



community development partnership

Housing Rehabilitation Program Guidelines for FY2013

Program Overview & Priorities: The Housing Rehabilitation Program is a collaborative program of HECH and the CDP and is funded through an annual Community Development Block Grant (CDBG) by the MA Department of Housing and Community Development (DHCD) to help preserve existing housing stock and create new affordable rental units for year-round residents in target areas of the following towns:

**Dennisport Village * Harwich Center *
Provincetown (entire town) * Truro (entire town) * Wellfleet
(entire town)**

To be eligible for the program, owner-occupied homeowners or tenants must be income eligible according to LMI (low-moderate income) guidelines set by HUD.

Income Guidelines: Below are the total allowable LMI (low-moderate income) limits per size of household to qualify for the Housing Rehab Loan Program. LMI limits are set by HUD at 80% average median income for Barnstable County. Income limit means all income from *all Adults 18 years old or over living in the household*. Household size means *the total number of adults and children living in a household regardless of their relationship*.

Household Size	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
Income Limit	\$44,750	\$51,150	\$57,550	\$63,900	\$69,050	\$74,150	\$79,250	\$84,350

Income Eligibility: If your total household income exceeds the limits indicated above, you are not eligible for loan funds on your primary residence. However, if you are applying for program funds to rehab an existing rental unit or create a new rental unit (within an existing structure) which will be rented to an income qualifying household, you are eligible for matching funds up to \$35,000 to cover the cost of the project.

If your total household income is at or below the income limits indicated above (and your project meets all other program guidelines), you are eligible for loan funds for your primary residence and/or to rehab or create a new affordable rental unit (within an existing structure). You are not required to provide any matching funds for your project.

Funding Limits and Priorities: Funds up to \$35,000 per unit are available for program priorities. The priorities of the program are as follows:

1. **The First priority** is to correct all code violations
2. **The Second priority** is to refurbish exterior items. This includes roofs, rain gutters, entry door replacements, walkway repairs.
3. **The Third priority** is energy efficiency. This includes heating (and in some circumstances cooling) system replacement/upgrades, installation of insulation, ceiling fans weather stripping, water heater replacement and low flow plumbing fixtures.
4. **The Fourth priority** is interior improvements necessary to improve general living conditions. This includes repair of hardwood flooring, replacement of vinyl or tile flooring as necessary, replacement of Formica with mid-grade tile or Formica, replacement of inoperative lighting fixtures, etc. All interior items are allowed at mid-grade quality only.

Also included: Security improvements, as necessary, including upgraded door and window locks, new security lighting and doors.

Not Included: *Indoor and outdoor fireplaces, pools, Jacuzzis, new hardwood flooring, expensive counter tops, washers, dryers, barbeque pits, flower boxes, family rooms, new patios or decks, kitchen appliances with the exception of built-ins when kitchen counters/cabinets are being replaced, detached structures, non-living areas, non-permanent structures and any luxury improvements.*

Property Guidelines:

Owner-Occupied Single-Family Units (Primary Residence):

1. Declining loans structured as mortgages are made to owner-occupiers of single-family units to cover essential upgrades on a primary residence. The declining loan is secured by a property lien recorded at the Barnstable County Registry of Deeds. This lien is removed by a mortgage discharge after 15 years of compliance by the borrower has passed; the loan balance declines by 1/15th in each year of compliance until it reaches zero.

2. Borrowers must hold title to the property (LMI life tenants may apply as long as owner agrees and signs).
3. All those named on a deed must agree to the loan by signing all legal documents even if they do not occupy the premises.
4. The maximum loan amount of \$35,000 is available to rehab only a building lived in by the owner.
5. All loans are developed within a “moderate” rehabilitation framework for code, health and safety upgrades.
6. Borrowers must meet LMI income guidelines set out in the chart below according to household size.
7. Borrowers whose property does not remain their primary residence throughout the loan term must either pay back the loan balance or rent the property to a LMI tenant year-round at a fair market rent set by HUD.
8. No penalties will be assigned as long as borrowers remain in compliance and notify the compliance monitor of any changes of property status.
9. The borrower may sell the property during the 15-year term and pay back the remaining balance at the time of sale rather than the full loan amount.
10. Direct heirs may assume the loan and its obligations if title to the property transfers before term ends. They may live in the property, find eligible LMI year-round tenants for the property, or sell the property and pay back the remaining balance due.
11. On occasion borrowers are permitted or may be required to provide a portion of total costs; such funds are the sole responsibility of the property owner and must be verified prior to loan approval.

Rental Units: Multi-, Single-Family, or Accessory Units in a Single-Family Residence:

1. Declining loans structured as mortgages are made to owners of units in existing buildings to be upgraded or developed into new rental units that house LMI (low-moderate income) tenants year-round at fair market rents set by HUD.
2. The loan is secured by a property lien recorded at the Barnstable County Registry of Deeds. This lien is removed by a mortgage discharge after 15 years of compliance by the borrower has passed; the loan declines in each year of compliance by 1/15th until the balance reaches zero.

3. ***The 15-year deed restriction remains with the property for the full term of the loan. This may not be set aside, nor the loan paid back, in the event of a sale to a new owner.***
4. Direct heirs may assume the loan and its obligations if title to the property transfers before term ends.
5. Properties with up to 7 rental unit(s) may be eligible for funding of up to \$35,000 per unit if they are not already deed-restricted as “affordable.” Decisions on rental units are based on the income of the owner and tenant(s) in the property, the degree of construction required, and availability of program funds.
6. Landlords who qualify within LMI guidelines are eligible to apply for loan funds for affordable rental units and are not required to provide any matching funds.
7. Landlords who do not qualify within LMI guidelines are eligible for matching funds for each rental unit up to \$35,000.
8. Landlords must have income-certified existing or prospective tenant(s) in order to qualify for a loan. HECH will provide forms for income-certification and verify that the tenant qualifies under HUD guidelines. However, the tenant selection otherwise is the sole responsibility of the landlord.
9. The Town of Truro, or its monitoring agent, will perform an annual audit by letter, including verification of tenants and rents, throughout the 15-year term of the loan. (Non-compliance by owners risks default penalties.)
10. Acquisition of zoning variances and special permits are the sole responsibility of the property owner.

Housing Rehabilitation Loan Terms

1. Up to \$35,000 per owner-occupied or rental unit are conveyed in a declining Deferred Forgivable Loan (DFL) @ 0% interest for a 15-year term, secured by a property lien recorded at the Barnstable County Registry of Deeds.
2. The 0% DFL is forgiven (declines) by 1/15th annually, as long as the borrower(s) remain in compliance. The entire loan is forgiven and the recorded mortgage discharged at term end.
3. Loan-related costs are included in the DFL and reflected in closing documents, including but not limited to title search, recording fee, credit check, lead inspection fees. Closing costs range between \$200 and \$850.

4. A key aspect of the Housing Rehabilitation Program is the ability to “leverage” funds to supplement funding by the program. Cape Cod Five Cents Savings Bank offers up to \$50,000 for loans at more competitive rates than otherwise offered. Other possible sources of leveraged funds include: property owner’s funds, Barnstable County Septic Program, DOE’s Weatherization Program, the “HEARTWAP” heating assistance program, Cape Light Compact, and Keyspan Energy programs all offered through Housing Assistance Corp; USDA Section 504 loan/grant program; South Middlesex Opportunity Council’s Home Modification Program
5. Lack of available dollars or good credit does not preclude participation in this program.