

City of Oelwein

Home Rehabilitation Program



Revolving Loan Fund

ADMINISTRATIVE GUIDELINES

Background

The City of Oelwein contributes annually to the Northeast Iowa Regional Housing Trust Fund (NEIRHTF) allowing residents meeting income eligibility to access funding in the form of grants and low or no interest loans to address their housing rehabilitation needs. The NEIRHTF leverages local match dollars with grants dollars to serve households falling at or below 80% of the Median Household Income (MHI) for Fayette County. The intent of this program is to expand on existing efforts by offering the same opportunities to residents across a broader range of socio-economic statuses. Residents with up to 150% of the MHI for Fayette County will be eligible for funding.

The entire community benefits when everyone has stable, decent, and affordable housing. The benefits of a stable and well-maintained housing stock within a community can be seen by:

- Businesses that require a stable workforce and workforce housing.
- Neighborhoods that have been devastated by a foreclosure, vacant properties, and/or homeowners lacking funds to adequately maintain their homes; and
- Working families that need decent affordable housing and basic economic security

Establishing a dedicated and continuous local revenue stream, gives both stability and flexibility, that is key to continuing to successfully grow a community and meet the housing needs of its current and future residents. By self-funding the program, the city and its residents have greater flexibility and can tailor the program to the exact needs of the City of Oelwein.

Program Overview

The City of Oelwein's Home Rehabilitation Revolving Loan Fund (RLF) Program is established to provide resources to improve residential neighborhoods and livability of single-family homes through providing low interest loans to low- and moderate-income residents to complete rehabilitation projects on their homes.

Applicants meeting the eligibility criteria may apply for funds to finance property improvements that substantially improve the livability and/or protect the structural integrity of the home. The minimum loan amount is \$1,000 and the maximum amount is \$15,000. The fully amortized loan term under the program for all loans will equal 10 years. Loan interest rates will range from 1 to 4% and determined based on the applicant's family income as compared to the median family income for Fayette County. All applicants will be required to provide matching funds. The match dollar amount ranges from 10-25% dependent on income determination.

Administration

The Home Rehabilitation Program will be governed by the Oelwein City Council and all application funding decisions will be at the sole discretion of the Council. The City will contract with Upper Explorerland Regional Planning Commission (UERPC) to provide all program administration, technical services, and loan servicing for the program. UERPC will provide the council with a quarterly update on all program activities, account balances, and loan receivables. Details of the roles and responsibilities are laid out in the annual management contract and in Appendix A of this document.

Program Funding

The City of Oelwein will invest an initial \$125,000 for an initial two-year period to fund the Home Rehabilitation Revolving Loan Fund Program. All recaptured funds (principal, interest, late charges, and fees, as well as interest earned on the undesignated portion of the RLF account) shall be retained by the RLF for future loans and administrative expenses.

Principal and recapture funds will be held by the City of Oelwein in an interest-bearing account specifically designated for the Home Rehabilitation Revolving Loan Fund Program. Payments will be issued directly to contractors through the designated checking account upon completion of work.

Equal opportunity and affirmative action

The City of Oelwein and Upper Explorerland Regional Planning Commission shall ensure that all property owners within the City are notified of program availability, their eligibility to participate, and application procedures. Such notification will include Press Releases and newspaper ads. The agency shall ensure translation services are available to applicants. These services are available at the UERPC Office at 134 West Green Street in Postville, Iowa.

Non-discrimination. No one shall be denied assistance on the basis of race, color, national origin, religion, creed, age, sex, disability, familial status, political affiliation, citizenship, gender identity, or sexual orientation. This is an Equal Opportunity Program.

All loan recipients, developers, contractors and subcontractors must agree:

- not to discriminate in any manner against an employee or applicants because of race, color, creed, religion, sex, marital status, age, familial status, or disability.
- to post and to cause subcontractors to post in conspicuous places available to employee and applicants for employment, notices setting forth the substance of this clause.

Type of Assistance Available

All funding assistance provided will be made in the form of low interest loans. Applicants meeting the eligibility criteria may apply for funds to finance property improvements that substantially improve the livability and protect the structural integrity of the home.

Loan Amount: The minimum loan amount is \$1,000 and the maximum amount is \$15,000. The fully amortized loan term under the program for all loans will equal 10 years.

Interest Rates: The interest rates will range from 1 to 4%. The rate for each loan is determined based on the applicant's family income as compared to the median family income for Fayette County.

Match Funds: Applicants will be required to provide matching funds if their income is equal to or greater than 80% of the Median Family Income for Fayette County. The match dollar amount ranges from 10-25% dependent on income determination. The match funding will typically be required to be provided in the form of cash or cash equivalent. Other types of match will be considered on a case-by-case basis. In some instances where the homeowner has substantial equity in the home this equity may be accepted as match. For specific information on match requirements please see the Applicant Eligibility Section.

Applicant Eligibility

Income Eligibility:

To determine initial eligibility, a household's gross income may not exceed 150% of the Median Family Income (MFI) of Fayette County for their household size. Income limits will be set consistent with those utilized by the Northeast Iowa Housing Trust Fund as determined by the US Department of Housing and Urban Development (HUD)/IFA LHTF limits.

As of June 1, 2019, the income limits by household size are:

| Household | 150 % | 125% | 100% | 80% |
|------------------------|------------------------|------------------------|------------------------|------------------------|
| 1 member | \$115,200 | \$96,000 | \$76,900 | \$61,500 |
| 2 members | \$115,200 | \$96,000 | \$76,900 | \$61,500 |
| 3 members | \$132,600 | \$110,500 | \$88,500 | \$70,700 |
| 4 members | \$132,600 | \$110,500 | \$88,500 | \$70,700 |
| 5 members | \$132,600 | \$110,500 | \$88,500 | \$70,700 |
| 6 members | \$132,600 | \$110,500 | \$88,500 | \$70,700 |
| 7 members | \$132,600 | \$110,500 | \$88,500 | \$70,700 |
| 8 members | \$137,400 | \$114,500 | \$91,600 | \$73,300 |
| Homeowner Match | Homeowner Match | Homeowner Match | Homeowner Match | Homeowner Match |
| 25% of project cost | 20% of project cost | 10% of project cost | N/A | |
| Interest Rate | Interest Rate | Interest Rate | Interest Rate | Interest Rate |
| 4% | 3% | 2% | 1% | |

Calculating Income Eligibility

Income eligibility is determined by combining the gross eligible income from all adult household members (all members over the age of 18). Household income includes, but is not limited to the following:

- Wages, salaries, tips, commissions, (including overtime, if it is likely to continue)
- Self-employment income
- Interest, dividends, net rental income
- Income from estates and trusts
- Social security disability and retirement benefits
- Pensions
- TANF and any other public assistance
- Child support
- Alimony and separate maintenance payments
- Veterans Administration benefits
- Any other income not specifically listed above

Income is verified using applicant provided information and third-party verifications. Applicant must provide employment verification in the form of payroll remittance forms, public assistance benefit letters, statement of earnings (retirement/investments) deposit information, and the two most recent years of federal and state income taxes. Applicants are required to submit all documentation at the time of application.

Other Eligibility Criteria:

- Property owner must occupy the unit and hold title to the property. Funding will not be provided for homes being purchased on contractor or applicants utilizing life leases.
- Owner must be current on property taxes and utility bills for the subject property.
- Owner must provide proof the property is adequately insured to cover full cost of all mortgages and liens held against the property. This must be maintained throughout the loan term.
- Property must not be subject to any foreclosure notices or proceedings.
- Property must be free of liens outside the normal scope of a first or second mortgage. Subsequent loans on the home will be considered on a case by case basis.

Credit Report

There is no minimum credit score required to qualify for program funds and it is not taken into consideration as part of qualifying criteria. However, applicants will be required to sign a release for a credit report to be run for each applicant however the information will only be used in determining applicant's ability to afford the loan payments.

Eligible Rehabilitation & Improvement Projects

To be eligible for funding the property subject to the loan must be an existing, habitable, and owner-occupied single-family dwelling located within the city limits of Oelwein.

The mission of the proposed program is to improve the structural integrity of housing units in the City of Oelwein through repair and rehabilitation of existing homes. Rehabilitation is not remodeling. Remodeling is for convenience or cosmetic purposes.

Rehabilitation is defined as improvement and repair directed toward an accumulation of deferred maintenance, and/or needed replacement of principal fixtures and components of existing structures, including but not limited to:

- Roof repair or replacement, including gutters and downspouts.
- Repair or replacement of mechanical systems (furnace, air conditioning, water heater).
- Upgrade to minimum 100 Ampere electrical service, electrical repairs, and needed replacement of fixtures.
- Upgrade plumbing service, plumbing repairs, and needed replacement of fixtures.
- Structural repairs and reconstruction including foundation or chimney repair.
- Repairs due to termite damage or to treat for termites.
- Exterior siding repair or replacement and exterior paint.
- Repair or replacement of entrance doors and windows.
- Repair or replacement of porches and decks to fix code or safety violation.
- Repair or replacement of floor coverings.
- Interior wall and ceiling repair, drywall, interior doors and trim, and paint.
- Removal of unsightly blight, dilapidation or deterioration due to deferred maintenance, such as tear down of dilapidated garages or sheds.

- Garage repair.
- Functional landscaping for redirection of water away from foundations or retaining walls to prevent soil erosion.
- Tree and brush trimming and removal to prevent roof or siding damage, for safety, or to cure blight.
- Sidewalk and driveway repair or replacement.
- Smoke detectors and dead bolt locks for safety and home security.
- Improvements to increase the efficient use of energy in structures through installation of storm windows and doors, siding, wall and attic insulation, weather stripping.
- Improvements to increase the efficient use of water through such means as water savings faucets and shower heads and repair of water leaks.
- Inspection and testing for and remediation or abatement of lead-based paint, asbestos, or other environmental hazards.
- Improvements designed to remove material and architectural barriers that restrict the mobility and accessibility of elderly or severely disabled persons to buildings.

Priority scoring will be given to projects addressing at least one of the above items and/or code violations, health and safety issues, and energy efficiency. Projects falling outside these guidelines while still meeting the integrity and intent of the program will be considered on case-by-case basis.

No Home Rehabilitation Program funds shall be utilized for a new addition or new building expansion, unless approved by the City Council and necessary for the express purpose of code compliance or accommodation based on the American Disabilities Act (ADA) Accessibility Guidelines.

Application Procedure

Applications will be accepted on an ongoing basis pending fund availability. There is a \$50 application fee payable to UERPC at time of submission. The applications will be reviewed in the order they are received and presented to the Oelwein City Council for approval once initial eligibility is determined and a site inspection has been completed UERPC. The time from application submission to approval ranges from 4-8 weeks on average.

Application forms are available online or can be picked up in person from:

Oelwein City Hall
20 2nd Avenue SW
Oelwein, Iowa 50662

Upper Explorerland Regional Planning Commission
134 West Greene Street,
Postville, Iowa 52162

Application are available for download at www.uerpc.org/housingrlf or www.cityfoelwein/housing.

To be considered a complete application the following must be returned to Oelwein City Hall or UERPC:

- Completed application form
- \$50 application fee
- Proof of income -two months most recent paystubs, verification of social security/veteran/government benefits, investment income statements, and all other relevant documentation as noted on application materials)

- Two years most recent federal and state tax returns (3 years if self-employed)
- Two months banks statements
- Proof of homeowner’s insurance
- Signed release forms
- Description of work to be completed with requested funds
- Two detailed estimates for project work from licensed contractors

Applicants will be reviewed in the order in which they are received. The program administrator will review the application for completeness and conduct the income verification process within two weeks of receipt of the application and receiving all required documentation. Once all verification is received a determination will be made on eligibility applications will be forwarded to the Oelwein City Council for review. Applications will be reviewed on a monthly basis for approval by the City Council. Applicants will be notified of loan approval status and advised of next steps in the process via postal mail.

Loan Policy Guidelines

Loan Underwriting

For loan underwriting purposes, the total monthly housing costs (principal, interest, taxes, homeowner’s insurance, private mortgage insurance, and condominium or association fees) plus any outstanding monthly debt payments (with more than ten months’ remaining) including the monthly payment for the proposed RLF loan, as well as monthly payments for alimony, child support, and separate maintenance should not exceed 50 percent of verified monthly gross income of the loan applicant(s).

If the debt to income ratio is greater than 50 percent, the City Council, at its discretion, may approve the loan based on the following mitigating factors:

- The applicant has demonstrated a responsible use of credit and ability to accumulate savings
- The applicant has substantial equity in the property
- There is a strong credit history

Monthly Payments

The amount of the monthly loan payment is based on the amount borrowed, interest rate, and loan term. All loan terms will be at a fixed interest rate amortized over a 10-year term. Loan recipients will be provided a closing disclosure document listing all costs associated with the loan along with a full amortization schedule. Payments may be made by postal mail, drop off at city hall, or through auto-debit. A \$30 fee will be assessed for any returned checks. There is no penalty for prepayment.

Loan Closing & Fees

All approved applicants will be responsible for paying closing costs as detailed in the schedule below. These costs may be paid upfront or included with in the loan as long as the total borrowed does not exceed the \$15,000 maximum. Closing costs paid up front may be considered contribution towards the required match dollars.

Costs Due by Loan Recipient at closing:

| | |
|-------------------------|------------------|
| Mortgage recording fee: | \$25.00 |
| Origination Fee: | 1% of loan value |
| Title Lien Search: | \$175.00 |

Total Amount Due at closing = \$200.00 + 1 % origination fee. The origination fee on \$1000 = \$10. The maximum origination fee on a \$15,000 loan will equal \$150. The origination fee covers the cost of inspection, loan preparation and closing services.

At loan closing the following documents will be completed:

- Promissory note
- Mortgage document/closing statement
- Mortgage lien document

Delinquent Accounts

Upper Explorerland Regional Planning Commission will service loans made from the RLF. The City of Oelwein and UERPC may apply a \$5.00 late fee for each payment more than 15 days delinquent. Loan recipients are encouraged to contact UERPC or City Hall to make alternative payment arrangements if they are unable to stay current on their account. The City intends to make reasonable accommodations and adjustments in their situations.

Reasonable efforts will be made to collect on all delinquent loans. Accounts will be considered seriously delinquent if a payment is not received for 6 months or more. UERPC will provide the City Council with a list of past due accounts on a quarterly basis along with a summary of collection efforts. The City has the authority to take further action when all standard means of collection have been exhausted.

Security and Default

Loans will be secured by a promissory note to be signed by the borrower(s) on the day of loan closing. A real estate mortgage lien will be filed with the Fayette County Recorder's Office in an amount equal to the loan value. The lien will be subordinate to any first mortgage held on the property. The lien will not be released until the loan is paid in full. Loan recipients will also be required to list the City of Oelwein as a loss payee on their property insurance for the duration of the loan.

If a change of ownership or occupancy status occurs prior to the loan term expiring the loan will be called due in full. In the case of a home sale, the remaining balance on the account will be payable from the proceeds of the residence.

Conflict of Interest

No member of the governing body of City of Oelwein or UERPC, 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.

City Council members will recuse themselves from scoring or providing input on any application where a significant conflict of interest exists.

APPENDIX A

| City Responsibilities | UERPC Responsibilities |
|---|---|
| <ol style="list-style-type: none"> 1. Outreach <ul style="list-style-type: none"> • Participate in program marketing & outreach efforts • Publication of public hearing, meeting, and other required notices 2. Application intake and screening <ul style="list-style-type: none"> • Field inquires, provide applications, and direct applicants to UERPC for intake and screening 3. New loan processing <ul style="list-style-type: none"> • City Council to review applications and ensure each is scored using selected criteria 4. Project inspections and review <ul style="list-style-type: none"> • City inspectors will assist UERPC staff as requested to assess property conditions and proposed work 5. Accounting and reporting <ul style="list-style-type: none"> • Establish checking accounts • Provide UERPC bank statements/online statement access • Monitor and evaluate all administrative charges and the use of all RLF funds | <ol style="list-style-type: none"> 1. Outreach <ul style="list-style-type: none"> • Conduct program outreach and participate in public hearings • Develop marketing and application materials • Participate in Oelwein City Council meetings and related Housing Committee meetings as requested 2. Application intake and screening <ul style="list-style-type: none"> • Respond to all citizen inquiries • Process applications • Meet with homeowners and assist in completing required documents 3. Eligibility determination <ul style="list-style-type: none"> • Review applications for completeness • Verify income and assets verification to make eligibility determination • Conduct initial property inspection & provide assessment • Assist homeowner in prioritizing project needs • Verify property information (ownership, adequate insurance, and property tax payments) • Verify contractor registration & insurance 4. New loan processing <ul style="list-style-type: none"> • Contract title company to complete lien search and complete credit checks • Maintain all application and loan closing forms to meet current requirements • Prepare materials for Oelwein City Council to approve loans after initial eligibility is determined • Complete loan closing with homeowner to include all documents as laid out in the program administrative guidelines document 5. Project management, review, and payment <ul style="list-style-type: none"> • Draft contracts between contractor and homeowner • Issue notice to proceed to selected contractor • Conduct final inspection and others as requested • Monitor project status • Obtain acceptance of final work from homeowner 6. Existing loan servicing and monitoring <ul style="list-style-type: none"> • Acquire necessary signatures on payment requests from the homeowner and contractor • Issue payment to contractors/Provide request for payment from City of Oelwein • Maintain records and program files • Monitor account delinquency and provide reasonable collection efforts • Process requests on all existing loans (subordinations, assignments, etc.) 7. Accounting and reporting <ul style="list-style-type: none"> • Maintain up-to-date ledger of all payments made • Reconcile payments with monthly bank statement • Deposit payments received (or provide to City) • Provide all information to the City on a quarterly basis |

