



## PLANNING AND DEVELOPMENT

400 LA CROSSE STREET | LA CROSSE, WI 54601 | P: (608) 789-7512 | F: (608) 789-7318

### Memorandum

**To:** Housing Rehabilitation Review Board  
**From:** Dawn Reinhart and Caroline Gregerson  
**Date:** 6/8/17  
**Re:** Disposition of 1827 Avon Street (17-0788)

**List price:** \$149,200                      **Offer to purchase:** \$150,000, contingent upon receiving a 2<sup>nd</sup> Mortgage

**Credit Score:** 744/717                      **1<sup>st</sup> Mortgage approval:** \$120,000

**Other:** Chapter 7 Bankruptcy filed in 2010, Vehicle Repossession in 2001

Guidelines state that Buyer must not exceed 43% debt to income and should not spend more than 38% of monthly income on housing payments. Following these guidelines, Buyer should have a 1<sup>st</sup> mortgage between \$107,000 and \$110,000.

1<sup>st</sup> Mortgage:                      \$107,500  
Potential AHP Grant:        \$6,000\*  
2<sup>nd</sup> Mortgage:                      \$36,500

\*If buyer is not awarded the AHP Grant, City 2<sup>nd</sup> Mortgage would be \$42,500

Typically, City aims to have a first mortgage of \$120,000 for any home that it sells.

**Staff Recommendation:** Counter offer that the City will only approve a \$29,200 second mortgage and Buyer may only have a first mortgage of \$110,000. For the balance of funds required to close, the Buyer will need to come up with through their own financial resources or down payment assistance. If unable to meet this requirement, City will continue to advertise sale of home for buyers that will meet underwriting requirements for a \$120,000 first mortgage.

City HOME funds received another \$12,000 cut from the federal government and the City is increasingly relying on the first mortgage of \$120,000 in order to pay for future construction projects. All subsidy layering analysis is based on an assumption of at least \$120,000 first mortgage.