

City of Sonora

CDBG Reuse



Rehabilitation Loan Guidelines & Requirements

A) Designated Rehabilitation Loan Programs:

- ▶ **Deferred Loan Program**
- ▶ **Low-Income Homeowners' Program**
- ▶ **Low-Income Rental Program**

B) General Program Guidelines & Requirements:

1. All City loans can be repaid at any time without penalty.
2. All City loans are not assumable. (City loans are due and payable upon the transfer of the property)
3. All property must be located within the City of Sonora.
4. This program will be implemented in ways consistent with the City's commitment to Fair Housing. No person shall be excluded from participation in, denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with Community Development Block Grant (CDBG) funds on the basis of his or her religion or religious affiliation, age, race, color, ancestry, national origin, sex, marital status, familial status (children), physical or mental disability, sexual orientation, or other arbitrary cause.
5. Tenants will be informed of their eligibility for temporary relocation benefits if occupancy during rehabilitation constitutes a danger to health and safety of the tenant or the public as determined by the City Building Official. Because owner occupants participate in the Rehabilitation Program voluntarily, they are not eligible for temporary relocation benefits.
6. All loans will be considered on a first-come first-served basis subject to funding availability and must be approved by the City's Community Development Committee. In order to obtain financing, applicants must meet all property and eligibility guidelines in effect at the time of loan approval. Guidelines may be modified for individual loans as needed, by approval of the Community Development Committee. Applicants will be provided written notification of approval or denial. Reason for denial will be provided to the applicant in writing.
7. No member of the governing body of the locality and no other official, employee, or agent of the City Government who exercises policy, decision-making functions, or responsibilities in connection with the planning and implementation of the program shall directly or indirectly be eligible for this program. This ineligibility shall continue for one year after an individual's relationship with the City ends.
8. The ratio of total property debt to property value shall not exceed 100% of the after rehabilitation value. Value to be determined by appraisal acceptable to the City. Appraisals will be required on all property, which have an existing mortgage.
9. Owner occupied applicants cannot possess more than \$300,000 in total assets. Total assets will include, but will not be limited to, cash, investment, property (*excluding their primary residence*) and businesses.

10. Borrower shall cause the rehabilitation of Borrower's property to be performed in accordance with the final plans, specifications and work write-up which have been approved by the City and are on file with the City. Change orders to the original work write-up specifications must be in writing, signed by the Borrower, Contractor and City. Oral agreements are invalid ineligible costs and will not be reimbursed through the City's Rehabilitation Loan Program.
11. A contractor with a vested interest in the property cannot bid on a rehabilitation job. Such a contractor may act as owner/builder, subject to standard construction procedures. Owner/builders are reimbursed for materials purchased which are verified by invoice/receipt and used on the job. Reimbursement occurs after the installation is verified by the City Building Inspector to be part of the scope of work. Owner//builders are not reimbursed for labor.
12. The City reserves the right to determine if the Borrower is capable of acting as the owner/builder for the rehabilitation project.
13. All repair work included within the work write-up specifications will meet California Building Code Standards. The priority will be the elimination of health and safety hazards. All improvements must be physically attached to the residence and permanent in nature. Improvements to the property will be allowed for items that have the potential to structurally damage the residence and for accessibility improvements. Luxury items will not be funded.
14. Borrower must use loan proceeds only for costs of services, materials, if applicable, necessary to complete the rehabilitation of Borrower's property pursuant to the City approved specifications, plans and work write-up specifications.
15. Homes constructed prior to January 1, 1978 will be subject to a lead base paint hazard evaluation. All applicable State and Federal Regulations concerning lead base paint must be adhered to. If this property is presumed to have lead base paint or if lead paint hazards are found through a lead inspection by a Certified Lead Inspector, any paint disturbed during work by the Contractor must be repaired using Safe Work Practices and worksite clearance must be performed. Safe Work Practices are practices intended to minimize exposure to lead during rehabilitation activities. Safe Work Practices are required when performing any renovation work that disturbs lead base paint.
16. Approved borrower(s) shall maintain hazard insurance on the property for the duration of the loan(s). This insurance must be an amount adequate to cover all encumbrances on the property. The insurer must identify the City of Sonora as a Loss Payee for the amount of the loan(s). A binder shall be provided to the City.
17. City staff will check property taxes and occupancy annually. (Rental property will have additional requirements as included in the executed Rental Property Agreement)
18. The City Building Official will inspect the property during rehabilitation. Upon completion of the rehabilitation project and to the extent permitted by law, the City of Sonora shall have the right of entry, during reasonable business hours and upon no less than twenty-four (24) hours advance notice, onto the Property to inspect for the need of repairs and/or maintenance for the term of the City loan.
19. If an owner defaults on a loan, and foreclosure procedures are instituted as described within the Construction Deed of Trust, they shall be carried out in accordance with all applicable State and Federal Foreclosure Laws.
20. The City may approve a request to subordinate a City loan, in order for the owner to refinance the property. The Borrower may not receive cash proceeds from the transaction. However, additional funds may be included within

the new mortgage to cover costs associated with acquiring the loan. The following will be evaluated when determining approval of a subordination:

- a. The lien position of the City loan will remain the same or be advanced.
 - b. The new primary loan is equal to or less than the loan being refinanced.
 - c. The purpose of the new primary loan is to reduce the interest rate being paid and/or reduces the owner's payment.
21. Complaints concerning the City's Rehabilitation Loan Program shall be in writing and addressed to the Community Development Director for the City of Sonora. The Community Development Director will then contact the complainant and any other parties involved in an attempt to resolve the problem. If not satisfied with the result, the complainant may file a written complaint with the City Administrator of the City of Sonora.
22. Exceptions to these guidelines will require the approval of the City's Community Development Committee.

C) Contracting Procedures:

1. The City Building Official, in coordination with the property owner, will prepare the work write-up specifications.
2. Borrower must obtain 3 written bids from licensed, insured contractors and/or subcontractors. If unable to obtain 3 bids, due to contractor's lack of response, the City may allow the project to proceed.
3. Contractors must be screened by the City for program eligibility prior to entering into any agreement with the Borrower.
4. All contractors must be on or eligible for the City's Approved Contractor's List.
5. The Borrower will select the contractor. All bids will be reviewed by the City prior to selection by the Borrower.
6. All contractors must comply with CDBG Federal and State Regulations.
7. The Borrower and contractor will enter into a City approved construction contract.
8. All changes to the contract must be in writing utilizing a City approved Change Order.

D) Specific Loan Programs Guidelines & Requirements:

I – Deferred Loan Program -

- A) Qualified Borrower(s)** – Qualified Borrower(s) for deferred loans must be either a senior (minimum age of 62), or a permanently disabled person who is receiving State and/or Federal benefits as the result of a long-term disability. In addition, borrower must be of low income (defined as having an income that does not exceed 80% of Tuolumne County's Median Income being adjusted for household size) and show an inability to make monthly payments.
- B) Loan Term** – the loan will be deferred until one of the following occurs, at which the time the loan would become due and payable.
1. Transfer of Title, does not apply to the transfer between Borrowers.
 2. When property is no longer used as the primary residence of Borrower(s).
 3. Within one year of the death of the last remaining borrower still residing in the residence.
- D) Maximum Loan Amount** - \$30,000 (may be increased by special approval of the Community Development Committee)

E) **Interest Rate** – 5%, compounded interest

II – Low-Income Homeowners’ Program -

A) **Qualified Borrower(s)** – Borrower(s) must be low income, defined as having an income that does not exceed 80% of Tuolumne County’s Median Income, adjusted for household size. The income figure is established by the Department of Housing and Urban Development (HUD) and periodically adjusted. A “household” means all persons occupying the housing unit as the place of residence.

B) **Maximum Loan Term** – 15 years.

C) **Maximum Loan Amount** - \$30,000 (may be increased by special approval of the Community Development Committee)

D) **Interest Rates** – Interest rates will be based on income level subject to the following schedule:

0% - < 50% of Median Income

3% - 65 to 50% of Median Income

5% - 80 to 66% of Median Income

E) **Amortized Loans** – Each loan will be amortized; monthly principal and interest payments will be required. Maximum loan amounts will be based on the applicant’s ability to repay the loan.

F) **Penalty Clause** – Each loan will contain a penalty clause of 6% of the installment due that is applicable to principal and interest on such loan, if payment is made later than 10 days after due date.

G) **Primary Residence** – The loan will be due and payable when it no longer is the Borrowers’ Primary Residence.

III – Low-Income Rental Program -

A) **Qualified Borrower(s)** – Qualified Borrower(s) are those rental property owners with units currently occupied by low-income tenants or with units that are vacant and will be occupied by low income tenants. Low income is defined as having an income that does not exceed 80% of Tuolumne County’s Median Income, adjusted for household size. The income figure is established by the Department of Housing and Urban Development (HUD) and periodically adjusted. A “household” means all persons occupying the housing unit as the place of residence.

B) **Maximum Loan Term** – 15 years

C) **Maximum Loan Amount** - \$30,000 per unit, (may be increased by special approval of the Community Development Committee)

D) **Interest Rate** - 5%

E) **Penalty Clause** – All loans will contain a penalty clause of 10% of the installment due that is applicable to principal and interest on such loan, if payment is later than 10 days after due date.

F) **Amortized Loan** – All loans would be amortized over the term of the loan. Monthly principal and interest loan payments are required.

G) Rental Agreement - All Borrowers must execute the City's Rental Agreement. This agreement will be recorded with the Deed of Trust and remain in full effect until ten (10) years from the recording date of the Notice of Completion. City will annually confirm compliance with the Rental Agreement for the life of the Agreement.

H) Occupancy –

1. No unit to be rehabilitated will be eligible if it is currently occupied by an HCD ineligible household. Rental households occupying such units will be allowed to remain in the units. To prevent owners from evicting ineligible tenants before applying for the program, the owner must certify that no tenant has been forced to move without cause during the previous six months. Existing Tenants have an absolute right of return to the unit after the rehabilitation is completed.

2. Owners shall not occupy rehabilitated rental units.

I have received a copy of the City of Sonora's Rehabilitation Loan Guidelines & Requirements. I understand that all housing rehabilitation work must comply with these Guidelines. By executing below I am certifying that I have read and understand the information included within the Guidelines.

Applicant: _____

Date: _____
Date: _____

Adopted 10/17/05

EXHIBIT “A”

Annual Income Asset Inclusions and Exclusions

This table presents the Part 5 asset inclusions and exclusions as stated in the HUD Technical Guide for Determining Income and Allowances for HOME Program (Third Edition; January 2005).

Statements from 24 CFR Part 5 – Last Modified: January 2005

Inclusions

1. Cash held in savings accounts, checking accounts, safe deposit boxes, homes, etc. For savings accounts, use the current balance. For checking accounts, use the average 6-month balance. Assets held in foreign countries are considered assets.
2. Cash value of revocable trusts available to the applicant.
3. Equity in rental property or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and all reasonable costs (e.g., broker fees) that would be incurred in selling the asset. Under HOME, equity in the family's primary residence is not considered in the calculation of assets for owner-occupied rehabilitation projects.
4. Cash value of stocks, bonds, Treasury bills, certificates of deposit and money market accounts.
5. Individual retirement, 401(K), and Keogh accounts (even though withdrawal would result in a penalty).
6. Retirement and pension funds.
7. Cash value of life insurance policies available to the individual before death (e.g., surrender value of a whole life or universal life policy).
8. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.
9. Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, victim's restitution, insurance settlements and other amounts not intended as periodic payments.
10. Mortgages or deeds of trust held by an applicant.

Exclusions

1. Necessary personal property, except as noted in number 8 of Inclusions, such as clothing, furniture, cars and vehicles specially equipped for persons with disabilities.
2. Interest in Indian trust lands.
3. Assets not effectively owned by the applicant. That is, when assets are held in an individual's name, but the assets and any income they earn accrue to the benefit of someone else who is not a

4. member of the household and that other person is responsible for income taxes incurred on income generated by the asset.
5. Equity in cooperatives in which the family lives.
6. Assets not accessible to and that provide no income for the applicant.
7. Term life insurance policies (i.e., where there is no cash value).

Assets that are Part of an Active Business. "Business" does not include rental of properties that are held as an investment and not a main occupation.

INCOME LIMITS

80% of Tuolumne County Median Income – 2012
(Family of 4 Area Median Income - \$66,700)

1 Person	\$36,800
2 Persons	\$42,050
3 Persons	\$47,300
4 Persons	\$52,550
5 Persons	\$56,800
6 Persons	\$61,000
7 Persons	\$65,200
8 Persons	\$69,400

*(*These figures are adjusted annually)*