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wisconsin housing and economic development authority

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Prepared by

Rory Tikalsky

Wisconsin Legislative Fiscal Bureau
One East Main, Suite 301
Madison, WI 53703
http://legis.wisconsin.gov/lfb

TABLE OF CONTENTS

Wisconsin Housing and Economic Development Authority

Introduction

The Wisconsin Housing and Economic Development Authority (WHEDA) was originally created as the Wisconsin Housing Finance Authority by Chapter 287, Laws of 1971, to generate housing for low- to moderate-income households in Wisconsin. It does so by issuing taxable and tax-exempt mortgage revenue bonds and using the proceeds to fund loans at below-market interest rates. WHEDA's mission was later expanded to include providing financing for economic and agricultural development, for which it received its current name. The Authority mostly works through participating banks, savings and loans, mortgage bankers, and other lenders and sponsors.

The Authority is not a state agency, but rather a public body corporate and politic. Its operating budget and authorized positions are not included in the state budget and are not subject to direct legislative control. Revenues to finance its operating budget primarily come from interest earnings on loans it makes, investments of its assets and administrative fees it assesses. As of November, 2020, WHEDA staff included 157.15 authorized full-time equivalent (FTE) employees.

WHEDA was created because the Wisconsin Constitution prohibits the issuance of public debt for private purposes (Article VIII, Section 7) and "internal improvements" (Article VIII, Section 10), which the Wisconsin Supreme Court has generally interpreted to include private housing. The Authority began operations in July, 1973, following the Court's decision in *State Ex. Rel. Warren v. Nusbaum*. The Court held that the Authority was not a state agency and that the State of Wisconsin did not have an enforceable legal obligation to back the Authority's bonds. Consequently, the constitutional prohibition on incurring debt for such purposes did not apply to the Authority, and it could issue bonds for housing programs. The Legislature made a start-up appropriation of $250,000 in general purpose revenue (GPR), which the Authority later repaid from operating funds.

The Authority's governing board consists of 12 members. Six are public members appointed by the Governor with the advice and consent of the Senate that serve staggered, four-year terms. The remaining six members are: (a) the Chief Executive Officer of the Wisconsin Economic Development Corporation (WEDC) or their designee; (b) the Secretary of the Department of Administration (DOA) or their designee; and (c) one senator and representative of the majority and minority party, all four of whom are appointed from the Senate and Assembly standing committees on housing. In addition the statutes require the Governor appoint: (a) one of the public members for a one-year term as chairperson; and (b) the Executive Director of the Authority, with Senate consent, to a two-year term. The Board meets every other month to carry out its responsibilities, which include authorization of bond issues, approval of the annual operating budget and determination of overall policy for the Authority.

The Authority is divided into an executive office and the following teams: (a) administration/human resources; (b) finance; (c) legal services; (d) marketing; (e) information technology; (f) risk and compliance; (g) single-family housing; (h) commercial lending, which includes multifamily housing; (i) community and economic development; (j) project management; and (k) innovation and research. The Authority's teams are similar to divisions in state agencies.

This paper discusses WHEDA and its current programs, with the exception of the property tax deferral loan program (PTDL). For discussion of PTDL, see the Legislative Fiscal Bureau's informational paper entitled, "Property Tax Deferral Loan Program." For discussion of all housing programs administered by the state, including those by DOA, see the Legislative Fiscal Bureau's informational paper entitled "State Housing Programs." For discussion of historical aspects of WHEDA's operation and inactive or discontinued programs, see previous versions of this informational paper, available on the Legislative Fiscal Bureau's website.

Authority Financing

Because it exists as an independent authority, WHEDA receives funding from state appropriations only in rare circumstances, such as the Authority's startup, or at the creation of certain programs. Instead, the Authority's primary sources of program funding have been proceeds from the issuance of taxable and tax-exempt bonds and notes, and funds in excess of required reserves. In general, the Authority's assets derive from income receivable on outstanding loans, and its liabilities derive from debt incurred on the sale of bonds and notes used to finance its programs. As shown in Table 1, the Authority completed the 2019-20 fiscal year with assets and reserves exceeding liabilities by approximately $936 million. Of that balance, approximately $652 million was restricted for bond redemption funds and for programs for which the source of funding is outside the Authority. Restricted funds may only be used for permitted investments and permitted disbursements such as payment or repayment of principal, bond interest and program expenses.

Table 1: WHEDA Combined Balance Sheet, 2019 and 2020 (June 30)

	2019	2020
Total restricted and unrestricted reserves	$845,452,000	$935,654,000
Less restricted reserves for bond resolutions, administered funds	-579,343,000	-652,184,000
General reserve fund balance	$226,109,000	$283,470,000
Less encumbered for housing and economic development activities	-203,903,100	-222,964,500
Less encumbered for WHEDA operations	-45,484,000	-44,870,600
Unencumbered general reserves ("Surplus" to Dividends for Wisconsin plan)	$16,721,900	$15,634,900

Source: WHEDA Dividends for Wisconsin Plans, 2019-20 and 2020-21

The Authority's general reserve fund totaled $283 million as of June 30, 2020. The statutes require WHEDA to establish a general reserve fund but provide discretion as to how certain assets of the fund are used. WHEDA encumbered $223 million as of June 30, 2020, for single-family and multifamily housing programs, and economic development programs. An additional $45 million as of June 30, 2020, was encumbered for WHEDA operations. Unencumbered amounts remaining in the general reserve fund are required by statute to be set aside for the "Dividends for Wisconsin" plan. The plan allocates surplus reserves to housing and economic development programs. The plan is discussed further under the section "WHEDA Surplus Fund."

WHEDA Bond Issuance

The Authority's primary source of program funding is proceeds from the issuance of taxable and tax-exempt bonds and notes. WHEDA historically has issued mortgage revenue bonds to finance most of its housing programs. Mortgage revenue bonds allow WHEDA to borrow money through bonding and lend the proceeds of bond issues to third parties for uses such as the development of multifamily housing or the purchase of single-family homes. WHEDA bond issues after 2003 for multifamily purposes are exempt from state income tax. Additionally, bonds may be exempt from federal taxes if issued as part of the state's limit under the federal volume cap. States are limited to a certain amount of bonds issued under the volume cap based on their population. Bonds issued as part of the volume cap are subject to certain restrictions on programs they finance in order to remain tax-exempt.

Across all programs, WHEDA has issued $11.2 billion in bonds and notes carrying WHEDA's general obligation as of June 30, 2020, of which an estimated $2.0 billion was outstanding. General obligation bonds require WHEDA to repay bondholders using monies from repaid loans, or from other assets of the Authority. The annual volume of debt issued with WHEDA's general obligation since 2011 is shown in Table 2. WHEDA also may issue bonds without its general obligation, which do not require the Authority to pledge general assets for repaying bondholders. WHEDA has issued at least $479 million in additional debt without its general obligation since 1988. WHEDA typically does not track outstanding amounts of these bonds. In both instances, the state has no legal obligation to back WHEDA-issued bonds. A full detail of WHEDA bond issues by year is available in Appendix I.

Table 2: Annual WHEDA General Obligation Borrowing

Calendar Year	Revenue Bonds Issued
2011	$68,070,000
2012	86,210,000
2013	21,270,000
2014	10,035,000
2015	276,025,000
2016	427,510,000
2017	325,173,000
2018	289,059,000
2019	430,330,000
2020*	100,000,000
Total, 2011-2020	$2,033,682,000
Total, 1974-2020	$11,247,040,222

* Through June 30, 2020.

As required by statute, WHEDA manages a capital reserve fund, which must maintain a balance sufficient to cover the maximum amount of debt service expected in one year for all bond issues backed by the fund. The statutes limit total outstanding bonds backed by the fund to no more than $800 million. This amount was increased from $600 million under 2019 Wisconsin Act 9, the biennial budget act. The Authority may elect to exclude bond issues from backing by the capital reserve fund, an option it regularly exercises. As a result, the capital reserve fund only supports bonds issued to finance multifamily structures. WHEDA reports the amount of outstanding bonds supported by the capital reserve is $633.3 million as of June 30, 2020.

The statutes require that if WHEDA realizes a deficit in a capital reserve fund, the Chairperson of the Authority must certify to the DOA Secretary, the Governor, and the Joint Committee on Finance the additional amount necessary to meet minimum reserve requirements. If received in an even-numbered year prior to compilation of the biennial budget, DOA must include an appropriation for that amount in the budget bill and the Joint Committee on Finance must introduce a bill appropriating the certified amount. While the Legislature is not obligated to approve the appropriation, s. 234.15(4) of the statutes states that "the legislature hereby expresses its expectation and aspiration that if ever called upon to do so, it shall make such appropriation." To date WHEDA has never realized a deficit in its capital reserves, and the Legislature has not been called upon to make an appropriation for such backing.

The following list represents WHEDA programs for which revenue bonds are issued or may be issued. These programs are discussed in greater detail later in the paper.

• **Single-Family Mortgage Loans.** WHEDA provides low-cost mortgage financing to low- and moderate-income households for the purchase of single-family homes. As of June 30, 2020, approximately $8.8 billion of general obligation, corporate-purpose revenue bonds had been issued for this purpose, of which approximately $1.2 billion was outstanding. Bonds issued under these programs may be tax-exempt for federal purposes, depending on the mortgage programs they support.

• **Multifamily Construction and Rehabilitation.** WHEDA provides permanent financing for construction and rehabilitation of multifamily residences intended primarily for low- and moderate-income households. As of June 30, 2020, $2.3 billion of general obligation, corporate-purpose revenue bonds had been issued for these purposes, of which approximately $747 million was outstanding. Bonds issued under these programs may be tax-exempt for federal and state purposes.

• **Economic Development Loans.** WHEDA is authorized to issue bonds to fund business development activities in the state. No general obligation issues have been made since 1995, and no general obligation bonds are outstanding. WHEDA now issues bonds for economic development purposes without its general obligation, but it does not track outstanding amounts if they do not carry its general obligation. Bonds issued for economic development loans may be eligible for a federal tax exemption on interest earned.

2017 Wisconsin Act 277 modified WHEDA's economic development bonding authority, providing WHEDA the ability to request a renewal of its bonding authority through a 14-day passive review process with the Joint Committee on Finance. In July, 2018, WHEDA requested and was subsequently granted authority to issue $107.5 million in economic development bonds, although as of June 30, 2020, no bonds have been issued under the renewed authorization. This authority expires on July 1, 2022, after which WHEDA will require approval from the Joint Committee on Finance for renewal of the authorization.

• **Home Improvement.** WHEDA provides loans for alterations or repairs to existing housing. The Authority is allowed to issue up to $100 million in outstanding revenue bonds under the program, but none are outstanding. Instead, the program is supported by the separate home improvement loan fund maintained by WHEDA.

• **Property Tax Deferral Loan Program.** WHEDA provides loans to low- and moderate-income elderly homeowners to convert home equity into income to pay property taxes. WHEDA is authorized to issue up to $10 million in bonds under this program, but none have been issued. Detailed discussion of the program and its financing may be found in the Legislative Fiscal Bureau's informational paper entitled, "Property Tax Deferral Loan Program."

WHEDA Operating Funds

The Authority does not receive state funds for its operations. Instead, the Authority earns revenue primarily by: (a) charging loan interest rates higher than the interest it pays its bondholders, within certain limits established by federal law; (b) collecting fees, such as loan origination and servicing fees; and (c) investing its reserves.

Table 3 provides an overview of the last six years of WHEDA's general and administrative expenses, along with amounts budgeted for 2020-21.

Table 3: WHEDA General and Administrative Expenses

2014-15	$17,418,000
2015-16	17,313,000
2016-17	18,536,000
2017-18	21,167,000
2018-19	22,118,000
2019-20	21,637,000
2020-21 (Budgeted)	24,637,000

WHEDA Surplus Fund

The Authority is required by statute to maintain an unencumbered general reserve fund, also referred to as a surplus fund, within its general fund, consisting of any Authority assets in excess of operating costs and required reserves. WHEDA is required to report this amount annually to the Governor and Legislature. WHEDA had a surplus of $16.7 million as of June 30, 2019, and $15.6 million as of June 30, 2020. WHEDA attributes the larger than normal surplus in the most recent two years to high lending volume, increased fee revenue resulting from the new state housing tax credit, and a relatively low cost of borrowing.

Annually, WHEDA develops a plan for use of its surplus funds, known as the "Dividends for Wisconsin" plan. Once approved by the WHEDA Board, the plan is submitted to the Governor, who may modify it, and then submit it to the Legislature and relevant standing committees in each house for review. If no standing committee objects to the plan, it is approved. If an objection is raised, it is referred to the Joint Committee on Finance, which is required to meet in executive session within 30 days to consider the objections. The Joint Committee on Finance may: (a) concur in the standing committee objections; (b) approve the plan submitted by the Governor, notwithstanding standing committee objections; (c) approve modifications to the plan, if the standing committee modified all or part of the plan; or (d) modify the portions of the plan objected to by the standing committee. Under section 234.165(2)(b)6 of the statutes, any modifications made by the Committee must be approved by the Governor.

WHEDA is required to allocate a portion of its surplus funds to: (a) match federal funds available under the McKinney Homeless Assistance Act; (b) match federal funds available under the home investment partnership program; and (c) fund the property tax deferral loan program. Appendix II lists the allocations of WHEDA's unencumbered general reserves in its Dividends for Wisconsin plans for the 2019-20 and 2020-21 fiscal years.

WHEDA historically has made transfers from its unencumbered reserves to state agencies or the general fund, totaling $23.6 million since 2001-02. Most recently, 2019 Act 76 required WHEDA to transfer $1 million to the general fund in 2019-20. This transfer was intended to offset an equivalent increase in appropriations for the State Shelter Subsidy Grant Program administered by DOA.

CHAPTER 1

SINGLE-FAMILY HOUSING PROGRAMS

The following section discusses a variety of existing single-family housing programs, including their financing and eligibility requirements. For detailed information about a specific program's eligibility criteria, such as county-specific income limits, please see WHEDA's website. A summary table of WHEDA housing programs is available in Appendix III, Appendix IV lists median income by county and federally designated target areas of economic distress, and Appendix V provides a summary of major single-family housing program activity since 2009. For discussion of historical programs, please refer to previous versions of this informational paper, available on the Legislative Fiscal Bureau's website.

It should be noted for the following program descriptions that income eligibility for certain WHEDA loans is based on provisions in the Internal Revenue Code, which generally specifies a limit of 115% of state or area median income. However, other adjustments under federal law may allow for higher income limits than suggested by a strict application of that percentage. County-specific income limits by program are available on WHEDA's website.

Mortgage Programs

WHEDA operates several first-mortgage programs to provide mortgage loans to low- and moderate-income households. WHEDA mortgage loans seek to increase access to the positive economic benefits of homeownership in groups that otherwise would not be able to secure conventional mortgages due to perceived higher risk profiles or lower profit margins that tend to discourage commercial mortgage lenders from extending significant financing to these groups.

WHEDA issues revenue bonds to fund its first-mortgage programs, which it repays with principal and interest repayments from mortgages it issues. Mortgages with preferential rates, discussed later, are financed through tax-exempt bonding under the federal volume cap and thus subject to more stringent income and other eligibility requirements. Mortgage financing is also supported by the Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), and the Government National Mortgage Association (Ginnie Mae), which for certain mortgage programs will facilitate the conversion of pooled WHEDA mortgages to mortgage-backed securities and/or guarantee such mortgage-backed securities. (While WHEDA has approval for Freddie Mac-supported mortgages, it does not currently issue such mortgages.) WHEDA either holds these mortgage-backed securities, or sells them to private investors. The result of Fannie Mae, Freddie Mac, and Ginnie Mae participation is that WHEDA avoids certain pricing and other market risks associated with holding individual mortgages, and maintains liquidity for issuance of further mortgage loans. Regardless of the final owner of WHEDA mortgage debt, WHEDA maintains servicing responsibilities for its mortgages, and as of June 30, 2020, WHEDA services approximately 20,300 first mortgages with a total portfolio size of $2.0 billion.

WHEDA mortgages are provided with 30-year terms at a fixed interest rate and no prepayment penalties. Borrowers must: (a) be legal U.S. residents with a Social Security number; (b) occupy the property for the term of the loan; (c) meet a minimum credit score threshold; (d) purchase mortgage insurance for loans below certain loan-to-value ratios; (e) have a loan-to-value ratio that does not exceed 95% to 97%, depending on property type; (f) meet purchase price limits; and (g) meet income limits based on county median household income. Detailed eligibility requirements and program information may be found on WHEDA's website.

In addition to its conventional mortgage programs (WHEDA Advantage and Advantage-FHA), WHEDA offers preferential rate mortgages to first-time homebuyers (FTHB Advantage), veterans (VALOR), and purchasers of property in federally designated target areas of economic distress. While preferential rate programs have more favorable interest rates, these are paired with more stringent income limits, which range from approximately $80,000 to $103,000 in 2020 for a household of two, depending on county median income. Conventional mortgage program income limits ranged from approximately $92,000 to $119,000 for a household of two during the same period. Appendix IV lists county median income and federally designated target areas of economic distress. WHEDA also offers refinancing (Refi Advantage) for mortgages it has issued, provided borrowers have good credit, sufficient equity in the property, are not delinquent on property taxes, and the loan has not been modified within the last two years.

WHEDA issued 3,156 first mortgages for $425.9 million in 2019 and 908 for $123.1 million in 2020 through June 30. Appendix V provides a summary of single-family program activity since 2009 for each mortgage program.

WHEDA Tax Advantage

WHEDA Tax Advantage provides a nonrefundable federal income tax credit for mortgage interest equal to 25% of interest payments for first-time homebuyers and veterans, and 40% of interest payments for those in federally designated areas of economic distress, up to $2,000 per year. The program converts unused federal volume cap for tax-exempt bonding that would otherwise expire into mortgage credit certificates (MCCs).

Participants are bound by the same income and purchase price limits as those receiving a first-time homebuyer or veteran preferential rate on a WHEDA mortgage. At least 20% of MCCs must be reserved for federal target areas. Borrowers claim the credit annually over the life of their 30-year mortgage, and may carry over unused credits for up to three years. The program acts as a companion to the mortgage interest deduction, which must be reduced by any amount claimed with MCCs. Upon sale of a residence, participants are subject to federal recapture of tax credits, although borrowers under WHEDA mortgages are eligible for WHEDA repayment of the recapture tax. Although WHEDA issues MCCs as the state housing finance agency, MCC recipients are not required to have a WHEDA mortgage. Table 4 provides a summary of MCC issues from 2015 to present.

Table 4: Mortgage Credit Certificates

Year	MCCs Issued	MCC Amount (Life of Loan)
2015	331	$10,451,807
2016	220	7,605,508
2017	209	7,432,913
2018	146	5,594,984
2019	156	6,217,024
2020*	47	1,847,473
Total	1,109	$39,149,709

*As of June 30, 2020.

Second-Mortgage Programs

Home Improvement Financing

WHEDA offers the Home Improvement Advantage program to support financing for improvements to existing homes. Eligible improvements include: remodeling, home repair, making a home accessible to persons with disabilities, energy-efficient appliances, and energy efficiency improvements. Loans may be for up to $15,000 and have a maximum term of 15 years. Eligible recipients must have a minimum credit score, meet certain income limits, have no delinquent mortgage payments, and not have mortgage debt exceeding 110% of home value.

WHEDA is authorized up to $100 million in outstanding revenue bonds under the program, but none are outstanding. Instead, loans are funded by the home improvement loan fund. As of June 30, 2020, the fund had a balance of $10.4 million, with assets of $11.2 million, liabilities of $0.8 million, and program encumbrances of $10.4 million. WHEDA is required to transfer annually any unencumbered excess balance to the Wisconsin Development Reserve Fund (discussed in Chapter 3). On the basis of the fund condition as of June 30, 2020, WHEDA determined no transfer to the WDRF was required.

The predecessor program to the Home Improvement Advantage, suspended in April, 2008, made 15,212 loans totaling $102.8 million between the program's inception in 1979 and its suspension. In 2009 the program resumed under new branding and its current name. Since resuming, Home Improvement Advantage has made 100 loans totaling $1,203,800 through June 30, 2020. As of June 30, 2020, for loans made under the current program and its predecessor combined, there were 80 loans outstanding totaling $576,400. Appendix V provides a history of second-mortgage program activity since 2009.

Down Payment and Closing Cost Assistance Programs

WHEDA offers second mortgages under its Easy Close and Capital Access programs to support homebuyer education and closing costs, and provide additional financing for down payments. In instances where WHEDA first-mortgage programs require a minimum percentage of a home purchase to be borrower funds, Easy Close or Capital Access may provide a down payment in lieu of the borrower.

Easy Close loans are generally available to WHEDA first-mortgage program participants and have loan amounts up to 6% of the purchase price. Capital Access loans are targeted towards areas of high housing need, are up to 3.5% of purchase price, and have more restrictive income requirements. Easy Close loans have a 10-year term at a fixed interest rate, and Capital Access loans have a 30-year term with no interest. Homebuyers may only participate in one program. Detailed eligibility requirements and program information may be found on WHEDA's website. The Easy Close program is supported by an encumbrance of approximately $14.9 million from the Authority's general fund, and the Capital Access program is supported by federal grant awards under the Capital Magnet Fund Program.

WHEDA issued 2,506 down payment and closing cost assistance mortgage loans totaling $10.9 million in 2019 and 735 loans totaling $3.3 million in 2020 through June 30. There were 9,172 loans outstanding totaling $29.2 million as of June 30, 2020. Appendix V provides a history of second-mortgage program activity since 2009.

Property Tax Deferral Loan Program

Under this program, low-income elderly homeowners, or veterans of any age, can take out loans against the equity of their home to pay property taxes. Loans are repaid upon sale of the property or when the recipient no longer lives in the home. WHEDA supports the program with a portion of WHEDA's unencumbered general reserves. Since its inception in 1986, WHEDA has provided 6,676 loans totaling $11,277,200. Program participation has declined substantially in recent years, with eight loans totaling $24,600 in the program year ending June 30, 2020, associated with 2019 property taxes. The program is discussed in greater detail in the Legislative Fiscal Bureau's informational paper entitled "Property Tax Deferral Loan Program."

Bond Claim Program

Created in 2013, the Bond Claim Program provides loans to WHEDA borrowers who have previously defaulted on a loan. Recipients must demonstrate the reason for the default has been overcome and provide financial statements, proof of income, and documentation explaining the reason for default. The borrower's monthly surplus income must be 10% of gross monthly income, or $150. The loans are available for first mortgages more than three months in default, with loan amounts not to exceed $25,000. Loans provide a 0% interest rate, and are due on payoff or if the owner ends occupancy of the subject property as a primary residence.

The program has an allocation of $500,000 from the Home Ownership Development Fund, which is a part of WHEDA's general fund set aside primarily for single-family housing initiatives. The first Bond Claim loans were made on July 1, 2014. As of June 30, 2020, the program has made 34 loans totaling $203,300 and 28 loans totaling $173,700 remain outstanding.

Inactive Housing Programs

The Authority has suspended a number of single-family housing programs in recent years due to economic conditions, low demand, or the exhaustion of available funding. These programs are noted in the following section. Outstanding loans and amounts for each of these programs are available in Appendix V.

Milwaukee Advantage

WHEDA is generally prohibited from issuing loans for refinancing purposes, subject to certain exceptions. 2017 Wisconsin Act 277 created an exception for mortgages made in certain neighborhoods in Milwaukee, as determined by WHEDA, that are used to finance the rehabilitation of a property. Under this authorization, WHEDA created a pilot program known as Milwaukee Advantage, which provided preferred interest rates for: (a) new home mortgages; (b) refinancing of existing mortgages for rehabilitation purposes; or (c) new home construction mortgages for properties located in certain Milwaukee neighborhoods. During its operation, the program issued one loan for $37,500. As of December, 2020, the program is inactive as WHEDA researches alternative program designs. WHEDA reports it is currently not economically feasible to rehabilitate homes or construct new homes under the program because high construction and rehabilitation costs cause the cost of any improvement in a property to exceed the relative increase in appraised value of the home.

Other Suspended Programs

For discussion of the following historical programs, see previous versions of this informational paper available on the Legislative Fiscal Bureau's website.

- Home Ownership Mortgage (HOME) Loan Program
- Home Improvement Advantage Program
- HOME Plus Program
- Zero-Down Program
- Neighborhood Advantage Program
- Workforce Advantage Program
- Federal Home Loan Bank of Chicago (FHLBC) Advantage Program
- National Foreclosure Mitigation Counseling Program
- Strategic Blight Elimination Grants
- Qualified Subprime Loan Refinancing Program
- Homeowner Eviction and Lien Protection Program

MULTIFAMILY HOUSING PROGRAMS

The following section discusses a variety of state and federal multifamily programs currently offered or administered by WHEDA. A summary table of WHEDA housing programs is available in Appendix III. For discussion of discontinued programs, refer to previous versions of this informational paper, available on the Legislative Fiscal Bureau's website.

Multifamily Loan Fund

The Authority provides construction and permanent financing for low- and moderate-income multifamily developments. WHEDA financing occurs through both federally taxable and tax-exempt revenue bonds. State statutes provide that interest on most bond issues for multifamily affordable housing developments or certain housing developments for the elderly or chronically disabled may be exempt from state personal income, corporate and franchise taxes. For bonds to be exempt for federal income tax purposes, they must be issued as part of the state's volume cap and support developments meeting certain income restrictions for residents.

As detailed in Appendix I, since 1974 through June 30, 2020, WHEDA has issued $2.3 billion in general obligation, corporate-purpose revenue bonds for multifamily housing, $747 million of which remains outstanding. Table 5 provides multifamily loan activity for the past 10 years.

Table 5: Multifamily Loan Activity

Calendar Year	Number of Loans	Amount of Loans Disbursed	Units Assisted	Average Loan Per Unit
2011	43	$120,977,800	1,951	$62,008
2012	24	153,360,900	1,942	78,971
2013	24	49,595,000	707	70,149
2014	16	49,533,600	799	61,995
2015	25	68,879,600	917	78,719
2016	22	102,181,600	768	133,048
2017	53	166,274,000	1,476	111,145
2018	46	110,944,200	1,278	86,811
2019	100	304,089,800	3,105	97,936
2020*	30	112,583,200	993	113,377
Total	383	$1,238,419,700	13,936	$88,865

*As of June 30.

Table 6: General Reserve Encumbrances for Multifamily Housing Programs

Program	June 30, 2020 Amount
Preservation and Lending Fund	$59,492,603
General Revolving Fund	55,627,134
Very Low-Income Housing	7,080,120
Capital Magnet Fund	6,083,139
Interest Subsidy Funds	5,238,060
Federal Home Loan Bank Matching Funds	2,400,000
Multifamily Rural Workforce Initiative	2,250,000
Housing Trust Fund	1,500,000
Multifamily Bond Support	974,838
Fannie Mae Secondary Market Initiative	700,000
HUD Section 8 Program Administration	270,074
Total	$141,615,968

WHEDA uses encumbrances from its general reserves to administer certain programs for the development and preservation of multifamily housing. Table 6 shows the funding allocated from the general reserve fund for multifamily housing programs. The general reserve fund consists of the following allocations:

- The preservation and lending fund, which provides financing for rehabilitation and preservation of low-income multifamily rental housing.

- The general revolving fund, which supports financing for multifamily projects that serve low-income persons, the elderly, the homeless, or those with disabilities in the form of construction lending, financing prior to issuance of bonds supporting a project, or financing for projects not eligible for bonding.

- Revolving loans for very low-income multifamily housing.

- A federal Capital Magnet Fund grant award, which provides gap financing for multifamily projects, and supports down payment assistance for single-family mortgages.

- Funds to subsidize interest rates on multifamily project loans.

- Matching funds for the Federal Home Loan Bank of Chicago's Community First revolving loan program for affordable housing and economic development.

- Funds to support a pilot program addressing the shortage of affordable workforce housing in rural areas.

- Federal housing trust fund awards used to support financing for very-low income rental units. Amounts are those being held in the fund while loans are finalized.

- Bond support funds to cover costs related to issuing housing revenue bonds.

- Fannie Mae's Secondary Market Initiative, which collateralizes WHEDA's guarantee requirement for the sale of certain tax credit projects in WHEDA's loan portfolio.

- Earnings from administration of U.S. Department of Housing and Urban Development (HUD) Section 8 programs.

Low-Income Housing Tax Credit

Federal Low-Income Housing Tax Credit

WHEDA is responsible for administration of the federal Low-Income Housing Tax Credit (LIHTC) on behalf of the state. The LIHTC apportions credits to states on the basis of population to encourage the development of multifamily properties with below-market rents for low-income households. States award developers tax credits, which typically are sold to investors in exchange for upfront financing.

Properties receiving the credit must reserve at least 20% of units for households with incomes at or below 50% of the county median income, or at least 40% of units for households with an average income of no more than 60% of county median income. Monthly rent for these units, including utilities, is intended to be no more than 30% of income for tenants. Properties must offer these units to low-income tenants for a period of 30 years.

The federal LIHTC is provided in two forms, a 4% credit and a 9% credit, and the credit may be claimed for each of the 10 years beginning with the year the development is placed into service. Over the 10-year credit period, the 4% credit is adjusted monthly to provide financing equal to 30% of the present value of construction costs of the low-income units in the development, not including land. Similarly, the 9% credit is intended to provide financing equal to 70% of the present value of construction costs. Due to 2015 changes, the 9% credit is no longer adjusted monthly and is fixed at 9%, with a resulting present value that fluctuates but is generally higher than 70% of construction costs.

Tax credits are typically sold at a discount to investors, who provide capital to finance upfront costs of construction, and subsequently claim credits over the 10-year period. A typical LIHTC project may include other financing, such as contributions from the developer, private financing from commercial lenders, and tax-increment financing. For 4% properties, this financing includes tax-exempt bonds issued under the federal volume cap allocated to the state. Properties receiving the 9% credit generally are not eligible for tax-exempt bonding.

The 9% credit is provided on a competitive basis with an anticipated allocation in Wisconsin of $16.4 million in each of 2021 and 2022. Since its inception in 1986, WHEDA has awarded approximately $425 million in federal 9% credits. Table 7 shows 9% LIHTC awards for the past five years. (The value shown each year is the maximum aggregate single-year amount claimable for projects awarded credits. If credits are claimed in full each year, the value of credits would be 10 times the annual value shown.) The 4% credit is available on an unlimited basis to all eligible properties that have at least 50% of their construction costs financed with tax-exempt bonds. In the event a development is noncompliant, such as providing less than the contracted amount of low-income units, claimants are subject to recapture of tax credits, consisting of a calculation of actual available low-income units relative to the amount of credits already claimed.

Specific requirements for the application process and scoring procedure are laid out in the Authority's Qualified Allocation Plan (QAP). Under the plan, properties receiving either the competitive 9% or non-competitive 4% credit must receive a determination that identifies a need for housing in a given market, as well as the need for LIHTC support to be financially feasible. Further, applicants must undergo a scoring process that determines eligibility, with a minimum score necessary to receive the credit. Scoring gives preference to developments that, among other factors: (a) serve a variety of income levels; (b) are located in lower-income areas; (c) are energy-efficient and sustainable; (d) have units suitable for larger families; (e) provide supportive services; (f) are accessible to disabled persons; (g) rehabilitate or stabilize a neighborhood; (h) are located in rural areas without recent credit awards; and (i) are ready to proceed with construction.

Table 7: Federal 9% Low-Income Housing Tax Credit Awards

Calendar Year	Credits Awarded	Projects Funded	Low-Income Units Created/ Rehabilitated
2016	$15,873,653	30	1,253
2017	10,751,265	23	1,035
2018	14,833,291	27	1,378
2019	19,856,399	27	1,429
2020	15,986,087	23	1,030
Total	$77,300,695	130	6,125

State Housing Tax Credit

2017 Wisconsin Act 176 created a state nonrefundable tax credit intended to supplement the 4% federal LIHTC. The credit is claimable against the state individual income tax, the corporate income/franchise tax, and the insurance premiums tax. Under the program, WHEDA may award up to $7 million in state housing tax credits (HTC) annually, claimable for six years, for a maximum program total of $42 million annually once the program is fully implemented.

Credits are awarded through a competitive application process, whereby WHEDA assigns scores to the applications based on criteria laid out in the QAP, as discussed previously. Awards are limited to $1.4 million per project. WHEDA is also required by law to give preference to developments located in cities, towns, or villages with populations fewer than 150,000.

Table 8 provides a listing of credit awards by year under the federal 4% LIHTC and the state HTC programs. WHEDA allocates state credits approximately equal to the federal 4% LIHTC award received, up to the $1.4 million cap per project.

Table 8: State Housing Tax Credit and Federal 4% Low-Income Housing Tax Credit Awards

Calendar Year	Projects	Federal 4% LIHTC	State HTC	Low-Income Units
2016	9	$3,667,345	*	574
2017	7	2,602,652	*	592
2018	9	6,632,587	$6,620,994	1,065
2019	11	7,008,948	6,243,491	796
2020	11	7,958,843	7,947,444	1,009
Total	47	$27,870,375	$20,811,929	4,036

*State housing tax credits were first allocated in 2018.

Property owners are eligible for the state credit as long as: (a) the project meets low-income requirements necessary to receive the federal LIHTC; (b) the development receives financing with tax-exempt bonding; (c) WHEDA determines the credit is necessary for the financial feasibility of the proposed construction; and (d) the development is compliant with Title VIII of the Civil Rights Act, pertaining to protection from discrimination related to race, color, religion, national origin, sex, familial status, or disability. By statute, property owners are required to maintain compliance with low-income and non-discrimination requirements for at least 15 years, although WHEDA has instituted a 30-year compliance period consistent with the federal LIHTC.

Claimants are subject to recapture of tax credits in the same manner as the federal credit, consisting of a calculation of actual available low-income units relative to the amount of credits already claimed. WHEDA may carry forward any previously unallocated or recaptured credits, in addition to its yearly maximum allocation. Any credit amount claimed but unable to be used by the claimant may be carried forward for the following 15 years.

Tax Credit Administration Fees

WHEDA collects fees for administering the federal LIHTC and state HTC, including those for applications, reservation and allocation of credits, application extensions and reissuance of credits, and compliance monitoring of projects. Monitoring fees are collected from developments as part of annual reviews to determine compliance with required low-income unit set-asides and income-based rent restrictions. Other fees include those for application extensions and reissuance of credits. In 2019-20, fee collections totaled $5.7 million, consisting of $2.4 million for the federal LIHTC, $1.1 million for the state HTC, $2.1 million for compliance monitoring of federal and state projects, and $0.1 million for other fees.

Rent Assistance (Section 8) Programs

HUD's Section 8 housing program provides housing to low-income households through either a project-based or tenant-based method. In both instances, tenants pay 30% of their monthly income towards rent, and the remainder is paid by HUD. Eligibility generally is limited to households at or below 50% of county median family income, although targets may be lower based on availability. Median family income by county is shown in Appendix IV.

Project-Based Rental Assistance

Under project-based rental assistance, HUD negotiates contracts with property owners to provide housing to low-income tenants. Contracts are adjusted annually to reflect changes in the rental market and cost of living, and usually last the duration of the mortgage, typically 20 to 40 years, with possibility for renewal thereafter. WHEDA administers these project-based contracts on behalf of HUD throughout Wisconsin, collecting rent claims by property owners and disbursing HUD funds back to them. In 2019-20, WHEDA made payments to property owners totaling $175.4 million, and received $6.2 million for administering these contracts. WHEDA reports it administered contracts for project-based Section 8 representing 28,620 units in 2019-20. Amounts reported by WHEDA also include a small amount of funding related to the federal Section 811 program, which provides rental assistance for persons with disabilities and is also administered by WHEDA.

Housing Choice Voucher Program

Under the Housing Choice Voucher (HCV) program, rent subsidies follow the tenant, who has flexibility in selecting a residence. These vouchers are portable, allowing recipients to move once per year anywhere in Wisconsin so long as a voucher program is active in that area. As of October 1, 2020, WHEDA administers 2,692 vouchers across 48 counties. In 2019-20, WHEDA received $10.4 million in HCV funds. For administering these HCV, WHEDA received reimbursements of $1.0 million 2019-20.

It should be noted that WHEDA-administered HCVs represent a small portion of vouchers available statewide. The majority of HCVs are administered by local public housing authorities throughout the state. In federal fiscal year 2019, Wisconsin was allocated $159.2 million for housing choice vouchers, supporting 31,875 vouchers.

Housing Trust Fund

This federal program provides grants to states to improve the supply of affordable housing for extremely low-income households. WHEDA administers the program on behalf of the state. Since its inception in 2016 through 2020, Wisconsin's allocation has totaled $19.2 million. WHEDA allocates funding as low-interest loans to fill funding gaps in rental properties serving tenants with income below 30% of county median income. As of November 1, 2020, WHEDA has closed on loans totaling $7.4 million supporting seven projects from the housing trust fund.

WHEDA Foundation Housing Grant Program

The WHEDA Foundation is a nonprofit corporation that makes grants to nonprofits and local governments to provide housing to low- and moderate-income persons, including the elderly, person with disabilities, and those in crisis. The WHEDA Board approves grants, as selected by WHEDA staff, and transfers funds to the Foundation to award to recipients. Grants are awarded through an annual statewide competition. Each proposal is evaluated based on project need, implementation, impact, and budget. Since the inception of the grant program in 1985 through 2020, $26.0 million has been awarded, including $1 million in each of 2019 and 2020.

WHEDA administers a number of state and federal programs intended to encourage economic development in the state. These activities include guaranteeing economic development loans made by private lenders, distributing tax credits and other federal grant funds, providing bonding for economic development projects, and making loans to small- and medium-sized businesses. Each of these is described in the following sections. A summary of WHEDA economic development programs is available in Appendix III.

Wisconsin Development Reserve Fund (WDRF)

The WDRF backs guaranteed loans made through private lenders by reserving funds to repay lenders for a portion of losses from defaulted loans made under the following programs. The WDRF also funds the administrative costs of WHEDA's loan guarantee programs and covers the cost of interest subsidies for certain guarantee programs. Table 9 shows the condition of the WDRF since 2017-18.

The WDRF has received several legislative appropriations or transfers over time, totaling $31.2 million. This additional funding from the state typically coincides with new loan guarantee programs, which have mostly been discontinued or consolidated. For discussion of discontinued guarantee programs, see older versions of this paper on the Legislative Fiscal Bureau's website.

WHEDA is required to transfer any excess balance in the WDRF to the state's general fund. Excess funds are those that exceed the amount necessary to pay outstanding claims, and a reserve amount of $11 million, sufficient to back any guarantees provided by WHEDA. Annually, on August 31, WHEDA must report on this calculation of excess reserves and funds available to transfer

Table 9: Wisconsin Development Reserve Fund Condition

	2017-18	2018-19	2019-20	2020-21 (Est.)
Opening Balance	$8,161,700	$8,174,100	$7,631,100	$7,715,400
Revenues				
State Appropriations and Transfers	$0	$0	$0	$0
Fee Income	52,600	79,600	44,600	50,000
Investment Income	99,000	171,500	101,300	18,900
Recovered Payments	1,100	33,000	0	0
Revenue Subtotal	$152,700	$284,100	$145,900	$68,900
Expenditures				
Guarantee Payments	$37,200	$620,200	$0	$200,000
Admin. Reimbursement	103,100	206,900	61,600	63,300
Expenditures Subtotal	$140,300	$827,100	$61,600	$263,300
Closing Balance	$8,174,100	$7,631,100	$7,715,400	$7,521,000

to the general fund to the Joint Committee on Finance and DOA. It must also report to the Legislature and Joint Committee on Finance by November 1 with information on outstanding guarantees, defaults, and total guarantees made under each program. WHEDA has made transfers of excess reserves and under other statutory directives totaling $8.3 million, with the last occurring in 2003-04. Including the effect of these transfers, net transfers to the WDRF are $22.9 million.

The WDRF balance was $7.7 million on June 30, 2020. This balance backs guarantees made under WDRF programs and supports repayments to lenders in case of loan defaults. The ratio of authorized guarantees to reserves is referred to as WDRF's leverage factor, statutorily set at a maximum of 4.5:1. With $7.2 million in loan guarantees outstanding as of June 30, 2020, WHEDA has a ratio of 0.93:1, meaning for every $0.93 in loans guaranteed, the WDRF had one dollar in reserve. With its current balance, WHEDA may make guarantees up to $34.7 million under the 4.5:1 leverage factor. Its statutory maximum is $49.5 million if sufficient reserves exist. WHEDA may request the Joint Committee on Finance to authorize an increase or decrease in the guarantee authority for the WDRF programs under s. 13.10 of the statutes.

Agricultural Guarantee Programs

A summary of agricultural guarantee programs can be seen in Table 10. Historical program activity is shown in Appendix VI.

Credit Relief Outreach Program (CROP)

CROP provides agricultural production loans to support input costs such as fertilizer, seed, fuel, pesticides, tillage services, crop insurance, animal feed or any other service or consumable good necessary to produce an agricultural commodity. To be eligible for CROP, active farmers must be in generally good financial standing, with sufficient cash flow, assets and collateral and not in bankruptcy or default. Farmers also must have debt totaling at least 40% of assets, but not more than 85% of assets, and be otherwise unable to secure a conventional loan. Dairy farmers who are not paid for milk provided to a processor due to the processor's bankruptcy or insolvency also are eligible for CROP guarantees. Through June 30,

Table 10: Agricultural Guarantee Programs

Program	Maximum Guarantee	Interest Rate	Term	Initial Fee†	Other Fees†
CROP	90% up to $100,000 or 80% up to $250,000	Determined by lender. Max: prime rate*+ 2%, up to 7%.	One Year	Application: 2% of guarantee ($500 min, $2,500 max)	$600 in event of forbearance.
Disaster Assistance	90% up to $25,000	Determined by lender. Max: prime rate*+ 2%, up to 7%.	Three Years	Application: 1% of guarantee ($150 min)	$300 in event of forbearance.
FARM	Lesser of: 25% of loan or farmer's net worth, not to exceed $200,000	Lender's standard rate, as approved by WHEDA	10 Years: buildings/land; 5 years: equipment/ machinery/livestock	Closing Fee: 1% Application: $150	-

†All fees are deposited into the WDRF.
*The prime rate was 3.25% as of December, 2020.
Note: This table provides general guarantee terms and other criteria. For specific program eligibility terms, see WHEDA's website here: https://www.wheda.com/Business-Lending/Loan-Servicing/

2020, WHEDA had 24 outstanding guarantees totaling $2,149,500.

If interest rates exceed 10%, WHEDA is authorized to subsidize loans with WDRF funds by paying 2% of the loan principal to the lender, although the last time the interest rate reached 10% was 1990. WHEDA also assesses a $600 fee for loans that enter forbearance, which either postpones or restructures a loan. All fees are deposited into the WDRF.

In the event of an emergency, as declared by the Governor, WHEDA may modify CROP loan criteria with review and approval of the Joint Committee on Finance under s. 13.10 of the statutes. For emergency loans, there is no statutorily specified maximum loan guarantee amount.

Disaster Assistance Loan Guarantees. This program provides financing to farmers for extraordinary costs associated with natural disasters. Natural disasters include any act of nature for which the Governor declares a state of emergency. Eligibility is generally the same as for CROP loans. WHEDA may subsidize interest rates with upfront payments to lenders of 3.5% of principal from the WDRF. The last time disaster guarantees were issued was in 2012, following drought conditions. No guarantees are currently outstanding.

Farm Assets Reinvestment Management Loan Guarantee Program (FARM)

FARM guarantees loans focused on capital investments in agricultural production, covering purchases of machinery, equipment, facilities, land, livestock kept more than one year, and refinancing associated with expansion, among others. To be eligible for FARM, active farmers must be in generally good financial standing, with sufficient cash flow, assets and collateral and not in bankruptcy or default, have debt totaling at least 40% but not more than 85% of assets, and otherwise be unable to secure a conventional loan. As of June 30, 2020, WHEDA had nine outstanding guarantees totaling $767,900.

Business Guarantee Programs

A summary of small business guarantee programs can be seen in Table 11. WHEDA generally targets these programs to businesses with 250 full-time employees or fewer. All programs listed in the table are operated as part of the WDRF, except the Neighborhood Business Revitalization Guarantee, which is supported by WHEDA unencumbered general reserves. Servicing fees are paid by lenders in order to incentivize the release of release guarantee funds on performing loans for use elsewhere. Fees for WDRF programs are deposited into the WDRF. Guarantee criteria are outlined in Table 11. Historical program activity is available in Appendix VI.

Small Business Loan Guarantee Program

This program guarantees loans to Wisconsin small businesses of up to 250 full-time employees for activities that would create or retain jobs. Loans must be used for purchase or improvement of land, buildings, machinery, equipment, or inventory that is intended for expansion or acquisition of a small business, start-up of a daycare business, or start-up of any other business located in a downtown storefront. Refinancing is permitted, so long as it results in better terms for the borrower and coincides with expansion of the business. Borrowers must be unable to secure conventional financing under similar terms. As of June 30, 2020, WHEDA had 25 outstanding guarantees totaling $4,279,300.

Transform Milwaukee Loan Guarantee. A portion of small business loan guarantee funds are set aside for small businesses in underserved areas of

Milwaukee. Transform Milwaukee guarantees are exempt from the closing and servicing fees. One Transform Milwaukee guarantee for $750,000 was made from January 1, 2018, through June 30, 2020.

Contractors Loan Guarantee Program. Under this program, which is part of the small business loan guarantee program, WHEDA guarantees loans to contractors for working capital necessary to complete a contract. Loans are repaid once a contractor receives payment for their work. Contractors must have been: (a) awarded a contract with a government entity or a business with sales of at least $5 million; (b) been in business over a year; and (c) have fewer than 250 full-time employees. Eligible costs include wages and benefits, inventory, supplies, and equipment. One loan guarantee for $500,000 was made in 2020, the first since 2011.

Agribusiness Loan Guarantee Program

This program guarantees loans to farmers that support the advancement of methods for processing or marketing (but not production of) raw agricultural commodities. Agribusinesses in municipalities with fewer than 50,000 inhabitants are eligible. Commercial fishers of whitefish from Lake Superior are also eligible, although no loans have been guaranteed using this authority. Loans must be used for land, buildings, machinery, equipment, inventory, certain initial marketing expenses, or permanent working capital. As of June 30, 2020, there are no outstanding guarantees under the program.

Neighborhood Business Revitalization Loan Guarantee Program

This program guarantees loans that: (a) bring in or expand businesses with annual revenue of less than $5 million; or (b) develop or rehabilitate commercial real estate for business purposes. Unlike all other guarantee programs, this program is funded from WHEDA's unencumbered general reserves. No neighborhood business revitalization guarantees have been made since 2011. WHEDA reports this is due to eligibility criteria that

Table 11: Small Business Guarantee Programs

<table>
<tr><th>Program</th><th>Maximum Guarantee</th><th>Interest Rate</th><th>Term</th><th>Initial Fee †</th><th>Other Fees †</th></tr>
<tr><td>Small Business/ Transform Milwaukee</td><td rowspan="2">Lesser of 50%* of loan or: (a) $750,000 for fixed assets, inventory and permanent working capital; or (b) $200,000 for revolving working capital</td><td rowspan="4">As approved by WHEDA. Variable-rate loans have a maximum of prime rate** + 2.75%. Fixed-rate loans are set at the standard lender rate.</td><td rowspan="3">5 years: fixed assets, inventory and permanent working capital; 2 years: revolving capital ***</td><td rowspan="4">Closing: 3% of guarantee (Trans. MKE exempt)</td><td rowspan="3">Servicing: 0.5% of outstanding balance annually, paid by lender (Trans. MKE exempt)</td></tr>
<tr><td>Agribusiness</td></tr>
<tr><td>Neighborhood Business Revitalization</td><td rowspan="2">Lesser of 50% of loan or $750,000</td></tr>
<tr><td>Contractors</td><td>Length of contract</td><td>-</td></tr>
</table>

† All fees, except those from Neighborhood Business Revitalization Guarantees, are deposited into the WDRF.
* By statute, WHEDA may guarantee up to 80% of small business loans and up to 90% of agribusiness loans. The 80% guarantee continues to apply to Transform Milwaukee loan guarantees.
** The prime rate was 3.25% as of December, 2020.
*** As administered by WHEDA. By statute, small business loan guarantees may be up to 15 years and certain agribusiness loans may be up to 10 years.
Note: This table provides general guarantee terms and other criteria. For specific program eligibility terms, see WHEDA's website here: https://www.wheda.com/Business-Lending/Loan-Servicing/

generally require experienced developers, who typically are able to obtain loans without the guarantee. As of June 30, 2020, one loan was outstanding with a guarantee of $251,300.

Economic Development Lending

Participation Lending Program

WHEDA exercises its economic development lending authority under the Participation Lending Program (PLP). PLP provides economic development loans to those unable to secure sufficient conventional financing, but who with WHEDA assistance may secure a package of financing from multiple sources. Other funding sources could include private loans, loans from the U.S. Small Business Administration, New Markets Tax Credits (discussed later), or other community development financial institutions or local economic development corporations.

Funds may be used for: (a) land, facilities, or equipment dedicated to any of a variety of commercial and industrial purposes; (b) long-term working capital; or (c) energy efficiency improvements. However, the Authority is prohibited from assuming unsecured or uncollateralized risk for any economic development loan. Refinancing is permitted, so long as it coincides with expansion of the business. WHEDA is to give preference to projects by small businesses, women- and minority-owned businesses, and those that target areas of low income or high unemployment.

Financing

WHEDA finances its economic development lending programs through either: (a) a revolving fund supported by its general reserves; or (b) economic development bonding.

Table 12: WHEDA Participation Lending Program

Calendar Year	Number of Loans Closed	WHEDA Loan Amount
2012	4	$2,834,575
2013	2	2,771,018
2014	2	2,580,198
2015	4	7,700,375
2016	2	4,480,000
2017	3	3,095,600
2018	5	6,693,590
2019	2	3,336,000
2020*	0	0
Total	24	$33,491,356

*Through June 30, 2020.

Revolving Fund. PLP is supported by a revolving fund, originally created from unencumbered reserves as part of Dividends for Wisconsin. The revolving fund has received multiple contributions totaling $33,755,700 as of June 30, 2020. This amount does not constitute a fund balance, but rather the initial basis from which the revolving funds would be issued as loans and returned through principal and interest payments. As shown in Table 12, WHEDA has provided 24 PLP loans using its revolving fund. As of June 30, 2020, $19.4 million in PLP loans remain outstanding.

Bonding. WHEDA has historically been authorized to issue bonds for economic development purposes. 2017 Act 277 modified WHEDA's bonding authorization, requiring WHEDA to request new bonding authority every four years through a 14-day passive review with the Joint Committee on Finance. WHEDA underwent this process in July, 2018, and was granted $107.5 million in authority that expires in June, 2022. WHEDA may request renewed authority every four years. As of June 30, 2020, no bonds have been issued under this renewed authorization.

Unlike housing-related bonds, the Legislature does not offer a moral obligation to back economic development bond issues by WHEDA. WHEDA reports it also generally does not issue economic development bonds that carry its general obligation. Instead, WHEDA most often acts as a conduit issuer to arrange for sale or private placement of the bonds and the disbursement of funds to the borrower without incurring any liability.

Federal Programs

New Markets Tax Credits (NMTC)

The NMTC program is a competitive program that provides federal income tax credits to individuals who make investments in community development entities (CDEs). CDEs compete for and are awarded NMTC allocations, which they sell to investors in exchange for financing that supports development activities in low-income communities, generally in urban areas. In exchange, investors are able to claim a federal income tax credit totaling 39% of their investment over a seven-year period. NMTCs are often part of a larger financing package that may include private financing, contributions from the developer or credit purchaser, or other publicly supported funding, such as tax-increment financing.

Table 13: New Markets Tax Credit Allocations to Projects (Millions $)

Year	Number of Projects	Investment Basis	Approx. Credits
2004	1	$10.0	$3.9
2005	9	66.3	25.8
2006	5	23.7	9.3
2007	0	0	0
2008	2	26.0	10.1
2009	5	46.5	18.1
2010	3	60.2	23.5
2011	4	73.0	28.5
2012	5	101.5	39.6
2013	2	13.3	5.2
2014	4	37.5	14.6
2015	3	20.5	8.0
2016	2	21.5	8.4
2017	5	38.5	15.0
2018	3	27.5	10.7
Total	53	$566.0	$220.7

WHEDA has established three CDEs to receive NMTC allocations and make awards to other CDEs for local projects. The Wisconsin Community Development Legacy Fund operated from 2004 to 2012, the Greater Wisconsin Opportunity Fund operated from 2012 to 2018, and Lift Wisconsin was created in 2018. These CDEs received $566 million in NMTC allocations between 2004 and 2018, representing $220.7 million in tax credits. WHEDA has not received a NMTC award since 2018, and no new projects have been funded since that time. Table 13 shows credit awards since 2004.

Opportunity Zones

Established under the federal 2017 Tax Cuts and Jobs Act, the Opportunity Zones (OZ) program creates investment incentives targeted at economically distressed census tracts to provide economic growth and job creation. Incentives allow investors to defer or eliminate taxes on investment gains within the zone if the investment is held for a certain amount of time.

Under the law, the Governor designated 25% of the state's census tracts categorized as economically distressed as OZs. Economically distressed census tracts are defined as those with individual poverty rates above 20% and median income below 80% of the area median.

WHEDA led the selection process of Wisconsin OZs by: (a) conducting analyses of eligible tracts' demographics and previously attracted investment; and (b) holding a public comment process. WHEDA also collaborated with local elected, community, and business officials, as well as with DOA, the Wisconsin Economic Development Corporation (WEDC), the Department of Children and Families, and the U.S. Department of Agriculture's Rural Development office. WHEDA submitted a recommended list of census tracts, which were subsequently approved by the Governor and U.S. Department of Treasury. Now that zones are designated, WHEDA has no remaining role in administering the program.

There are 120 census tracts designated as opportunity zones in Wisconsin, encompassing urban and rural areas in 44 counties. WHEDA maintains a map of designated opportunity zones at: https://www.wheda.com/Opportunity-Zones/.

Inactive Programs

WHEDA has operated a number of now defunct or otherwise inactive economic development programs in the past. For discussion of historical programs, see previous versions of this informational paper available on the Legislative Fiscal Bureau's website. These programs include:

- Linked Deposit Loan Subsidy Program
- State Small Business Credit Initiative
- Guaranteed Loans for the Restoration of Taliesin (Home of Frank Lloyd Wright)
- Propane Guarantee Program
- Consumer Heating Assistance Guarantee Program
- Beginning Farmer Loan Program
- Safe Drinking Water Loan Guarantee Program
- Public Affairs Network Loan Guarantee

APPENDICES

The following appendices are included to provide additional information on the Authority and its programs.

- Appendix I provides a summary of WHEDA bond issues since its creation, by category and obligation.
- Appendix II details the allocations of WHEDA's unencumbered general reserves for the 2019-20 and 2020-21 fiscal years.
- Appendix III provides tables summarizing WHEDA programs.
- Appendix IV lists Wisconsin county median incomes and federally designated target areas of economic distress, which are used for eligibility purposes in certain housing programs.
- Appendix V provides historical activity for single-family lending programs.
- Appendix VI provides historical activity for guarantee programs.

APPENDIX I

Historical WHEDA Bond Issues

	General Obligation			Non-General Obligation*		
Year	Single Family	Multifamily	Economic Development	Single Family	Multifamily	Economic Development
1974	$37,615,000	-	-	-	-	-
1975	24,330,000	$11,180,000	-	-	-	-
1976	20,660,000	32,975,000	-	-	-	-
1977	22,375,000	29,850,000	-	-	-	-
1978	28,995,000	103,040,000	-	-	-	-
1979	25,000,000	-	-	-	-	-
1980	45,000,000	114,000,000	-	-	-	-
1981	9,990,000	-	-	-	-	-
1982	150,000,000	76,725,000	-	-	-	-
1983	198,130,000	-	-	-	-	-
1984	191,111,753	-	-	-	-	-
1985	209,494,298	-	-	-	-	-
1986	97,845,000	3,790,000	-	-	-	-
1987	186,625,000	-	-	-	-	-
1988	427,634,158	11,240,000	$7,690,000	-	-	-
1989	109,919,715	15,150,000	31,485,000	-	-	-
1990	257,430,000	-	7,700,000	-	-	-
1991	187,065,000	-	11,565,000	-	-	$73,867,500
1992	206,285,000	145,485,000	4,400,000	$87,200,000	-	-
1993	-	223,435,000	-	28,965,000	-	-
1994	82,645,000	-	10,970,000	80,000,000	-	-
1995	295,000,000	51,700,000	19,220,000	-	-	-
1996	293,440,000	-	-	-	-	-
1997	255,000,000	-	-	-	-	-
1998	241,785,000	39,895,000	-	95,000,000	-	-
1999	313,215,000	41,400,000	-	-	-	-
2000	225,000,000	10,785,000	-	-	-	-
2001	94,060,000	-	-	-	-	-
2002	390,565,000	169,160,000	-	-	-	-
2003	330,215,000	41,975,000	-	-	-	-
2004	386,295,000	-	-	-	-	-
2005	479,700,000	179,535,000	-	-	-	-
2006	627,585,000	36,080,000	-	-	$15,095,000	-
2007	535,000,000	60,405,000	-	-	-	-
2008	190,000,000	69,965,000	-	-	-	-
2009	255,970,000	103,075,000	-	-	-	-
2010	100,000,000	42,775,000	-	-	-	-
2011	-	68,070,000	-	-	-	-
2012	-	86,210,000	-	-	-	42,500,000
2013	-	21,270,000	-	-	18,795,000	-
2014	-	10,035,000	-	-	-	-
2015	202,855,000	73,170,000	-	-	-	-
2016	377,235,000	50,275,000	-	-	-	-
2017	214,587,848	110,585,000	-	-	4,600,000	-
2018	115,030,000	149,757,450	-	-	36,911,550	-
2019	290,000,000	140,330,000	-	-	11,000,000	-
2020	100,000,000	-	-	-	9,220,000	-
Total	**$8,830,687,772**	**$2,323,322,450**	**$93,030,000**	**$291,165,000**	**$95,621,550**	**$116,367,500**
Outstanding as of 6/30/2020	$1,219,643,435	$746,760,067	-	*	*	*

* WHEDA does not comprehensively track non-general obligation bond issues or their outstanding amounts. Amounts listed represent known bond issues, but are not exhaustive.

APPENDIX II

Allocations of WHEDA Unencumbered General Reserves

2019-20

Activity	Amount
Home Ownership	$5,700,000
Multifamily Housing	5,921,917
Small Business and Economic Development	1,600,000
Grants and Services	3,500,000
Total	$16,721,917

2020-21

Activity	Amount
Home Ownership	$4,000,000
Multifamily Housing	4,000,000
Small Business and Economic Development	3,034,893
Grants and Services	1,000,000
Authority Operations	0
Economic Stimulus and Support	3,600,000
Total	$15,634,893

APPENDIX III

Summary of Major WHEDA Programs

Housing Programs

Program	Purpose	Primary Funding
WHEDA Advantage, Advantage-FHA, First-Time Home Buyer Advantage, VALOR	Mortgage loans for the purchase of homes by low- and moderate-income households.	Mortgage revenue bonds; secondary market sales of loans; federal volume cap tax-exempt bonding
WHEDA Tax Advantage	Federal income tax credits for mortgage interest paid.	Federal tax-exempt volume cap conversions
Home Improvement Advantage	Housing rehabilitation loans to low- and moderate-income households.	Home Improvement Loan Fund; bonding available but not currently used
Easy Close Advantage and Capital Access Advantage	Loans for down payment or home mortgage closing costs.	WHEDA general reserves; federal Capital Magnet Fund
Property Tax Deferral Loan Program	Loans to low-income elderly homeowners for payment of property taxes.	WHEDA general reserves
Bond Claim Program	Loans to assist homeowners who have previously defaulted.	WHEDA general reserves
Multifamily Loan Program	Financing to developers of multifamily projects for low- and moderate-income households.	Revenue bond proceeds; WHEDA general reserves
Low-Income Housing Tax Credit Program	Federal and state tax credits to developers of low-income rental housing.	Federal and state tax credits
Section 8 Project-Based Rental Assistance	Housing payments directly to property owners to subsidize rental housing for persons of low income.	Federal funds provided by HUD
Section 8 Housing Choice Voucher Program	Federal housing vouchers to low-income households.	Federal funds provided by HUD
Housing Trust Fund	Federal grants for affordable housing for very-low income households.	Federal funds provided by HUD
WHEDA Foundation Grant Program	Grants to nonprofit organizations for housing-related purposes.	WHEDA surplus reserves

APPENDIX III (continued)

Summary of Major WHEDA Programs

Economic Development Programs

Program	Purpose	Funding Source
Credit Relief Outreach Program (CROP)	Guarantee loans to farmers for input costs related to agricultural production.	Wisconsin Development Reserve Fund (WDRF)
Farm Assets Reinvestment Management (FARM) Loan Guarantee	Guarantee loans to farmers for capital investments in agricultural production.	WDRF
Small Business/Transform Milwaukee Loan Guarantee Program	Guarantee loans for the acquisition or expansion of a business with fewer than 250 employees.	WDRF
Agribusiness Loan Guarantee	Guarantee loans for projects to develop methods for processing or marketing a Wisconsin-grown commodity.	WDRF
Contractors Loan Guarantee Program	Guarantee loans to contractors for the completion of a contract.	WDRF
Neighborhood Business Revitalization Guarantee Program	Guarantee loans for the expansion or acquisition of small businesses or commercial real estate.	WHEDA general reserves
Participation Lending Program	Lending for economic development projects to create or maintain employment in the state.	WHEDA-seeded revolving loan fund; bonding available but not currently used
New Markets Tax Credits, Opportunity Zones	Federal tax credits that encourage economic development projects in low-income areas.	Federal tax credits

APPENDIX IV

2020 Median Family Income by County* and Federal Target Areas†

County	Median Income	County	Median Income
Adams	$55,600	Marathon (Wausau†)	$79,900
Ashland†	59,000	Marinette†	59,200
Barron†	65,000	Marquette†	64,300
Bayfield†	64,500	Menominee†	41,000
Brown (Green Bay†)	82,300	Milwaukee (City of Milwaukee†)	83,800
Buffalo	68,500	Monroe	72,100
Burnett†	59,800	Oconto†	70,700
Calumet	86,400	Oneida	70,400
Chippewa	76,700	Outagamie	86,400
Clark†	62,900	Ozaukee	83,800
Columbia	81,800	Pepin	68,500
Crawford†	64,300	Pierce	103,400
Dane (Madison†)	100,100	Polk (Clear Lake†)	69,200
Dodge	77,500	Portage	79,100
Door	74,500	Price	60,500
Douglas (Superior†)	76,800	Racine (City of Racine†)	84,600
Dunn	71,500	Richland	63,200
Eau Claire (City of Eau Claire†, Augusta†)	76,700	Rock (Beloit†, Janesville†)	70,300
Florence	61,000	Rusk†	53,700
Fond du Lac	79,200	St. Croix	103,400
Forest	56,000	Sauk	72,500
Grant	68,500	Sawyer†	55,400
Green	79,000	Shawano	66,400
Green Lake	69,900	Sheboygan (City of Sheboygan†)	73,400
Iowa	78,500	Taylor	63,900
Iron†	57,200	Trempealeau†	71,900
Jackson†	66,100	Vernon (La Farge†)	63,600
Jefferson	76,600	Vilas	57,500
Juneau†	63,400	Walworth	79,000
Kenosha (City of Kenosha†)	77,700	Washburn	63,800
Kewaunee	82,300	Washington	83,800
La Crosse (City of La Crosse†)	76,800	Waukesha (City of Waukesha†)	83,800
Lafayette	69,400	Waupaca	71,800
Langlade	60,300	Waushara	63,700
Lincoln	71,700	Winnebago	80,800
Manitowoc	76,000	Wood	73,600

*In some instances where data is provided for a metropolitan area rather than a county, the corresponding county was assigned this value. For example, Brown County was assigned Green Bay data.

† Some or all of the municipality is a designated target area of economic distress. For certain programs, income limits are adjusted to 140% of median income in these areas. In instances where a specific municipality is designated, it is listed in parentheses.

Notes:

- Income eligibility for certain WHEDA loans is based on provisions in the Internal Revenue Code, which generally specifies a limit of 115% of state or area median family income. Other adjustments under federal law may allow for higher income limits than suggested by data above. For county-specific income limits by WHEDA program, see WHEDA's website.
- Under the Section 8 programs, eligibility at 30%, 50% or 80% of median family income would apply to the levels above for a four-person household. Income thresholds are adjusted for households smaller or larger than four.

Source: U.S. Department of Housing and Urban Development

APPENDIX V

WHEDA Single-Family Programs Historical Activity

	First-Mortgage Programs										Second-Mortgage Programs					
	Conventional				First-Time Buyers		Veterans		Refinance		Rehabilitation		Down Payment Assistance			
	WHEDA Advantage[a]		Advantage-FHA		FTHB Advantage		VALOR		Refi Advantage		Home Improvement Advantage		Easy Close Advantage		Capital Access Advantage	
Year	Loans	Amount	Loans	Amount	Loans	Amount	Loans	Amount	Loans	Amount	Loans	Amount	Loans	Amount	Loans	Amount
2009	-	-	-	-	-	-	-	-	-	-	6	$42,690	-	-	-	-
2010	657	$74,007,746	2	$163,300	-	-	-	-	-	-	2	20,000	8	$24,000	-	-
2011	374	39,305,692	0	0	-	-	-	-	-	-	5	41,368	63	189,000	-	-
2012	640	71,238,720	11	1,167,569	-	-	-	-	-	-	6	39,884	143	485,389	-	-
2013	1,077	119,772,833	49	5,056,540	-	-	-	-	3	$837,750	12	95,113	454	1,552,269	-	-
2014	1,169	133,701,463	79	8,424,304	-	-	-	-	18	1,944,070	18	221,436	602	2,146,109	-	-
2015	502	66,199,965	124	14,111,641	1,040	$119,140,582	-	-	12	1,465,130	9	145,871	944	3,575,552	-	-
2016	637	88,944,095	361	42,851,815	1,639	189,881,658	15	$1,698,503	15	1,811,500	13	160,152	1,667	6,570,945	-	-
2017	640	89,195,657	385	46,242,468	2,053	235,832,112	65	7,742,155	8	1,070,115	11	229,432	2,206	8,643,242	24	$80,000
2018	843	124,871,975	396	50,998,773	2,670	320,592,955	7	921,569	1	113,000	9	103,306	2,697	11,227,989	186	660,895
2019	744	112,908,584	325	43,338,573	2,066	266,431,384	8	1,052,238	13	2,184,237	8	90,442	2,244	9,889,168	262	967,997
2020[b]	193	29,631,121	196	27,515,211	510	64,728,832	2	259,090	7	948,760	1	14,100	646	2,945,851	89	316,016
Total	**7,476**	**$949,777,851**	**1,928**	**$239,870,194**	**9,978**	**$1,196,607,523**	**97**	**$11,673,555**	**77**	**$10,374,562**	**100**	**$1,203,794**	**11,674**	**$47,249,514**	**561**	**$2,024,908**
Outstanding[b]	4,588	$540,792,898	1,633	$194,519,917	8,622	$980,943,294	88	$9,843,860	59	$6,604,736	80	$576,389[c]	8,629	$27,248,592	543	$1,967,544

[a] Includes loans in federal target areas.
[b] As of June 30, 2020.
[c] Includes loans prior to 2009.

Inactive Programs - Outstanding Amounts*

Program	Loans	Amount
HOME	5,003	$265,361,119
Zero Down	219	18,349,145
Neighborhood Advantage	39	1,537,084
HOME Plus	90	193,818
Milwaukee Advantage	1	36,076
Workforce Advantage	2	7,151
FHLBC Advantage	7	6,107

*As of June 30, 2020.

APPENDIX VI

WHEDA Guarantee Programs Historical Activity

Calendar Year	CROP (1985) Number	CROP (1985) Guarantees	Disaster Assistance (1988) Number	Disaster Assistance (1988) Guarantees	FARM (1996) Number	FARM (1996) Guarantees	Small Business (1997)[a] Number	Small Business (1997)[a] Guarantees	Agribusiness (1991) Number	Agribusiness (1991) Guarantees	Neighborhood Business Revitalization (2003) Number	Neighborhood Business Revitalization (2003) Guarantees
1985	833	$10,042,582										
1986	1,369	15,971,370										
1987	1,535	17,539,392										
1988	1,786	20,921,799										
1989	1,675	20,394,748	2,113[b]	$18,004,872[b]								
1990	1,587	19,248,133	Inactive									
1991	1,977	22,446,916	Inactive						7	$1,360,750		
1992	2,002	23,837,034	Inactive						5	1,757,500		
1993	2,014	24,419,895	Inactive						4	447,011		
1994	2,040	25,527,839	Inactive						1	178,500		
1995	1,453	18,084,810	Inactive						1	450,000		
1996	1,585	20,864,211	Inactive		5	$90,000			0	0		
1997	1,425	18,797,305	Inactive		21	847,850	1	$65,250	0	0		
1998	1,173	15,825,103	Inactive		10	394,500	30	2,542,359	2	1,200,000		
1999	764	11,314,938	Inactive		33	1,312,379	30	2,573,610	0	0		
2000	695	12,084,074	Inactive		35	1,758,859	50	5,052,574	3	739,814		
2001	572	10,800,455	Inactive		25	1,313,716	34	3,048,692	1	44,640		
2002	450	8,883,400	Inactive		26	1,631,062	38	3,026,059	2	478,579		
2003	482	9,685,108	Inactive		24	1,100,220	22	2,069,574	0	0	4	$1,924,998
2004	451	9,453,526	Inactive		23	1,258,081	23	2,503,744	2	300,000	3	1,204,780
2005	446	12,628,291	Inactive		24	1,566,683	26	2,412,532	1	599,846	5	2,182,282
2006	408	12,310,370	Inactive		23	1,431,736	41	4,544,915	0	0	4	1,358,271
2007	371	12,426,552	Inactive		15	1,415,628	39	4,025,246	2	482,400	2	998,199
2008	362	12,784,472	Inactive		27	2,172,321	36	2,989,787	0	0	6	1,387,098
2009	446	23,166,178	Inactive		23	1,945,205	19	2,366,417	0	0	3	1,936,159
2010	164	8,465,755	Inactive		9	732,624	19	1,596,485	2	273,440	3	800,780
2011	108	6,303,191	Inactive		16	1,082,196	23	2,019,487	1	600,000	2	1,599,999
2012	87	5,933,132	Inactive		8	822,203	6	768,810	1	96,000	0	0
2013	35	2,379,767	23	$288,450	2	118,850	4	1,043,135	0	0	0	0
2014	27	1,875,287	0	0	2	250,000	6	1,366,479	0	0	0	0
2015	10	627,930	0	0	2	365,000	3	480,000	0	0	0	0
2016	15	1,104,800	0	0	4	286,853	9	1,730,400	0	0	0	0
2017	13	1,243,617	0	0	3	437,311	7	2,188,000	0	0	0	0
2018	16	1,862,346	0	0	1	76,333	3	1,008,000	0	0	0	0
2019	20	2,372,527	0	0	1	41,437	5	1,787,500	0	0	0	0
2020*	18	1,424,550	0	0	0	0	1	500,000	0	0	0	0
Total	**28,414**	**$443,051,403**	**2,136**	**$18,293,322**	**362**	**$22,451,047**	**475**	**$51,709,055**	**35**	**$9,008,480**	**32**	**$13,392,566**
Outstanding*	24	$2,149,500	0	$0	9	$767,883	25	$4,279,318	0	$0	1	$251,330
Defaults*	235	$2,822,810	2[c]	$18,981[c]	11	$355,237	48	$2,645,483	5	$405,504	5	$731,367

* Through June 30, 2020. [a] Includes contractor guarantees. [b] Represents total for the program's two-year active period, through June 30, 1989. [c] Reflects defaults since 2012.