

## **Whittier Alliance Home Improvement Program**

### **Program Overview**

The Whittier Neighborhood is making up to \$250,000 of NRP funds that have been designated for home improvements in the Whittier Neighborhood. This program is designed to supplement existing loan programs available from MCDA, 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. The Whittier program has two components: A Revolving Loan fund and an Interest-subsidy program.

### **Terms of the Whittier Alliance Homeownership Loan Fund**

1. **Interest Rate and Income Limit:** 4% interest rate without regard to income.
2. **Loan term:** Generally, one year per \$1,000 borrowed. This will be somewhat flexible depending on the size of the loan. The maximum term will be 15 years.
3. **Loan Amount:** Minimum loan size of \$1,000 and maximum of \$25,000. More than one loan per household permitted upon availability of funds and borrowers ability to qualify. Cumulative total of all loans not to exceed \$25,000.
4. **Eligible properties:** Properties must be located in the Whittier Neighborhood, the boundaries of which are Lyndale Ave S, Lake St., Franklin Ave and 35W. Property owners must be owner-occupants of a 1-4 unit building.
5. **Eligible Improvements:** Use of funds is for exterior and interior repairs and/or improvements. The intended use of the Homeownership Loan Fund is to improve the housing stock while maintaining the historical integrity of the neighborhood. Therefore, the Housing Sub-committee/Development Review Group reserves the right to reject any or all proposed work items that do not improve and/or enhance the neighborhood. CEE will refer to the Whittier Housing Sub-committee/Development Review Group whenever eligibility of an improvement is uncertain. New construction of dormers, porches, steps, driveways, sidewalks, and retaining walls is not permitted. All work must be done to Minneapolis Code standards and building permits must be attained when needed.

#### **General Eligible Improvements:**

- Correction of any outstanding violations of the City of Minneapolis Housing Codes and correction of other hazardous codes, health or safety improvements identified by the program administrator.
- Energy efficiency-related or green technology improvements that help lower on-going energy costs and/or reduce environmental impact.
- Interior wall to wall/personal space of condo or townhome units.

**General Ineligible Improvements:**

- Work started prior to loan application being received by the program administrator
- Improvements of a non-capital nature, loans for working capital, debt service or refinancing of existing debt.
- Common interior and exterior areas covered by condo and townhome association dues and by-laws.

**Eligible Exterior Improvements:**

- Porch (repair or replacement with period appropriate to architecture)
- Roofing
- Painting
- Siding
- Trim
- Window replacement or updates
- Masonry work
- Steps (repair or replacement)
- Driveways (repair or replacement)
- Exterior electrical (motion sensor lights, sidewalk lights, yard lights, doorbells)
- Sidewalk
- Gutters
- Dormers
- Retaining walls
- Removal of asbestos siding
- Other projects that fit within stated “Purposes” of loan fund, and as approved by the Whittier Alliance Housing Task Force.

**Ineligible Exterior: Repair, replacement and/or new construction of:**

- Fences
- Decks and patios
- Gazebos
- Garages
- Nonpermanent landscaping, recreational or luxury features such as swing sets, bird feeders, potted plants, picnic tables, lawn ornaments, under-ground sprinkler system, saunas, whirlpools etc.

**Eligible Interior Improvements:**

- Updating wiring, plumbing or sewer connections
- Central heating
- Fireplace/chimney repair

- Other projects that fit within stated “purposes” of loan fund, and as approved by the Development Review Group

**Ineligible Interior Improvements:**

- Painting, wallpaper or wall treatments, window treatments
  - Appliances or movable fixtures or decorations
  - Cabinetry work
6. **Work by Owner:** Work can be performed on a “sweat equity” basis. Loan funds cannot be used to compensate for labor by owner, only for materials. 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. Under unusual circumstances, a partial advance will be provided to the borrower. When applicable, a signed City Inspections Department permit must be obtained by the borrower.
  7. **Application Processing:** Applications will be addressed on a first-come, first-served basis. (If demand for financing exceeds supply of funds, a lottery will be conducted to identify the sequence in which applications shall be processed). Borrowers must provide a completed application (including most recent Federal Tax Return) and property tax statement when requested by CEE program administrator and ultimately 2 bids prior to the time of loan closing. Note: if the improvement totals less than \$5,000, the borrower is only required to submit one bid to CEE program administrator.
  8. **Work Completion:** Weather permitting, all work must be completed within 180 days of loan closing.
  9. **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 bill exceeds the original loan amount, the borrower must obtain the additional funds. One option would be to originate an additional NRP-funded loan. At the option of the borrower and at the concurrence of Whittier, CEE the program administrator will re-originate the loan for the borrower at no charge. This approval is contingent on: availability of funds; borrower’s ability to qualify for the larger loan amount; and the \$25,000 maximum.
  10. **Custody of Funds:** Loan funds will remain in the custody of CEE program administrator until payment for completed work.
  11. **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 program administrator to verify the completion of the work.

The following items must be received prior to final disbursement of funds:

- Final invoice from contractor (or materials list from supplier)

- final inspection verification by CEE program administrator(if necessary)
  - Completion certificate(s) signed by borrower
  - Lien waiver for entire cost of work
  - Evidence of abatement of any required city permit
12. **Loan Security:** All revolving loans will be secured with a mortgage. Borrowers will pay all mortgage filing fees.
  13. **Contractors/Permits:** Contractors must be appropriately licensed in the City of Minneapolis. Permits must be obtained when required by city.
  14. **Debt - to - Income Ratio:** Applicants must have the ability to repay the loan. Applicants who have a debt to income ratio in excess of 55% will be denied loan financing.
  15. **Loan - to Value Ratio:** The ratio of all loans secured by the property, including the new loan, must not exceed 120% of the property value.
  16. **Underwriting Decision:** Applicants must have acceptable credit history: Borrowers may not have more than three “60 day lates” in the past 12 months (without reasonable explanation), or have had a bankruptcy in the last two years. Property owners must be current on mortgage payments and property taxes.
  17. **Rehabilitation Counseling:** CEE the program administrator will provide participants a project-specific visit to assist the participant proceed with the improvement. Services include an informational visit and assistance with collection and evaluation of bids. Fees for these services are included in the origination fee. CEE the program administrator will also offer a Comprehensive Building Analysis for any property owner desiring assistance in evaluating and prioritizing improvements to their property. CEE will also be available to assist property owners in evaluating bids. Fees for these services will be paid by the borrower.
  18. **Loan Costs:** The Whittier Neighborhood will pay the origination fee out of the Whittier/NRP Home Improvement Administrative Fund. Servicing costs will be paid from Program Income. Borrowers will pay all mortgage filing fees.

### **Terms of the Whittier Alliance Interest Subsidy Program**

1. **Underwriting Decision:** Underwriting of these loans will follow the MHFA procedural manuals and normal and prudent underwriting criteria.
2. **Interest Rate:** 4% interest rate. CEE program administrator will utilize NRP funds to write down the interest rate on the Minnesota Housing Finance Agency's (MHFA) Great Minnesota Fix-up Fund Loan Program. This differential will be paid by Whittier's NRP Funds.
3. **Loan Amount:** Minimum loan size of \$1,000 and maximum of \$25,000. More than one loan per household permitted upon availability of funds and borrowers ability to qualify. Cumulative total of all loans not to exceed \$25,000.
4. **Income Limit:** Per MHFA guidelines, eligible borrowers must have an annual household income of less than \$86,000.
5. **Debt - to Income Ratio:** Per MHFA guidelines, applicants must prove the ability to repay the loan and have a debt to income ratio less than 45%.
6. **Eligible Improvements:** Eligible improvements are determined by the MHFA for the individual financing programs and are stated in the Procedural Manuals for each program.
7. **Eligible Properties:** Owner-occupied, 1-4 unit properties, condo and townhomes located in the Whittier Neighborhood. Condo and townhome improvements limited to the personal space of the owner-occupant. Common interior & exterior areas are ineligible.
8. **Work by Owner:** Work can be performed on a "sweat equity" basis. Loan funds cannot be used to compensate for labor, only for materials. CEE the program administrator must determine that the owner has the ability to complete the work within the program time requirement. When applicable, a signed City Inspections Department permit must be obtained by the borrower.
9. **Application Processing:** Borrowers must provide a completed application, proof of income, property tax statement, bid for work, and contractor warranty, as required by MHFA.
10. **Loan Servicing:** MHFA will be responsible for servicing the loans.
11. **Work Completion:** As required by MHFA, all work must be completed within 9 months of the loan closing.
12. **Custody of Funds:** Loan funds will be disbursed to borrower upon loan closing.

13. **Loan Security:** As required by the MHFA, in most cases, only loans over \$5,000 will be secured with a mortgage.
14. **Due on Sale:** The balance of the loan will be due in full upon sale of the property.
15. **Rehabilitation Counseling:** CEE the program administrator will provide participants a project-specific visit to assist the participant proceed with the improvement. Services include an informational visit and assistance with collection and evaluation of bids. Fees for these services are included in the origination fee. CEE will also offer a Comprehensive Building Analysis for any property owner desiring assistance in evaluating and prioritizing improvements to their property. CEE will also be available to assist property owners in evaluating bids. Fees for these services will be paid by the borrower.
16. **Loan Costs:** There will be no fees assessed to the Whittier/NRP Home Improvement Administrative Budget for the Interest Subsidy Program.

This loan is administered by:  
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