



Department of Planning & Community & Economic Development
Community Development Division

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To: CDBG Committee

From: Linette Rhodes, Nancy Dungan, Teresa Cothrine

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MEMO

Attached are the 2012 Underwriting Guidelines for CD Division. Previously CD Division relied on WHEDA's underwriting guidelines as a backup to our internal guidelines. WHEDA now runs two separate 1st mortgage programs, Fannie Mae and FHA, which have different origination requirements.

To clarify CD Divisions intent on underwriting for lenders and non-profits we have combined our underwriting guidelines with the guidelines we previously used from WHEDA into one document.

Changes to Underwriting Guidelines 2012

Mortgage Qualification-

Loans must have an amortization period of 30 years. This will determine "need" of borrower qualifying for down payment assistance. This can be waived in a case of borrower with disability in which family has set up trust account and will be providing 1st mortgage and additional subsidy from non-profits is needed as gap financing.

Guarantors/Co-signers-

Clarification that co-signers are only allowed if additional credit sources are needed. The individual purchasing the property must be able to support the monthly housing payment with annual gross income. This is necessary in our market as students attempt to use assistance to purchase based on LMI income while family members also own the property and make payments on the property.

Medical Collections-

Our previous limit was \$1,000 for medical collections. We are increasing the limit to \$5,000. Borrowers must have a payment plan established for medical collections.