



Improving our Housing Today for a Safer Tomorrow

INTRODUCTION

Basic Purposes and Objectives

The Federal Housing and Community Development Act of 1974 provides for the distribution of funds to local governmental entities for the development of viable urban communities including a decent living environment and expanding economic opportunities, principally for persons of low and moderate income.

Specific objectives are:

- ◆ The elimination and prevention of deterioration and blighting influences in neighborhoods and communities.
- ◆ The elimination of conditions detrimental to public health, safety and welfare, through housing, code enforcement and rehabilitation programs.
- ◆ The expansion and improvement of the quality and quantity of public services.
- ◆ A more rational use of land and natural resources.
- ◆ The reduction of isolation of income groups within communities.

The restoration of historical buildings and properties of special value.

Funding to serve the purposes and objectives of the Act are made available to the City of Redwood City through the Department of Housing and Urban Development (HUD).

Home Improvement Loans

Within the purposes and objectives of the Community Development Block Grant Program, a plan has been developed for Home Improvement Loans, which provides:

- ◆ Standard loans up to \$100,000 @ 3% interest for 15 years, with no prepayment penalty but subject to payment in full upon resale or transfer of title.
- ◆ Deferred loans for hardship cases up to \$100,000 at 3% interest for 5-15 years with no prepayment penalty and subject to payment in full upon resale or transfer of title.

Each of these loans will be secured by a first or second Deed of Trust and approvals for such loans are made by the City's Home Improvement Loan Committee.

Individual owners desiring to voluntarily participate in the low interest home improvement loan program must file an application form and be subject to an inspection of the property and its improvements. Subsequently, the Community Development's Housing Advisory personnel will

Home Improvement Loan Program

evaluate the application and inspection findings, review their findings with the applicant and, with the owner's concurrence, submit the home improvement loan proposal to a Loan Committee for their consideration. Upon approval of such home improvement loans, the Housing Advisory staff will meet with the owner, complete the loan transaction papers, coordinate work performance contractual arrangements and authorize the commencement of the rehabilitation work. During the performance of the work, the Housing Advisory personnel will monitor work progress, issue or certify progress payments and issue certificates of completion upon determining that a notice of completion has been filed and that all materials and labor costs have been paid, or at the direction of the owner when all contractual obligations have been met.

Loans to owner-occupied units shall require that owners maintain use of the property as their primary residence. If and when a homeowner rents all, or any portion, of a dwelling which has been rehabilitated with federal funds, a fair market rent shall be established. This rent shall be of an amount which is affordable to low income tenants (or compatible with Section 8 Fair Market rents set by the Department of Housing and Urban Development) according to bedroom size.

I. GENERAL CONDITIONS

1. Program Areas.

Loans may be made within designated program areas (CDBG Target area); or City-wide to applicants who meet federal income standards.

2. Rehabilitation Standards.

Property must be in need of rehabilitation and/or exterior maintenance as determined by inspection made by the City of Redwood City.

Termite reports may be required as recommended by Home Improvement Loan Staff.

Smoke alarms are to be included if not already installed.

Funds will not be disbursed if work is completed without appropriate permits.

Work must conform with all City Codes.

3. Ability to Pay.

Applicants must show ability to repay the loan.

Applicants who are unable to make such payments may be eligible for deferred payment loans.

Deferred loans may require a 3 Year income review - if owner's income goes up, owner must make some payment on a deferred loan.

Home Improvement Loan Program

4. Conflict of Interest.

No loans shall be granted to public officials, Redwood City management staff, members of City Boards or Commissions, or employees directly involved in the Home Improvement Loan Program.

II. LOAN TERMS AND CONDITIONS

1. Interest Rate.

3% City Wide

Interest rates will be market sensitive and will be adjusted according to the rise and fall in the private market.

2. Income.

All property owners must be 80% and below median income to qualify. Priority will be given to very low income families whose household income is 50% below median income, who show ability to repay. Redwood City will use the most recent income figures provided by HUD; or in their absence, median income figures from the most recent census.

3. Loan Limits.

\$100,000 for single-family owner-occupied houses. Room additions may be permitted under this loan in extreme hardship cases. Maximum loan amounts shall be determined based on an 80:20 loan to value ratio.

4. Loan Term.

Maturities for owner-occupied loans may extend to 15 years.

5. Deed of Trust.

All loans shall be secured by a Deed of Trust.

6. Assumptions.

All loans must be repaid upon sale or transfer of title unless the subsequent owner satisfies federal income standards, in which case the loan may be assumed.

Home Improvement Loan Program

7. Title.

Property must be owned by the borrower. A preliminary title report shall be obtained for each loan. A policy of title insurance will be required for loans over \$10,000.

8. Loan Approval.

Loans shall be approved by the Home Improvement Loan Committee.

9. Refinancing.

Refinancing is permitted in cases where owner occupiers have small balloon payments which will come due in 5-7 years. Otherwise the loan will be written with a maturity date that is 30-60 days prior to the maturity of the balloon mortgage. Refinancing of existing mortgages may be considered only if required to make a project feasible.

Refinancing amounts should not exceed \$20,000.00.

CONSTRUCTION PHASE

The standards for rehabilitation will be clearly articulated by the program staff to establish realistic rehabilitation goals and provide the basis for defining the minimum code required work in each structure. In order to accomplish this goal, a thorough inspection of the building will be conducted by the program staff, City Building Inspector and the Housing Authority as applicable. The owner will then be provided with a deficiency list identifying all required work items. It will be the responsibility of the owner to secure competitive bids that describe in detail the scope of work to be done under this loan. At least three bids are encouraged.

Bids are generally due at the time an application is submitted to the loan committee to determine the loan amount. In order for a bid to be considered, the interested contractor must prepare his estimate using the City Housing Program Bid Package and Rehabilitation Construction Performance Standards.

Although the selection of a contractor is the homeowner's responsibility, the Housing Program will provide the framework for structuring contractor involvement to foster the professionalism of the program, and attract quality contractors.

In cases where the rehabilitation project is 8 units or more, the contractor will be required to comply with all the provisions set forth by the Davis-Bacon and related Acts. The Acts provide for the payment of minimum wages, including fringe benefits, to laborers and mechanics engaged in construction activity under contract financed by Federal funds. Projects subject to Davis-Bacon will be formally advertised for sealed bids.

Home Improvement Loan Program

The advertising will be done at the expense of the program, one time only in the local paper selected by the program.

Construction Payments

The Home Improvement Loan Program operates on a reimbursement basis; in other words, a check for a full amount of the loan will not be presented to you. It will be placed in an escrow account to be disbursed according to the progress of the work. Proper documentation is required when requesting payment or reimbursement for construction expenditures. Payments will only be made upon receipt of invoices approved by the owner and verification of work performed by the contractor. Housing staff and Building inspector will visit the site at intervals appropriate to the stage of construction or as otherwise agreed by the City Housing staff.

Payments are available within 3-5 days after approval of progress payment request. Owner has 30 days from the date of loan approval to begin construction. All construction work must be completed and all funds expended within 60-90 days depending on the scope of work and project size. At the end of the job, the City will hold back 10% of the contract amount until a Notice of Completion has been recorded.

Requirements for Contractor Selection

All contractors participating in the rehabilitation of projects funded by Home Improvement Loan Program must be qualified, licensed contractors who produce quality work within the designated time frames and who are sensitive to the needs of the owner as well as the program. Contractors must provide certification of insurance that shows they have Comprehensive Public Liability Insurance (Minimum \$500,000) coverage protecting the property owner in the event of bodily injury or property damage, evidence of Workman's Compensation Insurance which is current and in the correct amount. (Minimum \$300,000). Owner Builder projects will be discouraged, unless the property owner is also owner or partner of a licensed construction firm or can verify that he has extensive knowledge of construction methods. Where a homeowner completes work which does not require a building permit, reimbursement can be made from the loan fund for materials only. The federal government prohibits homeowners from receiving pay for their own labor under this program. Owner builder projects which are approved, must be completed between 8 A.M. and 5 P.M. Monday through Friday. In other words, an owner cannot be approved for a loan for work which would be completed in the evenings and on weekends. If an owner builder project is approved owner builder must be able to provide Workman's Compensation insurance for the duration of the job with minimum coverage of \$300,000.

For projects funded in excess of \$100,000, Performance and Payment Bonds will be required.

THE LOAN PROCESS

Application Process

Application is submitted and staff evaluates
(verification of tenant profile forms and supporting documents)
Staff orders preliminary title report and credit report.
Applicant is pre-screened for eligibility.
Staff and building official make inspections.
Staff prepares and finalizes deficiency list with owner's approval.

Pre-Construction Phase

Owner/ Staff announces invitation to bid.
Open House is held by Staff and owner.
Bid Opening is set for 7-10 days after invitation to bid.
Owner reviews bids and pre-approves contractor.

Loan Approval

Application is submitted to the Home Improvement Loan Committee.
Staff sends letter approving or denying the loan.

Loan Funding

Staff holds Pre-construction conference.
Owner signs loan documents and construction contract.
Deed of Trust is recorded. (72 business hours or after rescission period)
Funds are transferred to construction escrow account.

Construction Phase

Owner issues Notice to Proceed and permit is issued.
Contractor begins construction.
Staff conducts inspections according to progress payments.

Project Completion

Final completion inspection.
Owner, contractor and staff have final walk-through and punch list is generated.
Punch list is corrected as applicable.
Notice of Completion is filed.
Remaining funds are disbursed.
Homeowner is mailed evaluation of program.
Owner completes evaluation and reviews construction accounting.

Home Improvement Loan Program

NONDISCRIMINATION AND EQUAL OPPORTUNITY

Loan amounts will be made available in conformity with the non discrimination and Equal Opportunity requirements of the Federal Fair Housing Law, 42 U.S.C. 3601-19, with Executive Order 11063, and with the title VI of the Civil Rights Act of 1964, 42 U.S.C. 6101-07.

- (ii) Prohibitions against discrimination on the basis of age under the Age Discrimination act of 1975, 42 U.S.C. 6101-07, and the prohibitions against discrimination against handicapped individuals under section 504 of the Rehabilitation Act of 1973, 29 U.S.C. 794;
- (iii) The requirements of Executive Order 11246 and regulations issued under the Order at 41 CFR Chapter 60;
- (iv) The requirements of Executive Order numbers 116625, 12432 and 12138. The City of Redwood City will make efforts to encourage the use of minority and women's business enterprises in connection with activities funded under this part. The City will keep records regarding the number and dollar amounts of participation by minority and owner-owned businesses.

Such efforts shall include the following elements appropriate to the rehabilitation activities funded:

- (A) Establishing local dollar targets based on factors the City regards as appropriate and related to the purpose of the Rental Loan Program (i.e., Grant amounts will not exceed 50% of cost of rehabilitation).
- (B) Including qualified minority and women's businesses on bid solicitation lists, and assuring that minority and women's businesses are solicited whenever they are potential sources of materials or services.
- (C) When economically feasible, dividing total contract requirements into small tasks or quantities, or extending delivery schedules, so as to permit maximum minority and women's business participation;
- (D) Using the service and assistance of Golden State Business League, Directory of Minority Construction Contractors and Sub Contractors; Minority Business Development Agency of the Department of Commerce; the Inter-Agency Committee on Women's Business Enterprise and United Minority Business Entrepreneurs as needed.
- (E) If sub-contracts are let, the prime contractor will be required to take affirmative steps such as those described above.
- (F) When owners request modifications for disabled access, all accessibility improvements shall comply with the requirements of the Uniform Federal Accessibility Standards (UFAS).

INSTRUCTIONS FOR COMPLETING LOAN APPLICATION

APPLICATION FORMS AND ADDITIONAL INFORMATION AND ALL THE SUPPORTING DOCUMENTS TO BE SUBMITTED WITH APPLICATION INFORMATION

In order to enable us to process your loan application request as quickly as possible, it is important that the forms in this application package be filled out completely and accurately. The Loan Committee meets on the second Wednesday of each month. Completed loan applications will not be submitted to the Loan Committee until the pre-construction phase has been completed.

Please type or print all entries on your application.

Co-borrowers need to fill out one application (and provide other supporting financial schedules) if their assets and liabilities are sufficiently joined so that the application is meaningful on a combined basis. Otherwise, separate applications and schedules are required.

LOAN APPLICATION (Owner of Subject Property)

- ◆ Please give accurate name and address of employment, and describe all other income in detail
- ◆ If applying for Rental Rehab Loan, please fill in all appropriate information concerning the rental property, all rental income and expenses, and the tenant profile form with tenant's proof of income
- ◆ Credit information: list only outstanding loans and balances.
- ◆ All applicants must sign and date the form.
- ◆ Together with your application, we will need the following documents:

IF SELF EMPLOYED OR IF SALARIED--

- a. Signed copies of your federal income tax returns for the last two years.
- b. Most recent financial statement. (If ownership is less than 2 years or if rental income will not support debt.)
- c. Copy of bank statements (checking and savings)

IF OTHER SOURCE OF INCOME--

- a. Copy of Social Security award letter or copies of your Social Security income check.
- b. Retirement award letter or copy of the most recent check.
- c. AFDC Award letter

INSURANCE, MORTGAGE AND TAX VERIFICATION--

- a. Copy of your Homeowner's and Fire Insurance Policy.
- b. Most recent mortgage statement showing loan balance and payment.
- c. Copy of End of Year statement from the Mortgage Lender with balance
- d. Copy of the property tax statement.

Home Improvement Loan Program

ELIGIBLE REPAIRS--

- Copy of Termite report, if applicable.
- Contractor's cost estimate, if available.

Home Improvement Loan Program

**CITY OF REDWOOD CITY
HOME IMPROVEMENT LOAN PROGRAM
OWNER-OCCUPIED PROPERTIES APPLICATION**

APPLICANT (CO-APPLICANT - Please fill out next page)

Name:		
Present Address:		
How long at present address? ____ List total number of members living in household.		
Telephone No: (Home)	Date of Birth:	Marital Status <input type="checkbox"/> Married
(Work)	Social Security #	<input type="checkbox"/> Separated <input type="checkbox"/> Single (Includes Div. or widowed)
No. of Dependents: Please list ages and sex of each dependent.		
Previous Address:		
How long at previous address?		
Name of nearest relative not living with you.		
(Relationship and Phone number)		
Employer Name and Address:		
Type of Work - Position:	No. of years	
Bank Accounts including Credit Unions - (Give bank name and account numbers. List type of account, i.e., checking, CD's, savings). Provide copy of latest statement.		

Home Improvement Loan Program

(CO-APPLICANT - Please fill out this page)

Name:		
Present Address:		
How long at present address?		
Telephone No: (Home) (Work)	Date of Birth: Social Security #:	Marital Status <input type="checkbox"/> Married <input type="checkbox"/> Separated <input type="checkbox"/> Single (Includes Div. or widowed)
No. of Dependents: Please list ages and sex of each dependent.		
Previous Address:		
How long at previous address?		
Name of nearest relative not living with you. (Relationship and Phone number)		
Employer Name and Address:		
Type of Work - Position:	No. of years	
Bank Accounts and Credit Unions (Give bank name and account numbers. List type of account, i.e., checking, CD's, savings). Provide copy of latest statement.		

Home Improvement Loan Program

MONTHLY INCOME			
Applicant Sources of Income		Co-Applicant Sources of Income	
Salary	\$	Salary	\$
Social Security	\$	Social Security	\$
Pension	\$	Pension	\$
List Other Incomes Below: Bonus, overtime, AFDC		List Other Incomes Below:	
	\$		\$
	\$		\$
Applicant Total	\$	Co-Applicant Total	\$
TOTAL OF APPLICANT AND CO-APPLICANT			\$

MONTHLY EXPENSES			
1st Mortgage	\$	Water, Garbage & Sewer (2 months)	\$
2nd Mortgage	\$	PG&E	\$
Property Tax	\$	Phone	\$
Medical		Fire and/or Homeowners Insurance	\$
Dental	\$	Life Insurance	\$
Medication	\$	Other Insurance	\$
Other	\$	TOTAL EXPENSES	\$

(a) Are there any outstanding judgements against you? Yes [] No []

(b) Have you been declared bankrupt within the past 7 years? Yes [] No []

Home Improvement Loan Program

(Expenses Continued)

DEBTS - List all fixed obligations, installment accounts, credit cards and debts to banks and finance companies. (If more space is needed, list all additional debts on separate pages and attach them to this form.)

To whom indebted (Name, Address & Account No.)	Date Incurred	Original Amount	Present Balance	Monthly Payment	Amount Past Due

Automotive Liens	Year and Make	Present Balance	Monthly Payment	Amount Past Due

Home Improvement Loan Program

PROPERTY TO BE IMPROVED			
Address:			
Year Built:	Purchase Date:	Purchase Price: \$	Owner's Estimated Value:
Is property listed on local inventory of historic properties?			
1st mortgage lender (Name and Address)			
Monthly Payment: \$	Balance Owing: \$	Maturity Date:	
2nd mortgage lender (Name and Address)			
Monthly Payment: \$	Balance Owing: \$	Maturity Date:	
Other mortgage:			
Describe Improvements			
Cost of Improvements: \$			
Requested Loan Amount: \$	Years:	%:	
Fire/Home Insurance: Policy #: Agent's Name, Address and Phone #:			
Instructions for Inspection:			

Home Improvement Loan Program

Agreement:

The undersigned applies for the loan indicated in this application to be secured by a deed of trust on the described herein, and represents that the property will not be used for any illegal or restricted purpose, and certifies that he/she is the owner of record, and as such, gives City of Redwood City permission to inspect property. Verification or reverification of any information contained in the application may be made at any time by the Lender, its agents, successors and assigns, either directly or through a credit reporting agency, from any source named in this application, and the original copy of this application will be retained by the Lender, even if the loan is not approved.

The undersigned certifies that all statements made in this application are true and were made for the purpose of obtaining the loan and fully understands that it is a federal crime punishable by fine or imprisonment, or both, to knowingly make any false statements concerning any of the above facts.

(Applicant Signature)

Date

(Co-applicant Signature)

Date

Voluntary Information

The following information is requested by the federal government in order to monitor the City's compliance with equal opportunity and fair housing laws. If you do not wish to furnish this information. Please initial below.

RACE CATEGORIES		APPLICANT		CO-APPLICANT	
			ETHNI-CITY		ETHNI-CITY
	Race	Check Only One Race Category	Check if also Hispanic	Check Only One Race Category	Check if also Hispanic
1	American Indian or Alaska Native				
2	Asian				
3	Black or African American				
4	Native Hawaiian or Other Pacific Islander				
5	White				
6	American Indian or Alaska Native <i>and</i> White				
7	Asian <i>and</i> White				
8	Black or African American <i>and</i> White				
9	American Indian or Alaska Native <i>and</i> Black or African American				
10	Balance/Other				

Home Improvement Loan Program

For Office Use Only

Income \$ _____

Expenses \$ _____

Equity \$ _____

How did you hear of our program? _____

Rev 8/12/02