



## SHOREVIEW HOME IMPROVEMENT LOAN

### PROGRAM GUIDELINES

**Overview:** The City of Shoreview is offering home improvement loans to residents to encourage home renovation and increase the home values within the City of Shoreview. Current available dollars for loans are based upon the fund balance for any given period.

**Loan Amount:** The maximum loan amount is \$20,000. Minimum loan amount is \$2,000.

**Interest Rate & Loan Term:** The interest rate is updated quarterly on the first business day of each quarter of the calendar year and is two points above the Prime Rate. At time of loan application, the borrowers' interest rate is fixed for the entire term of the loan.

The Maximum loan term is 10 years. Full repayment of the loan is due upon sale, transfer of title, refinance or if the property ceases to be owner occupied. The interest paid on the loan will be returned to the borrower should the borrower reside at the residence for which the loan was used for the entire ten years from the time the loan is incurred.

**Loan Security:** All loans will be secured by a mortgage in favor of the City. The loan may be secured in a subordinate lien position behind other loans in accordance with the City's loan subordination policy. Applicant will be required to obtain title insurance on this loan for the City of Shoreview.

**Borrower Eligibility:**

- a. **Debt to Income Limit:** Borrower's gross monthly debts cannot exceed 50% of gross monthly income.
- b. **Credit:** Standard underwriting criteria apply including review of a credit report.
- c. **Income Limit:** The total gross annual household income cannot exceed 120% of the Shoreview median household income, as follows:

<u>Household Size</u>	<u>Income Limit *</u>
1	\$96,736
2	\$104,416
3	\$112,096
4	\$119,776
5	\$125,896
6	\$132,076
7	\$138,196
8	\$144,376

*\* Based on 2009 HUD income data*

**Property Eligibility:**

- Single family detached owner occupied properties located within the City of Shoreview that are not connected to an association for purposes of property maintenance.
- Zero lot line single family detached owner occupied properties located within the City of Shoreview that may or may not be connected to an association for purposes of property maintenance.
- Single family attached owner occupied properties located in the City of Shoreview, which may or may not be connected to an association. Single-family attached is defined as a dwelling unit located in a building consisting of **not more than twelve dwelling units** which are attached by common vertical walls and each having a separate entrance.
- Estimated market value as determined by Ramsey County property tax statement for the current year not to exceed 120% of the median value of a single family home in Shoreview which is \$314,640.\*\*

*\*\* Estimated market value based on 2010 Ramsey County Property Tax Records*

**Eligible Improvements:**

**Energy**

New energy upgrades to the home that include but not limited to:

- Energy efficient heating and cooling systems
- Replacement or additional insulation
- Energy efficient replacement windows and doors
- Energy efficient water heaters.

**Exterior and Interior Repair**

Exterior and interior repairs are intended to correct deficiencies that are present with the structure and other site improvements. These improvements may improve the livability of the home, function of the operating systems, and overall appearance of the structure and property. Eligible repairs include:

Exterior Structure Repairs

- Exterior painting
- Siding repairs/replacement
- New roofs
- Rafters, soffit and fascia repair
- Decks, railings and stairs
- Landings and porches

Interior Structure Repairs:

- Accessibility improvements for people with disabilities
- Failure of electrical, ventilation, or plumbing system and/or upgrading to meet current code
- Roof leaks that have damaged the interior
- Defects with the foundation, walls, or roof
- Lead paint removal

## Repair/Replacement of Site Improvements

- Driveways
- Sidewalks and patios
- Retaining walls
- Detached accessory structures that are classified as a garage

Other improvements considered on a case by case basis. Properties that are governed by an active Homeowner's Association must receive written approval for planned exterior improvements in accordance with the guidelines of this loan program and association by-laws and/or covenants.

### **Emergency Repair or Replacement:**

Any project begun before a loan closing has taken place will be ineligible for participation in the program, unless the project is considered an emergency repair or replacement. Emergency repair or replacement is the unscheduled replacement or repair work generally resulting from equipment failure, accidents or unanticipated causes where it is critical to restore/maintain the home for the safety, health and welfare of the occupants.

Emergency projects must be approved by the Housing Resource Center construction manager prior to the homeowner signing a contract or beginning any work. The construction manager will inspect the property to determine if the project meets the standard of an emergency. Projects that qualify as an emergency do not require the energy audit and the two bid requirement is waived if the construction manager approves the bid obtained by the homeowner.

Homeowners that have a project approved as an emergency have 30 days from the date of approval to apply for a loan. Loan funds may be used for refinancing of short-term emergency financing of eligible improvements or to reimburse the homeowner.

**Ineligible Improvements:** Housing additions, interior remodels, landscaping, recreational/luxury improvements, working capital, debt service or refinancing of existing debts.

## **APPLICATION & LOAN DISBURSEMENT PROCESS**

**DO NOT SIGN ANY CONTRACTS OR START YOUR PROJECT UNTIL A CLOSING HAS TAKEN PLACE. ANY PROJECT BEGUN BEFORE A LOAN CLOSING HAS TAKEN PLACE WILL BE INELIGIBLE FOR PARTICIPATION IN THE PROGRAM.**

**Homeowner Association By-Laws & Covenants:** Loan applicants from single-family attached or zero lot line detached homes with an active Homeowner's Association will be required to provide written approval from Homeowner's Association certifying the exterior improvements to be funded through this loan program are permissible under governing by-laws and/or covenants of the association.

THE CITY OF SHOREVIEW AND REPRESENTATIVE AGENCIES ASSOCIATED WITH THE ADMINISTRATION OF THIS PROGRAM ARE NOT LIABLE OR RESPONSIBLE FOR ANY VIOLATIONS OF ASSOCIATION BY-LAWS AND/OR COVENANTS BY THE APPLICANT FOR IMPROVEMENTS UNDERTAKEN THROUGH THIS LOAN PROGRAM.

**Application Process:** Completed applications will be processed by the HousingResource Center on a first-come, first-served basis, as funds are available until all program funds are committed. After loan approval you will be notified to come for a loan closing to sign a Promissory Note, Mortgage and subordination disclosure.

**Energy Audit:** An energy audit must be completed and submitted as part of the application unless the project is classified as an emergency repair or replacement.

**Loan Costs:** Borrowers will be charged a credit report fee at time of application. The title policy fee may be financed through the loan. The recording fees and servicing fees will be paid by the borrower at closing.

**Contractors & Permits:** Contractors must be properly insured and licensed by the State of Minnesota when required. Contractors are responsible for following the EPA Lead-Based Paint Renovation, Repair and Painting requirements effective April 22, 2010, and are required to provide a copy of certification with project contract. Permits must be obtained when required by city code. Two bids are required for work that exceeds \$5,000.

**Work by Owner:** Work can be performed on a sweat equity basis. Loan funds cannot be used to compensate for labor, only for materials. The GMHC construction manager must determine that the owner has the ability to complete the work according to industry standards and within the program time requirements. The cost of purchasing tools and equipment and the delivery of materials are ineligible expenditures. Materials must be purchased and installed prior to the disbursement of loan proceeds. When applicable, a signed City Inspections Department permit must be obtained by the borrower.

**Total Project Cost:** It is the borrower's responsibility to obtain the amount of funds necessary to finance the entire cost of the work. If the final cost exceeds the loan amount, the borrower must obtain the additional funds. Borrower's contribution to project cost must be paid prior to release of loan funds.

**Work Completion:** Weather permitting, work must be completed within 120 days of loan closing.

**Emergency Repair or Replacement:** Documentation, including affidavits, must be submitted by the Contractor and Homeowner confirming that said work was an emergency repair or replacement.

**Disbursement Process:** Loan funds will remain in escrow until payment for completed work. The following items must be received before the funds can be released:

1. **Final Invoice** from each contractor showing all amounts paid and due.
2. **Lien Waiver signed by** each contractor.
3. **Completion Certificate** signed by each contractor and the borrower.
4. **Permits Closed.** Have the inspector sign the permit card.

It may take up to 10 business days after receipt of above items to prepare checks. Payment checks to contractors must be countersigned by the borrower. Lien waivers must be provided before the funds.

**Program Disclaimer:** The City of Shoreview and the Shoreview EDA maintain the right to at any time to change or discontinue the Shoreview Home Improvement Loan. The potential changes may impact the maximum/minimum loan amount, loan term, interest rate, and/or qualifications for borrower, property and improvement eligibility.