



State of Wisconsin
2023 - 2024 LEGISLATURE

LRB-0497/1
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2023 SENATE BILL 576

October 30, 2023 - Introduced by Senators L. JOHNSON, HESSELBEIN, ROYS, LARSON, WIRCH and AGARD, cosponsored by Representatives GOYKE, MOORE OMOKUNDE, BALDEH, OHNSTAD, CABRERA, HONG, JOERS, STUBBS, SUBECK, BILLINGS, SHANKLAND, BARE, PALMERI, SINICKI, C. ANDERSON, CLANCY and JACOBSON. Referred to Committee on Housing, Rural Issues and Forestry.

1 **AN ACT to create** 20.490 (3) (fq), 20.490 (3) (gq) and 234.665 of the statutes;
2 **relating to:** a revolving workforce home loan program and making an
3 appropriation.

Analysis by the Legislative Reference Bureau

This bill establishes a revolving loan program administered by the Wisconsin Housing and Economic Development Authority for the purpose of issuing loans, which the bill terms “workforce home loans,” to eligible applicants to provide gap financing to supplement a conventional mortgage for the purchase of a single-family home in Wisconsin that is or will be the eligible applicant’s primary residence. The bill appropriates \$100,000,000 for the program and requires WHEDA to use repayments of loans to fund additional loans under the program. The bill authorizes WHEDA to establish an interest rate for any workforce home loan that is below the market interest rate or to charge no interest.

Under the bill, a local housing authority or community-based organization or other qualified local organization, as determined by WHEDA, certifies a loan applicant to WHEDA, subject to WHEDA’s approval. An applicant is eligible for a workforce home loan under the bill if all of the following are satisfied:

1. The applicant is an individual applying for the loan as a head of household, as determined by WHEDA.

2. The applicant has not had any ownership interest in residential real property for the three consecutive years immediately preceding the date of the application.

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3. The applicant's household annual income is less than 120 percent of the area median income for the county in which the home is located.

4. The applicant's housing costs, excluding utility-related costs, in the home for which the applicant is applying for a workforce home loan, as determined by the qualified organization, will not exceed 30 percent of the applicant's household income.

5. The total amount of the mortgage for which the applicant is applying for a workforce home loan does not exceed the conforming loan limit for the county in which the home is located, as established by the federal housing finance agency.

6. The applicant has a satisfactory credit record, history, or rating, as determined by the qualified organization in consultation with WHEDA.

The bill provides that WHEDA may not issue a workforce home loan that exceeds \$100,000, adjusted for inflation annually beginning on the effective date of the bill. The bill requires that the amount of each workforce home loan be based on the applicant's household income and size in combination with the amount of funding available for the loan.

The bill establish different repayment rules for workforce home loans depending on the eligible applicant's household income. Specifically, if the authority issues a workforce home loan to an applicant whose household income is less than 80 percent of the area median income for the county in which the home is located, all of the following apply:

1. The repayment of principal due on the loan must be deferred until the recipient of the workforce home loan sells the home or loses equity in the home as a result of refinancing or the home ceases to be the primary residence of the recipient.

2. Beginning with the sixth full year following the issuance date of the workforce home loan, each year WHEDA must forgive 10 percent of the total amount of unpaid principal on the loan.

On the other hand, if WHEDA issues a workforce home loan to an applicant whose household income is 80 percent or more of the area median income for the county in which the home is located, the repayment of principal on the loan must be deferred for the five consecutive years beginning after the date on which the loan is issued, immediately after which the loan recipient is required to begin the repayment of principal on the loan in monthly installments, or until the recipient of the workforce home loan sells the home or loses equity in the home as a result of refinancing or the home ceases to be the primary residence of the recipient.

Because this bill may increase or decrease, directly or indirectly, the cost of the development, construction, financing, purchasing, sale, ownership, or availability of housing in this state, the Department of Administration, as required by law, will prepare a report to be printed as an appendix to this bill.

For further information see the state and local fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

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1 **SECTION 1.** 20.005 (3) (schedule) of the statutes: at the appropriate place, insert
2 the following amounts for the purposes indicated:

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3 **20.490 Wisconsin Housing and Economic**
4 **Development Authority**

5 (3) HOMEOWNERSHIP MORTGAGE ASSISTANCE

6 (fq) Workforce home loan program GPR C 100,000,000 -0-

7 **SECTION 2.** 20.490 (3) (fq) of the statutes is created to read:

8 20.490 (3) (fq) *Workforce home loan program.* As a continuing appropriation,
9 the amounts in the schedule for workforce home loans under s. 234.665.

10 **SECTION 3.** 20.490 (3) (gq) of the statutes is created to read:

11 20.490 (3) (gq) *Workforce home loan repayments.* All moneys received from the
12 repayment of workforce home loans made under s. 234.665, to be used for workforce
13 home loans under s. 234.665.

14 **SECTION 4.** 234.665 of the statutes is created to read:

15 234.665 **Workforce home loan program.** (1) DEFINITIONS. In this section:

16 (a) “Area median income” means the area median family income in the county
17 in which the housing is located, adjusted for family size, as published annually by
18 the federal department of housing and urban development.

19 (b) “Qualified organization” means a housing authority, as defined in s. 16.301

20 (2) (a), a community based organization, as defined in s 16.301 (1), or another
21 qualified local organization, as determined by the authority.

22 (c) “Workforce home loan” means a loan issued by the authority under sub. (3)

23 (a).

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1 **(2) CERTIFICATIONS.** (a) A qualified organization may certify an eligible
2 applicant to receive a workforce home loan in an amount determined by the qualified
3 organization, subject to the approval of the authority.

4 (b) An applicant for a workforce home loan is eligible if the applicant satisfies
5 all of the following:

6 1. The applicant is an individual applying for the loan as a head of household,
7 as determined by the authority.

8 2. The applicant has not had any ownership interest in residential real
9 property for the 3 consecutive years immediately preceding the date of the
10 application.

11 3. The applicant's household annual income is less than 120 percent of the area
12 median income.

13 4. The applicant's housing costs, excluding utility-related costs, in the home
14 for which the applicant is applying for a workforce home loan, as determined by the
15 qualified organization, will not exceed 30 percent of the applicant's household
16 income.

17 5. The total amount of the mortgage for which the applicant is applying for a
18 workforce home loan does not exceed the conforming loan limit for the county in
19 which the home is located, as established by the federal housing finance agency.

20 6. The applicant has a satisfactory credit record, history, or rating, as
21 determined by the qualified organization in consultation with the authority.

22 **(3) LOAN ISSUANCE.** (a) Subject to pars. (b) to (e), from the appropriations under
23 s. 20.490 (3) (fq) and (gq), the authority may issue a loan to an eligible applicant
24 certified by a qualified organization under sub. (2). The authority may establish an

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1 interest rate for any workforce home loan that is below the market interest rate or
2 may charge no interest.

3 (b) The authority may issue a workforce home loan only for the purpose of
4 providing gap financing to supplement a conventional mortgage for the purchase of
5 a single-family home in this state, whether new construction or an existing home,
6 that is or will be the eligible applicant's primary residence.

7 (c) The authority may not issue a workforce home loan that exceeds \$100,000,
8 adjusted for inflation annually beginning on the effective date of this paragraph
9 [LRB inserts date]. The amount of each workforce home loan shall be based on the
10 eligible applicant's household income and size in combination with the amount of
11 funding available for the loan.

12 (d) If the authority issues a workforce home loan to an eligible applicant whose
13 household income is less than 80 percent of the area median income, all of the
14 following apply:

15 1. The repayment of principal on the loan shall be deferred until any of the
16 following occurs, at which time the total amount of unpaid principal on the loan,
17 minus the principal forgiven under subd. 2., shall become due and payable:

18 a. The recipient of the workforce home loan sells the home.

19 b. The recipient of the workforce home loan loses equity in the home as a result
20 of refinancing.

21 c. The home ceases to be the primary residence of the recipient.

22 2. Beginning with the 6th full year following the issuance date of the workforce
23 home loan, each year the authority shall forgive 10 percent of the total amount of
24 unpaid principal on the loan.

