

## HOME REPAIR

The mayor and the Common Council strike a compromise to provide loans to Milwaukee homeowners who are here for the long haul. **BY KAY NOLAN**

**M**ilwaukee homeowners faced with the need to make major repairs could soon be getting help in a big way from the city's Strong Homes Loan Program.

The new program aims to help those who lack the savings or sufficient equity to secure a loan. Up to \$20,000 in loans will be available on a first-come, first-served basis to homeowners who agree to occupy their property for 10 years. If they do, a quarter of the loan's principal will be forgiven, with interest no higher than 3 percent.

"It essentially makes gap financing available to people who absolutely have the ability to repay a loan but are not able to access conventional credit because they're 'underwater,' or on a fixed income," says Aaron Szopinski, city housing policy director. "Knowing that the banking sector is not jumping into this kind of work, the city decided it was important enough to put some serious funding into it."

For example, if someone has \$6,000 in savings and earns a \$60,000 salary, but is in need of a new roof that costs \$15,000, they could still be in a bind if their income-to-debt ratio prevents them from getting a conventional loan. This program provides an additional tool to reach people in that type of situation, says Szopinski.

Subsidized and forgivable home repair loans aren't new. Illinois, for one, has offered the Single Family Owner-Occupied Rehabilitation Program since the 1990s. Tailored for low-income homeowners (the most an individual can make is \$39,000 in gross income), it provides up to \$40,000 to cover repairs, forgivable after 10 years. If the loan is \$15,000 or less, it's forgivable within five years.

"It's been very popular, and it's always over-subscribed," says Cami Freeman, marketing and communications director for the Illinois Housing Development Authority, who adds that few recipients violate the occupancy rules. "I really applaud the city [of Milwaukee] for taking this on and for putting what are probably scarce resources toward this, because the need is there. People need help."

Although low-income elderly and disabled homeowners in Milwaukee will be offered a deferred payment option, Szopinski says the Strong Homes Loan Program isn't limited to the lowest income residents. Seventy-five percent of loan recipients must be within 80 percent of the area's median income, but an additional 25 percent can earn up to 120 percent of the median income.

Ald. Bob Bauman and four of his council colleagues had pushed for an even more generous plan. Their proposal, the Housing Stock Improvement Program, would have offered zero-interest, 100 percent forgivable loans of up to \$25,000 for homeowners with incomes of up to 200 percent of the area median income, as long as they agreed to occupy the home for 10 years.

The Common Council approved the plan and overrode a subsequent veto by Mayor Tom Barrett, but ultimately failed to achieve funding for it in the 2015 city budget.



The mayor and the Common Council instead struck a compromise, moving forward with "Strong Homes" by combining the \$500,000 requested by each plan, agreeing to set aside \$1 million to fund the loans.

"It's a little less generous than I'd hoped for, but more generous than the mayor wanted," says Bauman.

Szopinski said the mayor objected to the idea of forgiving entire loans.

"One of the things that really rubbed the mayor, and – speaking for myself – rubbed me the wrong way was the idea that we have to give people free money to stay in the city," he says. "I don't think that's necessary. We're not hemorrhaging households the way a lot of cities are. Do you want to enforce residency with a hammer over somebody's head? Or, do you want to say, 'Look at the city, it's a great place to be?' Essentially, giving people free money and saying you have to stay if you take this sets everybody up for an awkward situation."

Bauman says he is still seeking third-party funding for HSIP because it would help a wider range of homeowners, adding that even households earning 200 percent of the area median income lost equity as housing market values plunged during the Great Recession.

"I don't know that the mayor really gets exactly how this crisis has been impacting neighborhoods," says Bauman. "We have a lot of programs that target low-income, first-time homebuyers. That's good, but I think we need to incentivize attracting and retaining middle-class families to this city." ■