



TO: CDBG Commissioners  
FROM: Audrey Short, Grants Administrator  
SUBJECT: Appeal of Movin' Out for Nicole Vander Meulen  
DATE: September 25, 2008

**BACKGROUND:** Nicole Vander Meulen has been working with Movin' Out counselors to develop a housing plan and purchase a home. She has income from SSI and from self-employment. Her self-employment is as an attorney. Over the last couple of years she has been in the process of establishing an office and a customer base. Her income from employment increased dramatically in 2008 and is expected to continue at the higher level. Her income from self-employment is reported as:

\$576 in 2006  
\$1,366 in 2007  
\$21,972 in 2008

Ms. Vander Meulen has an accepted offer to purchase a condominium unit at 309 W. Washington Ave., #204. In order to afford this unit, she will need assistance from the City's HOME program through Movin' Out and from the ADDI program. To be eligible for those programs her monthly total debt to income ratio must be at or below 40%. According to the City of Madison Underwriting Guidelines, the income used to determine the credit ratio is "verified stable income for the past 2 years and is likely to continue". Tax returns for the prior two years are used to determine Credit Underwriting income for self-employed individuals.

**ISSUE:** Using tax returns for the previous 2 years gives a total debt to income ratio of 57% (732 debt/1279 monthly income) which makes her ineligible for both the HOME and the ADDI programs.

Movin' Out would like more consideration to be given to Ms. Vaner Meulen's current, higher income. Using current monthly income calculated by using income and expense lists provided by Ms. Vander Meulen, her debt to income ratio would be 24% (732/3029) which is well within the guidelines. However, this income is not verifiable. The only documentation is Ms. Vander Meulen's own lists of income and expenses. This makes it difficult to project continued income for 2008 and beyond.

**RECOMMENDATION:** Deny assistance at this time for both HOME and ADDI. The loan is a high risk without a history of stable income. Ms. Vander Meulen can be reconsidered for assistance in 2009 when the tax returns from 2008 can be used to calculate the debt to income ratio.