

HOMEOWNER EMERGENCY LOAN PROGRAM (HELP)

Program Overview

HELP is available to assist low-income homeowners in the City of Lewiston who need immediate assistance to address health and life safety issues.

Program Criteria

Property Eligibility: To be eligible, the property must be an owner occupied single family home located anywhere in the City of Lewiston. The qualification process will include an inspection for health and life safety hazards as determined by the City's electrical, building and plumbing inspectors, water and sewer department and fire inspectors.

Applicant Eligibility: The applicant must have proof of ownership of the property, household income must be at or below 115% of Median Family Income as defined by HUD, and maintain hazard insurance on the property.

City Assessments: Applicants may not be delinquent on property taxes, water or sewer bills, or have any outstanding or delinquent accounts on the property.

Cost Estimates: Applicants are required to obtain two bids by qualified independent contractors. Funding for approved projects will be based on the lowest and most qualified bids; however, applicants may choose any of the submitted bidders but will be responsible for paying the cost that exceeds the lowest qualified bidder. No self-help is allowed.

Eligible Expenses: Health and life safety hazards as determined by the City's electrical, building and plumbing inspectors, water and sewer department, and fire inspectors (such as malfunctioning furnaces, water leaks, means of egress, etc.).

Loan Approval: Due to the emergency nature of the program, the Director of the Economic and Community Development Department has the authority to approve loans rather than the Loan Qualification Committee. Same underwriting guidelines will be followed as in the City's regular lending programs.

Maximum Funding Available per Project: Up to \$7,500 per property.

Terms of the Loan:

- Homeowners whose income is at or below 50% of Median Family Income (MFI) may qualify for a deferred loan at 0 % interest up to 10 years;
- Homeowners whose income is at 51-80% of MFI may qualify for a 1% interest loan up to 10 years;
- Homeowners whose income is at 81-115% of MFI may qualify for a 2% interest loan up to 10 years.

Matching Funding: No match required.

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Funding Agreement: Applicants must sign a funding agreement with the City prior to commencing improvements.

Federal, State, and Local Requirements May Apply: Most of the funding available to the City for grants and loans comes from federal or state sources, which means there are some restrictions or requirements that must be met.

Funding Source: Community Development Block Grant (CDBG)

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To Apply for a City Loan or Grant

A property owner interested in participating in the City's Loan Programs must submit a completed, signed application along with the required submissions to the Economic and Community Development Department (ECDD), City of Lewiston, 27 Pine Street, Lewiston, ME 04240. If you have questions specific to the program, you can contact Jayne Jochem, Community Development Coordinator, at 207-513-3126 x 3233 or jjochem@lewistonmaine.gov. Personal appointments can be made upon request. There is an open application period as long as funding is available. Residential loans and grants are processed on a first come, first serve basis.

Application Submission

The following items *may be* required submissions as part of the application package.

- a) Completed and signed application form and application checklist for documents required to be submitted
- b) Financial information is required with all applications including: household income; two years of personal income taxes; two months of personal bank statements; financial records on the property to be rehabilitated; a copy of current Hazard Insurance on the property; and other information as requested to make a determination on credit worthiness for a loan.
- c) Addresses of all properties in the City of Lewiston owned wholly or in part by the applicant.
- d) Current photograph of property to be improved
- e) Written description of the project improvements
- f) Two written bids/estimates for each component of the proposed scope of work needed to complete the project

Application Processing and Review

Each application will be dated upon receipt in the Economic and Community Development Department offices on the Third Floor at City Hall. Only one original application is needed; however, applicants should retain a copy of the completed application. Each program description outlines the type of funding available as well as the maximum funding limit. You may request up to that limit; however, if the ask is not supported by the need, the City may fund a lower amount. You must meet the individual program and the financial guidelines for each type of program applied for. Owner's capacity to finance and complete the scope of the approved project on a timely basis is evaluated as part of the approval process.

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Verification of Information

Once the application is submitted, Community Development staff will verify all sources of income, assets, and matching sources. Third party written verifications may be needed. Credit reports will be obtained to determine credit worthiness of the applicant(s).

Community Development staff will conduct a title search on the property to make sure that the title is clear from liens and will complete property verifications with City Departments (Assessing, Finance, Water and Sewer, Treasurers, Code Enforcement, and Planning) on all properties owned by the applicant(s) in the City of Lewiston to ensure that there are no outstanding assessments or complaints against the properties. If there are outstanding assessments or complaints, the applicant will not be eligible for funding until the assessments are paid in full and the complaints cooperatively dealt with. Community Development staff will check the Federal, State, and local databases to determine whether or not the building is historic and, if so, the type of review needed. If federal guidelines require project review by the Maine Historic Preservation Commission, the approval process may take as long as 45 days. City staff will also check the Flood Map and the Wetlands Map to determine if there are any restrictions and requirements related to these issues on the property, and a GIS map of the property location will be printed and maintained in the application file.

Community Development staff will review the project and the bids with Code Enforcement and set an appointment to conduct an *initial inspection of the property* to ensure that the proposed improvements will add value and that the building can support the proposed improvements. Code Enforcement will make recommendations as needed, including items that do not meet code and need to be repaired as part of the project.

Community Development staff will check the contractors that have provided proposals against the Excluded Parties List System (EPLS) <http://www.epls.gov> to determine if the contractor has been debarred, suspended, is proposed for debarment, excluded, or otherwise disqualified from work that is federally funded. Staff will document the file.

Each funded activity must meet one of the three HUD national objectives: 1) low-moderate income benefit; 2) elimination of slum and blight; or 3) urgent need. In aggregate, at least 70% of all funds must assist low and moderate income persons over a 1-3 year period. Community Development staff will document a file the extent to which the project meets these National Objectives.

CDBG Residential Program Definitions

Affordability Guidance:

The affordability to low/moderate income tenants of Multi-unit housing (1-4 units) rents is

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determined in the following manner:

- a. Monthly rental charges for each dwelling unit in the property, at the time of application and during the affordability period, must not exceed the maximum Fair Market Rent (FMR) established by HUD minus the allowance for tenant paid utilities. The City loan programs follow the HUD approved FMR exception rents up to 120% of the established FMR and the utility allowance for tenant paid utilities as adopted by the Lewiston Housing Authority. (See Appendix B.)
- b. Rents must remain affordable for a one (1) year affordability period after construction is finished and the loan goes into repayment. Rents cannot be raised for that year.

Household Income:

- a. Income of all members of the household is considered for computing total household income. This 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, AFDC, unemployment benefits, worker's compensation, and disability or benefits from any source.
- b. For the purpose of computing income, a household shall be defined as all persons who occupy a housing unit. The occupants may be 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. Exception -- An exception to calculating household income is for boarders of the applicant. A boarder is an adult who pays the market rate to rent a room and shares kitchen facilities with the applicant. The applicant must produce verification of rental income such as canceled checks and rental income on a federal income tax form. The gross income of the boarder will not be included in calculating the applicant's household income. Instead, the HUD Fair Market Rent for a 0 bedroom unit shall be added to household income. The boarder will not be counted as a household member when calculating family size.

Investor: A property owner that does not live in the property to be rehabilitated who may receive rehabilitation assistance in order to improve housing conditions for low/moderate income tenants.

Mixed-Use: A property used in some part for residential purposes and in some part for non-residential purposes.

Owner-Occupied: An applicant who holds the entire ownership interest of a property and lives in one unit of the property as a primary residence.

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Rehabilitation Costs: The total of contractor estimates from eligible contractors for the scope of the work. Part of this scope of work may include *lead hazard control* or abatement. The ECDD must consider whether the rehabilitation calls for lead hazard control measures. This may involve hiring a risk assessor or lead inspector who will determine whether lead hazards exist and what methods must be used to control them. All lead related contractors must have the proper certifications as required by HUD, EPA, and MEDEP. A copy of the certification will be required with the contractor's bid. If lead hazards exist, a clearance test of the construction area will be required from a licensed risk assessor to confirm the absence of lead hazards after the work is completed. The Contractor and owner will work closely to minimize the need to displace occupants of a dwelling unit as well as ensure no residents of the property are affected by lead hazards.

Residential Property: A property used entirely for residential purposes (household living space).

Target Areas: A designated neighborhood area defined by the Department for concentrated use of Community Development Block Grant Funds. Census Tracts 201, 202, 203, and 204 are designated as the "Target Area".

Risk Analysis and Underwriting Criteria

All loans will be underwritten by staff or contractors of the Economic and Community Development Department.

The following underwriting criteria will be used to evaluate the financial strength of the borrower and the anticipated success of the project:

- a. Debt Coverage Ratio (DCR) defined as the monthly debt compared to the monthly net income. The City will expect a DCR of at least 1.10
- b. Loan to Value Ratio (LTV) defined as the Total Loan Balances of the mortgages divided by the Fair Market Value of the Property. The LTV will not exceed 100% LTV (loan only)
- c. Commitment of other lenders/Terms of the Commitment/Subordination
- d. Repayment/Refinancing Collateral
- e. Matching source from an institutional lender, owner financing, insurance company, and/or any other source acceptable to the lender
- f. Track record of cooperation with Code Enforcement and other City departments

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- g. Verification that all City Department assessments (taxes, City utilities, etc) have been paid

The file will be documented with this information and reviewed by staff to determine whether or not the project is financially feasible and ready to move to the Loan Qualification Committee for approval.

Application Approval

All applications for program funding are presented for review and approval to the Loan Qualification Committee (LQC), which consists of: the City of Lewiston's City Administrator, Economic & Community Development Director, Director of Finance, one member of the City Council, and one citizen representative preferably with lending experience.

The actions of the Committee shall be governed by the following rules:

- a. A majority of the Committee's members must be present to constitute a quorum. At least three (3) votes on the prevailing side are required to constitute a valid vote on any funding application.
- b. Committee approval of applications will be contingent upon the applicant meeting the requirements of the program they are applying for
- c. The Committee has the authority to adjust terms, rates, and the match requirement and underwriting ratios on a case-by-case basis.

Approval/Disapproval of the Funding Request

Once the LQC makes a recommendation, the applicant will be notified via telephone by a representative of the Economic and Community Development Staff. If the terms have been modified, the borrower will be given an opportunity to accept the new terms and conditions or request an appeal.

Appeal Process

The applicant may appeal the decision of the Loan Qualification Committee (LQC) under the following circumstances:

- a. Must be in writing with an explanation regarding why the applicant should be granted an appeal
- b. No new information may be presented by the applicant, only clarification of information that was not presented correctly.
- c. Request for an appeal must be made in writing to the LQC, Chairperson within 30 days of the date of the decision to deny or modify the terms of participation. The Chairperson will conduct the appeal process.
- d. The decision of the Chairperson is final.

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General Terms and Conditions for Participation in the City Programs

This section sets forth the general terms and conditions to which an applicant must agree in order to receive a loan through the City.

Once the proposed work is approved for funding and a Commitment Letter is issued, Community Development Department staff will contact the owner to schedule an appointment for a loan closing. The following documents become part of the Funding Agreement between the City and the Owner: Commitment Letter, Terms and Conditions of the Program, Security Agreement or Mortgage, Promissory Note, Personal Guaranties of all owners, or other Agreements pertinent to the type of funding.

The City of Lewiston views the documents executed at the loan closing as a contractual agreement between the Borrower and the City. To fulfill this agreement, the Borrower must:

1. Complete within six (6) months all rehabilitation work as described in the loan application submitted by the applicant and approved by the Loan Qualification Committee. For exterior work, scheduled allowances may be made for weather if needed.
2. Repay in full and in the manner prescribed all loan money disbursed to the Borrower by the City of Lewiston through its programs.
3. The Borrower accepts ultimate responsibility for fulfilling this agreement and further agrees that:
 - a. Other verbal agreements or written contracts entered into for the completion of any rehabilitation activity are made solely between borrower and the respective contractor and/or supplier;
 - b. Borrower will indemnify and hold harmless the City of Lewiston and its agents from any and all disputes or claims of any nature for damages which may arise from the performance of any rehabilitation activity.
4. If a Borrower fails to maintain the property at or above the minimum acceptable level prescribed by municipal codes, the City Treasurer may assess an interest penalty to be added to the Borrower's monthly payment. This interest penalty shall be equal to the unpaid principal of the loan after the code violations are discovered times one-twelfth of the annual effective interest rate of the matching bank loan, and shall be assessed each first day of the month thereafter, until the code violations are corrected. If there is no matching loan, the effective interest rate shall be the rate then in effect for delinquent property tax payments.
5. The Borrower's failure to make any monthly payment in full within thirty (30) days of the date when due, or the Borrower's failure to make full payment of any late charge or interest penalty within thirty (30) days of the date assessed, shall constitute a default.

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6. The entire principal balance and all accrued interest shall become immediately due and payable without notice or demand upon the following events:
 - a. The Borrower's failure to make any monthly payment in full within 30 days of the date when due or the Borrower's failure to make full payment of any late charge or interest penalty within 30 days of the date assessed;
 - b. The commencement of any proceedings by or against the Borrower under any bankruptcy or insolvency laws;
 - c. The dissolution of, insolvency of, appointment of a receiver for, or assignment for the benefit of creditors of any property of the developer;
 - d. Loss of, substantial damage to, destruction of, sale of encumbrance upon (whether first or second position to this note and the mortgage securing this note), seizure of, levy against, attachment of, failure to pay any property taxes or other city utilities upon or insurance premiums on the project property
7. Rehabilitation Loans will require a security instrument which is acceptable to the City. The cost of preparation and registration of the security document will be the Borrower's responsibility to bear and will be payable to the City at the time of the loan closing.
8. A Borrower agrees to permit inspection by the City's ECDD and/or Code Enforcement personnel of the property, rehabilitation work, and all contract agreements, materials, equipment, payrolls, and conditions of employment pertaining to the rehabilitation project.
9. The Borrower agrees to follow the procedures and conditions of all established and applicable municipal ordinances in the physical rehabilitation and maintenance of improved property. Work not meeting minimum standards and procedures established by code is unacceptable for disbursement of any loan funds.
10. Disbursement of Program funds:
 - Disbursement of all Rehabilitation Loan funds is made to the Borrower or the contractor upon request submitted to the City's ECDD. Invoices received by Monday, end of day, will be processed for payment no earlier than 3:00 pm on Wednesday of the following week.. Any rehabilitation work that requires a match will be paid in part by the owner as match and in part by the City.
 - Repayment of the loan will begin upon completion of the construction phase or six (6) months after the closing date, whichever occurs first.
 - The above is contingent upon approved activities being completed according to applicable municipal codes. No money will be disbursed to reimburse the Borrower for improvements made to the property which were not approved by the Loan Qualification Committee before they were commenced.

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11. The Borrower is required to maintain hazard insurance on the improved property for-the full term of the note and in a minimum amount equal to the total value of all mortgages held on the property. Prior to disbursement of program funds, the City shall be listed as a loss payee on the policy for the property.
12. The Borrower agrees to keep such records as may be required by the City of Lewiston with respect to the rehabilitation activities.
13. The Borrower further agrees to abide by all terms and conditions of Federal Regulations, including:
 - 1) **Federal Labor Standards:** The Borrower must abide by established minimum wage rates (Davis Bacon Act as supplemented by Department of Labor regulations) contained in entitlement grant regulations 24 CFR 570.603. This is applicable only to rehabilitation of properties with 9 or more rental units.
 - 2) **Lead-Based Paint Hazards:** Any Rehabilitation loans made by the City of Lewiston shall be subject to the current federal regulations contained in entitlement grant regulations 24 CFR Part 35 provisions providing for the elimination of lead-based paint hazards. All contractors must be certified under the RRP rule from EPA and any other applicable regulations.
 - 3) **"Section 3" of the Housing and Urban Development Act of 1968:** The Borrower must comply with the Provisions of Training, Employment and Business Opportunities and will comply with Title IX Section 915, Section 3 of the Housing and Urban Development Act of 1968, as amended in 1992; and in accordance therewith, in all work made possible by or resulting from this contract, affirmative action will be taken to ensure that residents (preferably lower income) of the City of Lewiston are given maximum opportunities for training and employment and that business concerns located in or owned in substantial part by residents of the City of Lewiston are to the greatest extent feasible, awarded contracts. This is for contracts that exceed \$200,000.
 - 4) **Flood Hazard Insurance:** If the property to be improved is located in a designated flood hazard area, the applicant is required to carry flood insurance in accordance with the National Insurance Act of 1968 (as amended) and abide by the regulations of the Flood Disaster Protection Act of 1973 as contained in Entitlement Grant Regulations 24 CFR 570.605.
 - 5) **Fair Housing:** The Borrower must not discriminate upon the basis of race, color, creed, or national origin in the sale, lease, rental or occupancy of an improved property and will comply with the Fair Housing Act of 1968 as amended.
 - 6) **The Civil Rights Act of 1964, codified:** The Borrower must not discriminate upon the basis of race, color, creed, or national origin in the sale, lease, rental or occupancy

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of an improved property and will comply with Title VI of **the Civil Rights Act of 1964, codified** in United States Code Title 42 Sec. 2000(d), and Title VIII of the Civil Rights Act of 1968, and Section 109 of the Housing and Community Development Act of 1974, and in accordance therewith, no person in the United States shall, on the ground of race, color, national origin, religion, age, or sex, be excluded from participation in, be denied the benefits, or be subjected to discrimination under, any program or activity funded in whole or in part with the Community Development funds or any other federal financial assistance. The operating agency will immediately take any measures necessary to effectuate this agreement.

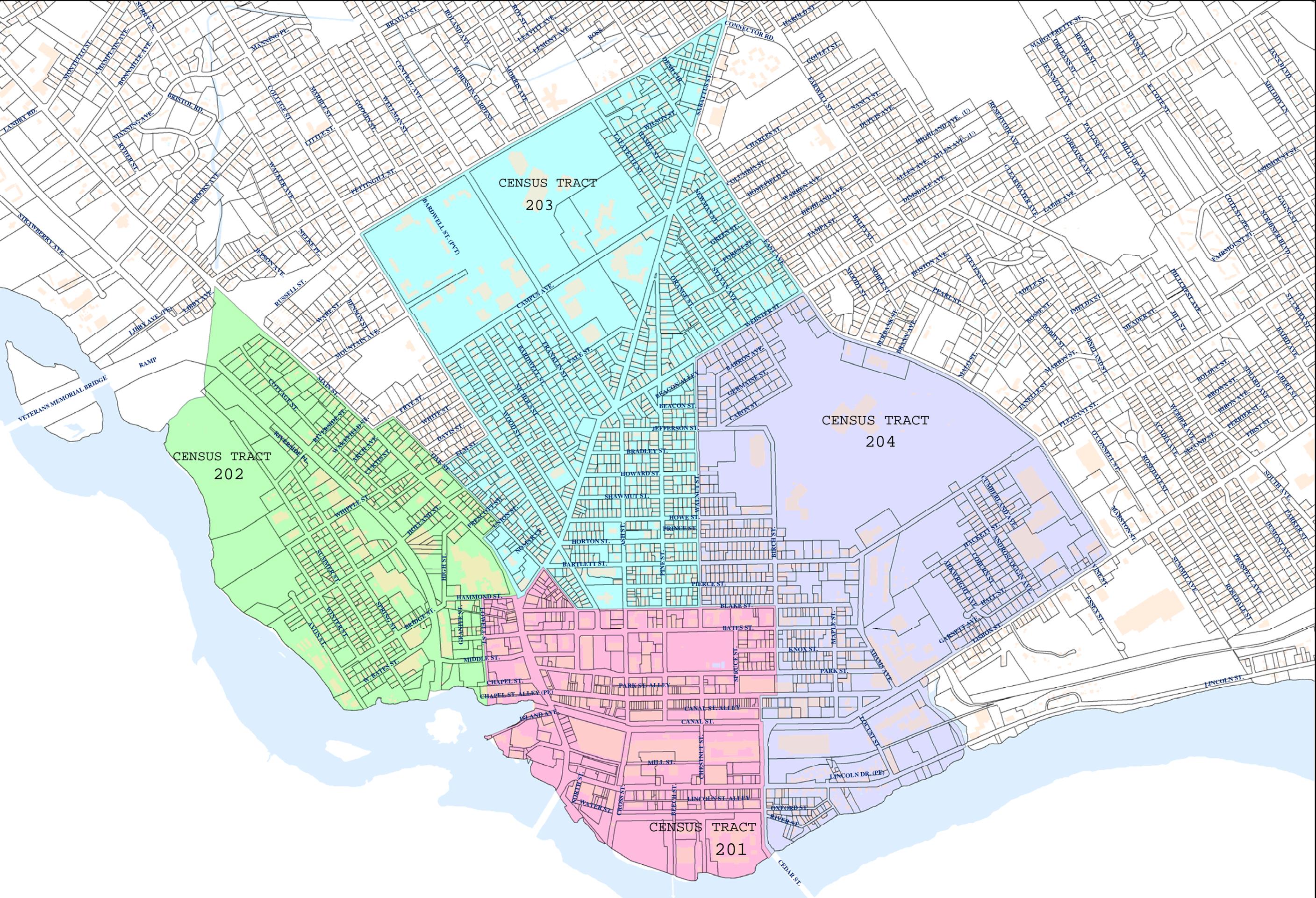
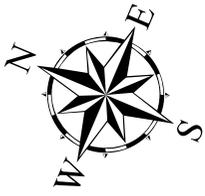
7) **Interest of Certain Federal Officials:** No member of or Delegate to the Congress of the United States and no Federal Housing Commissioner shall be admitted to share any part of this Program or any benefit to arise from the same.

8) **Interest of Members, Officers, or Employees of Operating Agency, Members of Local Governing Body, or Other Public Officials:** No member, officer, or employee of the Department of Development (Planning, Community Development or Code Enforcement) or its agents or assignees, no municipal officers of the City, and no other member of any board or commission, elected or appointed official of Lewiston, or employee of the City of Lewiston who exercises any decision-making functions or responsibilities regarding the Community Development Program shall have any direct or indirect pecuniary interest, as that term is defined by 30 MRSA, Section 2250, et seq., in any contract, subcontract, or the proceeds thereof for work to be performed in connection with the program assisted under this agreement.

9) **Bonus, Commission or Fee:** The Borrower cannot pay any bonus, commission, or fee for the purpose of obtaining the City of Lewiston's approval of the loan application or any other approval or concurrence required by the City of Lewiston or its designee to complete the rehabilitation work financed in whole or in part with the rehabilitation loan.

10) **Federal Funding Accountability and Transparency Act:** The Owner shall comply with requirements established by the Office of Management and Budget (OMB) concerning the Dun and Bradstreet Data Universal Numbering System (DUNS), the Central Contractor Registration (CCR) database, and the Federal Funding Accountability and Transparency Act, including Appendix A to Part 25 of the *Financial Assistance Use of Universal Identifier and Central Contractor Registration*, 75 Fed. Reg. 55671 (Sept. 14, 2010)(to be codified at 2 CFR part 25) and Appendix A to Part 170 of the *Requirements for Federal Funding Accountability and Transparency Act Implementation*, 75 Fed. Reg. 55663 (Sept. 14, 2010)(to be codified at 2 CFR part 170).

These guidelines may be amended as required by changes in federal programs.



CDBG TARGET
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