

## HNIA Loan Program

# **PROGRAM GUIDELINES**

(Holland Neighborhood: Home Improvement Programs)

**Program Overview:** Holland Neighborhood Improvement Association is making available \$219,000 of our Phase I NRP funds and \$105,000 from previous loan programs, for home improvement loans. This Holland Neighborhood program has three parts, to address three different needs in Holland Neighborhood:

1. Holland residents on fixed incomes who need deferred loans to address code compliance type issues to properly maintain and continue to live in their homes.
2. Holland residents who would like low-interest loans to be able to improve their homes.
3. Renters who live in substandard properties that need code compliance type repairs. Landlords will be eligible for code compliance type, low interest repair loans.

The forgivable loan program will total \$68,000 and the low-interest loan fund will total \$162,000 and the Landlord loan program will have \$68,000. The balance will be held in reserve for fees.

### **Terms of the Forgivable Loan Fund**

1. **Program Intent:** The intent of the HNIA NRP Forgivable Loan Program is to help residents on fixed incomes to
  1. Fix City of Minneapolis written orders.
  2. Make code compliance type repairs.
  3. After these priorities, make other eligible repairs.

Each home will have an inspection by a program administrator that will enable the homeowner to make an informed decision on the priorities and needs of their home. The program administrator will also recommend other programs that the applicant may qualify for.

2. **Loan Pool:** \$68,000.
3. **Income Limit:** Eligible applicants must have an annual household income of up to 50% of HUD Median Family Income. The determining income shall be based on the adjusted gross income.

<b>FAMILY SIZE</b>	<b>50% OF MEDIAN Very Low income</b>
1	<b><i>\$29,950</i></b>
2	<b><i>\$33,100</i></b>
3	<b><i>\$37,250</i></b>
4	<b><i>\$41,350</i></b>
5	<b><i>\$44,700</i></b>
6	<b><i>\$48,000</i></b>
7	<b><i>\$51,300</i></b>
8+	<b><i>\$54,600</i></b>

4. **Eligible properties:** Single family and duplex properties that are owner-occupied and located within the geographical boundaries of the Holland Neighborhood. Condominium and town homes are not eligible for funding. In addition, condominium and townhome associations are not eligible for funding. "Homeowner Associations" are not eligible under this program.
5. **Loan Amount:** Minimum loan amount of \$3,000, maximum loan amount of \$7,500.

6. **Loan Term:** The loan will no interest deferred and be 100% forgiven if the owner remains in the property for 7 years from the date of loan closing. If the borrower sells, transfers title, or if the home is no longer the principle primary residence of the original borrower prior to the 7 year forgiveness term, the borrower will be required to repay the remaining amount. The loan will be forgiven 1/7<sup>th</sup> each year.
7. **Eligible Loan Recipients:** Recipients must be current owner-occupants of the property.
8. **Eligible Improvements:** These loans can be used to finance exterior and/or interior rehabilitation of a home or existing garage. First priority of eligible work shall be the correction of any outstanding City of Minneapolis Housing Code violations. The second priority for eligible work shall be other hazardous code, health or safety relation conditions identified through an inspection of the property by the program administrator. The third priority shall be other eligible work desired by the property owner. Eligible projects include;
  - Exterior repairs: Siding or trim on the home
  - Electrical: repair, replace or new in the home.
  - Plumbing (including the water heater): repair, replace, upgrade or new.
  - Heating and/or air conditioning: repair, replace, upgrade, or new.
  - Structural and foundation problems: repair or replace on the home.
  - Doors: repair or replace existing on the home.
  - Windows: repair or replace on the home.
  - Roof: repair or replace on the home.
  - Decks/Porches: repair or replace existing on the home.
  - Retaining walls/Fences: repair or replace existing on the home.
  - Skylights: repair or replace existing on the home.
  - Chimney and fire place: repair
  - Garages: repair of City of Minneapolis Housing Code violations ONLY.

Permits must be obtained when required by City ordinance. Contractors contracting for the work must be properly licensed by the State of Minnesota and the City of Minneapolis.

The Construction Manager for GMHC will resolve any questions of eligible or ineligible improvements or repairs for items not addressed specifically in these guidelines, on behalf of HNIA.

9. **Ineligible Improvements:** General remodeling, repair or replacement of driveways, new construction of fences, decks, porches, retaining walls, installation of new skylights, new window “openings”, recreation of luxury projects (pools, lawn sprinkler systems, playground equipment, saunas, whirlpools, etc.), furniture, appliances, funds for working capital, debt service or refinancing existing debt or refinancing existing debt. GMHC’s decisions regarding eligible work shall be final.
10. **Work by Licensed Contractors:** All work must be done by licensed, insured contractors. Permits will be obtained for all work as needed by city code. Work perform by owners is not permitted with loan funds.
11. **Previous Participation:** Persons/households that have previously received a HNIA-funded, Holland Neighborhood home improvement loan are eligible to participate in this program, but each person/household can only participate in this program once; either in the Forgivable loan category or the Low-Interest loan categories, but not both.
12. **Loan - to Value Ratio:** Applicants who have a potential “loan - to - value” ratio in excess of 120 % will be denied loan financing.
13. **Underwriting Decision:** Loans will be approved or denied by the GMHC based upon review of a credit report and according to the following criteria which has been established by the neighborhood association.
  1. No outstanding judgments or collections.
  2. Real estate tax payments must be current.
  3. No defaulted government loans.

4. Mortgage (or contract for deed) payments must be current.
14. **General Conditions:** All HNIA board members & Housing committee members must wait 30 days from the start of the program to submit an application
15. **Loan Security:** All loans will be secured by a mortgage in favor of the City of Minneapolis.
16. **Timeline:**
- January 2012 – Begin advertising the loan program
  - April 2012 – Lottery if necessary
  - May 2012 – Work begins.

## Terms of the Low Interest Loan Fund for Homeowners

1. **Program Intent:** The intent of the HNIA NRP Low Interest loan program for Homeowners is to help residents make permanent improvements to their property. Residents who match the low interest funding with their own funds can extend repayment terms if the choose.

Each home will have an inspection by a program administrator that will enable the homeowner to make an informed decision on the priorities and needs of their home. The program administrator will also recommend other programs that the applicant may qualify for.

2. **Loan Pool:** \$162,000 shared with the Low Interest Loan fund for homeowners.
3. **Income Limit:** Eligible applicants must have an annual household income of up to 100% of HUD Median Family Income. The determining income shall be based on the adjusted gross income.

FAMILY SIZE	100% OF MEDIAN
1	\$57,900
2	\$66,200
3	\$74,500
4	\$82,700
5	\$89,400
6	\$96,000
7	\$102,600
8+	\$109,200

4. **Eligible properties:** Single family and duplex properties that are owner-occupied and located within the geographical boundaries of the Holland Neighborhood. Condominium and town homes are not eligible for funding. In addition, condominium and townhome associations are not eligible for funding. “Homeowner Associations” are not eligible under this program.
5. **Loan Amount:** Minimum loan amount of \$3,000, maximum loan amount of \$10,000.
6. **Loan term:** The loan term will be a maximum of 10 years. The interest rate for this loan offer is updated monthly on the first business day of each month of the calendar year and is 75% of the prime rate plus one point. At time of loan application, the borrowers’ interest rate is fixed for the entire term of the loan. If the borrower sells or transfers title the original borrower will be required to repay the balance of the original loan amount immediately.
7. **Eligible Loan Recipients:** Recipients must be current owner-occupants of the property.
8. **Eligible Improvements:** Loans can be used to finance exterior and/or interior repairs or permanent improvements to the home, after any corrections of outstanding City of Minneapolis Housing Code violations are resolved.

### Repairs

- Exterior painting; Siding or trim on the home
- Electrical: repair, replace or new in the home.
- Plumbing (including the water heater): repair, replace, upgrade or new.
- Heating and/or air conditioning: repair, replace, upgrade, or new.
- Structural and foundation problems: repair or replace on the home.
- Doors: repair or replace existing on the home.

- Windows; repair or replace on the home.
- Roof: repair or replace on the home.
- Decks/Porches: repair or replace existing on the home.
- Retaining walls/Fences: repair or replace existing on the home.
- Skylights: repair or replace existing on the home.
- Chimney and fire place: repair
- Garages: repair of existing garage.

#### Improvements

- Green Improvements: Solar panels, insulation improvements.
- Exterior improvements: adding new siding, stucco or trim on the home.
- Interior painting: not funded with program funds.
- Electrical: additions or improvements in the home.
- Plumbing: upgrade or new improvements.
- Heating and/or air conditioning: replace, upgrade, or new.
- Doors: replace existing exterior doors to improve the home
- Insulation: improve insulation in the walls, attic, basement of the home.
- Windows: improve insulation, or function of the windows on the home.
- Roof: repair, replace or upgrade the roof.
- Decks/Porches: add or repair a deck or porch on the home.
- Retaining walls/Fences: add or repair or replace existing on the home.
- Skylights: add or repair or replace existing on the home.
- Chimney and fire place: add or replace.
- Garages: add or repair current garage.

Permits must be obtained when required by City ordinance. Contractors contracting for the work must be properly licensed by the State of Minnesota.

The Construction Manager for GMHC will resolve any questions of eligible or ineligible improvements or repairs for items not addressed specifically in these guidelines, on behalf of HNIA.

9. **Ineligible Improvements:** Projects not eligible shall include: interior painting or wallpaper, work initiated prior to the loan application being received by HNIA, recreation or luxury projects (pools, lawn sprinkler systems, playground equipment, saunas, whirlpools, etc.), furniture, non-permanent (not built-in) appliances. If, before the final loan amount is established by GMHC and the applicant, there are any questions by GMHC about whether a proposed improvement fits the neighborhood's definition of being eligible for this financing, GMHC will make the final decision about the eligibility of that item. Any questions about whether a proposed improvement is NRP eligible must be resolved with the City of Minneapolis.
10. **Work by Licensed Contractors:** All work must be done by licensed, insured contractors. Permits will be obtained for all work as needed by city code. Work perform by owners is not permitted with loan funds.
11. **Previous Participation:** Persons/households that have previously received a HNIA-funded, Holland Neighborhood home improvement loan are eligible to participate in this program, but each person/household can only participate in this program once; either in the Forgivable loan category or the Low-Interest loan categories, but not both.
12. **Loan Security:** All HNIA NRP loans will be secured with a mortgage in favor of the City of Minneapolis. Loans are not assumable. Borrowers will pay all filing fees.
13. **Debt - to - Income Ratio:** Applicants must have the ability to repay the loan. Applicants who have a debt to income ratio in excess of 50% will be denied loan financing.
14. **Loan - to Value Ratio:** The ratio of all loans secured by the property, including the new loan, must not exceed 120% of the property value.

15. **Underwriting Decision:** Loans will be approved or denied by the GMHC based upon review of a credit report and according to the following criteria which has been established by the neighborhood association.
  1. No outstanding judgments or collections.
  2. Real estate tax payments must be current.
  3. No defaulted government loans.
  4. Mortgage (or contract for deed) payments must be current.
  5. Generally, no more than two 90-day lates on credit report. Any 90-day late requires a documented explanation. Sample acceptable reasons include; medical, unemployment, divorce.
  
16. **General Conditions:** All HNIA board members & Housing committee members must wait 30 days from the start of the program to submit an application
  
17. **Loan Security:** All loans will be secured by a mortgage in favor of the City of Minneapolis.
  
18. **Timeline:**
  - January 2012 – Begin advertising program
  - April 2012 – Lottery if necessary
  - May 2012 – Work begins.

## Terms of the Low Interest Loan Fund for Landlords

1. **Program Intent:** The intent of the HNIA NRP Low Interest Loan Program for Landlords is to help small landlords:
  1. Fix City of Minneapolis written orders.
  2. Make code compliance type repairs.
  3. After these priorities, make other eligible repairs.

Each home will have an inspection by a program administrator that will enable the homeowner to make an informed decision on the priorities and needs of their home. The program administrator will also recommend other programs that the applicant may qualify for.

2. **Loan Pool:** \$68,000 shared with the Low Interest Loan fund for Landlords.
3. **Income Limit:** Eligible applicants must have an annual household income of up to 100% of HUD Median Family Income. The determining income shall be based on the adjusted gross income.

FAMILY SIZE	100% OF MEDIAN
1	\$57,900
2	\$66,200
3	\$74,500
4	\$82,700
5	\$89,400
6	\$96,000
7	\$102,600
8+	\$109,200

4. **Eligible properties:** One to four unit properties located within the geographical boundaries of the Holland Neighborhood.
5. **Loan Amount:** Minimum loan amount of \$5,000, maximum loan amount of \$10,000.
6. **Loan term:** The loan term will be a maximum of 10 years. The interest rate for this loan offer is updated monthly on the first business day of each month of the calendar year and is 75% of the prime rate plus one point. At time of loan application, the borrowers' interest rate is fixed for the entire term of the loan. If the borrower sells or transfers title the original borrower will be required to repay the balance of the original loan amount immediately.
7. **Eligible Landlord, Loan Recipients:** Recipients must be current owners of the 1 to 4 unit residential property.
8. **Eligible Improvements:** These loans can be used to finance exterior and/or interior rehabilitation of one to four unit rental property. First priority of eligible work shall be the correction of any outstanding City of Minneapolis Housing Code violations. The second priority for eligible work shall be other hazardous code, health or safety relation conditions identified through an inspection of the property by the program administrator. The third priority shall be other eligible work desired by the property owner. Eligible projects include;
  - Exterior repairs: Siding or trim on the home
  - Electrical: repair, replace or new in the home.
  - Plumbing (including the water heater): repair, replace, upgrade or new.
  - Heating and/or air conditioning: repair, replace, upgrade, or new.

- Structural and foundation problems: repair or replace on the home.
- Doors: repair or replace existing on the home.
- Windows; repair or replace on the home.
- Roof: repair or replace on the home.
- Decks/Porches: repair or replace existing on the home.
- Retaining walls/Fences: repair or replace existing on the home.
- Skylights: repair or replace existing on the home.
- Garages: repair of City of Minneapolis Housing Code violations ONLY.

Permits must be obtained when required by City ordinance. Contractors contracting for the work must be properly licensed by the State of Minnesota.

The Construction Manager for GMHC will resolve any questions of eligible or ineligible improvements or repairs for items not addressed specifically in these guidelines, on behalf of HNIA.

9. **Ineligible Improvements:** Projects not eligible shall include: interior painting or wallpaper, work initiated prior to the loan application being received by HNIA, recreation or luxury projects (pools, lawn sprinkler systems, playground equipment, saunas, whirlpools, etc.), furniture, non-permanent (not built-in) appliances. If, before the final loan amount is established by GMHC and the applicant, there are any questions by GMHC about whether a proposed improvement fits the neighborhood's definition of being eligible for this financing; GMHC will make the final decision about the eligibility of that item. Any questions about whether a proposed improvement is NRP eligible must be resolved with the City of Minneapolis.
10. **Work by Licensed Contractors:** All work must be done by licensed, insured contractors. Permits will be obtained for all work as needed by city code. Work perform by owners is not permitted with loan funds.
11. **Previous Participation:** Persons/households that have previously received a HNIA-funded, Holland Neighborhood home improvement loan are eligible to participate in this program, but each person/household can only participate in this program once; either in the Forgivable loan category or the Low-Interest loan categories, but not both.
12. **Loan Security:** All HNIA NRP loans will be secured with a mortgage in favor of the City of Minneapolis. Loans are not assumable. Borrowers will pay all filing fees.
13. **Debt - to - Income Ratio:** Applicants must have the ability to repay the loan. Applicants who have a debt to income ratio in excess of 50% will be denied loan financing.
14. **Loan - to Value Ratio:** The ratio of all loans secured by the property, including the new loan, must not exceed 120% of the property value.
15. **Underwriting Decision:** Loans will be approved or denied by the GMHC based upon review of a credit report and according to the following criteria which has been established by the neighborhood association.
  1. No outstanding judgments or collections.
  2. Real estate tax payments must be current.
  3. No defaulted government loans.
  4. Mortgage (or contract for deed) payments must be current.
  5. Generally, no more than two 90-day lates on credit report. Any 90-day fate requires a documented explanation and sample acceptable reasons include; medical, unemployment, divorce.
16. **General Conditions:** All HNIA board members & Housing committee members must wait 30 days from the start of the program to submit an application
17. **Loan Security:** All loans will be secured by a mortgage in favor of the City of Minneapolis.
18. **Timeline:**

- January 2012 – Begin marketing program
- April 2012 – Lottery if necessary
- May 2012 – Work begins.

## **OTHER GENERAL CONDITIONS AND PROCEDURES:**

1. **Rehabilitation Consulting:** GMHC consultants will be available to borrowers to advise them about proposed projects prior to obtaining bids and will be available to review bids for reasonableness. Holland Neighborhood Association, using NRP funds, will pay for this service to be provided. Two Bids must be obtained for all projects for which at least \$3,000 of NRP funds will be spent.
2. **Loan Fees**
  - The loan origination fee will be paid by the Holland NRP budget.
  - The borrower must submit a \$15.00 check payable to GMHC for a credit report at the time of application.
  - A recording fee of \$46.00 will be collected from the borrower at closing.
  - An Owners & Encumbrance Report will be ordered as part of the credit underwriting. The \$100 fee may be included in the loan amount or paid at closing.
3. **Initial Applications for Funding:** HNIA will receive the requests to be in the lottery. At an advertised General meeting, HNIA will use a lottery to identify the order of the application processing by GMHC. GMHC will process the loan applicants in order. If there are not enough participants or successfully completed applications, new loan applications will be received and processed on a first come first serve basis, as funds are available until all program funds are committed.
5. **Contractors & Permits:** Contractors contracting for work must be properly licensed by the City of Minneapolis when required by city ordinance. Permits must be obtained when required by City ordinance.
6. **Work Completion:** Weather permitting; all work must be completed within 90 days of the loan closing.
7. **Total Project Cost:** It is the borrower's responsibility to obtain the amount of funds necessary to finance the entire cost of the work. If the final cost exceeds the loan amount the borrower must obtain the additional funds. The funds must be escrowed with GMHC at the time of the loan closing or if not escrowed then the owner's funds must be paid into the project prior to any loan funds being paid out.
8. **Custody of Funds:** Loan funds will remain in the custody of GMHC until payment for completed work.
9. **Disbursement Process:**
  - A. Payment to the contractor will be made after completion of the work. An inspection will be performed by the City and/or the loan administrator to verify the completion of the work.
  - B. The following items must be received before the funds can be released:
    - 1) Final Invoice from each contractor showing all amounts paid and due.
    - 2.) Lien Waiver. Original from each contractor.
    - 3) Completion Certificate signed by each contractor, the borrower and the GMHC Construction Manager.
    - 4) Permits Closed.
    - 5.) Final Inspection and approval by the GMHC Construction Manager.

Payment checks may take up to 10 business days after the above items are received. Payment checks to contractors must be countersigned by the borrower. A maximum of two draws will be allowed per loan.