

January 16, 2014

Dear CDA & CDBG Commission,

Attached is an updated underwriting handbook for the streamlined Home-Buy and American Dream Down Payment Initiative (ADDI) programs. By streamlining these two programs into one, we are creating staff efficiencies, in that only one person will have to review the file. We also create efficiencies and improved customer service for our customers, the lender and borrower, in that both programs have the same requirements and guidelines. The major changes to the programs are as follows:

Maximum loan amount \$10,000

Was 6% of purchase price for ADDI and \$5,000 for Home Buy with a \$5,000 match if under 50% county median income and purchase in the City of Madison.

Ratios 38/45%. Minimum front ratio 25%.

Was 40% for ADDI.

Liquid asset limit after closing 12 months PITI.

Was 6 months PITI after closing for Home-Buy.

First-time home buyer: no home ownership in last 3 years and/or a single parent

Streamlined to have same definition, included divorcee and homemakers before.

Borrower must have 1% of own funds into transaction.

Was none of own funds needed for ADDI.

Loan due when: sell, cash-out refinance for other than property improvements, property transferred, or ceases to be the primary residence of the home buyer.

Same except allowing cash out refinance for property improvements.

Loan repayment will include a shared appreciation amount calculated based on accepted Offer sales price in an arm's length transaction less documented home improvements. Otherwise value based on appraised value.

Home-Buy did not have shared appreciation.

Require 3rd party property inspection on ALL properties.

ADDI did not require property inspection from 3rd parties previously.

City of Madison properties will also have a Minimum Housing Code inspection, and Environmental Review and if necessary a Lead Paint Inspection.

No change.

Can subordinate to a cash out refinance if for home improvements and combined loan to value does not exceed 95%

Allowing cash out refinance for property improvements.