



Department of Planning & Community & Economic Development

## Community Development Division

30 W Mifflin St Ste 800  
Madison WI 53703  
Mailing address:  
P.O. Box 2627  
Madison, Wisconsin 53701-2627  
Phone: (608) 266-6520  
Fax: (608) 261-9626  
[www.cityofmadison.com](http://www.cityofmadison.com)

Child Care  
Community Resources  
Community Development Block Grant  
Madison Senior Center

# MEMO

To: CDBG Committee

From: Linette Rhodes, Interim CDBG Supervisor

Date: February 23, 2018

Community Development Division (CDD) proposes the CDBG Committee authorize the following three changes to the City's direct lending programs, Deferred Payment Loan and Home Buy the American Dream. CDD staff believe these changes will provide additional opportunity to support residents and ensure healthy, safe and affordable housing options are available to low- and moderate-income households.

1. Raise the maximum loan amount, in the Deferred Payment Loan (DPL) loan program, from \$19,000 to \$25,000. Homeowners seeking a DPL loan usually need help with major repairs that affect health and safety concerns (repairing a damaged roof, addressing lead paint or mold, or replacing a broken heater). DPL loans are often insufficient to cover total project costs. Raising the available loan amount to \$25,000 will take fuller advantage of program resources without introducing additional regulatory issues for the homeowner.
2. Make CDBG funds available as match for State Housing Cost Reduction Initiative (HCRI) loans under the Home Buy the American Dream (HBAD) Program. HBAD provides mortgage reduction loans for income-eligible buyers. Rising home prices and evolving underwriting standards make home purchases increasingly difficult in Madison for low- and moderate-income households, even with \$10,000 of assistance currently offered under HBAD. Using CDBG funds to match HCRI funds will improve homeownership prospects for those the HBAD Program seeks to help. City staff will continue to underwrite each loan to determine financing needs and client readiness.
3. Remove the City-imposed restriction in the DPL Program that currently denies assistance to homeowners who previously benefited from one of the City's homebuyer assistance programs. The City is committed to using available resources in ways that assist as many Madison residents as possible. However, that goal should not preclude addressing legitimate needs when they arise. Households that attain homeownership with the aid of City financial assistance are often less able to shoulder additional expenses that arise from needed home repairs. Providing them access to financing to help make those repairs serves the goal of ensuring stable homeownership in quality housing stock.

DPL and HBAD are revolving loan programs, which generate program income. The CDBG program income allocated to these programs will be sufficient to support the proposed changes without requesting a budget amendment at this time. If approved, CDD staff will revise program guidelines and marketing materials for both programs and post updated documents on the City's website at [www.cityofmadison.com/homeloans](http://www.cityofmadison.com/homeloans). Updated program guidelines will be in effect starting Thursday March 2, 2018.