



**GRAND RIVER • GREAT CITY**  
La Crosse • Wisconsin  
**PLANNING AND DEVELOPMENT**  
400 LA CROSSE STREET | LA CROSSE, WI 54601 | P: (608) 789-7512



## Memorandum

**To:** Community Development Committee  
**From:** Dawn Reinhart  
**Date:** 5/29/2018  
**Re:** Action on offer to purchase 2223 East Ave S

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**List price:** \$164,900, listed on 4/20/2018



**Offer to purchase (OTP) #1:** \$165,000, contingent upon approval of City of La Crosse Deferred Payment Loan of \$60,000

**Credit Score:** 644/696 & 616/710

**Affordable 1<sup>st</sup> mortgage payment:** \$1,749.21; A loan of \$165,000 is approximately \$1,293/mo.

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|--|--------------------|
| <b>Offer to purchase:</b>                          | \$165,000          |
| <b><u>Preapproved 1<sup>st</sup> mortgage:</u></b> | <u>\$(105,000)</u> |
| <b>Homeowners down payment:</b>                    | \$0.00             |
| <b>City's deferred 2<sup>nd</sup> mortgage:</b>    | \$60,000           |

**Staff Comments:** The applicant's affordable mortgage based off of our debt to income would indicate that there a 2<sup>nd</sup> mortgage for \$17,900. Due to employment history and low credit scores, the applicants are only qualified for a loan of up to \$105,000. Does this warrant a need for a 2<sup>nd</sup> mortgage of \$60,000? Note: Low credit score is not because of poor performance but just a lack of credit in general.

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KEVIN CONROY, HOUSING REHABILITATION SPECIALIST

The bank uses the person(s) on the application's income to determine the affordable mortgage payment. The RHP Program uses the total household income to determine the affordable mortgage payment. One household member is not on the 1<sup>st</sup> mortgage due to lack of credit so the bank has not counted their income. Another member of the household and applicant has two jobs; however they have not been working at their second job for 2 or more years so the bank did not count that income. The total income the bank has NOT accounted for is \$47,000 annually.

**Options:**

A. Due to the City's policy of only providing a subsidy if it is demonstrated that the household requires the subsidy based on our underwriting, the City counteroffer with second mortgage of \$17,900. This means that the Buyers may not be able to purchase the property or seek other financing.

B. Committee could also choose to extend a \$60,000 second mortgage, payable in 5 years. Buyers would be forced to re-finance, improve their credit and consolidate loans at that time. Policies give Committee flexibility for case-by-case basis.

Note: Staff was considering lowering list price to assessed value \$162,800.