

2009 NCSHA Annual Awards  
Wisconsin Housing and Economic Development Authority (WHEDA)  
Homeownership – Empowering New Buyers  
Wisconsin Neighborhood Advantage

**Background:**

Strategically WHEDA has been partnering with national, state and local housing groups to combat the growing number of foreclosures in Wisconsin. In 2000 Wisconsin had 6,407 properties facing foreclosure compared to 23,263 properties in 2008. Foreclosures in Wisconsin rose from 11,866 in the first half of 2008 to 14,296 in 2009, an increase of 20.5%.

Although WHEDA's foreclosure prevention initiatives have been helping to address current housing market conditions, a demand-side solution was needed to reduce foreclosed properties on the market, return foreclosed homes to owner-occupancy and to begin rebuilding neighborhoods.

WHEDA's Wisconsin Neighborhood Advantage loan was created to generate market demand for foreclosed homes. Loan funding came as a result of the federal Neighborhood Stabilization Program (NSP). NSP was created as part of the federal Housing and Economic Recovery Act (HERA) signed into law on July 31, 2008. NSP is a \$4 billion community program designed to address an increase in foreclosed and vacant single family properties.

As the administrator of NSP funds, HUD identified the Wisconsin Department of Commerce as the direct grantee for the state. As a sub-grantee, WHEDA was awarded approximately \$5 million in NSP funds. WHEDA allocated \$3.3 million to establish a unique loan loss reserve for the creation of an acquisition-rehabilitation loan for foreclosed homes called the Wisconsin Neighborhood Advantage. The balance of the funding was set aside to provide down payment and closing cost assistance to low income borrowers.

The Wisconsin Neighborhood Advantage is unique in that it leverages a private investment to create a mortgage financing program. WHEDA's creation of a loan loss reserve, paired with private dollars, represents an 8:1 leverage ratio – three times what other NSP programs have been able to leverage.

WHEDA partnered with Neighborhood Housing Services of America (NHS) as a private investor. Established in 1974, NHS collaborates with private sector institutional investors, philanthropic organizations, government entities and NeighborWorks America to improve mortgage industry products for community initiatives, such as the Wisconsin Neighborhood Advantage. As the leading provider of nonprofit secondary market capital to the community development field, NHS has developed innovative loan products and services to support affordable housing. NHS and WHEDA are excited about this partnership because the Wisconsin Neighborhood Advantage is the first of its kind nationally and can be replicated in other states.

**Product Overview:**

The \$3.3 million loan loss reserve has been leveraged to provide up to \$3.3 million in lending allowing for approximately 350 loans to purchase and rehabilitate foreclosed homes and return these properties to owner-occupancy status. Wisconsin Neighborhood Advantage loans can be used for purchase only, a purchase with limited repairs or a purchase with major rehabilitation.

Wisconsin Neighborhood Advantage is offered in five Wisconsin counties with the greatest number of foreclosed properties as determined by the University of Wisconsin Extension housing research and HUD foreclosure data. These five counties are Brown, Kenosha, Milwaukee, Racine and Rock. Nearly half of Wisconsin's foreclosures in the last two years have been located in these urban counties.

**Product Description:**

To generate market demand for foreclosures, the Wisconsin Neighborhood Advantage loan is available to existing and first-time home buyers at 120% of county median income (CMI) or less. All properties must be owner-occupied and the buyer cannot own a second home. To ensure accessibility to low-income borrowers, 30% of loan funds are reserved for households under 50% CMI. To further enhance affordability, WHEDA set aside \$1.7 million of its NSP allocation to provide down payment and closing cost assistance to low-income borrowers using the Wisconsin Neighborhood Advantage loan.

As affordability and preparedness help make homeowners successful long-term, the Wisconsin Neighborhood Advantage loan features a low, 30-year fixed interest rate, a minimum borrower contribution of \$1000, job loss mortgage payment protection, eight hours of required home buyer education and access to various sources of assistance.

In addition to WHEDA's NSP allocation for down payment assistance, the loan can be used with other assistance programs such as the federal housing tax credit for first-time home buyers and the Affordable Housing Program (AHP) down payment assistance awarded by the Federal Home Loan Bank of Chicago. WHEDA also established a local network of nonprofits and municipalities offering NSP assistance that can be layered with the loan to pay for down payment, closing costs, repairs or rehabilitation.

**Implementation:**

The Wisconsin Neighborhood Advantage loan was launched on June 1, 2009. As the loan was designed to be a unique niche product, a series of lender and Realtor training sessions were held within the eligible five-county region in May 2009. The training sessions featured background on federal NSP funding, loan product description, underwriting guidelines and information on local organizations offering NSP assistance. Training sessions also included a resource panel with a Realtor, appraiser, inspector and a lender sharing perspectives on how to engage consumers in the foreclosure market.

From the training sessions, WHEDA was able to assess which lender partners in its network were willing to participate in the loan product. Interested lenders signed new lender origination agreements specific to the Wisconsin Neighborhood Advantage. With a limited amount of loan funding and a targeted five-county market area, it was important for WHEDA to isolate lenders dedicated to promoting the product. Participating lenders are featured in an online database and receive loan referrals.

To support the launch of the product, WHEDA created a new logo and branding to market Wisconsin Neighborhood Advantage as this product does not utilize WHEDA tax-exempt bond financing. The new Wisconsin Neighborhood Advantage logo was then applied to wheda.com, presentation templates, product fact sheets and a foreclosure home buying guide to promote the loan product. Electronic samples of marketing materials have been included with this award entry.

**Results:**

Sixty days from launching the Wisconsin Neighborhood Advantage loan, WHEDA has 18 loans for review. As WHEDA continues to underwrite and approve loans, it is in constant communication with the private investor, NHSA, to review, evaluate and update underwriting guidelines to meet market demand and balance risk. Furthermore, to monitor product performance and market reaction, WHEDA has set up monthly forums with its lender, Realtor and non-profit partners to obtain feedback and explore new marketing tactics.

**Conclusion:**

By leveraging public funding with a private investment, WHEDA has been able to create a new mortgage financing loan to generate market demand for purchasing foreclosed properties. Coupling this loan with other assistance grants offered by local housing partners is creating new, affordable home ownership opportunities for first-time home buyers. As loans convert, WHEDA is optimistic that the Wisconsin Neighborhood Advantage will have a positive impact on rebuilding neighborhoods and will become a financing model for other states.