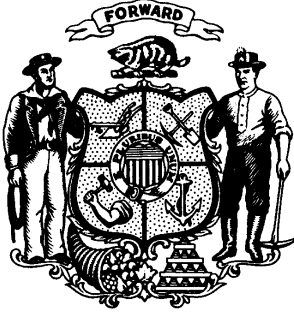


State of Wisconsin



2025 Assembly Bill 454

Date of enactment:
Date of publication*:

2025 WISCONSIN ACT

AN ACT to amend 234.66 (2) (a) (intro.), 234.661 (2) (a) (intro.) and 234.662 (2) (a) (intro.); to create 234.665 of the statutes; relating to: a workforce home loan program.

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

SECTION 1. 234.66 (2) (a) (intro.) of the statutes is amended to read:

234.66 (2) (a) (intro.) There is established under the jurisdiction and control of the authority a residential housing infrastructure revolving loan fund, for the purpose of providing loans under sub. (3) and for deposit in the workforce home loan fund under s. 234.665 (2) (a). The authority may use moneys in the fund to cover actual and necessary expenses incurred to accomplish the purposes of this section, including marketing expenses under sub. (6), and administer the fund. The fund shall consist of all of the following:

SECTION 2. 234.661 (2) (a) (intro.) of the statutes is amended to read:

234.661 (2) (a) (intro.) There is established under the jurisdiction and control of the authority a main street housing rehabilitation revolving loan fund, for the purpose of providing loans under sub. (3) and for deposit in the workforce home loan fund under s. 234.665 (2) (a). The authority may use moneys in the fund to cover actual and necessary expenses, including marketing expenses under sub. (4), incurred to accomplish the purposes of this section and administer the fund. The fund shall consist of all of the following:

SECTION 3. 234.662 (2) (a) (intro.) of the statutes is amended to read:

234.662 (2) (a) (intro.) There is established under the jurisdiction and control of the authority a commercial-to-housing conversion revolving loan fund, for the purpose of providing loans under sub. (3) and for deposit in the workforce home loan fund under s. 234.665 (2) (a). The authority may use moneys in the fund to cover actual and necessary expenses incurred to accomplish the purposes of this section, including marketing expenses under sub. (4), and administer the fund. The fund shall consist of all of the following:

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

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

(a) "Applicant" means each person who is a member of a household and who is applying for a workforce home loan on behalf of that household.

(b) "Area median income" means the area median family income in the county in which the residence is located, not adjusted for family size, as published annually by the federal department of housing and urban development.

(c) "Household compliance income" means the anticipated combined income, as determined by the authority according to its underwriting guidelines, of all

* Section 991.11, WISCONSIN STATUTES: Effective date of acts. "Every act and every portion of an act enacted by the legislature over the governor's partial veto which does not expressly prescribe the time when it takes effect shall take effect on the day after its date of publication."

individuals age 18 or older who intend to occupy the residence subject to a workforce home loan, regardless of whether the individual is the applicant for the workforce home loan and regardless of the individual's relationship to the applicant for the workforce home loan.

(d) "Qualified organization" means an authorized lender, as defined in s. 234.59 (1) (a), or a housing authority, as defined in s. 16.301 (2) (a), a community-based organization, as defined in s. 16.301 (1), or another qualified local organization, as determined by the authority.

(e) "Qualifying income" means the sum of the income of all eligible applicants in the household for purposes of assessing the combined ability of all applicants in the household to repay the workforce home loan, as determined by the authority according to its underwriting guidelines.

(em) "Rural area" means an area that is located in a city, village, or town with a population density of not more than 2,500 per square mile.

(g) "Underwriting guidelines" means the authority's conventional first-time home buyer first mortgage program underwriting guidelines, including the maximum purchase price per county.

(h) "Workforce home loan" means a loan issued by the authority under sub. (5) (a).

(2) ESTABLISHMENT OF FUND. (a) There is established under the jurisdiction and control of the authority a workforce home loan fund, for the purpose of providing loans under sub. (5). The authority may use moneys in the fund to cover actual and necessary expenses incurred to accomplish the purposes of this section, including marketing expenses, and administer the fund. The fund shall consist of all of the following:

1. All moneys allocated by the authority to the fund.
2. All moneys received from the repayment of loans under sub. (5).

(b) In its discretion, the authority may invest fund moneys that are not required for immediate use or disbursement in all of the following to the extent lawful for fiduciaries in this state:

1. An obligation of the United States or one of its agencies or instrumentalities, or an obligation the principal and interest of which are guaranteed by the United States or one of its agencies or instrumentalities.
2. An obligation of any state, or of any county, city, or other political subdivision of a state, having long-term ratings in the AA category or higher.
3. A certificate of deposit.
4. The state investment fund.
5. A money market mutual fund restricted to one or more investments as provided in subd. 1., 2., 3., or 4.

(c) All investments under par. (b) shall be the exclu-

sive property of the fund. All earnings on or income from such investments shall be credited to the fund.

(d) No moneys in the fund may be invested under s. 234.03 (18).

(3) ESTABLISHMENT OF PROGRAM; SUNSET. (a) The authority shall establish and administer a workforce home loan revolving loan program for the purpose of awarding loans under this section.

(b) The authority may not award a loan under this section after June 30, 2031.

(c) The authority may not discriminate against, or grant preferential treatment on the basis of, race, color, ancestry, national origin, or sexual orientation in awarding loans under this section.

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

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

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

2. The applicant's annual household compliance income equals 100 percent or less of the area median income.

3. The applicant's debt-to-income ratio, based on qualifying income, satisfies the underwriting guidelines, except that if the payments on a workforce home loan are deferred for at least 60 months, no future workforce home loan payment may be included in the debt-to-income ratio calculation and the maximum debt-to-income ratio for manual underwriting shall be 45 percent of the qualifying income.

4. The applicant's credit score, rating, or other classification, as determined by the authority, satisfies the underwriting guidelines, except that if the payments on a workforce home loan are deferred for at least 60 months, the minimum qualifying credit score, rating, or other classification shall be a FICO score of 580 or an equivalent credit score, rating, or other classification from a successor organization, as determined by the authority.

5. The applicant's minimum financial reserves, as determined by the authority, after down payment and closing costs for the applicant's conventional mortgage for the purchase of the residence subject to the workforce home loan satisfy the underwriting guidelines. This subdivision does not apply if the payments on a workforce home loan are deferred for at least 60 months.

6. The applicant's conventional first mortgage for the purchase of the residence subject to the workforce home loan is a fully amortizing, fixed-rate qualified

mortgage loan with a term of 30 or fewer years consistent with Regulation Z under the federal Truth in Lending Act, 12 CFR 226.

7. The applicant satisfies all eligibility requirements with respect to citizenship or resident alien status, social security number validity, home buyer education and counseling, and payment of child support or maintenance if owed, as provided in the underwriting guidelines.

8. The purchase price of the residence does not exceed the applicable maximum purchase price provided in the underwriting guidelines.

(be) A qualified organization that certifies that an applicant is eligible under par. (a) shall gather loan application information and supporting documents from applicants, including information establishing the criteria under par. (b) and regulatory disclosures required by the authority, such as a loan estimate, using forms provided by the authority and submit the information and supporting documents to certify that an applicant is eligible to receive a workforce home loan in an amount determined by the qualified organization, subject to the approval of the authority prior to closing on the workforce home loan. The qualified organization shall prepare the closing disclosure, note, and mortgage for closing using forms provided by the authority.

(bm) The authority shall distribute moneys from a workforce home loan electronically.

(br) A qualified organization that certifies that an applicant is eligible under par. (a) may also serve as the seller of the residence financed by a workforce home loan.

(c) The authority shall adopt policies and procedures to facilitate the preapproval of applicants for workforce home loans and the encumbrance of workforce home loan funds for preapproved applicants for a period of up to 180 days.

(5) LOAN ISSUANCE; REPAYMENT. (a) 1. Subject to pars. (b) to (g), the authority may issue a loan to an eligible applicant certified by a qualified organization under sub. (4).

2. The authority may not charge interest for any workforce home loan, and the loan term shall be one of the following:

a. If the applicant has an annual household income that is more than 80 percent of the area median income, 15 years.

b. If the applicant has an annual household income that is 80 percent or less of the area median income, 30 years.

c. If the applicant qualifies for payment deferral under par. (f), 40 years.

2m. The authority may not charge any fee in connection with a workforce home loan.

3. A workforce home loan may be prepaid in whole or in part at any time without penalty.

4. No workforce home loan shall be forgivable in whole or in part.

5. Each workforce home loan shall be secured as a 2nd lien real estate mortgage.

6. The authority shall use all repayments of workforce home loans to fund additional workforce home loans under this section.

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

(c) The authority may not issue a workforce home loan that exceeds the lesser of the following:

1. \$60,000, adjusted annually beginning on the effective date of this subdivision [LRB inserts date], by the average compounded annual percentage increase in the sale price of all residential housing in this state, as determined by the authority.

2. Twenty-five percent of the purchase price or fair market value of the home, whichever is less.

(cm) In each biennium, the authority shall set aside 25 percent of the total moneys deposited in the fund under sub. (2) (a) in that biennium for loans awarded under this section for the purchase of residences within a rural area.

(d) If the authority issues a workforce home loan to an eligible applicant whose household compliance income is 100 percent or less, but more than 80 percent, of the area median income, the repayment of principal on a monthly basis shall commence on the first day of the 2nd month following the issuance date of the loan, amortized over 15 years.

(e) If the authority issues a workforce home loan to an eligible applicant whose household compliance income is 80 percent or less, but more than 60 percent, of the area median income, the repayment of principal on the loan shall be deferred for 60 months following the issuance date of the workforce home loan after which time the repayment of principal on a monthly basis shall commence, amortized over 25 years.

(f) If the authority issues a workforce home loan to an eligible applicant whose household compliance income is 60 percent or less of the area median income, the repayment of principal on the loan shall be deferred until the first-lien real estate mortgage loan on the home is paid in full after which time the repayment of principal on a monthly basis shall commence, amortized over 10 years.

(g) The total amount of unpaid principal on a work-

force home loan shall become due and payable upon the occurrence of any of the following:

1. The recipient of the workforce home loan sells the home.

2. No recipient of the workforce home loan resides in the home as a primary residence.

(6) SUBORDINATION TO NEW FIRST MORTGAGE. The authority shall subordinate an outstanding workforce home loan to a new first mortgage loan obtained by the recipient of the workforce home loan, using the same documentation requirements and charging the same subordination review fee as for the authority's other 2nd mortgage loan programs, if the authority determines that all of the following apply:

(a) The home continues to be the primary residence of any recipient of the outstanding workforce home loan.

(b) The combined loan-to-value ratio, calculated using the sum of the amount of the proposed new first mortgage loan and the outstanding balance of the workforce home loan, divided by the fair market value of the subject property at the time of the subordination request, as determined by the authority, is equal to or less than

the combined loan-to-value ratio at the time the workforce home loan was first issued, calculated using the sum of the conventional first mortgage loan used to purchase the residence and the amount of the original workforce home loan, divided by the original fair market value of the subject property at the time the workforce home loan was first issued.

(c) The proposed new first mortgage loan is a fully amortizing, fixed-rate qualified mortgage loan with a term of 30 or fewer years, consistent with Regulation Z under the federal Truth in Lending Act, 12 CFR 226.

(d) The workforce home loan recipient continues to satisfy sub. (4) (b) 3., 4., 5., and 7.

SECTION 5. Nonstatutory provisions.

(1) ALLOCATION OF FUNDS. The Wisconsin Housing and Economic Development Authority may allocate a total of up to \$10,000,000 to the workforce home loan fund under s. 234.665 (2) (a) from the residential housing infrastructure revolving loan fund under s. 234.66 (2) (a), the main street housing rehabilitation revolving loan fund under s. 234.661 (2) (a), and the commercial-to-housing conversion revolving loan fund under s. 234.662 (2) (a).
