiding withholding on its allocable share of net income from the partnership conducting a trade or business in the United States:

- In the case of a disregarded entity with a U.S. owner, the U.S. owner of the disregarded entity and not the entity;
- In the case of a grantor trust with a U.S. grantor or other U.S. owner, generally, the U.S. grantor or other U.S. owner of the grantor trust and not the trust; and
- In the case of a U.S. trust (other than a grantor trust), the U.S. trust (other than a grantor trust) and not the beneficiaries of the trust.

Foreign person. If you are a foreign person or the U.S. branch of a foreign bank that has elected to be treated as a U.S. person, do not use Form W-9. Instead, use the appropriate Form W-8 or Form 8233 (see Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities).

Nonresident alien who becomes a resident alien. Generally, only a nonresident alien individual may use the terms of a tax treaty to reduce or eliminate U.S. tax on certain types of income. However, most tax treaties contain a provision known as a "saving clause." Exceptions specified in the saving clause may permit an exemption from tax to continue for certain types of income even after the payee has otherwise become a U.S. resident alien for tax purposes.

If you are a U.S. resident alien who is relying on an exception contained in the saving clause of a tax treaty to claim an exemption from U.S. tax on certain types of income, you must attach a statement to Form W-9 that specifies the following five items:

1. The treaty country. Generally, this must be the same treaty under which you claimed exemption from tax as a nonresident alien.
2. The treaty article addressing the income.
3. The article number (or location) in the tax treaty that contains the saving clause and its exceptions.
4. The type and amount of income that qualifies for the exemption from tax.
5. Sufficient facts to justify the exemption from tax under the terms of the treaty article.

Example. Article 20 of the U.S.-China income tax treaty allows an exemption from tax for scholarship income received by a Chinese student temporarily present in the United States. Under U.S. law, this student will become a resident alien for tax purposes if his or her stay in the United States exceeds 5 calendar years. However, paragraph 2 of the first Protocol to the U.S.-China treaty (dated April 30, 1994) allows the provisions of Article 20 to continue to apply even after the Chinese student becomes a resident alien of the United States. A Chinese student who qualifies for this exception (under paragraph 2 of the first protocol) and is relying on this exception to claim an exemption from tax on his or her scholarship or fellowship income would attach to Form W-9 a statement that includes the information described above to support that exemption.

If you are a nonresident alien or a foreign entity, give the requester the appropriate completed Form W-8 or Form 8233.

Backup Withholding

What is backup withholding? Persons making certain payments to you must under certain conditions withhold and pay to the IRS 28% of such payments. This is called "backup withholding." Payments that may be subject to backup withholding include interest, tax-exempt interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee pay, payments made in settlement of payment card and third party network transactions, and certain payments from fishing boat operators. Real estate transactions are not subject to backup withholding.

You will not be subject to backup withholding on payments you receive if you give the requester your correct TIN, make the proper certifications, and report all your taxable interest and dividends on your tax return.

Payments you receive will be subject to backup withholding if:

1. You do not furnish your TIN to the requester,
2. You do not certify your TIN when required (see the Part II instructions on page 3 for details),

3. The IRS tells the requester that you furnished an incorrect TIN,

4. The IRS tells you that you are subject to backup withholding because you did not report all your interest and dividends on your tax return (for reportable interest and dividends only), or

5. You do not certify to the requester that you are not subject to backup withholding under 4 above (for reportable interest and dividend accounts opened after 1983 only).

Certain payees and payments are exempt from backup withholding. See *Exempt payee code* on page 3 and the separate Instructions for the Requester of Form W-9 for more information.

Also see *Special rules for partnerships* above.

What is FATCA reporting?

The Foreign Account Tax Compliance Act (FATCA) requires a participating foreign financial institution to report all United States account holders that are specified United States persons. Certain payees are exempt from FATCA reporting. See *Exemption from FATCA reporting code* on page 3 and the Instructions for the Requester of Form W-9 for more information.

Updating Your Information

You must provide updated information to any person to whom you claimed to be an exempt payee if you are no longer an exempt payee and anticipate receiving reportable payments in the future from this person. For example, you may need to provide updated information if you are a C corporation that elects to be an S corporation, or if you no longer are tax exempt. In addition, you must furnish a new Form W-9 if the name or TIN changes for the account; for example, if the grantor of a grantor trust dies.

Penalties

Failure to furnish TIN. If you fail to furnish your correct TIN to a requester, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

Civil penalty for false information with respect to withholding. If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a \$500 penalty.

Criminal penalty for falsifying information. Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

Misuse of TINs. If the requester discloses or uses TINs in violation of federal law, the requester may be subject to civil and criminal penalties.

Specific Instructions

Line 1

You must enter one of the following on this line; **do not** leave this line blank. The name should match the name on your tax return.

If this Form W-9 is for a joint account, list first, and then circle, the name of the person or entity whose number you entered in Part I of Form W-9.

a. Individual. Generally, enter the name shown on your tax return. If you have changed your last name without informing the Social Security Administration (SSA) of the name change, enter your first name, the last name as shown on your social security card, and your new last name.

Note. ITIN applicant: Enter your individual name as it was entered on your Form W-7 application, line 1a. This should also be the same as the name you entered on the Form 1040/1040A/1040EZ you filed with your application.

b. Sole proprietor or single-member LLC. Enter your individual name as shown on your 1040/1040A/1040EZ on line 1. You may enter your business, trade, or "doing business as" (DBA) name on line 2.

c. Partnership, LLC that is not a single-member LLC, C Corporation, or S Corporation. Enter the entity's name as shown on the entity's tax return on line 1 and any business, trade, or DBA name on line 2.

d. Other entities. Enter your name as shown on required U.S. federal tax documents on line 1. This name should match the name shown on the charter or other legal document creating the entity. You may enter any business, trade, or DBA name on line 2.

e. Disregarded entity. For U.S. federal tax purposes, an entity that is disregarded as an entity separate from its owner is treated as a "disregarded entity." See Regulations section 301.7701-2(c)(2)(iii). Enter the owner's name on line 1. The name of the entity entered on line 1 should never be a disregarded entity. The name on line 1 should be the name shown on the income tax return on which the income should be reported. For example, if a foreign LLC that is treated as a disregarded entity for U.S. federal tax purposes has a single owner that is a U.S. person, the U.S. owner's name is required to be provided on line 1. If the direct owner of the entity is also a disregarded entity, enter the first owner that is not disregarded for federal tax purposes. Enter the disregarded entity's name on line 2, "Business name/disregarded entity name." If the owner of the disregarded entity is a foreign person, the owner must complete an appropriate Form W-8 instead of a Form W-9. This is the case even if the foreign person has a U.S. TIN.

Line 2

If you have a business name, trade name, DBA name, or disregarded entity name, you may enter it on line 2.

Line 3

Check the appropriate box in line 3 for the U.S. federal tax classification of the person whose name is entered on line 1. Check only one box in line 3.

Limited Liability Company (LLC). If the name on line 1 is an LLC treated as a partnership for U.S. federal tax purposes, check the "Limited Liability Company" box and enter "P" in the space provided. If the LLC has filed Form 8832 or 2553 to be taxed as a corporation, check the "Limited Liability Company" box and in the space provided enter "C" for C corporation or "S" for S corporation. If it is a single-member LLC that is a disregarded entity, do not check the "Limited Liability Company" box; instead check the first box in line 3 "Individual/sole proprietor or single-member LLC."

Line 4, Exemptions

If you are exempt from backup withholding and/or FATCA reporting, enter in the appropriate space in line 4 any code(s) that may apply to you.

Exempt payee code.

- Generally, individuals (including sole proprietors) are not exempt from backup withholding.
- Except as provided below, corporations are exempt from backup withholding for certain payments, including interest and dividends.
- Corporations are not exempt from backup withholding for payments made in settlement of payment card or third party network transactions.
- Corporations are not exempt from backup withholding with respect to attorneys' fees or gross proceeds paid to attorneys, and corporations that provide medical or health care services are not exempt with respect to payments reportable on Form 1099-MISC.

The following codes identify payees that are exempt from backup withholding. Enter the appropriate code in the space in line 4.

- 1—An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2)
- 2—The United States or any of its agencies or instrumentalities
- 3—A state, the District of Columbia, a U.S. commonwealth or possession, or any of their political subdivisions or instrumentalities
- 4—A foreign government or any of its political subdivisions, agencies, or instrumentalities
- 5—A corporation
- 6—A dealer in securities or commodities required to register in the United States, the District of Columbia, or a U.S. commonwealth or possession
- 7—A futures commission merchant registered with the Commodity Futures Trading Commission
- 8—A real estate investment trust
- 9—An entity registered at all times during the tax year under the Investment Company Act of 1940
- 10—A common trust fund operated by a bank under section 584(a)
- 11—A financial institution
- 12—A middleman known in the investment community as a nominee or custodian
- 13—A trust exempt from tax under section 664 or described in section 4947

The following chart shows types of payments that may be exempt from backup withholding. The chart applies to the exempt payees listed above, 1 through 13.

IF the payment is for . . .	THEN the payment is exempt for . . .
Interest and dividend payments	All exempt payees except for 7
Broker transactions	Exempt payees 1 through 4 and 6 through 11 and all C corporations. S corporations must not enter an exempt payee code because they are exempt only for sales of noncovered securities acquired prior to 2012.
Barter exchange transactions and patronage dividends	Exempt payees 1 through 4
Payments over \$600 required to be reported and direct sales over \$5,000 ¹	Generally, exempt payees 1 through 5 ²
Payments made in settlement of payment card or third party network transactions	Exempt payees 1 through 4

¹ See Form 1099-MISC, Miscellaneous Income, and its instructions.

² However, the following payments made to a corporation and reportable on Form 1099-MISC are not exempt from backup withholding: medical and health care payments, attorneys' fees, gross proceeds paid to an attorney reportable under section 6045(f), and payments for services paid by a federal executive agency.

Exemption from FATCA reporting code. The following codes identify payees that are exempt from reporting under FATCA. These codes apply to persons submitting this form for accounts maintained outside of the United States by certain foreign financial institutions. Therefore, if you are only submitting this form for an account you hold in the United States, you may leave this field blank. Consult with the person requesting this form if you are uncertain if the financial institution is subject to these requirements. A requester may indicate that a code is not required by providing you with a Form W-9 with "Not Applicable" (or any similar indication) written or printed on the line for a FATCA exemption code.

- A—An organization exempt from tax under section 501(a) or any individual retirement plan as defined in section 7701(a)(37)
- B—The United States or any of its agencies or instrumentalities
- C—A state, the District of Columbia, a U.S. commonwealth or possession, or any of their political subdivisions or instrumentalities
- D—A corporation the stock of which is regularly traded on one or more established securities markets, as described in Regulations section 1.1472-1(c)(1)(i)
- E—A corporation that is a member of the same expanded affiliated group as a corporation described in Regulations section 1.1472-1(c)(1)(i)
- F—A dealer in securities, commodities, or derivative financial instruments (including notional principal contracts, futures, forwards, and options) that is registered as such under the laws of the United States or any state
- G—A real estate investment trust
- H—A regulated investment company as defined in section 851 or an entity registered at all times during the tax year under the Investment Company Act of 1940
- I—A common trust fund as defined in section 584(a)
- J—A bank as defined in section 581
- K—A broker
- L—A trust exempt from tax under section 664 or described in section 4947(a)(1)
- M—A tax exempt trust under a section 403(b) plan or section 457(g) plan

Note. You may wish to consult with the financial institution requesting this form to determine whether the FATCA code and/or exempt payee code should be completed.

Line 5

Enter your address (number, street, and apartment or suite number). This is where the requester of this Form W-9 will mail your information returns.

Line 6

Enter your city, state, and ZIP code.

Part I. Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. If you are a resident alien and you do not have and are not eligible to get an SSN, your TIN is your IRS individual taxpayer identification number (ITIN). Enter it in the social security number box. If you do not have an ITIN, see *How to get a TIN* below.

If you are a sole proprietor and you have an EIN, you may enter either your SSN or EIN. However, the IRS prefers that you use your SSN.

If you are a single-member LLC that is disregarded as an entity separate from its owner (see *Limited Liability Company (LLC)* on this page), enter the owner's SSN (or EIN, if the owner has one). Do not enter the disregarded entity's EIN. If the LLC is classified as a corporation or partnership, enter the entity's EIN.

Note. See the chart on page 4 for further clarification of name and TIN combinations.

How to get a TIN. If you do not have a TIN, apply for one immediately. To apply for an SSN, get Form SS-5, Application for a Social Security Card, from your local SSA office or get this form online at www.ssa.gov. You may also get this form by calling 1-800-772-1213. Use Form W-7, Application for IRS Individual Taxpayer Identification Number, to apply for an ITIN, or Form SS-4, Application for Employer Identification Number, to apply for an EIN. You can apply for an EIN online by accessing the IRS website at www.irs.gov/businesses and clicking on Employer Identification Number (EIN) under Starting a Business. You can get Forms W-7 and SS-4 from the IRS by visiting IRS.gov or by calling 1-800-TAX-FORM (1-800-829-3676).

If you are asked to complete Form W-9 but do not have a TIN, apply for a TIN and write "Applied For" in the space for the TIN, sign and date the form, and give it to the requester. For interest and dividend payments, and certain payments made with respect to readily tradable instruments, generally you will have 60 days to get a TIN and give it to the requester before you are subject to backup withholding on payments. The 60-day rule does not apply to other types of payments. You will be subject to backup withholding on all such payments until you provide your TIN to the requester.

Note. Entering "Applied For" means that you have already applied for a TIN or that you intend to apply for one soon.

Caution: A disregarded U.S. entity that has a foreign owner must use the appropriate Form W-8.

Part II. Certification

To establish to the withholding agent that you are a U.S. person, or resident alien, sign Form W-9. You may be requested to sign by the withholding agent even if items 1, 4, or 5 below indicate otherwise.

For a joint account, only the person whose TIN is shown in Part I should sign (when required). In the case of a disregarded entity, the person identified on line 1 must sign. Exempt payees, see *Exempt payee code* earlier.

Signature requirements. Complete the certification as indicated in items 1 through 5 below.

1. Interest, dividend, and barter exchange accounts opened before 1984 and broker accounts considered active during 1983. You must give your correct TIN, but you do not have to sign the certification.

2. Interest, dividend, broker, and barter exchange accounts opened after 1983 and broker accounts considered inactive during 1983. You must sign the certification or backup withholding will apply. If you are subject to backup withholding and you are merely providing your correct TIN to the requester, you must cross out item 2 in the certification before signing the form.

3. Real estate transactions. You must sign the certification. You may cross out item 2 of the certification.

4. Other payments. You must give your correct TIN, but you do not have to sign the certification unless you have been notified that you have previously given an incorrect TIN. "Other payments" include payments made in the course of the requester's trade or business for rents, royalties, goods (other than bills for merchandise), medical and health care services (including payments to corporations), payments to a nonemployee for services, payments made in settlement of payment card and third party network transactions, payments to certain fishing boat crew members and fishermen, and gross proceeds paid to attorneys (including payments to corporations).

5. Mortgage interest paid by you, acquisition or abandonment of secured property, cancellation of debt, qualified tuition program payments (under section 529), IRA, Coverdell ESA, Archer MSA or HSA contributions or distributions, and pension distributions. You must give your correct TIN, but you do not have to sign the certification.

What Name and Number To Give the Requester

For this type of account:	Give name and SSN of:
1. Individual	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account ¹
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor ²
4. a. The usual revocable savings trust (grantor is also trustee) b. So-called trust account that is not a legal or valid trust under state law	The grantor-trustee ¹ The actual owner ¹
5. Sole proprietorship or disregarded entity owned by an individual	The owner ¹
6. Grantor trust filing under Optional Form 1099 Filing Method 1 (see Regulations section 1.671-4(b)(2)(i)(A))	The grantor ¹
For this type of account:	Give name and EIN of:
7. Disregarded entity not owned by an individual	The owner
8. A valid trust, estate, or pension trust	Legal entity ⁴
9. Corporation or LLC electing corporate status on Form 8832 or Form 2553	The corporation
10. Association, club, religious, charitable, educational, or other tax-exempt organization	The organization
11. Partnership or multi-member LLC	The partnership
12. A broker or registered nominee	The broker or nominee
13. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity
14. Grantor trust filing under the Form 1041 Filing Method or the Optional Form 1099 Filing Method 2 (see Regulations section 1.671-4(b)(2)(i)(B))	The trust

¹ List first and circle the name of the person whose number you furnish. If only one person on a joint account has an SSN, that person's number must be furnished.

² Circle the minor's name and furnish the minor's SSN.

³ You must show your individual name and you may also enter your business or DBA name on the "Business name/disregarded entity" name line. You may use either your SSN or EIN (if you have one), but the IRS encourages you to use your SSN.

⁴ List first and circle the name of the trust, estate, or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title.) Also see *Special rules for partnerships* on page 2.

***Note.** Grantor also must provide a Form W-9 to trustee of trust.

Note. If no name is circled when more than one name is listed, the number will be considered to be that of the first name listed.

Secure Your Tax Records from Identity Theft

Identity theft occurs when someone uses your personal information such as your name, SSN, or other identifying information, without your permission, to commit fraud or other crimes. An identity thief may use your SSN to get a job or may file a tax return using your SSN to receive a refund.

To reduce your risk:

- Protect your SSN,
- Ensure your employer is protecting your SSN, and
- Be careful when choosing a tax preparer.

If your tax records are affected by identity theft and you receive a notice from the IRS, respond right away to the name and phone number printed on the IRS notice or letter.

If your tax records are not currently affected by identity theft but you think you are at risk due to a lost or stolen purse or wallet, questionable credit card activity or credit report, contact the IRS Identity Theft Hotline at 1-800-908-4490 or submit Form 14039.

For more information, see Publication 4535, Identity Theft Prevention and Victim Assistance.

Victims of identity theft who are experiencing economic harm or a system problem, or are seeking help in resolving tax problems that have not been resolved through normal channels, may be eligible for Taxpayer Advocate Service (TAS) assistance. You can reach TAS by calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059.

Protect yourself from suspicious emails or phishing schemes. Phishing is the creation and use of email and websites designed to mimic legitimate business emails and websites. The most common act is sending an email to a user falsely claiming to be an established legitimate enterprise in an attempt to scam the user into surrendering private information that will be used for identity theft.

The IRS does not initiate contacts with taxpayers via emails. Also, the IRS does not request personal detailed information through email or ask taxpayers for the PIN numbers, passwords, or similar secret access information for their credit card, bank, or other financial accounts.

If you receive an unsolicited email claiming to be from the IRS, forward this message to phishing@irs.gov. You may also report misuse of the IRS name, logo, or other IRS property to the Treasury Inspector General for Tax Administration (TIGTA) at 1-800-366-4484. You can forward suspicious emails to the Federal Trade Commission at: sparr@ftc.gov or contact them at www.ftc.gov/idtheft or 1-877-IDTHEFT (1-877-438-4338).

Visit IRS.gov to learn more about identity theft and how to reduce your risk.

Privacy Act Notice

Section 6109 of the Internal Revenue Code requires you to provide your correct TIN to persons (including federal agencies) who are required to file information returns with the IRS to report interest, dividends, or certain other income paid to you; mortgage interest you paid; the acquisition or abandonment of secured property; the cancellation of debt; or contributions you made to an IRA, Archer MSA, or HSA. The person collecting this form uses the information on the form to file information returns with the IRS, reporting the above information. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation and to cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their laws. The information also may be disclosed to other countries under a treaty, to federal and state agencies to enforce civil and criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism. You must provide your TIN whether or not you are required to file a tax return. Under section 3406, payers must generally withhold a percentage of taxable interest, dividend, and certain other payments to a payee who does not give a TIN to the payer. Certain penalties may also apply for providing false or fraudulent information.



Department of Planning & Community & Economic Development

Community Development Division

30 W. Mifflin Street, 8th Floor
Mailing Address:
P.O. Box 2627
Madison, Wisconsin 53701-2627
Phone: (608) 266-6520
Fax: (608) 261-9626
www.cityofmadison.com

Child Care
Community Resources
Community Development Block Grant
Madison Senior Center

CITY OF MADISON LOAN SUBORDINATION CHECKLIST

In order to process a request for Subordination for a City loan, the following documents are needed:

- _____ Lender loan application
- _____ Title Work
- _____ Mortgage commitment letter
- _____ Borrower's Authorization to release information
- _____ Appraisal or acceptable documentation of property value
(for cash out for home improvements only)
- _____ Statement from borrower what cash out funds are going to be used for, if applicable.

Submit information to:

(Fed Ex/UPS)

City of Madison-CDD (Community Development Division)

30 W Mifflin St, 8th Floor

Madison WI 53703

(US Postal Service)

City of Madison-CDD

PO Box 2627

Madison WI 53701-2627

Email to: homeloans@cityofmadison.com (if documents can be sent securely)

Allow up to 10-15 business days for review of documentation and drafting and signing of document.

- Simple subordination (refinancing outstanding mortgage, no cash-out) cost of City subordination is \$150.
- Cash-out refinance for improvements to property only. City subordination cost is \$250.
- Lender to collect fee from borrower at time of refinance closing and submit check payable to CITY OF MADISON TREASURER.

The total combined loan-to-value (CLTV) cannot exceed 80%, for a cash-out refinance for property improvements.