



## **5.4 RESIDENTIAL MOVE PAYMENTS, INCIDENTAL EXPENSES AND INCREASED INTEREST PAYMENTS**

### **5.4.1 General Procedures**

Any individual is eligible to receive payment for the reasonable expense of moving their personal property when:

- In occupancy at initiation of negotiations for acquisition of real property in whole or in part.
- In occupancy at time of written notice of intent to acquire by WisDOT.
- Move occurs after issuance of a Jurisdictional Offer (RE1786) to purchase.
- Move occurs after written order to vacate is issued; occupant is eligible though property is not subsequently acquired.

All eligible costs for an actual cost move are based on the principle of actual, reasonable and necessary and are limited to a 50-mile radius. Displaced persons are reimbursed for their costs after they move, after the site is clear of all personal property, and they are the only occupants of the subject site. If the site has multiple-occupancy, all areas occupied and used by the relocatee must be clear of personal property. In hardship cases, displaced persons may be reimbursed or have their moving company reimbursed as directly as possible. All checks to be disbursed in this manner should be written to both the displacee and the moving company. Only in unique situations should the reimbursement be made directly to the moving company.

Move payments may be made only for items of personal property provided the displaced person is in lawful occupancy. The cost of moving personal property should not be an offset charge against the replacement housing payment or incidental expenses payment that the displaced person receives because of their property being acquired by WisDOT. The length of occupancy requirements for replacement housing payments has no bearing on eligibility for move payments. The relocatee (displaced person) has the option of payment based on actual reasonable moving expenses, or as per the fixed payment schedule as shown in REPM/5.4.2.2.

WisDOT will not participate in costs associated with more than one move of a displaced person; however, if it is shown to be in the public interest or a situation occurs which makes this necessary, the agent must confer with regional management and receive preapproval from the BTS-RE statewide relocation facilitator prior to initiating two move payments.

#### **5.4.1.1 Eligible Move Costs**

- Actual costs of transportation of individuals and families to new location, including special costs such as an ambulance, if necessary.
- Amount paid for services in documenting and preparing a move claim, up to \$100, one time reimbursement.
- Cost of insurance covering loss and damage of personal property in transit or storage.
- Costs of meals and lodging when unforeseen circumstances make such payments

necessary (i.e., replacement site is not available for occupancy, delay by moving company, etc.).

- Expense of disconnecting, dismantling, removing, reassembling and reinstalling relocated household appliances and other personal property.
- If there are other move related costs not listed as eligible in this section, such costs will be evaluated by regional management and the statewide relocation facilitator on a case-by-case basis; all such costs are evaluated on basis of actual, reasonable and necessary.
- Modification of personal property to adapt it to replacement site that exceeds actual and reasonable expenses might be incurred by a prudent person; all such costs for modification must be accompanied by two estimates; and, should not equal or exceed replacement costs of a new comparable property item.
- No limitation on distance displaced person may move either within Wisconsin or elsewhere; however, WisDOT will reimburse moving costs only within a 50-mile radius. Exceptions are rare and only made if no other alternative exist.
- Packing, crating, unpacking and uncrating personal property.
- Reasonable replacement value of property lost, stolen or damaged during move is reimbursable; however, insurance should be utilized in all moves wherever possible. Replacement value will only be reimbursed if insurance is not available.
- Relocating personal property to remaining lands of displaced person is allowable.
- Should agency determine it necessary or should circumstances occur that displaced person has no control over, displaced person may be eligible for storage of personal property for a reasonable time not to exceed 12 months. Storage for a longer period is eligible for reimbursement only when considered necessary. Should this situation occur as part of a residential move, regional management should be consulted for concurrence on necessity of extending that period for reimbursing storage and associated cost.

#### **5.4.1.2 Ineligible Move Costs**

- Acquired subject site improvements moved by displaced person.
- Additional expenses incurred because of living in a new location (i.e., heating bills, electric bills, taxes, etc.).
- Cost of moving structures, improvements or real property in which displaced person repurchased from WisDOT.
- Improvements to replacement site, even if required by law. See REPM/Section 5.5 on replacement housing payment, to determine if these expenses are eligible to be considered for reimbursement.
- Interest on loans to cover moving expenses.
- Items included in fair market value compensation (appraisal) for subject site and additional items included in fair market value by acquisition process.
- Payment for searching expenses in connection to locating a replacement site.
- Personal injury, annoyance or discomfort.
- Storage of personal property on property owned by displaced person.

#### **5.4.1.3 Owner Retention of Dwelling**

When an owner retains the acquired dwelling, the cost of moving it onto the remainder or replacement land is not eligible for reimbursement as a part of the cost of moving personal property. Moving personal property is an eligible expense under the fixed payment schedule if the owner elects to retain their dwelling. For additional discussion on moving a retained

dwelling and reimbursement of costs associated with this type of relocation, see REPM/Section 5.5.

#### **5.4.1.4 Multi-Family Units**

An owner occupant of a multi-family structure is eligible for moving expenses in accordance with this chapter. The owner occupant of a multi-family structure is also eligible for moving expenses for any additional personal property they may have on the subject site. An owner of a multi-family structure is eligible for moving expenses for any personal property they may have on the subject site.

#### **5.4.1.5 Multiple Occupancy of a Dwelling**

When more than one occupant inhabits an acquired single-family dwelling, these provisions apply:

- If two or more eligible occupants (displaced persons) of the displacement dwelling move to separate replacement dwellings and WisDOT determines only one household existed, payment is as follows:
  - If displacees each move to separate replacement dwellings, each is entitled to a prorated share of singular relocation payments allowable had they moved together to a single dwelling.
  - Fixed payment schedule for each is based on number of rooms occupied by each occupant; shared rooms shall be allocated on an equitable basis.
- If two or more eligible occupants of the displacement dwelling move to separate replacement dwellings and WisDOT determines that separate households were maintained on the acquired property, the payment is this:
  - Each occupant is entitled to an actual move payment or a fixed move payment.
- The term occupant or displaced person may apply to both individuals and families.

### **5.4.2 Payment Procedures**

Residential moves, which are unusual or exceptional and require one or more of the following procedures, require the review and approval of regional RE management or their designee. In all circumstances, this review and approval must be sought prior to planning and to the actual move taking place. It is good practice for a minimum of two estimates to be obtained for all residential moves. The standard by which all move costs will be reviewed is based on actual, reasonable and necessary. In all cases where there is a question as to this standard, two estimates will go a long way in reviewing the costs in a timely and efficient manner. If two estimates are not obtained and there is a question about the actual, reasonable or necessary standard as applied, the review may be significantly delayed.

#### **5.4.2.1 Vacating Subject Property**

When WisDOT has been notified by a relocatee of the date a subject property either has been or will be vacated, an inspection by a WisDOT relocation agent or designee shall be completed as soon as feasible and no later than 72 hours. The purpose of this inspection is to verify that all personal property has been removed and to record the date of vacancy.

The payment for moving shall not be released until this inspection has been completed and all personal property has been removed from the site to the satisfaction of WisDOT.

The relocation agent should also notify the regional property manager of the vacancy date as soon as they become aware of the move date; and, provide the Vacancy Notice (RE1783) to the relocatee along with a self-addressed/stamped envelope in the initiation of negotiations packet; will also send one copy of the completed form to the regional property manager and place one copy in the relocation file.

#### 5.4.2.2 Fixed Payment Schedule

Displacees (persons) may elect to be paid for moving expenses based on the fixed payment schedule as established by FHWA. The fixed payment schedule is not intended to replace the commercial move estimate or bid on a dollar for dollar basis. A commercial move includes overhead costs; payroll expenses; equipment; and, vehicles of a professional moving company. The homeowner would not incur those costs in a self-move and should not be compensated for them. The fixed payment schedule includes these items: transportation; packing; crating; unpacking; uncrating; disconnecting and reconnecting utilities; dismantling; removing; reassembling and reinstalling machinery; equipment and appliances; and, disposal of personal property on site.

Fixed Payment Schedule and Dislocation Allowance as Set by FHWA Effective August 24, 2015		
No. of Rooms	Occupant With Furniture	Occupant Without Furniture
1	\$550	\$440
2	\$730	\$545
3	\$935	\$650
4	\$1,140	\$755
5	\$1,350	\$860
6	\$1,560	\$965
7	\$1,765	\$1,070
8	\$1,975	\$1,175
Addl. Room	\$260	\$105
Exceptions: 1. The payment to a person with minimal possessions who occupies a dormitory style room or whose residential move is performed by an agency at no cost to the person is limited to \$100.00. 2. An occupant is paid on an actual cost basis for moving a mobile home from a displacement site. In addition, a reasonable payment to the occupant for packing and securing property for the move may be paid at the agency's discretion.		

Occupants with furniture - The fixed move payment is computed based on the number of furnished rooms in the dwelling unit plus basements, attics, garages and out buildings, if such spaces contain sufficient personal property to constitute a room. In determining how and when to add additional rooms to the room count, start with the actual room sizes of the habitable rooms, and calculate an average of the habitable room size square footage in the subject property. The average room size calculated should be the amount of square feet used in determining how many additional rooms to add to the move payment, along with evaluating whether the amount of personal property warrants adding additional rooms to the payment. There must be personal property in rooms that are being added. Additional rooms with no personal property should not be added for purposes of determining a fixed

move payment. All such determinations of either fewer or additional rooms must be documented with pictures and a written explanation.

The example below demonstrates how to arrive at a figure for the total habitable space and how to calculate the average square footage for all rooms using a typical five-room house with three bedrooms, a living room, kitchen and dining room combination.

‘Example’ – Calculating Habitable Space (5 room house = 3 bed rooms, living room, kitchen & dining combo)			
Habitable Rooms	Room Size/Count	Square Footage	Total/Average Square Feet
Living room	15 x 20	300	
Kitchen/dining	15 x 18	270	
Bedroom 1	10 x 12	120	
Bedroom 2	10 x 15	150	
Bedroom 3	15 x 18	270	
Total habitable space		1,110	1,110
Divided (÷) by number of rooms			÷ 5
Average square footage of room sizes (use this sq ft)			222

In this example, use 222 square feet (average square footage of room sizes) when deciding if additional rooms will be added. If this home has a basement of 30' x 40' to equal 1,200 square feet, and assuming all the basement has personal property to be moved, divide the overall square footage of the basement by the average square foot room size for the house to arrive at the number of rooms to add (i.e., 1,200 sq ft ÷ 222 sq ft). If there is very little personal property in the basement, however, that should be considered when adding rooms and fewer rooms may be added; conversely, if the basement has a great deal of personal property, that information should also be documented and those facts should be considered in addition to using the average room size. The key is using sound judgment and documenting all additional room counts.

### 5.4.2.3 Actual Cost Moves

#### 5.4.2.3.1 Using Commercial Companies

If unusual or complex items are to be moved, a WisDOT agent must evaluate the costs associated with the move and monitor the actual move if necessary, and an inventory of the items to be moved should be made. Residential displacees or owners of personal property on the acquired property may choose to be reimbursed for the actual, reasonable and necessary costs of moving by a commercial mover with these requirements:

- Displacee or WisDOT must obtain estimates from a qualified mover; and,
- Complete documentation of actual expenses incurred, such as receipted bills, must be submitted to region.

#### 5.4.2.3.2 Self-Moves

This procedure may be used only with the review and pre-approval of regional RE management or their designee. This provision for an actual cost residential self- move is

not the acceptable standard and is not the policy of WisDOT. The commercial move and the fixed move payment schedule procedures are the standard moving options used in all residential moves. The self-move procedure will only be considered in unusual or complex circumstances where there is no other alternative. It may also be considered in conjunction with the previously named procedures, if necessary, because of unusual circumstances. If a question exists as to the reasonableness of an expense under this provision, WisDOT may obtain other estimates or have the documentation reviewed by the statewide relocation facilitator.

Reimbursement for the actual, reasonable cost of moving may be made only under these conditions:

- An inventory of items to be moved accompanied by photos must be completed prior to move occurring.
- Basis of payment will be documentation of reasonable expenses incurred, such as receipted bills.
- Estimates from two qualified moving companies are required.
- Move has been monitored by WisDOT.
- Self-move payments shall not exceed cost of an estimate by a qualified moving company even though itemization of time, materials and labor is required.
- Time and labor for move must be documented.

### 5.4.3 Replacement Property Incidental Expenses

An incidental expense payment is the amount necessary to reimburse the relocatee for actual reasonable costs incurred incidental to the purchase of a replacement property. Such costs may include these items if normally paid by displacee or required by lender:

- Application fees.
- Appraisal fees.
- Attorney fees.
- Certification of structural soundness.
- Conveyance documents (unless these are normal seller's fees).
- Credit report.
- Loan origination or assumption fees that do not represent prepaid interest.
- Reimbursement for points or assumption fee percentages is based on amount of mortgage of subject property not amount of mortgage on replacement property.
- Recording fees.
- Survey (drawing or plats); see REPM/Section 5.5 for more discussion.
- Title search.

These costs do not include:

- Closing costs normally paid by seller.
- Construction permits.
- Costs representing prepaid expenses (insurance proration, interest proration, property tax proration, etc.) and any other fees that represent prepaid expenses.
- Fees, costs, charges and expenses reimbursable as incidental expenses that are determined to be a part of debt service or finance charge.

Documentation necessary for payment:

- Copy of all closing statements prepared by lender, broker and attorney incidental to purchase of replacement property.
- Other incidental costs incurred for purchase documented by receipts, paid invoices, billings and letters or documents signed by the parties involved.

#### 5.4.4 Expenses Incidental to Property Transfer

Payments for expenses that are incidental to the property transfer from the landowner to WisDOT are authorized under [Wis. Stats. §32.195](#). These payments are allowable under the appraisal process (itemized as part of the allocation of the appraisal). These payments may also be made as part of the acquisition process provided they are identified and allocated in the final offer. Should neither of these programs value these items or if the items have been missed, they can be claimed under relocation provided they are actual, reasonable, and necessary. WisDOT will reimburse the owner of real property acquired for all reasonable and necessary expenses incurred for:

- Recording fees, transfer taxes and similar expenses, Wis. Stats. §32.195(1).
- Prepayment penalty costs for recorded mortgages encumbering real property provided it is executed 180 days prior to initiation of negotiations, Wis. Stats. §32.195(2).
- Prorated share of property taxes paid, if not prorated when property is acquired, Wis. Stats. §32.195(3).
- Realignment of personal property on same site in partial takings or where realignment is required due to acquisition of property, Wis. Stats. §32.195(4).
- Plans and specifications specifically designed for property acquired by WisDOT, and of no value elsewhere because of the taking, Wis. Stats. §32.195(5). Documentation for this claim must include original plans for all drawings, plats, specifications and invoices (copies are not acceptable).
- Reasonable net rental losses under certain statutory conditions, if an owner has not been compensated in the appraisal or acquisition process under Wis. Stats. §32.195(6).
- Cost of fencing, where a fence has been acquired and the owner has not been compensated in the appraisal or acquisition process, Wis. Stats. §32.195(7).

For further guidance on how and when payments are made through the other processes, see REPM/Chapters 2-Appraisal and 3-Acquisition.

##### 5.4.4.1 Rent Loss

Payment of rent loss may be provided by WisDOT under Wis. Stats. §32.195(6), when the acquisition includes the building and relocation of the subject's tenants when the net rent loss is shown to be directly attributable to the public improvement project. The losses must also exceed the normal or vacancy experience for similar properties in the area. A landlord claiming rent loss must enter into a rent loss agreement (template available in READS) with WisDOT prior to being eligible to submit any claims for rent loss which clearly provides:

- Proof that the rent loss is “directly attributable to the public improvement project”  
AND
- The rent loss experienced by the landlord of the subject property exceeds the normal rental or vacancy experience for similar properties in the area.

The department considers the term, “directly attributable to the public improvement project” to mean that the subject property and structure is being acquired, which has caused the direct displacement of a tenant, who vacated the subject prior to the acquisition. Rental vacancy rates for similar properties in the area must be calculated for similar property types and the amount of rent losses that have been incurred based on an existing lease and documentation of rental payments.

The relocation agent must request pre-approval from the BTS statewide relocation facilitator with documentation for the above criteria in support of a rent loss agreement prior to the region entering such agreement.

If it is shown that rent loss is mutually beneficial to both the department and the landlord when a vacancy of a tenant occurs prior to acquisition, rent loss payment may be provided by the department to the landlord to prevent another displacement of a future tenant. Pre-approval from the BTS statewide relocation facilitator to support a rent loss agreement is required.

Amounts payable are limited to the time when the parcel appears on a plat, until the date parcel is acquired by WisDOT, and are limited to actual vacancy dates. Rent loss payments are based on actual verified rent paid by a relocated tenant(s) and do not include utilities or late payment fees. Agents must document this by obtaining signed copies of rental agreements, bank deposit statements, and/or cancelled checks. Intentional non-payment of rent by a tenant owner to him/herself as a landlord entity will not qualify for rent loss payments.

If the department believes a landlord has intentionally removed tenants from the rental property prior to the initiation of negotiations, or the date of relocation order or prior to the acquisition date, rent loss may not be approved. Other relocation claims made by the landlord may also be denied.

#### **5.4.4.2 Fencing**

If fencing has been acquired and the amount fully compensates the property owner in the appraisal and acquisition process, it may not be necessary to file a claim for additional costs under the provisions of Wis. Stats. [§32.195](#). This is the recommended approach for compensating for costs for replacement fencing.

In some instances, it may be necessary to reimburse costs under relocation. When highway right of way is acquired, WisDOT will reimburse the property owner for all reasonable and necessary expenses incurred for the cost of fencing necessary to separate lands acquired (new right of way) from the remainder lands of the property owner, less the amount paid for fencing valued in the appraisal and acquired by WisDOT. The replacement fencing must be necessary and will be replaced with similar type/quality and as identical as possible as the acquired and existing. Replacement fence costs, minus value of existing fence (from appraisal), is to be claimed for reimbursement under relocation. For the appraisal valuation of existing fencing along the right of way acquired, see REPM/2.8.1. No fencing expenses will be allowed where the public improvement includes fencing the right of way without cost to the abutting owner. Fencing replaced along the existing or old highway right of way line and interior fencing is not a reimbursable fencing cost. See analysis of fencing for varying situations:

##### Replacement of existing fencing

- Any upgrades in new fence shall be paid by property owner.



- Costs of new gates of same type and size allowable, but reimbursement is limited to same number as acquired.
- Reimbursement for cost of new fencing is based on replacement of like kind.

#### When there is no existing fence

- Fences should conform to other fencing being replaced in area or type determined necessary to provide safety and security for public improvement.
- Reimbursement may be made for fencing an area remaining after acquisition when WisDOT determines it to be necessary.

#### Temporary fencing

- Materials and labor for construction of temporary fencing is an eligible expense.

#### Cost considerations

- All reimbursable costs must be reasonable and necessary with these limitations:
  - Cost of materials is based on prevailing retail costs charged by suppliers in area.
  - If a different type of fence is built upgraded and more expensive than fence acquired or deemed necessary, reimbursement is limited to same type as acquired.
  - If fencing is to be erected by owner, total time charged must be itemized and supported by owner, and is reviewed on basis of reasonable and necessary time to build type of fence installed.
  - When a local contractor, equipped for this work builds fencing, all charges for time, materials and labor must be shown on a fully itemized receipted bill from contractor.

All analysis and claims for payment of fencing are delegated for approval to the regions; however, additional guidance can be provided by BTS-RE. Claims must be submitted no later than two years after WisDOT takes physical possession of the entire property acquired. The date of physical possession takes place one month after WisDOT has legal possession (date of closing). The owner should be informed of the date by which time they must submit a claim. Claims should not be submitted until all fencing has been completed. Exceptions may be made under certain circumstances with prior discussion and approval of the region office.

If a property owner self-builds the fence and the labor charges are on an hourly rate, the days and hours worked must be signed and verified by those working on the fence and accompany the claims. If labor charges are on a per foot or yard basis, the invoice must reflect this cost and be verified as to the actual footage. Itemized receipted bills and invoices are necessary to show that the costs were incurred and must accompany the claim. The cost of fencing materials and labor cannot exceed the installation cost by a private fencing contractor less overhead costs.

### **5.4.5 Increased Interest Payments**

Increased interest payments are provided to compensate a displaced person for the increased interest cost the owner is required to pay for financing a replacement dwelling. All bona fide mortgages on dwellings acquired by WisDOT are used to compute the increased interest cost portion of the replacement payment. General procedures are:

- For mobile homes, mortgage must encumber real property including home and lot or site.
- If mobile home is financed as personal property, it is not eligible for an increased interest payment.
- Payment will be made to owner-occupants only.

- When a multiple unit dwelling is acquired, amount of reimbursement is limited to portion of mortgage represented by unit occupied by owner.

Increased interest payment is allowed under these conditions:

- All mortgages (if more than one) are a valid lien on property acquired and were executed at least 180 days prior to initiation of negotiations. [MAP-21](#) maintained the 180-day requirement for mortgage interest differential payment eligibility.
- Dwelling acquired by WisDOT was encumbered by a bona fide mortgage, executed and recorded in good faith. Land contracts, home equity loans and other similar instruments are considered as bona fide mortgages provided they meet all requirements of this section.
- Mortgage on replacement dwelling, farm, business or non-profit organization bear a higher net interest rate than mortgage interest rate on acquired property.
- Property acquired has been occupied by owner 90 days prior to initiation of negotiations.

#### 5.4.5.1 Increased Interest Payment Eligibility

The displacee shall be informed of the eligibility for this payment and the conditions that must be met to receive this payment. Facts relative to both the new and old mortgage must be known to calculate this payment. Should the displacee need these dollars at the time of closing, those facts should be determined as soon as possible and preferably, three weeks in advance of the closing date for the new dwelling. Sufficient time should be given for filing the claim and return of the check to the agent. The check for these costs should be released to the relocatee at time of the closing. If the displacee does not anticipate the need for these dollars at the closing, they may be calculated based on the old mortgage and the mortgage executed at the closing in accordance with this chapter.

The documentation needed for this calculation are copies of both mortgages, and a bank statement showing the interest rate, term and other pertinent data for the new mortgage. The mortgage executed at the closing must be the same terms as stated in the bank statement. The increased interest payment may be made directly to the relocatee, farm, business or non-profit organization. In addition, the mortgagee and the relocatee both may be named on the check upon a specific written request by the relocatee.

While MAP-21 decreased the requirement for being present at a home to 90 days, the eligibility that a mortgage is in place for at least 180 days remains unchanged. The increased mortgage interest payment eligibility per [49 CFR 24.401\(c\)](#) and [MAP-21](#) requires that the mortgage be a valid lien on the homeowner's property at least 180 days prior to the Initiation of Negotiations date. Less than 180-day homeowners are not eligible for the mortgage differential payment.

#### 5.4.5.2 Calculating Payment

The amount of increased interest payment is computed using a computerized system programmed specifically for calculating the increased interest payment. This payment is commonly known as the "buy down." These factors are needed for computing the payment:

1. Mortgage details on replacement property (interest rate; monthly principal and interest payments; term of mortgage; and, points).
2. Mortgage(s) details on subject property (remaining principal balance; interest rate;

monthly principal and interest payments; and, remaining term of mortgage).

If the new mortgage has an interest rate and points that exceed the current prevailing interest rate and points (for same type of mortgage on subject property) and there is no justification for the excessive rate, then the current prevailing rates is used in the calculation. Justification may include the unavailability of current rates in an area, credit difficulties or other similar reasons. Justification does not include creative financing or utilizing points as a buy down for the mortgage. Payment is based on the remaining term of the mortgage of the subject site or the term of the new mortgage on the replacement site, whichever is shorter. Buyer's points, loan origination fee or assumption fees (but not seller's points or costs) should be included in the interest differential payment provided that:

- Points and fees are based on same percentage ratio; however, it shall be to unpaid mortgage balance on displacement dwelling.
- Points are not paid as closing costs or incidental costs.
- Points do not exceed prevailing rates.
- WisDOT determines it to be necessary.

#### **5.4.5.3 Calculating Total Acquisition Payments**

The following examples are discussed for providing basic criteria and are the procedures to be followed when calculating increased interest payments. Should an agent encounter a situation not covered in these discussions, confer and discuss with regional management and the statewide relocation facilitator to determine the best method or procedure. Each example is presented based on certain and specific mortgage criteria and the procedure to use in that situation. See Examples 1 – 8.

##### Example 1

###### *Mortgage criteria:*

- Acquired subject property has first and second mortgage.
- Combined mortgage balance is less than new mortgage.
- New interest rate is higher than present mortgage.
- Replacement property has first mortgage only.

###### *Procedures to develop payment:*

- Compute interest differential payment for first mortgage using lesser term, amount and interest.
- Compute interest differently for second mortgage using lesser term, amount and interest rate.
- Interest differential amounts calculated would be added to determine total interest differential payment amount.

##### Example 2

###### *Mortgage criteria:*

- Acquired subject property has first and second mortgage.
- New interest rate is higher than present rate.
- New mortgage amount is less than combined old first and second mortgage.
- Replacement property has first mortgage only.

###### *Procedures to develop payment:*

- Compute interest differential payment for first mortgage using lesser term, rate and amount.
- Compute interest differential payment for second mortgage using lesser term and interest rate, but amount is reduced so combined balance does not exceed new mortgage amount.

### Example 3

#### *Mortgage criteria:*

- Acquired subject property has first and second mortgage.
- Replacement property has first mortgage only, but with lower interest rate than second mortgage on displacement property.

#### *Procedures to develop payment:*

- Compute interest differential on first mortgage using lower amount, rate and term.
- Compute interest differential using lower term, amount and interest rate. Note: Since going from higher to lower interest rate, result is a minus value.
- Deduct second mortgage computed amount from first mortgage. Difference is increased interest payment. Note: We will pay when a displacee is required to pay more for interest, but we will deduct when a more favorable rate is secured.

### Example 4

#### *Mortgage criteria:*

- Acquired subject property has first mortgage only.
- Replacement property has first and second mortgage both at higher interest rate.

#### *Procedure to develop payment:*

- Acquired subject property is not encumbered by a second mortgage, so displacee is not eligible for an interest differential payment on second mortgage.
- Compute interest differential on first mortgage using lesser term, amount and rate.
- Payment is limited to increased interest calculated on first mortgage only.

### Example 5

#### *Mortgage criteria:*

- Acquired subject property has first and second mortgage with balloon payment of 5 years remaining on a 20-year term (payment based on 30-year term).
- Remaining balance of first and second mortgages are less than new first mortgage amount.
- Replacement property has a first mortgage only.

#### *Procedure to calculate payment:*

- Compute interest differential on second mortgage using lesser remaining balance and interest but term would be based on a 30-year fixed mortgage and computing present value of monthly payment difference for remaining 5 years of original 20-year term discounted using appropriate current rate.
- Compute interest terms, rate and amount.
- Increased interest differential for balloon mortgage would be added to first mortgage increased interest payment amount.

### Example 6

#### *Mortgage criteria:*

- Acquired subject has adjustable rate mortgage.

- Replacement property has fixed rate mortgage.

*Procedure to develop payment:*

- Compute interest differential using remaining balance, lesser term and difference between adjustable interest rate and fixed interest rate.
- Due to unpredictability of interest rate from year to year for an adjustable rate mortgage (ARM), WisDOT uses rate in effect at time of acquisition.

#### Example 7

*Mortgage criteria:*

- Graduated payment mortgages (GPM) with negative amortization. Under GPMs, initial payments are lower than for fixed rate mortgage payments and gradually rise for a predetermined number of years. Payments then level off at a payment higher than fixed rate (GPM plans exist with various rates of monthly payment increases, typically ranging from 2% to 7½% per year over a period of 5 to 10 years). Under a GPM plan, mortgagor (buyer) will borrow additional money during early years of mortgage that will add to original principle amount of loan and used to reduce monthly payments. Total borrowed is amortized over 30-year term of note with a higher rate payment from years 5 through 30 years, starting at year 6 and thereafter, payments stay the same for remaining term.

*Procedure to develop payment:*

- Payment calculation solution uses graduated rate mortgage interest rate at time of acquisition and disregard variations on monthly payment over years.

#### Example 8

*Mortgage criteria:*

- Under renegotiable rate mortgage (RRM), monthly principle and interest payments remain constant for a predetermined number of years (usually 3, 4 or 5 years) with interest rate being renegotiated prior to renewal date. RRM is a series of renewable short-term loans secured by a long-term mortgage. Interest rate may be adjusted up or down or remain same for any subsequent period. Amount of adjustment is negotiable, but is limited to a maximum interest rate increase or decrease of 0.5% per year with a lifetime maximum increase or decrease (cap) of 5% on federally chartered savings and loans. New interest rate may be tied to some financial index, such as US Treasury Bill rates. Impossible to predict what renegotiated interest rate will be at renewal date of say 3 to 5 years in the future, but it is reasonable to assume that mortgage interest rate will fluctuate.

*Procedure to develop payment:*

- For increased interest computation purposes, solution is base interest on rate in effect at time of acquisition.

#### **5.4.5.4 Partial Acquisition, Dwelling and Business**

Normal size tracts - Where the dwelling is located on a tract normal for residential or business use in the area, the interest payment is reduced to the percentage ration that the acquisition price bears to the before value; except the reduction shall not apply when the mortgagee requires the entire mortgage valance to be paid because of the acquisition and it is necessary to refinance.

*Example:* Assume before value of entire property is \$35,000; and, offering price for part needed is \$28,000. The resultant percentage ration would be 80% (\$28,000 divided by \$35,000 = 80%). The interest payment would be reduced by 20%, thus subsidizing all but the remaining portion of the existing mortgage. This reduction would not be used; however, when the mortgagee requires that the entire mortgage balance be paid on the acquired property because of the acquisition and it is necessary to refinance.

Larger than normal tracts - Where a dwelling or business is located on a tract larger than normal for residential or business use in the area, the total mortgage balance shall be reduced to the percentage ration that the value of the residential or business portion bears to the before value for computation purposes. This reduction will apply whether it is required, or not, that the entire mortgage balance be paid.

Multi-use properties (residential or business) - The interest payment on multi-use properties shall be reduced to the percentage ration that the residential or business value of the multi-use property bears to the before value.

Other highest and best use (residential only) - If a dwelling is located on a tract where the fair market value is established on a higher and better use than residential use (typically this is a commercial or industrial use) and if the mortgage is based on residential value, the interest payment should be computed as provided in the appropriate paragraphs above. If the mortgage is obviously based on the higher use, however, the interest payment shall be reduced to the percentage ration that the estimated residential value of the parcel has to the before value.