

## East Harriet Home Improvement Loan Program

### Program Overview

The East Harriet Farmstead Neighborhood Association (EHFNA) is making available \$220,000 of its NRP Funds that have been designated for home improvements in the East Harriet neighborhood. The EHFNA/NRP Program is designed to supplement existing loan programs available from CPED, MHFA, CEE, private lenders and other housing resources. It is not intended to be the sole source of home rehab funds available to the neighborhood.

### Terms of the EHFNA Revolving Loan Program

1. **Program Intent:** The intent of the EHFNA/NRP Revolving Loan Program is to access existing funding sources (such as MHFA, CEE, CPED, etc) whenever possible so as to reserve EHFNA funds for applicants who do not qualify through traditional funding sources. With this in mind, applicant's eligibility for MHFA financing will be analyzed prior to the consideration for the EHFNA/NRP Revolving Loan Program. If the applicant qualifies for MHFA financing, then applicant will receive MHFA financing. If the applicant does not qualify for MHFA financing, eligibility for the EHFNA/NRP Revolving Loan Program will be determined.
2. **Loan Pool:** \$208,200.00
3. **Interest Rate:** 2% or 4%, depending upon income. The interest rate to be charged will depend upon a household's gross annual income based upon the limits indicated in the following chart:

Family Size	2% (up to 80% median) income must be less than	4% (80%-150% of median), income
1	\$47,000	\$47,000 - \$88,125
2	\$53,680	\$53,680 - \$100,650
3	\$60,400	\$60,400 - \$113,250
4	\$67,120	\$67,120 - \$125,850
5	\$72,480	\$72,480 - \$135,900
6	\$77,840	\$77,840 - \$145,950
7	\$83,240	\$83,240 - \$156,075
8+	\$88,600	\$88,600 - \$166,125

4. **Income Limit:** Based upon family size, no higher than 150% of Median (refer to chart above). Income will be considered as the Adjusted Gross Income from an applicant's most recent Federal Tax Return.

5. **Loan term:** Generally, one year per \$1,000 borrowed. This will be somewhat flexible depending on the size of the loan. For most cases, the maximum term will be 10 years.
6. **Loan Amount:** Minimum loan size of \$2,000 and maximum of \$15,000. The first loan payment can be delayed up to 30 days from the closing date. Owners of more than one property remain subject to the \$15,000 cumulative outstanding balance loan maximum, although that amount may be split between multiple properties.
7. **Eligible Properties:** Properties must be located within the East Harriet Farmstead geographical boundaries. Rental properties, such as a duplex, cannot exceed two units. Condominiums are eligible under the same guidelines as single family homes. Loans to condominiums are limited to the individual owners, not an owners' association. Rental properties must be licensed by the city.
8. **Eligible Borrowers:** Borrowers must either be owner-occupants of the property to which repairs or improvements are being financed or owners of a absentee-owned property but who resides in the East Harriet-Farmstead neighborhood.
9. **Eligible Improvements:** Any permanent home improvement, interior or exterior, is eligible. Decks, porches, retaining walls, fences, and garages can be repaired, replaced or build as new construction. Up to 15% of the loan can be used to finance permanent landscaping.
10. **Ineligible Improvements:** No recreation or luxury projects (pools, lawn sprinkler systems, playground equipment, saunas, whirlpools, etc.), furniture, skylights, non-permanent (built-in) appliances, and funds for working capital, debt service or refinancing existing debts are allowed. CEE will refer to the EHFNA Housing Committee whenever eligibility of an improvement project is questionable.
11. **Loan Security:** All EHFNA/NRP loans will be secured with a mortgage in favor of the CPED.
12. **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.
13. **Loan - to - Value Ratio:** The ratio of all loans secured by the property, including the new loan, must not exceed 110% of the property value.
14. **Underwriting Decision:** Applicants must have acceptable credit history: Borrowers may not have any payments greater than 60 days late in the past 12 months (without reasonable explanation), or have had a bankruptcy in the last two years. Applicants must be current on all mortgage payments and real estate property taxes. CEE will approve or deny loans based on a credit report, income verification and other criteria as outlined above. CEE shall inform any denied applicant of their option to appeal CEE's decision to the EHFNA Housing Committee. Any such appeals will be reviewed at the Housing Committee's regularly scheduled monthly meeting.

15. **Loan Costs:** EHFNA will pay the origination fee and verification of installation fees out of the EHFNA/NRP Home Improvement Administrative Fund. Borrowers will pay all mortgage filing fees and related closing costs. Servicing costs will be paid from program income. Borrowers will be required to pay fees for making late payments and/or a fee for processing and/or handling any payments that are returned to the loan servicer due to insufficient funds.
16. **Application Processing:** Applications will be submitted directly to CEE. All applications will be addressed on a first-come, first-served basis until all program funds are committed. Applicants must provide a completed application package including the following:
- Completed application form.
  - Most recent Federal Tax Return or other proof of income
  - Most recent Hennepin County real estate property tax statement.
  - A “Data Privacy Act Statement and Consent Form” (provided by CEE).
17. **Timeline:** The following is the timeline of events for the EHFNA Home Improvement Revolving Loan Program.
- EHFNA approval of Guidelines, Scope & Budget: February 2003
  - Begin marketing: March 1, 2003
  - Applications Available: March 1, 2003
  - Informational Workshop: April 2, 2003

### **General Program Conditions**

**Previous Recipients:** For this program, there is a maximum program limit imposed for revolving loan recipients. More than one loan per household is permitted based upon availability of funds and borrowers ability to qualify. Cumulative outstanding balance of all loans cannot exceed \$15,000.

**Work by Owner:** Work can be performed on a “sweat equity” basis. Loan funds cannot be used to compensate for labor, only for materials. Loan funds cannot be used for the purchase or rental of tools or equipment. CEE must determine that the owner has the ability to complete the work within the program time requirement. Materials must be purchased and installed prior to the disbursement of the loan proceeds. When applicable, a signed city permit must be obtained by the borrower.

**Contractors/Permits:** Contractors must be properly licensed to do work in the City of Minneapolis. Permits must be obtained when required by city ordinance.

**Rehabilitation Counseling:** CEE will assist any property owner desiring assistance in evaluating the improvements to their property. CEE will also be available to assist property owners in evaluating bids. Services include an informational visit and assistance

with collection and evaluation of bids. Fees for these services are included in the origination fee charged for this program. Two bids are required for any project costing more than \$5,000 (only one bid is needed otherwise).

**Work Completion:** Weather permitting, all work must be completed within 120 days of loan closing.

**Total Project Cost:** It is the borrower's responsibility to obtain the amount of funds necessary to finance the entire cost of the work. In the event the final cost exceeds the original loan amount, the borrower must obtain the additional funds.

**Custody of Funds:** EHFNA/NRP loan funds will remain in the custody of CEE until payment for completed work. Disbursement for completed work will be processed by CEE.

**Disbursement Process:** Payment to the contractor (or owner in sweat equity situations) will be made upon completion of work. An inspection will be performed by the City and/or CEE to verify satisfactory completion of the work. The following items must be received prior to final disbursement of funds:

1. Final proposal or invoice from contractor (or materials list from supplier)
2. Final inspection verification by CEE (if necessary)
3. Completion certificate(s) signed by borrower and contractor
4. Lien waiver for entire cost of work
5. Evidence of required city permit