
City of Bellingham
HOME REHABILITATION PROGRAM GUIDELINES
Owner-Occupied Home Repair Loans

Purpose of the Home Rehabilitation Program

- To assist property owners within the city limits of Bellingham in the repair or rehabilitation their homes to a safe and livable condition.
- To offer loans that are within a homeowner's financial capacity.
- Improve energy efficiency and conservation of resources.

Financial Assistance

The City provides financial assistance to repair or rehabilitate your home as a loan. Terms depend on the homeowner's net assets. (See Terms below.)

If your home was built before 1978, it may have lead-paint hazards that could pose a particular hazard to children aged six and younger. The City will require a lead-paint hazard assessment for your home. Any hazards, such as deteriorating paint, would need to be addressed. Up to \$5,000 of these costs will be provided to the homeowner as a GRANT, with no expectation that the funds be paid back.

Funding for the Home Rehabilitation Program comes from the U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant Program (CDBG). Each year, the City has set aside funds for the Home Rehabilitation Program with the anticipation that funds will be paid back in time. When the funds are paid back, the City is required to invest those funds back into projects or programs that benefit low- and moderate-income households.

Loan Terms Depend on Homeowner Assets

The Home Rehabilitation Program will charge interest rates depending on the homeowners' net worth. Net worth would be defined exclusive of retirement accounts. Interest rates would have a minimum (1%) and a maximum (5%).

1. Net Worth above \$250,000: Those homeowners with a net worth of more than \$250,000 would be charged 1% below the Prime Rate for a 15 year term. For example, the prime rate on December 3, 2010 was 3.25%. A loan applied for or issued on this date to a homeowner with a net worth in excess of \$250,000 would be 2.25%.
2. Net Worth \$250,000 or below: Those homeowners with a net worth \$250,000 or below would be charged 1% interest rate for a 15 year term.

TYPES OF LOANS

Loan's with Payments

Who Qualifies: Homeowners under the age of 62 and *not* disabled with a household income between 60% and 80% Area Median Income (AMI) that can afford to make payments, rather than a deferred loan, would be required to make regular payments. These payments would be due to the City quarterly (once every three months).

Interest Rate: This would be a fixed rate of at least 1%, but no greater than 5% calculated for 15 years. The rate is based on 1% below the Prime Rate at the time of the loan application.

Terms: These households with income between 60% and 80% (AMI) adjusted for family size, will be expected to contribute up to 25% of their adjusted gross income to mortgage, including the rehabilitation loan. For example, a 2 person household, earning \$33,000 annually, should be expected to afford \$8,250 in annual mortgage payments, or \$687.50 per month. If their existing mortgage is \$500 per month, the household would be able to afford \$187.50 in additional monthly payments to the housing rehabilitation loan program. Any amount in excess of the affordability level would be deferred until either income changes or change in ownership occurs.

Loan Amount: Up to \$24,000.00 may be borrowed.

Payments : Payments would be due every three months (January, April, July October).

Loans with Payment Deferred

Deferred Payment with a 5 year Term

Who Qualifies: Homeowners that are under the age of 62 that have a household income less than 60% AMI.

Interest Rate: Loan repayment would be deferred per Terms (see below). Interest would be charged at a fixed rate of at least 1%, but no greater than 5% calculated for 15 years. The rate is based on 1% below the Prime Rate at the time of the loan application. Interest is calculated for 15 years and the housing rehabilitation loan payment would be deferred.

Terms: The loan is termed meaning that the income of the household would be reviewed annually through a self-certification program, and comprehensively (source documents) in five years to determine whether the household could make payments at that time. An explanation of self-certification review is available upon request.

Loan Amount: Up to \$24,000.00 may be borrowed.

Deferred Payment Loan

Who Qualifies: Homeowners that are over 62 years of age and or disabled that qualify as low or moderate income.

Interest Rate: This would be a fixed rate loan with payment deferred. Interest would be charged at a fixed rate of at least 1%, but no greater than 5% calculated for 15 years. The rate is based on 1% below the Prime Rate at the time of the loan application.

Terms: The loan is due when the house is sold, the property title is transferred, or there is a change of use or occupancy.

Loan Amount: Up to \$24,000.00 may be borrowed.

None of the above home repair loans are assumable.

Upon sale or other transfer of the property, whether by operation of the law or otherwise, or in the event that the property ceases to be used as the primary residence of the owner, or upon change from a single family residence, the loan amount will, at the lender's option, become due and payable.

ELIGIBILITY CRITERIA

Applicant Eligibility

- Applicant must be credit worthy.
- Applicant not eligible if they received a Program loan within the past five-(5) years. An exception may be approved in the case of an emergency repair.

Participation Requirements

- Applicant agrees to allow the Home Rehabilitation Program (HRP) staff to photograph exterior/interior and before/after views of the property.
- A program sign is placed in the front yard with borrower approval.
- All loans must be secured with a Deed of Trust.
- Adequate fire and hazard insurance must be maintained to cover total liens against the property.
- All taxes, assessments, and insurance premiums currently due on the property must be paid prior to or at loan closing.
- If the property contains rental units, low or moderate households must occupy at least seventy percent (70%) of the residential units after rehabilitation.
- The rehabilitation project is expected to be complete within six months from notice to proceed. Failure to complete construction within that time period may result in loss of funding.
- If the property is two or more units, the applicant agrees to participate in the Landlord Training phase of the Bellingham Crime Free Multi Housing Program offered through the Bellingham Police Department.

Financial Capability

- Applicants must be capable of repaying a rehabilitation loan without placing an undue burden on other essentials such as food and clothing. No more than 25% of the homeowner's income would be expected to go towards mortgage payments including all mortgages on the property.
- Financial responsibility and a willingness to repay family debts must be demonstrated.

Income Determination

- Eligibility for the Housing Rehabilitation Program is based on the household falling below HUD Program Income Limits.
- The City determines annual income as the *adjusted gross income* as defined for the purpose of reporting under IRS Form 1040 series for individual Federal annual

income tax purposes. The City will use HUD's Technical Guide for Determining Income and Allowances for the HOME Program.

- Gross income includes income received by all household members, aged 18 years and older, which is taxable under the IRS guidelines and any other taxable income as defined by the IRS Code, as follows:
 - All income in the form of wages, salary, bonuses, and tips.
 - The full amount received from social security, pensions, and annuities.
 - Payments in lieu of earnings, such as unemployment compensation, other social security benefits, and dismissal wages.
 - Benefits in lieu of earnings other than lump sum payments under health and accident insurance.
 - Alimony, child support and the like.
 - Subsistence allowance or receipts in connections with education or training.
 - Income from earning assets, rental income.

Property Eligibility

- The property must be located within the Bellingham City limits
- The home must be a one to four unit residential structure. A section of the structure may have a commercial use.
- The Program will only allow for rehabilitation of an outbuilding, such as a detached garage, if it is determined by the Loan Review Board to be necessary.
- The property must be in need of repairs due to one or more of the following conditions, as described in the Housing Rehabilitation Standards:
 - Overcrowding
 - Structural defects
 - Inadequate or hazardous heating facilities
 - Inadequate or defective plumbing system
 - Inadequate or hazardous electrical system
 - Inadequate ventilation
 - Inadequate energy conservation
 - Inadequate long-term maintenance
 - Lead-based paint or asbestos hazard
 - Any other hazardous condition
- The residence is required to meet Local Housing Standards after rehabilitation.
- Health and safety items, as specified by the Home Rehab Program staff, must be corrected using no more than the maximum loan amount for which the applicant qualifies.
- Exceptions may be granted on a case by case basis. An inspection to identify those conditions not meeting Local Housing Standards will be conducted. The inspection

will only specify observed conditions that fail to meet Local Housing Standards. It will not warrant correction of, or protection against latent conditions.

The total property debt existing after a Home Rehabilitation Program loan is made may not exceed 90% of the after rehabilitated market value of the property.

SCOPE OF REHABILITATION WORK

Priority 1: Health and Safety Improvements

- Items necessary to bring the property into a safe and sanitary condition
 - leaking plumbing, rotten wood, overloaded electrical system, broken windows.
 - lead-based paint, asbestos
- Lead -based paint will be identified by a Risk Assessment conducted by a certified Risk Assessor on homes built before 1978 or lead-based paint will be assumed on all painted surfaces disturbed during the rehabilitation project. Lead paint hazards identified in the risk assessment must be addressed in accordance with the Residential Lead-Based Paint Hazard Reduction Act of 1992—Title X. Lead based paint is an eligible expense and may be funded with a Grant up to five Thousand Dollars (\$5,000.00) per home rehabilitation loan.

Priority 2: Long Term Maintenance

Those items which will appreciably reduce future maintenance and operating costs to the owner:

- Exterior painting, insulation, window replacement, gutters, roofing, heating, etc. Purchase of equipment is limited to stoves, refrigerators or built-in fixtures and only if the existing equipment is unsafe, unsanitary or lacking.
- Energy efficient/energy star rated appliances may be required for appliance, heating or plumbing replacements. Alternatively use of recycled fixtures from Appliance Depot or ReStore may also be allowed.
- Installation of rain barrels is an allowable expense.
- Energy conservation improvements should be done in coordination with other repair or rehabilitation efforts, such as window or furnace replacement.

Every effort will be made to coordinate with the Opportunity Council's Weatherization or Home Energy Challenge Programs.

Priority 3: General Property Improvements

These are improvements needed to increase livability of the structure. Loan funds may be used for Priority 3 only after provisions have been made to complete all Priority 1 and 2 items.

The following items are considered limited under the Home Rehabilitation Program:

- Landscaping is limited to the repair of the grounds following rehabilitation and the removal of hazardous conditions. An exception for water use reduction i.e.: rain barrels will be considered by the Loan Review Board.
- The maximum allowance for wood heaters is \$700; the cost of piping needed to complete the installation and hearth construction is exclusive of the allowance and will be added to the overall expense. All installations must be done under permit from the Building Services Division.
- Ineligible items include, but are not limited to the following:

Intercom systems	Kennels	Furniture
Outdoor fire places	Central vacuum	Portable appliances
Detached greenhouses	Hot tubs or spas	Area rugs
Tools		

CONSTRUCTION PHASE

The City will assist in all phases of the Program from loan application through construction. It is the policy of the Program that a general contractor oversees construction. Some exceptions may be granted if approved by the Rehabilitation Specialist. The homeowner selects the contractor from bids based on a scope of work prepared by the Rehabilitation Specialist and approved by the homeowner. Exceptions for homeowners to act as their own contractors are at the sole discretion of the Program staff.

Loan Review Board (LRB)

The LRB reviews each loan application based on the eligibility criteria described in these guidelines, the applicant's financial situation and credit history, the condition of the structure and the recommendations of the staff members. The LRB may make some exceptions to these guidelines on a case-by-case basis.

After Board approval, a promissory note and deed of trust are signed as security for the loan and recorded at the Whatcom County Auditor's Office. The borrower only owes those funds disbursed on the project, any undisbursed funds are returned to principal.

Loan Commitment Terms

Upon approval, the City of Bellingham, Home Rehabilitation Loan Review Board reserves the right to cancel the commitment or terminate the loan under the following conditions:

- After 60 days from notice to proceed, the Borrower or contractor fails to commence work on the project, unless the period is extended by the Block Grant Programs Manager;
- The Borrower or the Contractor cease work for more than forty-five (45) days, unless an extension has been approved in writing, or fails or refuses to complete the improvements within a reasonable time, as determined by the Block Grant Programs Manager;
- The Borrower changes or terminates the Rehabilitation Contract, or enters into another contract for work on the property, without prior written approval of the Home Rehabilitation Program's Block Grant Programs Manager;
- The Borrower does not follow the dispute resolution procedure provided under the Rehabilitation Contract (or to litigation, if applicable) when inspection indicates that the work in dispute was done in accordance with the Rehabilitation Contract;
- All Borrowers pass away or become legally incapacitated, or otherwise become legally unable to act prior to the completion of the improvement;
- The Borrower abandons the property;
- Any interest in the property is sold or transferred prior to the completion of the improvements (as evidenced by the Home Rehabilitation execution of a Certification of Final Inspection) without the Block Grant Programs Manager's prior written consent, except for (a) the creation of a lien or encumbrance subordinate to the Mortgage, (b) the creation of a security interest for household appliances.
- The loan review board commitment is subject to completion of an environmental review by the city. The approval letter does not constitute a commitment of funds or site approval. Such commitment of funds or approval may occur only upon satisfactory completion of an environmental review under 24 CFR part 58 and receipt, as appropriate, by the city of a release of funds from the U.S. Department of Housing and Urban Development. The provision of any funds for this project is further conditioned on the city's determination to proceed with, modify or cancel the project based on the results of a subsequent environmental review.

Displacement

It is the policy of the City of Bellingham not to fund rehabilitation projects that will result in the displacement of low or moderate-income tenants. The LRB must grant any exception to this policy. If this were an exception made by the LRB the City of Bellingham would follow the Uniform Relocation Assistance and Real Property Acquisition Policy Act of 1970 (URA) (42 U.S.C. 4201-4655) and 49 CFR part 24.

A displaced person is defined as a person who is required to move permanently and involuntarily as a direct result of a rehabilitation activity. Further explanation of the displacement policy is available upon request.

Temporary Relocation Policy

Recipients of Home Rehab Program Deferred Payment and Subsidized loans who must be temporarily relocated during the rehabilitation process may be eligible to have temporary housing paid with program funds. A copy of the Temporary Relocation Policy is available upon request.

Grievance Procedure

You have a right to appeal the decision of the Loan Review board, or an action taken by a program staff member. A copy of the appeal process is available upon request.

Subordination Policy

The City of Bellingham requires subordination requests to comply with the Policy for Review of Subordination Request Guidelines, available upon request.

2011
INCOME TABLE

Maximum Annual Gross Income

Household Size	1	2	3	4	5	6	7	8+
Moderate Income	\$37,450	\$42,800	\$48,150	\$53,450	\$57,750	\$62,050	\$66,300	\$70,600
Low Income	\$23,400	\$26,750	\$30,100	\$33,400	\$36,100	\$38,750	\$41,450	\$44,100