

**AUBURN-LEWISTON CONSORTIUM  
HOMEOWNER REHABILITATION  
LOAN PROGRAM GUIDELINES**

**A. INTRODUCTION**

The Cities of Auburn and Lewiston have formed a consortium to qualify for HOME Investment Partnerships Program funds whereby the grant is shared by both cities. The Home Owner Rehab Program guideline describes assistance that is available to enable low- and moderate-income households to improve the unit they occupy and is available in either city.

**B. PROGRAM OBJECTIVE**

The objective of the Homeowner Rehabilitation Loan Program is to improve the housing quality of low- and moderate-income property owners by eliminating substandard housing conditions by upgrading the property to meet code requirements for existing buildings, making the building energy efficient, and making general improvements to improve home livability. The Homeowner Rehabilitation Loan Program is subject to all HOME Investment Partnerships Program regulations.

**C. OUTREACH**

Community Development Office staff is responsible for providing outreach to encourage a full range of potential clients. This shall be accomplished through marketing to homebuyer education classes, newspaper articles, and advertising the availability of the Home Ownership Rehabilitation Program. Advertisements shall include a non- discrimination statement. Outreach shall be done in accordance with the Consortium's Affirmative Marketing Plan.

**D. PARTICIPANT ELIGIBILITY**

1. The applicant's household income is less than 80% of median income at the time of closing.
  - From time to time income-qualified applicants may have substantial savings and assets (from an inheritance, divorce settlement, from a parental gift, or simply through diligent savings) that can be used toward the rehabilitation of the unit. While these applicants meet the income-eligibility standards for the program, their ability to financially contribute to the project calls into question whether they are truly in need of federal assistance. Applicants with assets exceeding \$75,000 (excluding primary residence, primary vehicle, and retirement accounts) shall be considered ineligible.
2. The unit to be improved must be owned by the applicant at the time of closing.
3. The unit will be occupied as the principal residence of the applicant. If the owner ceases to occupy the unit as principal residence during the affordability period, the loan will be considered in default and full repayment will be required.

**E. PROPERTY ELIGIBILITY**

1. The property must be located in Auburn or Lewiston.
2. The applicant must own or have a written agreement to purchase the property to be improved.
3. The property must be one of the following approved forms of ownership: fee simple title, 99-year lease, condominium, or cooperative housing.
4. The property must be a single family owner occupied. Multi-unit and mixed-use properties and properties containing commercial uses are not eligible.
5. Upon completion the property will be decent, safe, sanitary and in good repair and meet the following housing standards: Lead Safe Housing Rule, accessibility requirements of 24 CFR Part 8, Section 504 of the Rehabilitation Act of 1973, and standards of the International Existing Building Code, and Housing Standards. Community Development Office staff will determine the requirements for building improvements. An application may be deemed ineligible if the Rehab Coordinator determines a project is not feasible with the available resources.
6. Properties that have utilized a City of Auburn Residential Rehabilitation Program loan within the past 10 years are not eligible unless special permission is granted by the City Manager.

**F. IMPROVEMENT STANDARDS**

1. Upon completion the unit will be decent, safe, sanitary, in good repair, and meet the following standards: Lead Safe Housing Rule, accessibility requirements of 24 CFR Part 8, Section 504 of the Rehabilitation Act of 1973, and the Existing International Building Code, and the City of Auburn's Housing Standards.
2. Eligible improvements are of an essential and permanent nature and may include but not limited to:
  - a. structural repairs;
  - b. energy improvements;
  - c. lead-based paint hazard reduction ;
  - d. accessibility for disabled persons;
  - e. repair or replacement of major housing systems;
  - f. incipient repairs and general property improvements of a non-luxury nature;
  - g. retaining walls and utility connection;
  - h. finishing of unfinished areas to add space to a dwelling unit to make it properly sized for the occupants according to applicable HUD standards;
  - I. improvements which would generally increase the economic viability of the property;
  - j. engineering and architect costs;
  - k. landscaping limited to correction of a drainage problem;
  - I. non-living space limited to demolition of deteriorated structure, structural repairs, and weather protection; and
  - m. fencing when required to correct a hazardous condition.
3. Improvements that are ineligible are:
  - a. new construction;

- b. paving;
- c. appliances or furnishings;
- d. rehabilitation costs attributed to other housing units in the property.

**G. LOAN TERMS**

1. The minimum loan is \$1,000.
2. The maximum subsidy limit (grants + loans) shall not exceed 75% of the after-rehabilitation value of the assisted property, as estimated by the Community Development Office.
3. The loan terms shall be as follows:

<b>Income Range</b>	<b>2% Amortized Loan</b>	<b>0 % Amortized Loan</b>	<b>Deferred Loan</b>
<b>0-50% of median income</b>			<b>100%</b>
<b>51-65% of median income</b>		<b>50%</b>	<b>50%</b>
<b>65-80% of median income</b>	<b>50%</b>	<b>50%</b>	

A deferred loan is a non-installment loan. Deferred loans will be repaid in a single payment upon sale, conveyance, or transfer of the property, within one year of death of the borrower(s), or at the time the owner ceases to occupy the property. In the case of the death of the borrower(s), the deferred loan may be forgiven if the property transfers to a relative that meets the income standard of 80% or less of median income.

**H. GRANTS**

Grants may be made available for the repair/replacement of a "major system" if it has been determined by the Community Development Office to have a useful life of less than five years. Maximum grant amounts for major systems are as follows:

<b>Major System</b>	<b>Grant Amount</b>
Roof	\$10,000
Furnace	\$5,000
Septic System	\$10,000
Whole House Re-Wiring - Knob & Tube Replacement	\$10,000
Electrical Distribution Panel Replacement	\$1,000

Total amount of grants for major systems may not exceed \$15,000

**I. UNDERWRITING**

1. The maximum HOME loan shall be based on the actual cost for the owner's unit and a proportional cost for common improvements based on the ratio of the owner's units to the total units in the building.
2. The after-rehabilitation value of the HOME assisted property will not exceed 95 percent of the median purchase price for the area, as established by HUD for existing single-family housing.
3. Documentation shall include either an appraisal or a comparable tax assessment

- value as determined by the Tax Assessor.
4. All debt shall not exceed 42% of gross income.

## **J. APPROVAL**

### **a. Approval of Auburn Loans**

HOME Loans will be Underwritten by Community Development Office staff and presented to the Program Director for approval based on achieving the program objective in part B, Underwriting standards in Part I and considerations under J-4. Additional conditions may be attached.

### **b. Approval of Lewiston Loans**

HOME Loan will be reviewed by the Loan Qualification Committee (Committee) who will be responsible for making decisions to approve or deny loan requests and to establish loan conditions.

### **c. Appeal Procedure**

The reason(s) for rejection shall be given to the applicant. HOME Loan that have been denied may be appealed to the approving authority for a period of thirty days after the date of rejection. The applicant(s) will be allowed to present his/her case. The approving authority may reconsider a prior decision to deny the application after the appeal review has been complete. A decision will be made immediately after the appeal has been heard.

### **d. Loan Considerations**

In approving or denying loan requests, the approving authority shall be guided by the following loan considerations: cash flow; credit; payment of property taxes or acceptable arrangements; collateral coverage, and broader implications of public benefits including health and safety of the applicant.

## **K. PROGRAM ADMINISTRATION**

### **1. Non-Discrimination**

Administration of this program shall be in accordance with Title VI of the Civil Rights Act of 1964. No person shall, on the ground of race, color, national origin, be excluded from participation in, be denied the benefits of, or subjected to discrimination under this program.

### **2. Definitions**

#### **a. Household Income**

- 1) When determining whether a household is income eligible, CDO will calculate annual income using the IRS Form 1040 method as defined by the Office of Housing and Urban Development.
- 2) If the project expects to use tax credits as part of the funding method an additional income qualification using the Part 5 method as defined by the Office of Housing and Urban Development is required.
- 3) For the purpose of determining eligibility, CDO will calculate annual household income by projecting the prevailing rate of income of each person at the time assistance is requested. Estimated annual income shall include income from all household members.
- 4) Income may include wages, salaries, overtime, bonuses, fees, tips, commissions, interest and dividend income, net rental income, child

support/alimony, Social Security benefits, SSI, retirement, pension or annuity, TANF, unemployment benefits, worker's compensation, and disability or benefits from any source.

- b. Household** - Includes all persons who occupy a housing unit. The occupants maybe a single family, one person living alone, two or more families living together or any other group of related or unrelated persons who share living arrangements.
- c. 80 % of Area Median Income** - Is the maximum income a household can earn, adjusted by household size in order to qualify as low- to moderate income and be eligible for the Homeowner Rehabilitation Loan Program. Income limits for Lewiston-Auburn SMSA are provided by the Office of Housing and Urban Development, and are revised annually.
- d. Community Development Office staff** - (CDO) is the contact person designated as the City's representative to process loan applications in Auburn or Lewiston.
- e. Rehabilitation Costs** -The total of contractor estimates from the lowest eligible contractors, self-help expenses, and the contingency determined to be reasonable by CDO.
- f. City** - Either the City of Auburn or City of Lewiston, as applicable.

### 3. Application Procedures

This section shall set forth the procedures for administering the Homeowner Rehabilitation Loan Program.

#### a. Applications

- 1) **Priority** -Applications will be processed on a first come, first served basis. CDO shall establish a priority processing list based on the receipt date of a complete application.
- 2) **Initial Application** - An application may be obtained from the Community Development Office. A complete application shall include verification of income. An incomplete application will be returned to the applicant.
- 3) **Income Verification** -The applicant(s) shall provide documentation of all income sources and a federal tax return. CDO shall make a determination of preliminary eligibility based on household size and income. A certified financial statement or additional documentation from an accountant or other acceptable source may be required of an individual whose income is from corporation, partnership, or other business enterprise.

- b. Initial Inspection** - CDO shall make an initial inspection of all housing units within a building to determine -the scope of work. Community Development staff will identify the required improvements in writing. Once the owner has reviewed the inspection report, CDO will prepare technical specifications for contractor bidding.
- c. Meeting -Rehabilitation Standards** - HOME assisted properties must meet housing standards at the completion of the project. Housing standards include Lead Safe Housing Rule, accessibility requirements of 24 CFR Part 8, Section 504 of the Rehabilitation Act of 1973, standards of the International Existing Building Code, and Housing Standards adopted by the City of Auburn.
- d. Lead** -The CDO must consider whether the rehabilitation calls for lead hazard control

measures.

1) **Risk Assessment** - A risk assessment will identify whether lead hazards exist and what type of methods must be used to control them or CDO may presume surfaces are covered by lead-based paint. It will be necessary to perform clearance testing of the construction area to confirm the absence of lead hazards after the work is completed. All testing costs will be paid by the CDO.

2) **Displacement** -- The Contractor, owner and CDO will work closely to minimize the need to displace occupants of a dwelling unit. If a tenant must move in order to insure that they are not adversely affected by the corrective work, the owner and CDO will arrange for the relocation. CDO shall pay for temporary moves according to its Residential Anti- Displacement and Relocation Assistance Plan.

**e. Bidding & Contractor Eligibility**

The bidding process and selection of a contractor will be conducted in accordance with the Community Development Office's Rehab Bidding and Contractor Eligibility Policy.

**f. Private Capital Match**

When additional funds are required to complete the project, the applicant will have the option of using cash or borrowed funds. Additional funds will be deposited into a segregated City account and will be subject to disbursement of funds procedures defined in this guideline. Any funds provided by the Owner or private lenders are subject to the same contractor and self-help requirements as the City's loan.

**g. Notices**

1) **Acceptance-Applicant(s)** will be notified of acceptance through a written Commitment Letter.

2) **Rejection** - If the request is rejected, Community Development staff will notify the applicant(s) in writing and give the reason(s) for rejection.

**h. Loan Closing**

A loan closing shall be completed prior to contractors starting work and shall include, but not be limited to a mortgage instrument to be recorded at the Androscoggin Registry of Deeds, and a promissory note in the full amount of the City's loan. The participant will sign a Rehabilitation Agreement stipulating additional conditions of the loan and Self-Help Contract for any work being done by the participant.

**i. Change Orders**

No change to the rehabilitation contract work shall be allowed unless approved by the CDO, owner, and contractor. Any changes involving cost will be supported through the execution of a change order between the contractor and owner. No change orders will be able to exceed the approved loan amount without approval of the loan approving authority.

**j. Insurance**

The participant is required to maintain fire, liability and other hazard insurance on the property for the full term of the note and for an amount at least equal to the total value of all mortgages held on the property, or an amount at least sufficient to cover coinsurance requirements in the State of Maine. The City will be named as a mortgagee on the policy and the participant shall provide evidence of insurance.

**k. Construction Contract**

The owner and contractor will sign a contract signed at the time of loan closing which is acceptable to the COO. Assurance will be required of the contractor and owner that the rehabilitation work will be carried out efficiently and within a reasonable period of time. The contractor shall secure all necessary permits prior to the start of work at his/her own expense. The contractor shall contact the CDO for approval of each phase of the work.

**l. Inspections**

The CDO shall have the right to inspect all rehabilitation work financed in whole or in part with the proceeds of the loan. The CDO will inform the owner and/or contractor of any noncompliance with respect to the rehabilitation work and the corrective action needed. The CDO will verify that all work has been completed according to the specifications. No payment shall be made until the work is acceptable. The owner will take all steps necessary to assure that the CDO is permitted to examine and inspect the rehabilitation work.

**m. Escrowing of Funds**

The CDO will act as escrow agent for the City loan, as well as permit the CDO to disburse such funds to the owner and/or the contractor in the manner set forth in the contract between applicant and contractor. The CDO may require lien waivers as a condition of payment.

**n. Disbursement of Funds**

After receiving appropriate invoices, receipt of lien waivers for invoices over \$5,000, and inspecting the rehabilitation work, progress payments shall be authorized by the CDO. Unutilized funds may be applied to reduce the principal or may be used to complete additional work as approved by the CDO.

**o. Records**

The applicant agrees to keep such records as may be required by the CDO with respect to the rehabilitation work financed in whole or in by the loan and, furthermore, when the rehabilitated property contains rental units, the applicant agrees to keep such records as may be needed by the CDO with respect to income received and expenses incurred from this property. The applicant will, at any time during normal business hours, and as often as the CDO may deem necessary, permit the CDO to have full and free access to its records with respect to the property.

**p. Assumability**

Loans are generally not assumable with the exception of Homeowner projects where the applicant was a lessee. In the case of the death of the borrower(s), a deferred loan may be assumed by a relative of the original borrower that meets the income standard of 80% or less of median income. The deferred loan shall be converted to a forgivable loan and subject to the recapture provisions. The recapture period shall commence when the property is transferred.

**q. Subordination**

Subordination of the HOME loan is generally not allowed. Exceptions will be made for documented emergencies on a case-by-case basis by Community Development staff. CDO may request documentation in order to evaluate the request. Refinancing may be allowed for the following reasons:

1. limited to the existing first mortgage balance plus reasonable closing costs if refinancing places owner in a better economic situation and does

not diminish the City's financial position in the property;

2. exorbitant medical expenses;
3. loss of husband/wife;
4. documented system failure (two estimates from reputable contractors); or
5. legal expenses incurred that would affect the health or stability of the household.

**r. Cancellation**

A loan approval shall be valid for 6 months. If there has been no loan closing or commencement of work, it will be necessary for such a loan to be reconsidered by the Community Development Loan Committee.

**L. FEDERAL AND STATE REGULATIONS. AS MAY BE AMENDED**

- a. Equal Employment Opportunity** - The applicant must abide by the provisions of Executive Order 11246 concerning equal employment opportunity.
- b. Flood Hazard Insurance** - If the property to be improved is located in a Designated flood hazard area, the applicant is required to provide evidence of flood hazard insurance coverage and abide by the regulations of the Flood Disaster Protection Act of 1973.
- c. Civil Rights** - The applicant will be required to comply with Title VIII of the Civil Rights Act of 1968 and the Fair Housing Amendments Act of 1988, barring discrimination upon the basis of race, color, religion, creed, sex, handicap, familial status, or national origin in the sale lease rental, use or occupancy of the subject property.
- d. Conflict of Interest** - No elected or appointed official or employee of the City of Auburn and no members of any municipal board or committee which exercises any decision-making functions with respect to the Community Development Programs, shall participate in negotiating or shall exercise any influences in awarding or administering any contract in which he has a direct or indirect pecuniary interest as that terms is defined by 30 M.R.S.A. Section 2250
- e. Lead Based Paint** - If the project involves a property that was constructed prior to 1978, all Title X Lead Based Paint standards shall apply.
- f. Environmental Review Procedures** -- The city shall conduct an environmental review including, but not limited to determination of whether the property is historically significant and whether the property is located in a flood zone and shall communicate any findings and special considerations to the applicant.
- g. Uniform Relocation Act** - The city shall comply with the Uniform Relocation Act with respect to tenants who may be permanently or temporarily displaced.

**HOMEowner Rehabilitation Loan Program**

Program guidelines approved:

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Phil Crowell, City Manager

Date