

# **CITY OF RUSHFORD/EDA HOME RENOVATION LOAN PROGRAM**

## **POLICY MANUAL And PROGRAM GUIDELINES**

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## HOME RENOVATION LOAN PROGRAM

1. **GENERAL.** The purpose of the Home Renovation Program is to preserve the City of Rushford's existing owner occupied housing stock.
  - a. **Area of Operations.** Loans will be made available on a citywide basis. Priority will be granted to households with health and safety issues or significant substandard housing conditions.
  - b. **Administration.** The City of Rushford/EDA entered into a contract with Semcac for the administration and disbursement of funds for the Home Renovation Loan Program.

### 2. APPLICATION PROCESS

- a. **Application.** Applications for the Program may be taken on a limited basis, at least once a year. Semcac will review and rank applications based on 1) the presence of serious health and safety violations, and 2) the date and time the application was received. However, if funding allows, Semcac may choose to accept applications on an ongoing basis, with ranking occurring among all eligible applications received and a waiting list established.
- b. **Equal Housing Opportunity.** The City of Rushford/EDA and Semcac will provide access to the Home Renovation Loan Program without regard to race, color, religion, sex, age, national origin, actual or perceived sexual orientation, gender identity, marital or familial status, handicap/disability status, or status with regard to receipt of public assistance.

The City of Rushford/EDA and Semcac complies with all applicable provisions of the Americans with Disabilities Act of 1990 (ADA), Section 504 of the Rehabilitation Act of 1973, and does not discriminate on the basis of disability in the admission or access to, or treatment or employment in, its services, programs or activities. Upon request, accommodation will be provided to allow individuals with disabilities to participate in all City Services, programs and activities.

Upon request, this information is available in Braille, large print, audio tape and/or electronic format.

3. **ELIGIBILITY REQUIREMENT.** The intent of the Home Renovation Loan Program is to assist income eligible homeowners in financing repairs and improvements to their home. To receive funds, applicants must meet the eligibility requirements set forth in this section.
  - a. **Residency Requirements.** An applicant must be a resident of the City of Rushford, as well as the owner (fee or the purchaser under a land contract) and occupant of the home he or she is planning to improve.
  - b. **Age of Home.** The home has to be at least 10 years old or older or be in a state of obvious or hazardous disrepair or in need of emergency rehab work.
  - c. **Maximum Income Limits.** An applicant may be eligible for the Residential Rehabilitation Loan Program if his or her Gross Household Income, by family size, does not exceed the Maximum Income Limits set forth in this section. These income limits may be adjusted from time to time to comply with HUD published income limits for 100 percent of the median income per household by family size in Fillmore County. During the program year, an application that has been denied for being over-income may be re-evaluated if HUD publishes new income limits, or if there is a change in household income.

Gross Household Income means the income of all the members of the household anticipated to be earned during the twelve-month period following the date of the application. Members of the household include any person residing at the applicant's address that is at least 18 years of age and is not a full time student.

Income includes that derived from salaries or wages, public assistance, Social Security, Veterans Administration benefits, unemployment compensation, commissions, bonuses, annuities, tips, securities, pensions, child support, real estate, partnerships, estates or trusts, interest, and other miscellaneous sources.

\*If gross annual income is zero or a negative amount, the applicant is ineligible for financing.

Interest accrued from the following asset accounts shall be included as income:

- Cash in Checking and Savings Accounts;
- Certificates of Deposit;
- Retirement accounts such as IRAs, 401Ks and Deferred Compensation;
- Investment accounts, i.e., securities, stocks/bonds and U.S. Savings Bonds;
- Life Insurance death benefits.

\*COVID-19 Temporary Modification for Income – Due to the unprecedented situation related to COVID-19, a temporary modification to income calculations will be done. If an applicant receives unemployment and also receives the additional \$600 per week benefit from the Coronavirus Act, Relief, and Economic Security (CARES) Act, the extra \$600 will not be included as income. The one time stimulus payment will also not be included as income.

The table below identifies the maximum gross household income by family size, representing the threshold for participation in the rehabilitation program. The income limits represent 100% of the median income by household size as set forth by HUD. These limits are subject to change according to HUD published income limits for 100% of median income by household size.

Maximum Income Limits by Household Size (2021 limits)

Household Size	Maximum Income
1	\$54,600
2	\$62,400
3	\$70,200
4	\$78,000
5	\$84,300
6	\$90,500
7	\$96,800

**c. Eligible Properties.** Eligible properties shall:

- (1) be occupied by the fee owner, mortgagee, or contract purchaser;
- (2) home has to be at least 10 years old or older or
- (3) be in need of upgrade, or, repair to correct deficiencies that are hazardous to the applicant's health and safety;
- (4) not have encumbrances, when including the Residential Rehabilitation Loan Program, totaling more than 100% of the County Assessor's estimated market value or a recent appraisal by a qualified real estate appraiser.

- (5) not be located in flood plains as defined by National Flood Insurance Program unless property is covered by flood insurance.
- (6) not have had any rehabilitation work started on any house where the homeowner is not in compliance, or where compliance cannot be achieved through rehabilitation, as applicable under the provisions of the Community Sanitation, Housing, Environmental Pollution and the Public Health Ordinances as determined by the Semcac staff in cooperation with the City of Rushford/EDA or Fillmore County. Work may proceed once homeowner is in compliance or if compliance will be achieved through work funded under the Program.

**d. Eligible Use of Funds**

- (1) Loan funds shall be used to improve the property, to increase compliance with state, county or municipal health, housing, building, fire prevention, and housing maintenance codes and minimum energy standards as established or approved by the City of Rushford/EDA. Examples of such improvements include, but are not limited to, re-roofing, electrical upgrades, radon mitigation, interior water line upgrades, windows, doors, siding, and replacement of the mechanical systems.
- (2) Accessibility improvements.
- (3) Dumpster rental costs shall be an eligible loan expense when homeowner has no other way to dispose of accumulated household debris.
- (4) Repairs to existing water service lines and sanitary sewer service lines that are the homeowner's responsibility.
- (5) The paving of driveways and the installation of new garage doors.
- (6) Basic kitchen and bathroom improvements (appliances such as stove, refrigerator, dishwasher, etc., are not eligible).
- (7) Common areas of owner occupied duplexes, such as roofs, windows, siding, doors, gutters and mechanical systems to include plumbing, heating and electrical work. All other work is restricted to the owner occupied unit.
- (8) Egress or rescue windows from basement sleeping rooms shall be allowed when all work relating to life, safety, code and neighborhood enhancement requirements have been addressed and are in compliance.
- (9) All Contractors working on pre-1978 structures will be required to document and to work in compliance with HUD's Lead Safe Housing Rule and EPA's Renovation, Repair and Painting Rule.

**e. Ineligible Use of Funds.** Unless determined as necessary for health and safety by the Semcac and/or the City/EDA, the following improvements are ineligible:

- (1) the purchase or installation, except in connection with eligible improvements, of freestanding or built in kitchen appliances, window air conditioning units and landscaping;
- (2) all exterior work on owner occupied townhouse units, except in the case of major repairs or replacement of roofs, siding, or windows and the owner is personally responsible for the improvements. Owners must document their portion of cost;
- (3) the financing or payment of special assessments;

- (4) improvements made prior to the issuance of a loan commitment;
- (5) improvements not pre-approved in the applicant's loan commitment; and
- (6) improvements of a type or quality exceeding that customarily used in the locality for properties of the same general type as the property to be improved. Should a homeowner choose to install an item over and above Program standards, homeowners shall be allowed their choice, provided they pay the difference between their preferred item and the Program's standard item.

**f. Emergency Rehabilitation.** Homeowners requesting emergency repair shall be eligible for program funding provided:

- (1) the homeowner is eligible under the existing income and property requirements;
- (2) they show proof of need for emergency repairs required to insure the health and safety of the residents;
- (3) funding is used only to repair or replace the emergency item;
- (4) the homeowner is unable to secure a loan, secure insurance claims, or from other service or governmental agencies, and
- (5) the homeowner submits to Semcac a minimum of one contractor bid within thirty (30) days of receipt of the work write-up. Homeowner shall fail to qualify for the loan when bid is not returned within the 30 day period. Bid period may be extended at the discretion of the Semcac staff.
- (6) Where homeowner shows no equity in property to cover amount of emergency loan, Semcac, upon review of the emergency, may permit property to be evaluated at 110% of the Assessors Market Value of property.

**g. Reasons for Denial or Postponement of Loan Applications.** No further applications will be accepted by Semcac where a loan applicant has been previously found to have falsified their application or misused loan funds.

No reapplications will be accepted for one year following homeowner's cancellation of loan, or owner does not return bids, or other homeowner actions that delay the start of construction work beyond a reasonable period of time. Consideration will be given to loan applicants who request an extension for a medical or family emergency, or homeowner is currently under written order to correct for health and safety items.

No application will be accepted when property taxes and/or city utility bills are delinquent.

No application will be accepted when there is no homeowners insurance in place. The City of Rushford/EDA will be added to the homeowner's insurance policy as a Loss Payee.

**4. LOAN DETERMINATION.**

- a. Maximum Loan Amount.** The maximum loan amount allowed under this program is \$24,999 per eligible applicant household. The actual loan amount an applicant is eligible to receive will be dependent on the cost of the anticipated improvements to the property less any monies received under other financing options such as Minnesota Housing Finance Agency (MHFA) Rehabilitation Deferred Loan program. Only the cost of Eligible Property Improvements set forth in Section 3, Subdivision d and approved by Semcac shall be used in the calculation of the loan amount. Total loan amount determined shall not exceed 100% of the homeowner's property equity.

**b. Exceptions to Loan Limits.**

- (1) Applicants who have paid off their previous loans are again eligible for maximum loan funds provided they meet all other program requirements.
- (2) Semcac may exceed program loan limits by 10 percent to provide assistance to families or individuals for emergency relief to undertake necessary home repairs to health and safety items.

**c. Availability of Other Funds.** To the extent applicants are also eligible for rehabilitation or energy assistance from other organizations or agencies, that assistance may be combined with this loan program.

**d. Minimum Interest Rate.** All loans will have an annual interest rate of two (2) percent simple interest.

**e. Loan Term.** Repayment of a loan issued under this program shall be deferred; however, each loan will bear simple interest, for ten years. After ten years no further interest shall accrue on the outstanding balance.

**f. Loan Repayment Requirements.** All loans shall be repaid at the time the property, or a portion of the property is transferred, sold, or no longer occupied by the applicant household. To secure the loan, a lien will be placed against the property for the amount borrowed. All property owners listed on the property title, and if applicable, also their spouses are required to sign the Repayment Agreement whether they live in the property or not.

When a Repayment Agreement is due and payable because of the death of the applicant and the inheritors living in or in the process of moving into the home request to assume the loan, they will be required to show an inability to pay the loan, and shall meet all other program eligibility requirements. If the household meets the above requirements, The City of Rushford/EDA will rewrite the loan, adding accrued interest to original principal, for another 10 years of 2 percent interest. Signatures of approval will be required by the new owners of the property.

**g. Refinance and Subordination of Repayment Agreement.** There will be no limit on the number of times a homeowner may refinance their loan as long as all the indebtedness against the property, including the new loan and the Residential Rehabilitation Loan Program loan principal and accumulated interest, is less than 75 percent of the market assessed value or the current appraised value of the property as determined by a qualified real estate appraiser. The sum of the accumulated loan interest and the original loan principal will equal the principal on the new refinanced Repayment Agreement which will be issued at the current Residential Rehabilitation Loan Program interest rate.

Exception: A subordination of the existing Repayment Agreement will be issued when a homeowner refinances his/her existing mortgage for a lower interest rate, or to change from an ARM to a fixed rate mortgage and takes no cash out. Closing costs which may be recouped through mortgage payment savings within a 36-month period of time may be included in the first mortgage refinancing. Subordinations will be approved when total debt load does not exceed 115% of the property's market value.

A service fee of \$100.00 will be charged for all subordinations and refinanced loans.

**h. Satisfaction.** If Recipient pays the principal loan amount including all due interest calculated up to the final payoff date to the City of Rushford/EDA according to the terms of the Agreement; then Recipient's obligations will be satisfied, and the City of Rushford/EDA will deliver an executed satisfaction of the

Mortgage to Recipient. It is Recipient's responsibility to record any satisfaction of this Mortgage at Recipient's expense.

- i. **Short Sale Policy.** When a short sale condition occurs, the following policy governs the satisfaction of a City/EDA-held debt for less than its full value.
  1. Borrower's income is affected by disability or illness that results in a decrease in income or major medical expense; or
  2. Borrower's financial situation is affected by an involuntary reduction or elimination of income; or
  3. Death of the principal wage earner in the family, and
  4. Borrower has exhausted all avenues for selling the property for an amount sufficient to repay the City/EDA's loan. The following criteria must be met in order to make this determination and accept a short sale offer:
    - a. House has been marketed for a reasonable period of time (in most cases six months) or has gone to sheriff's sale and is in foreclosure
    - b. House is listed at market value
    - c. Purchase agreement does not cover value of liens on property;
    - d. Short sale may be approved if principal is repaid in full;
    - e. Real estate commission does not exceed 6% of sales price;
    - f. City/EDA will review and approve all short sales.

#### 5. CONTRACTORS and CONSTRUCTION.

- a. A required inspection of the property will be completed by Semcac. Semcac's inspector will discuss items with the applicant(s) is/are interested in having completed and those the Semcac inspector noticed. Such items are, but not limited to, energy conservation, electrical, mechanical and structural needs of the dwelling. Semcac/City reserve the right to determine the eligible items.
- b. Applicants will choose their own contractors to bid. Applicants will be encouraged to get three (3) bids, but Semcac will accept fewer bids when applicant is having difficulty getting bids.
- c. Each bid must be signed and dated by the contractor.
- d. It is encouraged that applicants use a MN licensed and bonded/insured contractor, as stipulated under the State of Minnesota licensing requirements for contractors. A homeowner may choose to claim an exemption from the licensing requirement, stating they are improving the home for their own use and not for speculation or resale. By listing themselves as the general contractor on the project, the property owner will be responsible for compliance with all applicable building codes, inspections and City ordinance in connection with the work being performed. The property owner may retain the services of independent laborers or family members, but acknowledges they will forfeit any mechanic's lien rights to which they may otherwise have been entitled.
- e. Loan funds may only be used to finance improvements that are completed within six months from the date of the issuance of a Loan Commitment Letter. An extension may be granted subject to the approval of Semcac.
- f. The applicant, or other individuals acting on applicant's behalf, may perform some or all of the improvements without compensation for labor, provided Semcac and/or the City/EDA of Rushford is satisfied as to the performer's skill and ability to perform specified work by a designated date. Homeowners with a history of failure to complete previous construction work, or of non-compliance under City codes and ordinances or the terms of this program, will not be eligible to perform homeowner labor.



- g. All construction or work performed shall be in compliance with a City/EDA and Semcac approved contractor warranty or homeowner labor agreement.
- h. When the improvements have been completed and verified by all required inspections, the disbursement of funds will be made in full directly to the contractor(s) upon homeowner signed approval. No funds shall be released without required contractor lien waivers. A partial payment may be issued for work completed. A ten percent (10%) retainage is required.
- i. Owner and/or contractor is responsible for obtaining and submitting all appropriate building permit paperwork and for payment of the permit fee. Permit needs to be posted at rehab site.

## 6. PROGRAM ADMINISTRATION

- a. **City/EDA Contract for Administration of Program.** Semcac, under contract with the City/EDA of Rushford, is responsible for the administration of the Home Renovation Loan Program. Semcac will provide assurances to the City/EDA that funds will be expended in compliance with applicable federal, state and local laws.
- b. **Appeal Procedures.** It may be expected that occasionally a party (homeowner or contractor) may have a reason for disputing a Semcac action. In the event that such a dispute does occur, the disputing party should submit his/her comments in writing to the Semcac Executive Director with a request for action to see if the problem can be resolved administratively.

If the problem cannot be resolved administratively within a 30-day time period, the disputing party will state his/her position, in writing, to the City/EDA. The City/EDA will render a decision to the disputing party within thirty days of the receipt of the written complaint.