

Date: May 27, 2009

To: CDBG Commission

From : Audrey Short, Barb Constans, Pam Rood Grants Administrators

RE: Revised Underwriting Guidelines for City of Madison

The Community Development Division is in the process of consolidating and updating the underwriting guidelines for our various homeowner programs. A copy of the proposed guidelines is attached. These underwriting guidelines will be used when determining whether homeowners are eligible for City of Madison HOME or CDBG Office funds provided through the non-profit agencies with whom we contract. These same guidelines will be used for all homeowner down payment programs funded through the CDBG Office including ADDI.

The major changes being proposed include:

- Removal of the Land Use Restriction requirement for HOME funded down payment. The CDBG Commission recently approved removal of the resale restriction for homeowners and this change is being incorporated into the language and documents related to all the CDBG Office loan programs.
- The 100% limit on Loan-to-Value will be based on purchase price or appraised value whichever is lower to respond to current market conditions.
- The Total Assistance Limits are increased to match the 2009-2010 program framework.
- First mortgage loans cannot exceed the Freddie Mac prevailing 30 year fixed interest rate. The previous limit was tied to WHEDA's market rate. Since WHEDA is not currently providing direct loan a different standard was established.
- Grossing up of Non-Taxable income has been added. This is an industry practice and improves our method of accurately computing and projecting household incomes.
- The limit on assets has been changed to 12 months of PITI or \$15,000 whichever is higher to assure that homeowners have available resources to maintain their properties.

This is not an all inclusive list of changes. There are additional changes and modifications that which we believe clarify and improve the guidelines.

Staff Recommendation:

Approve the loan underwriting guidelines for CDBG Office Assisted Loans as presented.