

Hubbard County HRA Rehabilitation Loan Program Policy

Amended March 23, 2010

Borrower Eligibility

Borrower

One individual or multiple individuals are eligible to be a Borrower(s) only if such individual or individuals meet the requirements of this Procedural Manual.

Borrower Age

Borrower must be eighteen (18) years of age or older or have been declared emancipated by a court having jurisdiction.

Co-Signers

Guarantor(s) are allowed when the income of the guarantor(s) is to be included for the purpose of determining loan eligibility.

The note must be executed by the Borrower and all guarantors who, individually or collectively, possess the type of ownership upon which the application is based, or whose income is to be included for the purpose of determining income.

Unauthorized Compensation

Borrower shall not receive kickbacks, rebates, discounts, and/or compensation from any subcontractor, or any party to the transaction.

Ownership Interest

A Borrower, individually or in the aggregate, must have at least one-third ownership interest in the residence to be improved.

Eligible forms of ownership interest include the following:

- A fee simple estate; or a leasehold estate subject to a Community Land Trust (CLT) provided that the CLT ground lease does not prevent compliance with program guidelines.
- The CLT does not contain any restrictions on intended home improvements, repairs or alterations.

Title may be held in the following ways:

- Individual, joint tenancy, a tenancy-in-common, or tenancy by the entirety;
- Vendee interest in a recorded contract-for-deed; or a recorded life estate, excluding remaindermen,

Principal Residence/Occupancy Requirement

Borrower must occupy the property as their principal place of residence on a year-round basis for the duration of the loan.

Income Limits and Verification

Household income is the gross annual projected income of all residents of the household age eighteen and over as of the date of the application for a housing rehabilitation loan. The household income may not exceed 80% of the statewide median household income as set by the HUD Section 8 Income Guidelines. *See attached income guidelines – Exhibit A.

Gross annual projected household income includes:

- Salary, commissions, bonuses, tips, earnings from part-time employment;
- Interest, dividends, gains of sale of securities;
- Annuities, pensions, royalties;
- Veterans Administration compensation, public assistance, social security benefits, unemployment compensation and sick pay;
- Net rental income;
- Income received from business activities;
- Alimony, child support;
- Estate or trust income;
- Seasonal employment income;
- Ongoing educational grants or scholarships paid directly to the Borrower; and,
- Contract-for-deed income deducting principal, interest, taxes and insurance paid by property Seller on outstanding debt against the property. (Deductions cannot exceed the contract-for-deed income).

Ineligible income adjustments include:

- Any temporary, nonrecurring reduction of income of a known duration including, but not limited to, layoff, maternity leave, sabbatical leave may not be considered when calculating gross annual income. Rather income shall be calculated based on the normal annual income of the temporarily unemployed person.

Exception for Accessibility Improvements:

- The maximum household income may be waived with prior written approval by Hubbard County HRA when the loan proceeds will be used exclusively for accessibility improvements.

Separated Spouses

When the borrower establishes that a spouse permanently resides outside of the household, that separated spouse may be excluded from signing the credit application and note, but must sign the mortgage.

Examples of separated spouse documentation include:

- Legal separation documentation; or
- Proof of initiated divorce proceedings; or
- Verification of separate Principal Residence and absence of joint accounts.

Loans to Employees and Affiliated Parties

The HRA may not make Hubbard County HRA Rehabilitation loans to its directors, officers, employees and/or their immediate families. Builders, realtors, and/or their families, and any other principal with whom the HRA does business are eligible provided that they must satisfy all eligibility criteria for the program.

Property Eligibility

Eligible Properties

In order to qualify as an eligible property for a Hubbard County Housing loan, the residence must be:

- Located in the County of Hubbard, State of Minnesota; and
- A residential property, which includes;
 - A single family detached home;
 - An individual unit in a Planned Unit Development (PUD);
 - A townhome¹;
 - A unit of a condominium¹;
 - A manufactured home permanently affixed to a foundation and taxed as real property;
 - A duplex², triplex²; or fourplex²;Properties must be completed. An existing home is a completed property if it has been used as a year-round permanent residence for at least five years prior to the date of the Borrower's application. A newly constructed home is a completed property if it has been used as a year-round permanent residence for at least 90 days prior to the date of the Borrower's application;
- A certificate of occupancy has been issued for the property; and,
- Any property financing is long-term (not construction financing).

¹ If the property is a condominium or townhome, only the portion of the real estate owned by the Borrower is eligible. Common areas owned by the association are not eligible.

² The Borrower must occupy one unit of the property.

Manufactured Homes

Hubbard County Housing distinguishes between two types of manufactured homes.

- Modular Homes – Homes built to state building codes and delivered to the site in modular sections. Modular homes are acceptable for home improvement financing.
- Mobile Homes – The homes are built on wheeled chassis, which remain a basic structural element.
 - Mobile homes are acceptable if they meet the following requirements:
 - Must be located on property owned or being purchased by the Borrower;
 - Must be on a permanent foundation with wheels and axles removed;
 - All utility connections are operable so that the home is habitable;
 - Unit must be assessed/taxed as real estate;
 - Unit being improved meets all other eligibility requirements under this Policy; and,
 - Security for the loan to purchase the manufactured home is in the form of mortgage covering the property.

Ineligible Properties

Properties not eligible for financing are as follows:

- A property containing more than four dwelling units;
- Recreational or seasonal homes;
- A mobile home taxed as personal property; or
- A property primarily used for business (more than 50% of the floor space is used for business).

After Improved Value Limit

A secured loan will not be made in an amount which, combined with all other existing indebtedness secured by the property, exceeds 110% of its market value from current property tax statement and/or appraised value obtained from an appraisal completed within the previous two years.

Right to Inspect

Hubbard County HRA or its authorized representative shall have the right to inspect the property to be improved at any time from the date of execution of the note, upon giving due notice to the Borrower.

Local Ordinances and Plans

Properties being improved must conform to all applicable zoning ordinances and possess all appropriate use permits.

Loan Eligibility

Loan Amount

Not to exceed \$15,000.00

Eligible Improvements

The proceeds of a loan under this Policy shall be used to finance permanent improvements which improve the basic livability or energy efficiency of the property including:

- Additions, alterations, renovations and/or repairs, or
- Bringing a property into compliance with state, county, municipal health, housing, building, fire and/or housing maintenance codes or other public standards applicable to housing.

Bids and Estimates for Improvements

Prior to making a loan, Hubbard County HRA shall obtain itemized bids and estimates for all proposed improvements from the Borrower to establish improvement eligibility and estimated cost.

Credit Requirements

- Hubbard County HRA will utilize normal and prudent written underwriting standards.
- The credit report (and any supplemental information) upon which the HRA relies must be current, and must show the Borrower to be solvent with a reasonable ability to repay the obligation, and in other respects, to be a prudent lending risk.
- The Borrower's monthly front-end ratio will not exceed 28% but may be reduced based on their back-end debt.
- The Borrower's monthly debt to average gross monthly income ratio may not exceed 45%.

Security and Insurance Requirements

All loans must be secured with a mortgage. It shall be the responsibility of the borrower to pay the cost of recording the mortgage. All properties must have hazard insurance in an amount equal to the value of the rehabilitated property. The HRA must be designated as a loss payee on all loans made in excess of \$5,000.

Interest Rate/Payment Requirements

- The annual simple interest rate of 3%;
- Level monthly payments are required with the first payment due date to be 20 to 45 days following the note date. The monthly payment is to be based on the loan amount, loan term and loan interest rate.

Repayment Term

Maturity dates will be figured based on front end and back end ratios. The maximum maturity will be 20 years; however, all steps will be taken to avoid excessive maturity dates.

Late Fee

If a payment is not received in full within 15 calendar days of the due date, a \$5.00 late fee will be added to the total payment amount.