



City of Madison

Home-Buy the American Dream Underwriting Guidelines January 2014

Community Development Division
& the Economic Development Division
Department of Planning & Community & Economic Development
215 Martin Luther King Jr. Blvd., Room 225
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PREFACE

The City of Madison Underwriting Guidelines, developed by the City of Madison Community Development Division & the Economic Development Division, includes the program requirements approved by the City of Madison CDBG Committee and the Community Development Authority.

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The Madison Home-Buy the American Dream Program is funded by the Federal Department of Housing and Urban Development (HUD), the State of Wisconsin Department of Administration Division of Housing and the City of Madison.

NOTE: The requirements and the forms necessary to administer this program are subject to change. Updates can be found on the website at www.cityofmadison.com/homeloans or www.cityofmadison.com/cdbg.

INTRODUCTION

The City of Madison promotes and facilitates homeownership opportunities for low-to-moderate income households. A common recognized obstacle to homeownership for first-time home buyers is accumulating the necessary funds for down payment and closing costs on a property which is affordable to the home buyers. The City programs are designed to provide assistance to low-to-moderate income households by covering a portion of the down payment and closing costs. These buyers otherwise would not be able to accumulate the necessary funds to qualify for a mortgage loan.

The City of Madison provides first-time home buyers, with a long-term deferred loan funded by HUD, the State of WI and the City of Madison to assist with purchasing a home located within the City of Madison or Dane County. The program offers loan assistance up to \$10,000. The assistance can be used to cover down payment and closing costs on the purchase of a home.

This assistance is typically a second mortgage loan that will become due and payable to the City of Madison when the property is sold, cash-out refinanced for other than property improvements, the property is transferred or ceases to be the primary residence of the home buyer. The City of Madison loan will be allowed as a third mortgage when used in conjunction with other funds from the City. The total limit of assistance from the City of Madison cannot exceed the amount specified in the annual Community Development (CD) Division Goals and Priorities statement. The loan repayment includes a shared appreciation amount.

To ensure the loan is consistently originated and processed, eligibility requirements have been established and approved by the City of Madison CDBG Committee and the Community Development Authority. The Program is intended to be responsive to the particular needs of the City of Madison and the Dane County Community. Accordingly, the content, policies, procedures and administration of the Program will be subject to continuing review and evaluation; it should be expected, therefore that changes will be made to the Program from time-to-time on the basis of operating experience, and as community needs change. The following pages detail the underwriting guidelines for the program.



City of Madison
Home-Buy the American Dream

Down payment and closing cost assistance for first-time home buyers

Eligible Property	<ul style="list-style-type: none"> • Must be located in City of Madison or Dane County • Single family home, condo or one-half a duplex 														
Program Purpose	Down payment and closing cost assistance														
Loan Amount	Maximum loan amount up to \$10,000; minimum \$1,000														
Loan Terms	Deferred until sale, cash-out refinance for other than property improvements, the property is transferred or ceases to be the primary residence of the home buyer. Repayment amount will be original loan amount or original loan amount plus a proportional share of appreciation based on the percentage of assistance provided by the City, whichever is greater.														
Maximum CLTV	103%														
Ratios	Maximum ratios 38%/45%. Housing-to-Income ratio less than 25% is ineligible.														
Borrower Contribution	Borrower must have 1% of their own funds into the transaction														
Asset Limits	Borrower cannot have greater than 12 months of Principal, Interest, Taxes and Insurance (PITI) in liquid assets after closing														
2013 Income Requirements (subject to change annually)	<table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Household Size</th> <th style="text-align: center;">Income Limit</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">\$45,100</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">\$51,550</td> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">\$58,000</td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: center;">\$64,400</td> </tr> <tr> <td style="text-align: center;">5</td> <td style="text-align: center;">\$69,600</td> </tr> <tr> <td style="text-align: center;">6</td> <td style="text-align: center;">\$74,750</td> </tr> </tbody> </table>	Household Size	Income Limit	1	\$45,100	2	\$51,550	3	\$58,000	4	\$64,400	5	\$69,600	6	\$74,750
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5	\$69,600														
6	\$74,750														
Inspection Requirements	All loan application packages must include a private property inspection. The City of Madison will order a Minimum Housing Code Inspection on City of Madison properties as well. If the property was built prior to 1978, a Lead-Based Paint Inspection will be required for all City of Madison properties. All Minimum Housing Code issues will be required to be repaired prior to closing.														
Underwriting Timeline	Allow 20 Business days from receiving documentation from lender. The 20 business days will begin once all required documents are collected.														

Other	<p>Borrower may not own other property at time of closing. Income includes all occupants over the age of 18. Must be a first-time homebuyer, which includes the following:</p> <ul style="list-style-type: none">• Individual who has not owned property in last 3 years• Single parent <p>First mortgage must have a minimum term of 30 years First mortgage must escrow taxes and insurance</p>
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ELIGIBILITY REQUIREMENTS

Property Eligibility

The property must meet the follow requirements:

- The property must be a single family home, condominium or half a duplex located in the **City of Madison or Dane County**.
- Provide a private property inspection report with all loan application packages.
- Be safe and sanitary, as verified by a City of Madison Minimum Housing Code inspection report for City of Madison properties.
- All City of Madison properties built before 1978 will have a lead paint inspection report ordered by the City of Madison. All lead paint issues are to be corrected prior to closing.
- City of Madison properties must pass an Environmental Review conducted by the City of Madison Community Development Division staff.
- Cannot be sold for more than appraised value, as verified by an independent appraisal obtained by the first mortgage lender.
- Be the principal residence of the borrower,
- Must not be located in the 100-year flood plain.

Home Buyer Eligibility

The home buyer must meet the following requirements:

Income Limit

- Have a household gross annual income that does not exceed **80% of the area median income** limits as published annually by HUD.

2013 INCOME LIMITS BY FAMILY SIZE (subject to change annually)

Household Size	Gross Annual Income Levels
1	\$45,100
2	\$51,550
3	\$58,000
4	\$64,400
5	\$69,600
6	\$74,750
7	\$79,900
8	\$85,050

Gross annual income includes income from the following sources: wages, overtime, commissions, bonuses, profit sharing, tips, business income, child support, interest and dividends from funds retained after the closing, and other types of periodic payments which are anticipated for the 12 month period commencing with the date

of the request. **Gross annual income is based on the HUD 24 CFR Part 5 definition of annual income.**

- First-time home buyer
 - Be a first-time home buyer, or a single parent
 - A **first-time home buyer** is defined as any individual listed on the deed, mortgage and note who has not owned a property during the three-year period prior to purchase. For married couples, if only one individual is listed on the deed, mortgage and note, HUD requires that both individuals qualify as first-time home buyers as defined above.
 - A **single parent** is defined as an individual who is unmarried or legally separated from a spouse and has one or more dependent minor children for whom the individual has custody or joint custody, or is pregnant. At time of loan closing, the single parent cannot own any other property.

Education

Complete a hud approved first-time home buyer education. An education certificate must be submitted, prior to the closing. The home buyer's education certificate must be dated no more than 18 months prior to loan closing.

Citizenship

Be a documented United States citizen or a permanent or temporary resident alien. For resident aliens, provide a valid social security number and a employment authorization document (EAD) issued by U.S. Citizenship and Immigration Services (USCIS).

Mortgage Qualification

Qualify for a first mortgage that does not exceed WHEDA's prevailing market rate by more than 2% and has an amortization period of at least 30 years.

Child Support/Maintenance

Arrearages for child support, birthing, maintenance or other expenses owed to the state must be paid in full prior to closing.

Ownership of Other Property

The subject property must be owner-occupied and the borrower may not have ownership interest in any other real estate within the last 3 years at the time of closing. The borrower must take occupancy within 60 days of acquisition of the property.

Income

Required Employment Documentation

Provide 3 months worth of paystubs or Verification of Employment and 1 month of paystubs.

If the borrower has been on their present job for less than 1 year, a full written Verification of Employment (VOE) is required.

Current Employment Documentation

Documentation for current employment must include:

- Wage rate
- Average hours and overtime hours worked per week
- Year-to-date earnings
- Date of employment
- Frequency of payment
- Previous year earnings

Other Income documentation

- Current Social Security Award Letter
- One year history of child support verified through the Department of Workforce Development
- Pension Letter
- A disability benefits statement from the benefits payer

Tax Transcripts/Tax Returns

Copy of federal tax return and W-2s for the last year will be required for all individuals who intend to occupy the property. Tax return will be reviewed for compliance income, self employed activity, unreimbursed employee expenses, and income from assets.

Self Employed Borrower

For individuals participating in partnerships and/or corporations provide copies of the business tax returns for the last 2 years in addition to the personal tax returns from the last 2 years.

Compliance Income

Compliance income is the anticipated income of anyone age 18 or older who intends to occupy the property, regardless of their relationship to the borrower. This may include adult children, parents, aunts, uncles, grandparents, partners, companions, etc.

Compliance income is generally calculated by projecting forward the current gross income by 12 months.

Inclusions:

- Earned income of all occupants over the age of 18
- Unearned income of all occupants under the age of 18
- Social Security Income (SSI)
- Child support
- Alimony
- Pension/retirement
- Disability
- Public Assistance
- Interest and dividend income on funds retained after closing
- Self employment income (adding back depreciation, depletion, meals and entertainment, and business use of home). If a business is operated at a loss, such loss may not be used to offset income generated from other sources.

Exclusions:

- Earned income for all occupants under the age of 18

- Foster care income
- Food stamps

- Non-recurring payments from
- Inheritances
- Insurance settlements
- Lottery winnings
- Gambling winnings
- Capital gains
- Settlements for personal loss

Qualifying Income

Qualifying income is the verified, stable income of the borrower and is used to calculate ratios.

Overtime

Overtime income must show a history of at least 24 months with the current employer.

Commission, Bonus, Tip, and Profit Sharing

Commission, bonus, tip, and profit sharing income must show a history of at least 24 months with the current employer.

Non-taxable Income (Child Support, SSI)

Non-taxable income is adjusted upward 125%. This source of income should be expected to continue for the next 3 years.

Child support and alimony must be documented with a 12 month history from the Department of Workforce Development.

Social Security, pension/retirement, and public assistance must be verified with a current award letter.

Disability income must be verified with a copy of the disability policy or benefits statement and a statement from the benefits payer.

Second Job

Second job (part-time or full-time) income requires a 24 month history and a strong likelihood of continuation.

Military Income

For full time military personnel, use base pay plus additional pay (hazard pay, ratios, clothing allowance, etc) if the additional pay is likely to be received in the future.

Reserve pay may be used as qualifying income if it can be verified as having been uninterrupted for the previous 2 years and has a strong likelihood of continuation.

Seasonal and Unemployment

Seasonal employment and unemployment compensation may be considered if there is a minimum 2 year history with the same employer.

Unreimbursed Employee Expense

Calculate a 24 month average of Unreimbursed Employee Expenses on the borrower's personal tax returns and reduce monthly qualifying income. If the expenses are auto lease or auto loan related, count the monthly payment as a debt.

Self Employment, Corporation, Partnership, and S Corporation Income

Average the net income from the prior two years personal and business tax returns. If the income for the most recent year shows a substantial decline, the income from that year will be used. A sharp decline in the most recent year will be closely reviewed to determine if the business has the ability to support the borrower's debt obligations.

Business Operated at a Loss

Negative cash flow from a business reduces other qualifying income. If the business is operated at a loss, such loss may not be used to offset income generated from other sources when determining compliance with income limits.

Boarder Income (for household with a person with a disability only)

If the loan-to-value is 90% or less, monthly rental income received from roommates may be added to the applicant's other income before ratio analysis. Rental income can be considered as acceptable stable income, in an amount up to 30% of total gross income that is used to qualify the borrower for the mortgage if:

- The individual has lived with borrower for 12 months
- Boarder can prove history of shared residency
- Boarder can provide a history of rental payments for 12 months via copies of canceled checks

Down Payment Requirements

Borrower must have cash down payment of 1% from their own funds.

Asset Limits for Eligibility (Reserves)

The maximum amount of "liquid assets" that the home buyer can have in reserves after closing cannot exceed the equivalent of twelve months of Principal, Interest, Taxes and Insurance (PITI). "Liquid assets" will include but not be limited to such things as: checking accounts, savings accounts, life insurance net cash value, stocks, bonds, mutual funds, money market funds and annuities, personal property held as an investment, lump sum or one time receipts such as an inheritance, lottery winnings, capital gains; or mortgages or deeds of trust as held by an applicant. Excluded are such things as IRA's, 401K plans, pension profit sharing, other pensions, employee retirement funds, assets not accessible to an applicant and personal property. All assets must be verified for income compliance.

Cash on Deposit

Funds must be invested in the borrower's account at least 2 months prior to the loan application date. Verify the source of any large increases or decreases within 2 months of application date.

Gifts

An acceptable gift donor may be a spouse, parent, sibling, child, grandparent, aunt, uncle, cousin, domestic partner or fiancé who has lived with the borrower for the last 12 months.

Verify and document the gift using a Gift Affidavit form.

All gift funds must be verified and received by the borrower prior to the closing.

For funds verification, the following is required:

- Copy of gift check (or withdrawal documentation) to borrower showing the donor as the remitter.
- Copy of borrower's deposit receipt or a bank statement that shows the deposit.

Earnest Money

Provide a copy of the cancelled earnest money check.

Retirement Funds The net withdrawal amount, after any penalties, may be an acceptable source of down payment. Use 60% of the vested balance when calculating available cash to close and reserve funds if the withdrawal has not yet occurred.

Sale of Personal Asset

The purchaser of the asset cannot be an interested party in the sales transaction. Provide the following:

- Proof of ownership
- Fair market value of the item sold
- Bill of sale or copy of the transferred title
- Receipt of funds

Tax Refund

Satisfactory documentation includes:

- Copies of the refund checks
- Proof of deposit in the borrower's account
- Copy of the borrower's tax return

Borrowed Funds

The loan must be fully secured by the borrower's own asset, repayable on a monthly installment basis, and fully amortized. Provide the following:

- Copy of the fully executed note
- Receipt of funds
- Proof of ownership
- Verification of asset value.

The term of the loan must be reasonable based on the life of the asset.

Cash at Home

Cash at home generally is not an acceptable source of down payment.

Exceptions may be made if the borrower has no history of using:

- Checking accounts
- Savings accounts
- Loans
- Credit cards

Funds must be deposited and verified prior to closing.

Repayment of Debt

Funds received from repayment of loans to family and friends must be verified and reconciled with the borrower's ability to have made such loans.

Stacking of Funds

Combining funds from more than one down payment and closing cost loan program will be allowed however the City's funds must take a second lien position. Exceptions will be allowed for when there are other City funds involved that a third mortgage position will be allowed.

Total Assistance Limits

The maximum amount of funds available from all City of Madison sources may not exceed the maximum amount of assistance per unit listed in the annual "Community Development Program Goals and Priorities". For 2013, the maximum assistance from all City funding sources for any property is \$54,000.

Credit**Credit Report**

Obtain a triple-merged credit report for all borrowers, including a non-applicant spouse, if applicable.

Length of Credit History

The borrower's credit report must have 2 years of active credit history with a minimum of three 12-month trade lines. Applications with insufficient trade lines (thin credit file) may be supplemented with alternative credit references. See the Non-Traditional Credit section for acceptable sources.

Analysis of Credit Report

Credit history within the past 12 months will be a strong factor in the underwriting decision. Borrowers should exhibit no late payments, judgments or new collections within the past 12 months. Late payments within 13-24 months will be evaluated on a case-by-case basis.

Collections & Charge-Offs

Medical collections cannot exceed an aggregate total of \$5,000 and must have a payment plan established.

Non-medical collections and charge-offs less than two years old must be paid-in-full.

Judgments, Tax Liens

Must be paid-in-full prior to closing. Provide a recorded satisfaction.

Derogatory Accounts, Foreclosures, Bankruptcy's, etc.**Bankruptcy Chapter 7**

Document 2 years of re-established good credit after the discharge of the

bankruptcy. Provide a complete copy of the discharge papers including all schedules. Provide a written explanation for the bankruptcy.

Bankruptcy Chapter 13

Document 1 year of repayment history under the ch 13 bankruptcy.

Provide a copy of the written permission from bankruptcy court to enter into a mortgage transaction. Provide a written explanation for the bankruptcy.

Foreclosure, Deed-in-lieu & Short Sales

Document 3 years of re-established good credit. Provide a written explanation for the foreclosure/short sale.

Non-Traditional Credit

Alternative credit references are acceptable when sufficient traditional sources are not available. Document 3 sources of alternative credit references each having at least a 12 month history of being paid on time.

Required credit references for non –traditional credit borrowers are:

- Verification of Rent – verification from someone other than a professional management company should be verified with copies of 12 months cancelled checks. If cancelled checks are unavailable, check public landlord-tenant records for court filings, judgments, or evictions. No history of delinquency within the past 24 months (or since inception, if less than 24 months).
- A utility (i.e. gas, electric)

Examples of other forms of alternative credit references are:

- Auto insurance premiums paid monthly
- Telephone or cell phone payments
- Cable payments

Only one 30-day delinquency is allowed within the last 12 months. No collections or judgments (other than medical) filed within the past 24 months. Judgments must be paid in full.

Provide 12 months of cancelled checks or 12 months of payment history. Bank statements do not, by themselves, validate payments, but can be used to supplement other sources.

Alternative credit references must include all of the following:

Alternative credit references must include all of the following:

- Creditor's name
- Name of person providing the reference
- Date account was opened
- Amount of highest credit
- Current status of the account
- Required payment amount
- Unpaid balance
- Payment history

Undisclosed Debt

Document any discrepancies between the credit report and information disclosed in the application or elsewhere. All debts must be documented and the payments will be included in the ratios.

Disputed Accounts

Any disputed account noted on the credit report must be remedied prior to loan approval.

Debt Analysis**Qualifying Ratios**

Maximum ratios of 38/45% allowed. Borrower(s) with a housing to income ratio less than 25% are ineligible.

Guarantors/Co-Signers

Guarantors and co-signers are allowed only for credit purposes. The borrower must be able to support the monthly housing payment within the programs ratio guidelines without the support of the co-signers income.

Maximum Loan-to-Value

The total of the of the first mortgage plus the city funded mortgage(s) and any other loans collateralized by the property, shall not exceed **103% total combined loan to value** based on the purchase price of the property or the appraised value which ever amount is less.

Housing Payment

First mortgage must have a minimum term of 30 years

The monthly payment includes principal and interest, taxes, hazard insurance, condo fees, flood insurance and mortgage insurance premium, if applicable. Home buyers must escrow the property taxes and home owners insurance as a condition of the first mortgage.

Revolving Accounts

Use 3% of the outstanding balance of a revolving account for the monthly payment if the 3% payment is higher than what appears on the credit report.

Use 5% of the balance if no payment amount is listed on the credit report.

Payment in full and closing of revolving debt account can exclude debt payment in ratio calculation.

Installment Debt

Include all installment debt with a remaining term of 10 months or more. Principal buy down of installment debt to reach a remaining term of 10 months is acceptable.

Installment debts with fewer than 10 months remaining are generally excluded. However, debts with less than 10 months may be counted if the amount of the debt affects the borrower's ability to pay the mortgage payments immediately after closing.

Lease payments are always included in ratios.

Authorized User Accounts

Do not count authorized user accounts as a credit reference unless the borrowers can provide cancelled checks to verify they have been making the payments for at least 12 months. If the borrowers have been making the payments, include the monthly payment in the borrowers' debt ratio.

If the borrower is an authorized user of a trade line that belongs to a non-applicant spouse the lender must include the monthly payment when calculating the borrower's debt ratio.

Non-applicant Spouse Debt

All open and active accounts will be included in ratios.

The borrower will not be held responsible for payment of collections and judgments incurred by a non-applicant spouse prior to the documented date of the marriage.

Child Support and Maintenance

Include all child support obligations with a remaining term of 10 months or more.

All child support, birthing expenses, and maintenance arrearages must be paid prior to closing.

Student Loans

Payments for student loans which are deferred for 3 years or more may be excluded from borrower's total debt ratio. If repayment begins in less than 3 years a payment must be included in the borrower's total debt ratio. If no payment is listed on the credit report the monthly payment must be based on the standard amortization of the loan received from the lender.

Business Debt

Obtain 12 months of cancelled checks to verify the obligation was paid with company funds. If delinquencies have occurred in the past 12 months, include the debt as part of the borrower's individual obligations.

Co-Signature Debt

A borrower's co-signed obligation is not considered debt if the borrower can provide documentation that the last 12 months of payments have been paid by the primary debtor.

Property Eligibility

Principal Residence

The property must be the borrower's principal residence. The borrower must occupy the subject property within 60 days of loan closing.

Location

The property must be a single family dwelling, a condominium or one half a duplex located in the City of Madison or Dane County.

Property Types

Eligible Properties

- Single family home
- Condominium
- One half a duplex

Ineligible Properties

The following types of properties are not acceptable:

- Commercially used properties
- Time share units
- Earth homes
- Dome homes
- Geothermal homes
- Log homes

Offer to Purchase

Provide a copy of the complete and fully executed contract including all addendums, counters, amendments, and notices.

Voluntary Acquisition Form

It will be the responsibility of the home buyer to submit a Voluntary Acquisition Form with the Offer to Purchase to the seller. This form is used to satisfy the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA). Neither the City of Madison nor the home buyers have the right to acquire the property by eminent domain.

Appraisal

Cannot be sold for more than the appraised value at the time of sale, as verified by an independent appraisal obtained by the first mortgage lender.

Appraisal requirements are as follows:

- Obtained in compliance with the Appraiser Independence Requirements
- Compliant with Uniform Appraisal Dataset requirements
- An interior & exterior review by a licensed appraiser
- Based on the “as is” value of the property (Exception allowed when using the City’s Homebuyer’s Assistance loan program.)
- Appraiser must confirm they were provided with a complete copy of the Offer to Purchase and verify Interested Party Contributions (IPCs), if applicable

The following exhibits must accompany the appraisal:

- Exterior building sketch with dimensions
- Street map that shows the location of the property and comparables
- Original photographs showing the front, back, and street scene of the subject property and the front of each comparable
- Interior photographs of the kitchen, all bathrooms, main living area, examples of physical deterioration, examples of recent updates

Condition of Property

All properties must be safe and sanitary as verified by a private property inspection report for all properties plus City of Madison properties will have a City of Madison Minimum Housing Code inspection report completed. All minimum housing code repairs must be completed prior to closing.

Property Inspections

Home Inspection

All properties require a private property inspection report be submitted with the loan application package.

All properties must meet the City of Madison Minimum Housing Code requirements before City assistance will be provided. In addition, the City of Madison contracted inspector will provide a Minimum Housing Code inspection for City of Madison properties only. The City inspection will be scheduled once it is determined that the home buyer qualifies for the program. For newly constructed properties, a certificate of occupancy will be accepted in lieu of a Minimum Housing Code inspection

Lead Based Paint Inspection

A lead based paint inspection will be conducted on all City of Madison homes built prior to 1978 in accordance with the Lead-Based Paint Poisoning Prevention Act 42 USC 3535 (d), 4821 and 4851, and its implementing regulations in 24 CFR 35, as well as State of Wisconsin Code HFS 163 and City of Madison MGO 7.49. The City of Madison contracted inspector will provide the lead based paint inspection and clearance test for the property. The inspection will be scheduled once it is determined that the home buyer qualifies for the program. If the property does not pass inspection after the first clearance test, the contractor performing the lead paint stability work will be responsible for the payment of any additional tests.

Environmental Review

Any property within the City of Madison must pass an environmental review conducted by the City of Madison Community Development Division staff.

Other Program Requirements

Eligible Closing Costs

- Appraisal fee
- Credit report
- Closing fee
- Title insurance
- Recording fee
- Survey
- Property inspection
- Flood certification
- Reasonable loan original and processing fees. Reasonable will be based on WHEDA fees
- Tax service
- Prepaid escrows
- First Year Mortgage Insurance Premium or funding fee
- Home buyer education fee

- Other WHEDA fees, as appropriate

Interest Rate

The interest rate of the first mortgage cannot exceed the prevailing WHEDA rate by more than 2%

Loan Repayment

The mortgage will require a shared appreciation repayment which will be calculated based on the accepted Offer sales price in an arm's length transaction. Otherwise value will be based on a current appraised value which is to be supplied by our mortgagee. The repayment is due and payable to the City of Madison at the time the property is sold, cash-out refinance for other than property improvements, the property is transferred or ceases to be the primary residence of the home buyer.

Example:

Home purchase price	\$150,000
City loan	\$9,000
Percentage of City funds invested	6%
Sales price at the time the home buyer sells or current appraised value if pays off the loan	\$175,000
Loan repayment equals 6% of the Offer sales price or current appraised value	\$10,500

Loan Subordination

The City will subordinate its mortgage loan(s) according to the terms of the City Loan Subordination Policy.

Non-discrimination

City assistance will be made available to all persons without regard to race, national origin or ancestry, color, religion, sex, age, handicap/disability, marital status, source of income, arrest record or conviction record, less than honorable discharge, physical appearance, sexual orientation, gender identity, political beliefs, familial status, student status, income level or source of income. The loans will be granted based on the home buyer eligibility and the availability of funds.

Privacy Concerns

Home buyer information obtained by the City will determine eligibility for the loan program(s) according to these underwriting standards. Certain information will not be disclosed outside the City without consent except to the person or company verifying the information including, but not limited to, the employer, bank, lender, and any other credit reference as needed to verify other credit information and as permitted by law.

Appeals Process for Denial of a Home-Buy the American Dream Loan

The home buyer may appeal any denial of a City loan to the CDBG Committee and/or to the CDA at their next regularly scheduled Committee meeting following the denial of a loan. The decision from these Committee(s) will be final.

Loan Application Processing

The City will review the complete loan package for accuracy, program compliance and technical content on the basis of general underwriting standards **within a minimum of 20 business days**. **The 20 business days will begin once all required documents are collected.**

Based on the verified information contained in the loan request file, a recommendation will be made for approval or denial of the home buyer as the loan recipient. Upon approval or denial, the home buyer and lender will receive written notice stating the conditions of the loan approval or the basis for denial.

Closing

The City loan closing will be done in conjunction with the closing of the first mortgage loan. Any changes to the mortgage loan amounts or interest rates after the initial loan approval requires written approval from the City. The closing time must be scheduled in consultation with the City.

A copy of the title work and a copy of the hazard insurance binder which shows the City as a second mortgagee must be submitted to the City 5 full business days prior to loan closing. **An acceptable preliminary Settlement Statement (HUD-1) is to be submitted 24 hours prior to closing**, Any changes to the preliminary settlement statement must also be submitted to the City..

The home buyer shall provide and pay for the recording of the City's mortgage and condo rider (if applicable) at the closing and satisfaction at the time loan is repaid.

Cancellation of a City Loan

The City will discontinue work on an application for the following reasons:

- The home buyer is not eligible for a City loan.
- The property for which the loan is sought is not eligible for financing
- The home buyer refuses or is unable to supply all financial data and other relevant information required to determine loan eligibility.
- If the home buyer has excessive liquid assets. The home buyer withdraws their loan request.

Cancellation and termination of a loan request will cause the City to issue a written notice of cancellation to the lender and to the home buyer.

APPENDIX

EXAMPLES OF CITY OF MADISON FORMS

- CHECKLIST
- PROMISSORY NOTE
- MORTGAGE
- CONDOMINIUM RIDER
- CONDOMINIUM INSURANCE WARRANTY
- VOLUNTARY ACQUISITION FORM
- BORROWER'S AFFIDAVIT
- CONFLICT OF INTEREST STATEMENT
- BORROWER'S AUTHORIZATION
- SUBORDINATION POLICY

CHECKLIST

- Borrower(s) Name _____
-
- Borrower(s) Email _____
-
-
- Lender Name _____
- Contact Person _____
-
- Contact: Phone _____ Fax _____
- Email _____
-
- Closing Date _____ Closing Location _____
-
- **Please assemble the application package in the following order:**
-
- _____ 1. Application Package Checklist
- _____ 2. Uniform Residential Loan Application
- _____ 3. Good Faith Estimate of Closing Costs
- _____ 4. Truth in Lending Disclosure
- _____ 5. Completed Verification of Employment and 1 month of paystub or 3 months of Paystubs *(Income documentation required for all household members over the age of 18)*
- _____ 6. Verification of Deposit or alternative documentation and/or Gift Affidavit
- _____ 7. Six month average of checking account balance
- _____ 8. Residential Mortgage Credit Report or Triple Merged Credit Report
- _____ 9. Accepted Offer to Purchase including all amendments.
- _____ 10. Voluntary Acquisition Form
- _____ 11. FHLMC/FNMA Residential Appraisal Report (with photographs)
- _____ 12. Copy of last year's federal tax returns including all schedules, W2s and attachments.
Self-Employed borrowers must provide most recent 2 years federal tax returns with all attachments.
- _____ 13. Independent Third Party Property Inspection Report
- _____ 14. Borrower's Authorization
- _____ 15. Borrower's Affidavit
- _____ 16. Conflict of Interest Statement
- _____ 17. Home buyer Education Certificate
- _____ 18. Flood Certification



Home Buyer Promissory Note

BORROWER(S) NAMES:

LOAN AMOUNT: \$

ADDRESS:

DATE: , 20__

FOR VALUE RECEIVED, the Borrower(s) promises to pay to the order of the CITY OF MADISON, a Wisconsin municipal corporation, at its offices located at 210 Martin Luther King Jr. Boulevard, Madison, Wisconsin, 53703, on demand the greater of (i) the sum of Dollars (\$_____), or (ii) an amount equal to ____% of the current sales price or current appraised value determined at the time of repayment, which is due immediately upon the earliest of the sale, transfer, cash-out refinance, or non-owner occupancy.

THIS NOTE is secured by a Mortgage against the Property from the Borrower(s) to the City of Madison, which is incorporated herein by reference.

The loan made pursuant to this Note is for the purpose of assisting the Borrower(s) in the payment of down payment/closing costs for the purchase of residential property ("Property") located at:

DELINQUENCY CHARGE. If a payment owed under the Note is not paid on or before the 15th day after its due date, the City may collect a delinquency charge equal to 12% per annum on the unpaid balance until the amount due under the Note is paid in full.

THIS NOTE, , shall become immediately due and payable to the City of Madison upon the occurrence of any of the following subject to the Borrower's(s') right to notice of default and opportunity to cure, if any:

a) ;

The undersigned, or surviving spouse, domestic partner as defined in Section 39.03(2)(n), Madison General Ordinances, of either of the undersigned, if any, defaults on any Note, Mortgage secured by the property.

b) The Borrower(s) defaults in any of the covenants, agreements, terms or provisions of the Mortgage securing this Note.

c) Title to, or equitable ownership in, the Property is transferred to any party other than transfers to a spouse that result from marriage, divorce or death of a spouse, or domestic partner as defined in Sec. 39.03(2)(n), Madison General Ordinances, of either of the undersigned, if any; or

d) The Property is no longer occupied as a residence by either of the undersigned or the surviving spouse, or domestic partner as defined in Section 39.03(2)(n), Madison General Ordinances of either of the undersigned, if any; or

e)

e) Cash-out refinance of the Property.

The Borrowers shall at all times comply with the requirements of the Statutes and Regulations with respect to the Property, including, but not limited to, the affordable housing requirements set forth in 24 CRF 92.254, which stipulates the period of affordability for this unit is a minimum of 5 years. The affordability requirements of 24 CRF 92.254 may terminate upon foreclosure, transfer in lieu of foreclosure or assignment of an FHA insured mortgage to HUD.

The Borrower(s) and endorsers of this Note, jointly and severally, agree to waive demand, notice of non-payment and protest, and in the event suit shall be brought for the collection hereof, or the same has to be collected upon demand of an attorney, to pay reasonable attorney's fees for making such collection, through and including all appellate levels and post-judgment proceedings.

No delay or omission on the part of the holder hereof in exercising any right hereunder shall operate as a waiver of any such right or of any other right under this Note. A waiver on any one occasion shall not be construed as a bar to or a waiver of any such right on any future occasion. The Borrowers for itself, its successors and assigns, does hereby expressly waive presentment for payment, notice of dishonor, presentment, notice of protest, protest and diligence in collection. It is expressly understood and agreed that the Borrower(s) shall not be released from the covenants herein contained by reason of any forbearance or extension of time granted or release of any subsequent owner or owners of the property mortgaged as secured for this obligation.

In the event of a foreclosure the amount due and payable shall be the net proceeds, if any, from the foreclosure sale. Net proceeds is defined as the sales price minus superior loan repayment and any closing costs incurred by the homebuyer. This Note may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement is sought.

THE BORROWER(S) acknowledges receipt of an exact copy of this Note.

NOTICE TO BORROWER(S)

- A. DO NOT SIGN THIS IF IT CONTAINS ANY BLANK SPACES.**
- B. YOU ARE ENTITLED TO AN EXACT COPY OF ANY AGREEMENTS YOU SIGN.**
- C. YOU HAVE THE RIGHT AT ANY TIME TO PAY IN ADVANCE THE UNPAID BALANCE DUE UNDER THIS NOTE.**

Signed and sealed this _____, 20____ at Madison, Wisconsin.

Borrower Signature _____

Print Name _____

Borrower Signature _____

Print Name _____

DOCUMENT NO.

REAL ESTATE MORTGAGE

whether one or more) mortgages, conveys, assigns, grants a security interest in and warrants to

in consideration the sum of

(\$), loaned or to be loaned to

("Borrower, "whether one or more), evidence by Borrower's note(s) or agreement dated

the real estate described below, together with all privileges, hereditaments, easements and appurtenances, all rents, leases, issues and profits, all claims, awards and payments made as a result of the exercise of the right of eminent domain, and all existing and future improvements and fixtures (all called the "Property") to secure the Obligations described in paragraph 5 on the reverse side, including but not limited to repayment of the sum

1. Description of Property. (This property is is not

the homestead of Mortgagor.)

- checkbox If checked here, description continues or appears on attached sheet.
checkbox If checked here, this Mortgage is a construction mortgage.
checkbox If checked here, Condominium Rider is attached.

2. Title. Mortgagor warrants title to the Property, excepting only restrictions and easements of record, municipal and zoning ordinances, current taxes and assessments not yet due and

3. Escrow. Interest will will not be paid on escrowed funds if an escrow is required under paragraph 8(a) on the reverse side.

4. Additional Provisions. Mortgagor agrees to the Additional Provisions on the reverse side, which are incorporated herein.

The undersigned acknowledges receipt of an exact copy of this Mortgage.

NOTICE TO CUSTOMER IN A TRANSACTION GOVERNED BY THE WISCONSIN CONSUMER ACT
(a) DO NOT SIGN THIS BEFORE YOU READ THE WRITING ON THE REVERSE SIDE, EVEN IF OTHERWISE ADVISED.
(b) DO NOT SIGN THIS IF IT CONTAINS ANY BLANK SPACES.
(c) YOU ARE ENTITLED TO AN EXACT COPY OF ANY AGREEMENT YOU SIGN.
(d) YOU HAVE THE RIGHT AT ANY TIME TO PAY IN ADVANCE THE UNPAID BALANCE DUE UNDER THIS AGREEMENT AND YOU MAY BE ENTITLED TO A PARTIAL REFUND OF THE FINANCE CHARGE.

Signed and Sealed (Date)

(SEAL) (Type of Organization)

By: (Title)

By: (SEAL) (Title)

*

RECORDING AREA

NAME AND RETURN ADDRESS

CDBG Office
215 MLK Jr. Blvd., Rm 225
P.O. Box 2627
Madison, WI 53701-2627

Parcel Identifier No.

AUTHENTICATION

OR

ACKNOWLEDGMENT

Signatures of
authenticated this day of

Title: Member State Bar of Wisconsin or
authorized under §706.06, Wis. Stats

This instrument was drafted by

STATE OF WISCONSIN
County of } ss.
This instrument was acknowledged before me on
by
(Name(s) of persons(s))
as
(Type of authority: e.g., officer, trustee, etc., if any)
of
(Name of party on behalf of whom instrument was executed, if any)

Notary Public, Wisconsin

My Commission (Expires)(Is)

*Type or print name signed above.

ADDITIONAL PROVISIONS

5. Mortgage as Security. This Mortgage secures prompt payment to Lender of (a) the sum stated in the first paragraph of this Mortgage, plus interest and charges according to the terms of the promissory notes or agreement of Borrower to Lender identified on the reverse side, and any extensions, renewals or modifications signed by any Borrower of such promissory notes or agreement, (b) to the extent not prohibited by the Wisconsin Consumer Act (i) any additional sums which are in the future loaned by Lender to any Mortgage, to any Mortgage and another or to another guaranteed or endorsed by any Mortgage primarily for personal, family or household purposes and agreed in documents evidencing the transaction to be secured by this Mortgage, and (ii) all other additional sums which are in the future loaned by Lender to any Mortgage, to any Mortgage and another guaranteed or endorsed by any Mortgage, (c) all interest and charges, and (d) to the extent not prohibited by law, all costs and expenses of collection or enforcement (all called the "Obligations"). This Mortgage also secures the performance of all covenants, conditions and agreements contained in this Mortgage. Unless otherwise required by law, Lender will satisfy this Mortgage upon request by Mortgage if (a) the Obligations have been paid according to their terms, (b) any commitment to make future advances secured by this Mortgage has terminated, (c) Lender has terminated any line of credit under which advances are to be secured by this Mortgage, and (d) all other payments required under this Mortgage and the Obligations and all other terms, conditions, covenants, and agreements contained in this Mortgage and the documents evidencing the Obligations have been paid and performed.
6. Taxes. To the extent not paid to Lender under paragraph 8(a), Mortgage shall pay before they become delinquent all taxes, assessments and other charges which may be levied or assessed against the Property, or against Lender upon this Mortgage or the Obligations or other debt secured by this Mortgage, upon Lender's interest in the Property, and deliver to Lender receipts showing timely payment.
7. Insurance. Mortgage shall keep the improvements on the Property insured against direct loss or damage occasioned by fire, flood, extended coverage perils and such other hazards as Lender may require, through insurers approved by Lender, in amounts, without co-insurance, not less than the unpaid balance of the Obligations or the full replacement value, whichever is less, and shall pay the premiums when due. The policies shall contain the standard mortgage clause in favor of Lender and, unless Lender otherwise agrees in writing, the original of all policies covering the Property shall be deposited with Lender. Subject to Lender's approval, Borrower is free to select the insurance agent or insurer through which insurance is obtained. Mortgage shall promptly give notice of loss to insurance companies and Lender. All proceeds from such insurance shall be applied, at Lender's option, to the installments of the Obligations in the inverse order of their maturities (without penalty for prepayment) or to the restoration of the improvements on the Property. In the event of foreclosure of this Mortgage or other transfer of title to the Property, in extinguishment of the indebtedness secured hereby, all right, title, and interest of Mortgage in and to any insurance then in force shall pass to the purchaser or grantee. If Mortgage fails to keep any required insurance on the Property, Lender may purchase such insurance for Mortgage, such insurance may be acquired by Lender solely to protect the interest of Lender (it will not cover Mortgage's equity in the Property), and Mortgage's obligation to repay Lender shall be in accordance with Section 10.
8. Mortgage's Covenants. Mortgage covenants:
- Escrow. If an escrow is required by Lender, to pay Lender sufficient funds, at such times as Lender designates, to pay when due (1) the estimated annual real estate taxes and assessments on the Property, (2) all property and hazard insurance premiums, (3) flood insurance premiums, if any, (4) if payments owed under the Obligations are guaranteed by mortgage guaranty insurance, the premiums necessary to pay for such insurance, and (5) other items agreed to be included in the escrow. Lender may, at any time, collect and hold such escrow funds in an amount not to exceed the maximum amount a lender for a federally related mortgage loan may require for Mortgage's escrow account under the federal Real Estate Settlement Procedures Act of 1974, as amended from time to time. Lender may estimate the amount of escrow funds due on the basis of current data and reasonable estimates of future expenditures of future escrow account funds or as otherwise required by applicable law. Lender shall apply the escrowed funds against taxes, assessments and insurance premiums when due or as otherwise required by law. Escrowed funds may be commingled with Lender's general funds. If the escrowed funds held by Lender exceed the amount permitted to be held by applicable law, Lender shall account to Mortgage for the excess escrowed funds in a manner determined by Lender or as otherwise required by applicable law. If the escrowed funds held by Lender at any time are not sufficient to pay the escrow account items when due, Lender may notify Mortgage in writing, and Mortgage shall pay to Lender the amount necessary to make up the deficiency in a manner determined by Lender or as otherwise required by applicable law;
 - Condition and Repair. To keep the Property in good and tenantable condition and repair, and to restore or replace damaged or destroyed improvements and fixtures;
 - Liens. To keep the Property free from all liens and encumbrances superior or inferior to the lien of this Mortgage and not described in paragraph 2 on the reverse side without the City's prior written approval;
 - Other Mortgages. To perform all of Mortgage's obligation
- ns and duties under any other mortgage or security agreement on the Property and any obligation to pay secured by such a mortgage or security agreement:
- Waste. Not to commit waste or permit waste to be committed upon the Property;
 - Conveyance. Not to sell, assign, lease, mortgage, convey or otherwise transfer any legal or equitable interest in all or part of the Property, or permit the same to occur without the prior written consent of Lender and, without notice to Mortgage, Lender may deal with any transferee as to his interest in the same manner as with Mortgage, without in any way discharging the liability of Mortgage under this Mortgage or the Obligations;
 - Alteration or Removal. Not to remove, demolish or materially alter any part of the Property, without Lender's prior written consent, except Mortgage may remove a fixture, provided the fixture is promptly replaced with another fixture of at least equal utility;
 - Condemnation. To pay to Lender all compensation received for the taking of the Property, or any part, by condemnation proceeding (including payments in compromise of condemnation proceedings), and all compensation received as damages for injury to the Property, or any part. The compensation shall be applied in such manner as Lender determines to rebuilding of the Property or to the Obligations in the inverse order of their maturities (without penalty for prepayment);
 - Inspection. Lender and its authorized representatives may enter the Property at reasonable times to inspect it, and at Lender's option to repair or restore the Property and to conduct environmental assessments and audits of the Property;
 - Ordinances. To comply with all laws, ordinances and regulations affecting the Property; and
 - Subrogation. That Lender is subrogated to the lien of any mortgage or other lien discharged, in whole or in part, by the proceeds of the note(s) or agreement identified on the reverse side.
9. Environmental Laws. Mortgage represents, warrants and covenants to Lender (a) that during the period of Mortgage's ownership or use of the Property no substance has been, is or will be present, used, stored, deposited, treated, recycled or disposed of on, under, in or about the Property in a form, quantity or manner which if known to be present on, under, in or about the Property would require clean-up, removal or some other remedial action ("Hazardous Substance") under any federal, state or local laws, regulations, ordinances, codes or rules ("Environmental Laws"); (b) that Mortgage has no knowledge, after due inquiry, of any prior use or existence of any Hazardous Substance on the Property by any prior owner of or person using the Property; (c) that, without limiting the generality of the foregoing, Mortgage has no knowledge, after due inquiry, that the Property contains asbestos, polychlorinated biphenyl components (PCBs) or underground storage tanks; (d) that there are no conditions existing currently or likely to exist during the term of this Mortgage which would subject Mortgage to any damages, penalties, injunctive relief or clean-up costs in any governmental or regulatory action or third-party claims relating to any Hazardous Substance; (e) that Mortgage is not subject to any court or administrative proceeding, judgment, decree, order or citation relating to any Hazardous Substance; and (f) that Mortgage in the past has been, at the present is, and in the future will remain in compliance with all Environmental Laws. Mortgage shall indemnify and hold harmless Lender, its directors, officers, employees and agents from all loss, cost (including reasonable attorneys' fees and legal expenses), liability and damage whatsoever directly or indirectly resulting from, arising out of, or based upon (i) the presence, use, storage, deposit, treatment, recycling or disposal, at any time, of any Hazardous Substance on, under, in or about the Property, or the transportation of any Hazardous Substance to or from the Property, (ii) the violation or alleged violation of any Environmental Law, permit, judgment or license relating to the presence, use, storage, deposit, treatment, recycling or disposal of any Hazardous Substance on, under, in or about the Property, or the transportation of any Hazardous Substance to or from the Property, or (iii) the imposition of any governmental lien for the recovery of environmental clean-up costs expended under any Environmental Law. Mortgage shall immediately notify Lender in writing of any governmental or regulatory action or third-party claim instituted or threatened in connection with any Hazardous Substance on, in, under or about the Property.
10. Authority of Lender to Perform for Mortgage. If Mortgage fails to perform any of Mortgage's duties set forth in this Mortgage, Lender may after giving Mortgage any notice and opportunity to perform which are required by law, perform the duties or cause them to be performed, including without limitation signing Mortgage's name or paying any amount so required, and the cost shall be due on demand and secured by this Mortgage, bearing interest at the highest rate stated in any document evidencing an Obligation, but not in excess of the maximum rate permitted by law, from the date of expenditure by Lender to the date of payment by Mortgage.
11. Default; Acceleration; Remedies. If (a) there is a default under any Obligation secured by this Mortgage, or (b) Mortgage fails timely to observe or perform any of Mortgage's covenants or duties contained in this Mortgage, then, at the option of Lender each Obligation will become immediately payable unless notice to Mortgage or Borrower and an opportunity to cure are required by §425.105, Wis. Stats., or the document evidencing the Obligation and, in that event, the Obligation will become payable if the default is not cured as provided in that statute or the document evidencing the Obligation or as otherwise provided by law. If Lender exercises its option to accelerate, the unpaid principal and interest owed on the Obligation, together with all sums paid by Lenders as authorized or required under this Mortgage or any Obligation, shall be collectible in a suit at law or by foreclosure of this Mortgage by action, or both, or by the exercise of any other remedy available at law or equity.
12. Waiver. Lender may waive any default without waiving any other subsequent or prior default by Mortgage.
13. Power of Sale. In the event of foreclosure, Lender may sell the Property at public sale and execute and deliver to the purchasers deeds of conveyance pursuant to statute.
14. Assignment of Rents and Leases. Mortgage assigns and transfers to Lender, as additional security for the Obligations, all rents which become or remain due or are paid under any agreement or lease for the use or occupancy of any part or all of the Property. Until the occurrence of an event of default under this Mortgage or any Obligation, Mortgage has the right to collect the rents, issues and profits from the Property, but upon the occurrence of such an event of default, and the giving of notice by Lender to Mortgage declaring that constructive possession of the Property is in Lender, Mortgage's license to collect is terminated and Lender shall be entitled to such rents, issues and profits and may, after giving Mortgage any notice and opportunity to perform required by law, notify any or all tenants to pay all such rents directly to Lenders. All such payments shall be applied in such manner as Lender determines to payments required under this Mortgage and the Obligations. This assignment shall be enforceable and Lender shall be entitled to take any action to enforce the assignment (including notice to the tenants to pay directly to Lender or the commencement of a foreclosure action) without seeking or obtaining the appointment of a receiver or possession of the Property.
15. Receiver. Upon the commencement or during the pendency of an action to foreclose this Mortgage, or enforce any other remedies of Lender under it, without regard to the adequacy or inadequacy of the Property as security for the Obligations, Mortgage agrees that the court may appoint a receiver of the Property (including homestead interest) without bond, and may empower the receiver to take possession of the Property and collect the rents, issues and profits of the Property and exercise such other powers as the court may grant until the confirmation of sale, and may order the rents, issues and profits, when so collected, to be held and applied as the court may direct.
16. Foreclosure Without Deficiency Judgment. If the Property is a one-to-four family residence that is owner-occupied at the commencement of a foreclosure, a farm, a church or owned by a tax exempt charitable organization, Mortgage agrees to the provision of §846.101 Wis. Stats., and as the same may be amended or renumbered from time to time, permitting Lender, upon waiving the right to judgment for deficiency, to hold the foreclosure sale of real estate of 20 acres or less six months after a foreclosure judgment is entered. If the Property is other than a one-to-four family residency that is owner-occupied at the commencement of a foreclosure, a farm, a church or a tax exempt charitable organization, Mortgage agrees to the provisions of §846.103, Wis. Stats., and as the same may be amended or renumbered from time to time, permitting Lender, upon waiving the right to judgment for deficiency, to hold the foreclosure sale of real estate three months after a foreclosure judgment is entered.
17. Expenses. To the extent not prohibited by law, Mortgage shall pay all reasonable costs and expenses before and after judgment, including without limitation, attorneys' fees, fees and expenses for environmental assessments, inspections and audits, and fees and expenses for obtaining title evidence incurred by Lender in protecting or enforcing its rights under this Mortgage.
18. Severability. Invalidity or unenforceability of any provision of this Mortgage shall not affect the validity or enforceability of any other provision.
19. Successors and Assigns. The obligations of all Mortgages are joint and several. This Mortgage benefits Lender, its successors and assigns, and binds Mortgage(s) and their respective heirs, personal representatives, successors and assigns.

20. Entire Agreement. This Mortgage is intended by the Mortgagor and Lender as a final expression of this Mortgage and as a complete and exclusive statement of its terms, there being no conditions to the full effectiveness of this Mortgage. No parol evidence of any nature shall be used to supplement or modify any terms.

CONDOMINIUM RIDER

THIS CONDOMINIUM RIDER, made this ___ day of _____, 20__, is incorporated into and shall be deemed to amend and supplement the Mortgage (the "Mortgage") of the same date given by the undersigned (the "Borrower") to secure Borrower's Note to the City of Madison (the "Lender") of the same date and covering the Property described in the Mortgage and located at _____, Madison, Wisconsin.

The Property includes a unit in, together with an undivided interest in the common elements of, a condominium project known as _____ (the "Condominium Project"). If an Owner's Association or other entity which acts for the Condominium Project (the "Owner's Association") holds title to property for the benefit or use of its members or shareholders, the Property also includes Borrower's interest in the Owner's Association and the uses, proceeds and benefits of Borrower's interest.

CONDOMINIUM COVENANTS. In addition to the covenants and agreements made in the Mortgage, Borrower further covenants and agrees as follows:

A. Condominium Obligations. Borrower shall perform all of Borrower's obligations under the Condominium Project's Condominium Instruments. The Condominium Instruments are: (i) the Declaration; (ii) Bylaws; (iii) code of rules or regulations; and (iv) other equivalent documents. Borrower shall promptly pay, when due, all dues and assessments imposed pursuant to the Condominium Instruments.

B. Hazard Insurance. So long as the Owner's Association maintains a master or blanket policy on the Condominium Project which is satisfactory to Lender and which provides insurance coverage for the periods, in the amounts, and against the hazards Lender requires, including fire and hazards included within the term "extended coverage", then Borrower's obligation under paragraph 7 of the Mortgage to maintain hazard insurance coverage on the Property is deemed satisfied to the extent that the required coverage is provided by the Owner's Association policy.

Borrower shall give Lender prompt notice of any lapse in required hazard insurance coverage.

In the event of a distribution of hazard insurance proceeds in lieu of restoration or repair following a loss to the Property, whether to the unit or to the common elements, any proceeds payable to Borrower are hereby assigned and shall be paid to Lender for application to the sum secured by the Mortgage, with any excess paid to Borrower.

C. Lenders' Prior Consent. Borrower shall not, except after notice to Lender and with Lender's prior written consent, either partition or subdivide the Property or consent to:

- (i) abandonment or termination of the Condominium Project, except for abandonment or termination required by law in the case of a taking by condemnation or eminent domain or substantial destruction by fire or other casualty;
- (ii) any amendment to any provision of the Condominium Instruments if such provision is for the express benefit of Lender; or
- (iii) termination of professional management of the Condominium Project and assumption of self-management by the Owner's Association.

By signing below, Borrower accepts and agrees to the terms and provisions of this Condominium Rider.

BORROWER SIGNATURE _____

DATE _____

Condominium Insurance Warranty

BORROWER NAME _____

CO-BORROWER NAME _____

NAME OF ASSOCIATION _____

ASSOCIATION PHONE NUMBER (____) _____

- 1. Does the condominium association maintain a “master” or “blanket” type of insurance policy with premiums being paid as a common expense? Yes No
- 2. Does the policy protect against loss or damage from fire or other hazards covered by standard extended endorsements? Yes No
- 3. Does the policy cover all of the general and limited common elements? Yes No

If the answer to questions 1, 2, or 3 was no, the property is not eligible for City of Madison financing.

- 4. Does the master or blanket policy also cover interior walls, fixtures and equipment, inside the individual units (i.e. plumbing, electrical, cabinets, etc)? Yes No

If No, an individual certificate of hazard insurance naming the City of Madison as mortgagee and a receipt for payment of first year’s premium must be attached.

The insurance certificate must show adequate dwelling coverage as described in the City of Madison Underwriting Guidelines. Adequate dwelling coverage is the lesser of 100% of the insurable value of the improvements, as established by the property insurer, and provides for claims to be settled on a replacement basis **OR** the unpaid principal balance of the mortgage.

The Condo Association Declaration Page and this Condominium Insurance Warranty must be forwarded to the City of Madison 5 business days before closing.

Signature of Loan Officer

Date

City of Madison Mortgagee Clause for Insurance binder: City of Madison- Community Development
PO Box 2627
Madison, WI 53701-2627



Madison Municipal Building, Suite 225
215 Martin Luther King, Jr. Boulevard
P.O. Box 2627
Madison, Wisconsin 53701-2627
PH 608 266 6520
FAX 608 261 9626

VOLUNTARY ACQUISITION

Dear _____;

I (we), _____, am (are) interested in acquiring property you own at _____ for a proposed project which may receive funding assistance from the U.S. Department of Housing and Urban Development (HUD).

Please be advised that I (we) do not have authority to acquire your property by eminent domain. In the event we cannot reach an amicable agreement for the purchase of our property, we will not pursue this proposed acquisition.

I (we) are prepared to offer you _____ to purchase your property. We believe this amount represents the current market value of your property. Please contact us at your convenience if you are interested in selling your property.

In accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA), owner-occupants who move as a result of voluntary acquisition are not eligible for relocation assistance.

If you have any questions about this notice or proposed project, please contact the City of Madison at the contact information above.

Sincerely,

Signature

Date

Signature

Date

Delivered to Seller by _____ on _____.

**DOWN PAYMENT/ASSISTANCE (DP/A) FUNDS
BORROWER'S AFFIDAVIT**

Borrower Name: _____ **Co-Borrower Name:** _____

Property Address: _____

A. Attest Statement

1. I/We has applied for a mortgage loan from _____, (Lender) its successors and assigns or agents. I/We have also applied for Down Payment/Closing Cost Assistance or other funding from (circle all that apply): City of Madison (American Dream and/or Home-Buy and/or CD Office Funds), Dane County, Realtor's Association of South Central Wisconsin, Movin' Out, or other sources (list): _____
In applying for the loan(s)/funding, I/We completed a loan application containing various information on the purpose of the loan(s)/funding, the amount and source of the down payment, employment and income information, and assets and liabilities. I/We certify that all of the information is true and complete. I/We made no misrepresentations in the loan/funding application or other documents, nor did I/We omit any pertinent information.
2. I/We fully understand that it is a Federal crime punishable by fine or imprisonment, or both, to knowingly make any false statements when applying for these mortgage loans/funding, as applicable under the provision of Title 18, United States Code, Section 1014.
3. Please read each statement carefully and answer appropriately. The information provided will be used to determine your eligibility for a loan.

B. Household Income and Residents

List all persons intending to occupy the residence regardless of relationship, age or income. List the gross annual income from all sources for each person intending to occupy the residence. Household gross annual income includes total income from all sources including, but not limited to: wages, interest, dividends, commissions, payments from annuities, retirement plans, social security, and any other source of income. Exclusions from annual income are one-time lump sum payments, such as inheritances, capital gains or insurance settlements. Please attach an additional page if there are more than 7 people in your household.

Household Names	Age	Relationship to Borrower	Gross Monthly Income

Total Number of Residents _____ **Total Household Income \$** _____

C. Beneficiary Information

Borrower

- Race/National Origin:**
- ___ White/Caucasian
 - ___ Black/African American
 - ___ Black/African American & White/Caucasian
 - ___ Native Hawaiian/Other Pacific Islander
 - ___ Asian
 - ___ Asian & White/Caucasian
 - ___ American Indian/Alaskan Native
 - ___ Am. Indian/Alaskan Native & Black/African American
 - ___ Am. Indian/Alaskan Native & White/Caucasian
 - ___ Other : _____

Other: ___ **Hispanic** ___ **Disabled**

Co-Borrower

- Race/National Origin:**
- ___ White/Caucasian
 - ___ Black/African American
 - ___ Black/African American & White/Caucasian
 - ___ Native Hawaiian/Other Pacific Islander
 - ___ Asian
 - ___ Asian & White/Caucasian
 - ___ American Indian/Alaskan Native
 - ___ Am. Indian/Alaskan Native & Black/African American
 - ___ Am. Indian/Alaskan Native & White/Caucasian
 - ___ Other : _____

Other: ___ **Hispanic** ___ **Disabled**

**DOWN PAYMENT/ASSISTANCE (DP/A) FUNDS
BORROWER'S AFFIDAVIT**

D. Basic Affirmations

1. The total purchase price as listed on the accepted Offer to Purchase does not include the sale of any personal property. The accepted Offer to Purchase is the only contract between the seller of the property and My/Ourselves, no side deals, other terms, conditions, understandings or agreements between the seller and My/Ourselves exist unless stated on the Offer to Purchase. This property is not being obtained by eminent domain.
2. I/We will occupy as my principal full-time residence within 60 days after the closing of the loan. I/We will not use the property as a recreational or vacation home, or rent the property to any other person (except for the non-owner occupied units of a two to four unit property).
3. I/We understand that I/We have a continuing obligation to amend and/or supplement the information provided herein if any of the representations I/We have made should change prior to closing, and that the representations made herein shall survive the closing of the loan.
4. For American Dream and/or State of WI funds, I/We certify that I/We have not had an ownership interest in any principal residence during the three-year period preceding the date of this affidavit or I am a displaced homemaker or a single parent.
5. For CD Office, American Dream and Dane County funds, I/We certify that I/We and all the persons who will live in the household are documented United States citizens or resident aliens.
6. I/We have provided true copies of last year's income tax and return and income statements (including wages, interest income, self-employment income, SSI or SSDI, retirement or pension income, etc.).

E. For married applicants only

I/We understand the following:

Notice for Married Applicants: No provision of any marital property agreement, statutory individual property classification agreement ("opt-out" agreement) under Section 766.587 of the Wis. Statutes, unilateral statement under Section 766.59 of the Wis. Statutes, or court order under Section 766.70 of the Wis. Statutes adversely affects the interest of the creditor unless the creditor is furnished with a copy of the agreement, statement, or order or has actual knowledge of the adverse provision when the obligation to the creditor is incurred.

Notice to Non-applicant Spouse: If the credit applied for is subject to the Wisconsin Consumer act and is individual credit, or joint credit with an applicant who is not your spouse, the creditor is required by Section 766.56(3)(b) of the Wisconsin Statutes to notify your spouse of the extension of credit.

F. Receipt of Information

1. **For Public funds,** I/We have received a copy of the booklet Protect Your Family from Lead in Your Home (not applicable for properties built after 1978).
2. **Notice regarding lobbying ordinance:** If you are seeking approval of a development that has over 40,000 gross square feet of non-residential space, or a residential development of over 10 dwelling units, or if you are seeking assistance from the City with a value of over \$10,000 (this includes grants, loans, TIF or similar assistance), then you likely are subject to Madison's lobbying ordinance, sec. 2.40, MGO. You are required to register and report your lobbying. Please consult the City Clerk for more information. Failure to comply with the lobbying ordinance may result in fines of \$1,000 to \$5,000.

G. Loan Terms

1. I/We understands that I/We will be required to sign a promissory note(s) and mortgage(s). I/ we will be responsible for recording fees and any fees charged by the title company for closing these loans.
2. I/We understand that the loan may be due and payable when the property is sold, refinanced, transferred, or no longer the principal residence of the borrower(s). For CDD funded loans, I/We will comply with all Statutes and Regulations set forth in 24 CFR 92.254 which stipulates period of affordability of minimum of 5 years .
3. I/We understand that the loans from Community Development Division has a repayment of the original loan amount plus a proportional share of appreciation based on the percentage of assistance provided by the CDD, whichever is greater.

For the purpose of applying for a down payment assistance loan(s)/funding, the undersigned certifies that all of the above statements and information are true.

Borrower's Signature/Date

Co-Borrower's Signature/Date

Subscribed and Sworn to before me on this _____ day of _____, 20_____.

Notary Public, State of Wisconsin

My Commission Expires _____

Conflict of Interest Statement

Borrower Name: _____

Co-Borrower Name: _____

Property Address: _____

You have submitted a request for a Home-Buy Down and/or American Dream Payment/Closing Cost loan. The City, based on State requirements, requires that we make you aware of certain facts and collect certain information from you. Consequently, we require that you complete the following information and submit this sworn affidavit to our office prior to approving your loan. You should read this statement carefully; making a false statement under oath may subject you to criminal penalties.

Do you have "Family"¹ or business ties to any of the following "Covered Persons"²?

If yes, disclose the nature of the relationship.

NAMES OF COVERED PERSONS	RELATIONSHIP
Mayor Paul R. Soglin	
Steven Cover	
Aaron Olver	
Jim O'Keefe	
Teresa Cothrine	
Terri Goldbin	
Craig Wilson	
Linette Rhodes	
Nancy Dungan	
Lauren Chare	
Michael Verveer	
Shiva Bidar-Sielaff	
Marsha A. Rummel	
Steve King	
Scott Resnick	
Paul Skidmore	
Ledell Zellers	
Chris Schmidt	
Maurice Cheeks	
Susan Ellingson	
John R. Strasser	
Larry Palm	
David Ahrens	
Joe R. Clausius	
Anita Weier	
Mark S. Clear	
Matthew Phair	
Lisa Subeck	
Denise DeMarb	
Natalie Erdman	
Dean Brassler	
Kelly A. Thompson-Frater	
Daniel G. Guerra Jr	
Lauren K. Lofton	
Sariah J. Daine	

Conflict of Interest Statement

¹“Family” includes:

- Spouse
- Fiancée / Fiancé
- Children and Children-in-Law
- Brothers and Brothers-in-Law
- Sisters and Sisters-in-Law
- Parents and Parents-in-Law
- Anyone who receives more than 50% of his or her support from the covered person (e.g., adopted child, foster child).
- Domestic partner

²“Covered Persons” includes any persons who are employees, agents, consultants, officers, or elected or appointed officials, of the grantee who exercise, or have exercised, any functions or responsibilities with respect to the HCRI and American Dream housing activities, or who are in positions to participate in decision-making processes or gain inside information with regard to housing activities, either for themselves or those with whom they have family or business ties, during their tenure in the position for one year thereafter.

MGO 3.35(5)(e) Disclosure Statement

Are any of the Borrowers a City employee, elected City official, City board or committee member or an immediate family member of the **aforementioned**? “Immediate family” member of a City employee, official or board/committee member means a spouse, a registered domestic partner, or a relative by marriage, adoption or lineal descent who receives more than one-half of his or her support from the City employee, official or board/committee member.

_____ Yes _____ No

If answered ‘Yes’ above, Borrowers will be required to provide written disclosure of the nature and extent of the relationship or interest to the Common Council and the Director of the Department of Planning and Development prior to loan approval.

The undersigned hereby certify that all of the above statements and information are true.

Dated _____, 20_____.

Borrowers Signature

Co-Borrower Signature (if applicable)

Print Name

Print Name

Subscribed and Sworn to before me on this _____ day of _____, 20_____.

Notary Public, State of Wisconsin

My Commission Expires _____

**DOWN PAYMENT/ASSISTANCE (DP/A) FUNDS
BORROWER'S AUTHORIZATION**

To Whom It May Concern:

- 1. A. I/We have applied for a mortgage loan from: _____ (Lender) its successors and/or assigns.
- B. I/We have applied for down payment/closing cost assistance from: _____

(Verification Agents) its successors and/or assigns.

As part of the application process, Lender and Verification Agents and/or their assigns may verify information contained in my/our loan/funding application and in other documents required in connection with the loan/funding, either before the loan/funding is closed or as part of its quality control program.

- 2. I/We authorize you to provide Lender, Verification Agents, and/or assigns any and all information and documentation that they request. Such information includes, but is not limited to: employment history and income; disability payments, social security, pension, and retirement funds verification; bank verification, money market, stocks, bonds, and similar account verification; credit history; copies of income tax returns; and any other information deemed necessary in connection with a consumer credit or a real estate transaction.
- 3. Lender, Verification Agents and/or assigns that purchase the mortgage(s) may address this authorization to any party named in the loan/funding application or disclosed by any consumer credit reporting agency or similar source.
- 4. A copy of this authorization may be accepted as an original.
- 5. Your prompt reply to Lender, Verification Agents and/or assigns that purchased the mortgage(s) is appreciated.

NOTICE TO BORROWERS: This notice to you is required by the Right to Financial Privacy Act of 1978. The Department of Housing and Urban Development, Federal Housing Administration, or Veterans Administration have a right of access to financial records held by financial institutions in connection with the consideration or administration of assistance to you. Financial records involving your transaction will be available to HUD, FHA, or VA without further notice or authorization but will not be disclosed or released by this institution to another government agency without your consent except as required by law.

BORROWER'S AUTHORIZATION FOR COUNSELING

If I fail to make any mortgage payment as agreed, I understand that the Servicer of my mortgage loan may refer me to a third-party counseling organization or a mortgage insurer that will advise me about finding ways to meet my mortgage obligation. I hereby authorize the Servicer to release certain information related to the Servicer's own experience with me to such third-party counseling organization or mortgage insurer and request that the counseling party contact me.

I further hereby authorize the third-party counseling organization or mortgage insurer to make a recommendation about appropriate action to take with regard to my mortgage loan, which recommendation may assist the Servicer in determining whether to restructure my loan or to offer other extraordinary services that could preserve my long-term homeownership.

PRIVACY ACT NOTICE

The information obtained by the Lender, Verification Agents, and/or assigns will determine program eligibility in the Program(s) under the Program(s) standards. The information will not be disclosed outside the Lender, Verification Agent, and/or assigns without your consent except to the person or company verifying the information including, but not limited to, your employer, bank, lender, and any other credit reference as needed to verify other credit information and as permitted by law. You do not have to give us this information, but if you do not your application may be delayed or rejected.

Borrower Signature

Date

Co-Borrower Signature

Date



Madison Municipal Building, Suite 225
215 Martin Luther King, Jr. Boulevard
P.O. Box 2627
Madison, Wisconsin 53701-2627
PH 608 266 6520
FAX 608 261 9626

CITY OF MADISON LOAN SUBORDINATION CHECKLIST

In order to process a request for a Subordination for a City loan, the following documents are needed:

- _____ Application
- _____ Title Work
- _____ Good Faith Estimate
- _____ 1st mortgage commitment letter
- _____ **Borrower's Authorization to Release Information**

Submit information to:
City of Madison Community Development
PO Box 2627
Madison WI 5370-2627

Or fax to: 608-261-9661
Email to: cdbg@cityofmadison.com

Allow up to 10 business days for review of documentation and drafting and signing of document.

Simple subordination (refinancing outstanding mortgage, no cash-out) cost of City subordination is \$150.
Cash-out refinance for improvements to property only. City subordination cost is \$250.
Collect fee from borrower at time of refinance closing and submit check payable to CITY OF MADISON
TREASURER

The total combined loan-to-value cannot exceed 95%. , for a cash-out refinance for property
improvements.

Borrower's total debt to income ratio cannot exceed 45%.