

PROGRAM GUIDELINES

(MARCY-HOLMES: Phase II Home Improvement Program)

Fix It Installment Loan Program

1. **Interest rate:** 0%
2. **Income Limit:** No maximum income limit
3. **Loan Amount:** Minimum loan size of \$4,000 and maximum of \$20,000. Borrowers' may apply for more than one loan as long as the cumulative amount does not exceed \$20,000.
4. **Loan Term:** The maximum term will be 10 years.
5. **Eligible properties:** Properties must be located within the geographical boundaries of the Marcy-Holmes neighborhood. Eligible properties include owner-occupied and absentee-owned properties no larger than 4 units. Owners of a condominium or townhouse are also eligible to participate in this program to make improvements to those portions of the property they own individually. Improvements cannot be made to the common areas. Associations are not eligible under this program.
6. **Loan Security:** All loans will be secured with a mortgage in favor of the City of Minneapolis. Borrowers will pay all filing fees.
7. **Debt-to Income Ratio:** Applicants must have the ability to repay the loan. Applicants who have a debt to income ratio in excess of 55% will be denied loan financing.
8. **Loan-to Value Ratio:** The ratio of all loans secured by the property, including the new loan, must not exceed 110% of the property's estimated market value. (Property value is based on market value listed on current property tax statement or market analysis or appraisal done within the last year.)
9. **Underwriting Decision:** Applicants must have acceptable credit history: Borrowers may not have more than three "60 day lates" in the past 12 months, have outstanding judgments or liens, or have had a bankruptcy in the last 18 months (without reasonable explanation). Property owners must be current on all mortgage payments and property taxes. GMHC will approve or deny loans based on a credit report, income verification and other criteria as outlined above. GMHC's decision shall be final.
10. **Application Processing:** Applications will be submitted directly to GMHC at its HousingResource Center - North and will be processed on a first come, first served basis. Borrowers must provide a completed application and all requested documentation to have their application processed. Projects costing more than \$5,000 must submit two bids.

11. **Applicants Living in a Historic District:** Applicants living in a historic district who intend to complete exterior work on their home must find out if the work is permitted prior to submitting a loan application. The first step is a determination of whether the proposed alteration is major or minor. Minor alterations are reviewed administratively by City staff who will issue a *Certificate of No Change*, which allows the project to move forward. This process usually takes less than two weeks. If City staff determines an alteration to be major the proposed project requires a review by the Historic Preservation Commission (HPC). If approved the Commission will issue a *Certificate of Appropriateness*. The HPC process typically takes 6 - 8 weeks.
 - a. The property owner should meet with city staff to discuss their project at the Minneapolis Development Review Service Center, Public Service Center Building, 250 S. 4th Street, Room 300. They may also call 311 to discuss their project, though in-person service at the Public Service Center is faster.
 - b. Upon receipt of a *Certificate of No Change* or a *Certificate of Appropriateness* the property owner should get construction bids and complete the loan application.
12. **Eligible Projects:** Most exterior and interior improvements are eligible. These improvements will adhere to Minnesota Housing's Fix up Loan eligible improvements. However, if a property has received a City of Minneapolis code violation citation, these repairs must be included in the scope of work being funded with NRP dollars. It is the responsibility of the applicant to notify GMHC of code violation notices at time of application.
13. **Ineligible Projects:** Funds may not be used for the following projects:
 - Work initiated prior to the loan being closed by GMHC.
 - Recreation or luxury projects (pools, lawn sprinkler systems, playground equipment, saunas, whirlpools, etc.,)
 - Furniture
 - Non-built-in appliance
 - Business-related uses
 - Improvements of a non-capital nature
 - Loans for working capital
 - Debt service, refinancing of existing debt, or assessments

Other ineligible improvements are those identified in Section 4.04 of the Minnesota Housing Finance Agency's Fix-Up Fund Program Procedural Manual, which reads: outbuildings including but not limited to sheds, utility buildings, shops, barns, silos and underground sprinklers.

Any questions on whether an improvement is NRP eligible must be resolved by the City of Minneapolis.

14. **Work by Owner:** Work can be performed on a “sweat equity” basis. Loan funds cannot be used to compensate for labor, only for materials. Loan funds cannot be used for the purchase or rental of tools or equipment. GMHC must determine that the owner has the ability to complete the work within the program time requirement. Materials must be purchased and installed prior to the disbursement of the loan proceeds. When applicable, a signed City Inspections Department permit must be obtained by the borrower.
15. **Work Completion:** Weather permitting, all work must be completed within 180 days of loan closing. GMHC may authorize exceptions on a case-by-case basis.
16. **Total Project Cost:** It is the borrower’s responsibility to obtain the amount of funds necessary to finance the entire cost of the work. In the event the final bill exceeds the original loan amount, the borrower must obtain the additional funds.
17. **Custody of Funds:** Loan funds will remain in the custody of GMHC until it is time to disburse funds for completed work. Any owner’s funds necessary for the completion of the project must be paid first. NRP funds will then be disbursed according to NRP guidelines to pay the remaining balance (up to the amount committed to the owner for the project).
18. **Disbursement Process:** Payment to the contractor (or owner in sweat equity situations) will be made upon completion of work. An inspection will be performed by the City and/or GMHC to verify the completion of the work. The following items must be received prior to final disbursement of funds:
 - a. Final invoice from contractor (or materials list from supplier)
 - b. Evidence of payment to contractor (if necessary)
 - c. Final inspection verification by GMHC (if necessary)
 - d. Completion certificate(s) signed by borrower
 - e. Lien waiver for entire cost of work
 - f. Evidence of required city permit closed out
19. **Contractors/Permits:** Except when labor is to be provided by borrower, the borrower must provide a minimum of 2 bids for projects costing in excess of \$5,000 (only one bid is required for projects costing less than \$5,000) from properly licensed contractors. All contractors must be properly licensed to perform work in the City of Minneapolis. Permits must be obtained when required by city ordinance.
20. **Rehabilitation Counseling:** GMHC will be available to borrowers to provide advice on proposed work. Services include an informational visit and assistance with collection and evaluation of bids. Fees for these services are included in the origination fee.

21. **Loan Costs, Fees and Recording Responsibility:**

- a. Loan origination fees and loan servicing fees will be paid by the Marcy Holmes/NRP. The latter, will be paid from program income.
- b. The applicant will pay a credit report fee of \$15.00 per person or \$20.00 per married couple by check or money order at the time of application. Cash is not accepted.
- c. The cost of title work is \$100 and may be included in the loan amount.
- d. The Mortgage Registration Tax and any other filing fees relating to the mortgage will be paid by the borrower by check or money order at the loan closing. The Mortgage must be filed with the County Recorder and will constitute a lien upon the property.