

DEFERRED PAYMENT RENTAL IMPROVEMENT WATER & SEWER

HOUSING REHABILITATION LOAN POLICIES

Revised: May 16, 2007

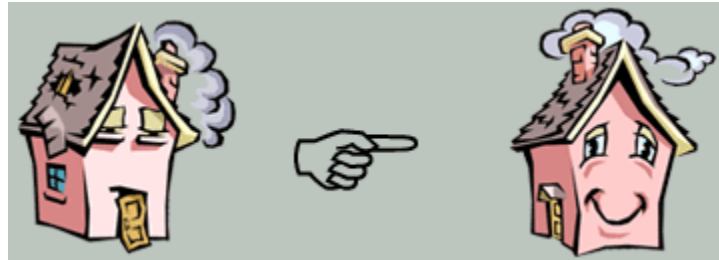


PURPOSE

The objective of this program is to stabilize and improve the City's housing stock by providing financial assistance to income qualifying single family homeowners and income property owners of affordable residential rentals. The City offers three types of loans. There is a Deferred Payment Loan, Rental Improvement Loan and Water/Sewer Loan. The improvements shall correct life safety hazards, code violations, and maintenance deficiencies. In addition systems expected to fail within two years and general improvements can be included when associated with the other qualifying items.

All information submitted with, and in support of this application becomes public information.

PROGRAM ELIGIBILITY

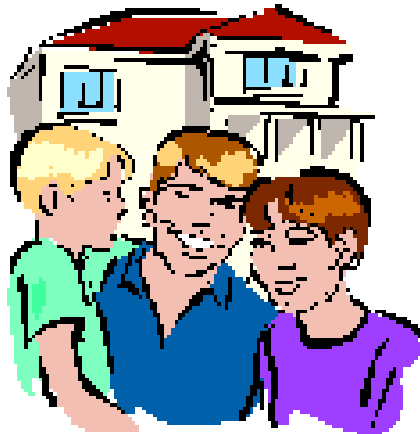


- ❖ The property under consideration must be within the corporate limits of the City of Great Falls.
- ❖ Applicant must own the home and have lived there for at least one year. Proof of equity could satisfy the one-year residency. Applicant or borrower must continue to reside in the property until the maturity of the loan. The applicant must provide a copy of a contract for deed, (if applicable) and an accounting of the last 12 months of utility bills.
- ❖ Mobile homes are not eligible for these programs. Manufactured units (per the City code definition) which are on a permanent foundation that meets City codes are eligible. An original building permit of the foundation and/or inspection report and certification from the Building Official or a professional engineer will be required.
- ❖ An ownership report (acceptable to the City) will be obtained prior to loan approval. If applicant is purchasing the home on a contract for deed, the contract holder must sign the City's mortgage and note.
- ❖ Income eligibility is based on the current Section 8 income limits set by the US Department of Housing and Urban Development. Income eligibility is adjusted by the number of members in the household.
- ❖ All income, of any working family member in the household, will be considered. Examples of income for determining eligibility include wages, social security, retirement, pensions, child support, disability, alimony and living allowances. The client will provide the City with a copy of their current federal income tax report. Current

employment status and wages will be verified through the Montana State Department of Labor.

- ❖ A credit report will be acquired and reviewed by the City.
- ❖ If the applicants have assets that exceed \$25,000.00, other than their home and existing household items, they will not be eligible for this program. Examples of items that are considered as assets are secondary vehicles, recreation vehicles, interest in other real-estate, cash on hand or in checking and savings accounts, marketable securities or U. S. Savings Bonds, Cash Value (est.) of life insurance policies, and all other assets.

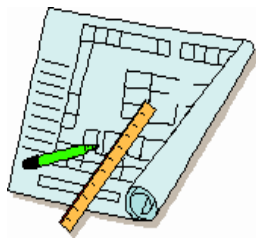
Rehab Loan Guidelines



- ✓ City staff will complete a Housing Quality Standards (HQS) and Code Deficiencies Inspection (CDI). Problems identified through HQS and (CDI) must be included in the scope of work. At the time of the inspection, staff will review the clients desired rehab items for program eligibility. Items concerning the federal lead-based paint regulation and the historical significance regulation and any observed hazard will be reviewed with the client. All federal regulations must be met before a loan can be processed.
- ✓ The Loan Committee will ensure the City does not loan over the property's value (80% of value is desirable) after rehabilitation.
- ✓ For the Deferred Payment and HOME Loans the maximum loan is \$50,000.00, plus the cost of the testing and monitoring of lead based paint if applicable. For the Rental Improvement Loan program the maximum loan is \$30,000.00 per unit with a maximum of \$100,000.00 to any one owner, plus the cost of the testing and monitoring of lead based paint if applicable.

- ✓ The loan is secured in the form of a mortgage against the property, a personal note and/or acceptable collateral may be considered by the loan board.
- ✓ For the **Deferred Payment Loan Program**, Payment is deferred until the first mortgage is paid off or transfer of title. At that time, the DPL payment will equal the principle and interest made on the homeowner's original first mortgage. *Reoccurring monthly payments are due the first of each and every month. Additional advance funds received will be credited against the end principal of the loan and not count as subsequent month's payments.*
- ✓ The **Rental Improvement Program** requires the approved re-payment to begin when the project reaches substantial completion. *Reoccurring monthly payments are due the first of each and every month. Additional advance funds received will be credited against the end principal of the loan and not count as subsequent month's payment.*
- ✓ **Water/Sewer Program** will require a re-payment to begin plus 3% interest when the project reaches substantial completion. Handicap, elderly and low income may be interest exempt, depending on financial ability to repay *Reoccurring monthly payments are due the first of each and every month. Additional advance funds received will be credited against the end principal of the loan and not count as subsequent month's payment.*
- ✓ The full loan amount is due and payable to the City upon any transfer of title from the loan recipient(s). The City will consider subordination of its position for the purpose of reduction in interest rate and/or reduction in term of the first mortgage position only. The cost of closing the refinance could be added to the loan (provided there is adequate equity) in front of the City loan at the time of subordination. The City of Great Falls will **not** subordinate to any other added debt other than refinance, reduction in term and reduction in interest.

Application Submittals



Please return the completed application to the City of Great Falls, Community Development Department, Civic Center, Room 112, P.O. Box 5021 Great Falls, MT 59403 along with:

1. Copy of the current year, income tax filed to the federal government.
2. Copy of 12-month activities on utility bills. (Gas, electric and water)
3. Completed household budget form.
4. Copy of contract for deed, if applicable.
5. Copies of any professional inspection of the property (appraisals, market analysis, Engineer study).
6. If the applicant contacted contractors, please include copies of written bids.
7. Read and fill out the lead-based paint and lead hazard disclosure form.

Steps in the Rehabilitation Process



Steps:

1. **Loan Application:** The Rehabilitation Specialist will explain the application, receive the signed application, collect general financial information, copies of the utility bills, and history information of property.
2. **Eligibility Analysis:** The eligibility for financing is determined upon receipt of application; household income can not be above US Department of Housing and Urban Development guidelines; property taxes and utility bills must be current and the ownership report must be acceptable to the City, a credit report is considered.
3. **Initial Inspection:** On the initial inspection, the Rehab Specialist will conduct a Housing Quality Inspection of the entire property. Life safety and code violations will be brought to the owner's attention and will be included in the work scope. At this time, Applicant should inform the Rehab Specialist about additional improvements desired.
4. **Initial Work Write-up:** This is the process in which the Rehab Specialist prepares a scope of work, if applicable, which sets forth the work to be completed and materials to be used together with a cost estimate. The applicant and Rehab Specialist will review the scope in order to make sure that it accurately details the work to be undertaken and that the applicant, as homeowner, has a thorough understanding of the rehabilitation work.

5. Submission of Proposed Rehabilitation for Review: After acceptance of the scope of work is received and written-up, the Rehab Specialist will submit the proposal to the Housing Board for loan review.
6. Loan Approval: When the loan has been reviewed, the Rehab Specialist will notify the applicant if funds have been reserved for the loan or reasons for denial.
7. Loan Closing: All necessary documents (mortgage, note, etc.) are presented for signature.
8. Final Work Write-up: Due to possible changes in review, a final work write-up will be completed.
9. Bid Process: The applicant can solicit quotes from any contractor licensed to work in Great Falls. The City and applicant acknowledge the lowest bid becomes the acceptable bid if there are no observable irregularities. However, the applicant, and the City of Great Falls reserve the right to accept or reject any or all bids. Property owner/applicant may act as general contractor. No payment will be made for the labor or service of the owner or any member of his/her immediate family.
10. Pre-construction Conference: All subcontractors are identified to the owner and City. The parties signing into contract shall negotiate starting and completion dates.
11. Award Contracts Notice to Proceed: All necessary documents are presented for owner and contractors signature. All applications for permits are submitted for building review.
12. Project Monitoring and Payout I nspections: The Rehab Specialist will do timely inspections and monitoring of the project. All change orders will be in writing and copies signed by both owner and contractor must be submitted to City to review before work can continue.
13. Final I nspection: I nspection by City staff will be conducted and, if needed, staff will prepare a punch list, receive lien waivers, and have all parties sign final approval.

14. A project-closing interview is conducted with the owner. The owner will be provided with copies of record filings and a repayment schedule. The owner/borrower signs off on the project completion.
15. The Rental Improvement Program will require an interview with initial tenants at the time of lease up to determine tenants meeting income eligibility and rents are at agreed levels. Follow up interviews will be conducted annually for a two-year period.

COLLECTION PROCESS:

1. *Reoccurring monthly payments are due the first of each and every month. Additional funds received will be credited against the end principal of the loan and not count as subsequent month's payments.*
2. A letter requesting immediate payment will be sent when loan payment is 30 days late.
3. A second letter will be sent when loan payment is 60 days late containing a notice that the loan will be turned over to an attorney for legal action.
4. When payment becomes 90 days late, a third letter will be sent containing a statement that the loan has been turned over to an attorney for legal action.
5. If all delinquencies are not brought current, the City Attorney will send out a letter demanding immediate payment of all past due amounts.
6. Loan will then be turned over to the city attorney, a collection attorney or collection agency for collection of all amounts due plus legal fees. A judgement will be filed to collect the personal note. The City will continue to maintain the lien against the property.
7. If City is contacted by debtor with a hardship reason (e.g. medical) during the collection process, the request will be submitted to staff for review and resolution. If a resolution is not obtained to the satisfaction of both the debtor and the City, the request will be presented to the Loan Board for consideration.

8. The Community Development Department will follow all City, State, and Federal procurement requirements in obtaining the services of a collection attorney and collection agency.

LATE FEES:

1. A \$10.00 late fee will be assessed and added to the loan balance for each month that the loan payment is late.

BANKRUPTCY:

1. The City will use any means possible as allowed by current bankruptcy laws to collect the loan, as determined by the type of bankruptcy filed.

FORECLOSURE:

1. The Community Development Director will determine on a case-by-case basis, whether to acquire the subject property if the City's position is in jeopardy due to foreclosure. The decision will be based upon the City's loan amount, the property's worth, and the amount of debt against the property in front of City's loan.
2. If the City receives the property, all City, State and Federal laws will be followed for disposition of the property.
3. If the City decides not to bid on the property, collection of the personal note will be initiated by turning the loan over to a collection attorney or a collection agency for collection.

APPEAL PROCESS:

1. All staff decisions concerning loan collection may be appealed to the Loan Board. All Loan Board decisions concerning loan collection may be appealed to the City Commission.