

# **EXHIBIT A**

## **PROGRAM GUIDELINES**

This document includes guidelines for the  
**REVOLVING LOAN PROGRAM**

## **CITY OF ELK RIVER REVOLVING LOAN PROGRAM GUIDELINES**

The Elk River Housing and Redevelopment Authority has funds available for homeowners to make improvements to their properties. The Elk River Revolving Loan Program is designed to supplement existing loan programs available from MHFA, CEE, private lenders and other housing resources. This program is not intended to be the sole source of improvement funds available to the City. Center for Energy and Environment shall serve as the administrator for the Elk River Loan Program and will secure the most beneficial financing based on the borrower's needs independent of the funding source.

### **Revolving Loan Program**

**Interest Rate:** 4%

**Amortization Type:** Amortizing (Monthly Payments Required).

**Loan Amount:** Minimum of \$5,000 and Maximum of \$25,000.

**Loan term:** Generally, one year per \$1,000 borrowed. This will be somewhat flexible depending on the size of the loan and the borrower's ability to repay the loan.

- \$5,000 to \$15,000 – up to 10 years
- \$15,001 to \$25,000 – up to 15 years

**Eligible Properties:** 1-4 unit owner-occupied properties located within the geographical boundaries of the City of Elk River **AND** the Urban Services District. A recent water and sewer utility bill may be used to verify the borrower is in the Urban Services District. If applicant does not have a utility bill a letter of eligibility from the City of Elk River can be used. Townhomes, Condominiums and properties held in a Trust are eligible. The property **must be at least 20 years old**. Property must not be in a flood plain.

**Ineligible Properties:** Dwellings with more than four units, cooperatives, manufactured homes, and properties used for commercial purposes. Properties located in a flood plain. Properties **NOT** located in the Urban Services District.

**Eligible Borrowers:** All borrowers must be legal residents of the United States, as evidenced by a social security number, including: U.S. Citizens, Permanent Resident Aliens, Non-Permanent Resident Aliens. TAX IDENTIFICATION NUMBERS (ITIN) ARE NOT ACCEPTABLE.

**Ineligible Borrowers:** Including but not limited to: - Foreign Nationals, Non-Occupant Co-Borrowers, and business entities.

**Ownership/Occupancy:** Owner-occupied only.

**Loan - to - Value Ratio:** The ratio of all loans secured by the property, including the new loan, should not exceed 100% of the property value. Half of the improvement value may be added to the initial property value.

**Income Limit:** No maximum income limit.

**Debt - to - Income Ratio:** Applicant must have the ability to repay the loan. An applicant who has a debt to income ratio in excess of 43% will be ineligible to receive financing.

**Credit Score Requirement:** All borrowers must have a minimum of a 620 credit score.

**Credit Requirements:** 1) All mortgage payments must be current and reflect no 30 day late payments history in the past 12 month period (without reasonable explanation). 2) All real estate taxes must be current. 3) No outstanding judgements or collections. 4) Bankruptcy must have been discharged for at least 24 months prior to loan closing. 5) The redemption period on prior foreclosures must have occurred at least 24 months prior to the loan application date. 6) Generally, no more than two 30-day late payments on credit report in the past year (without reasonable explanation). Any 30 day late requires a documented explanation and reasonable reasons; medical, unemployment, divorce. 7) No defaulted government loans.

**Multiple Loans per Property:** More than one loan per property is allowed, however, the outstanding balance(s) cannot exceed the maximum program limit and previous loans are current and have an acceptable payment history.

**Eligible Use of Funds:** Loans may be used to finance most permanent interior and exterior improvements including, but not limited to: roofing, siding, doors/windows, plumbing, electrical, HVAC, insulation, solar, garage, driveways, sidewalks/steps, painting, flooring, additions, landscaping, etc.

**Ineligible Use of Funds:** Payment for work initiated prior to the loan being approved and closed, unless due to emergency. Recreation or luxury projects (pools, lawn sprinkler systems, playground equipment, saunas, whirlpools, etc.), furniture, non-permanent appliances(unless part of a full kitchen remodel), and funds for working capital, debt service, homeowner labor or refinancing existing debts are NOT allowed.

**Bids:** Only one estimate is required. All contractors must be properly licensed.

**Sweat Equity / Homeowner Labor:** Work may be performed by property owners on a "sweat equity" basis. Loan funds may be used only for the purchase of materials and to rent tools/ equipment, but not to compensate for labor.

**Remodeling Advisor Visit (RAV):** The Remodeling Advisor Visit provides rehabilitation and/or remodeling advice upon request of the resident. The intent is to help residents improve their homes by providing technical assistance before and during the bidding and construction process. All "Eligible Properties" are eligible for this service. This visit is not required and would be paid by the borrower(s).

**Post Installation Inspection:** Permits must be obtained and signed off by a City inspector where required; when not required, a post installation inspection will be performed by a City of Elk River representative to ensure the work has been completed before any funds will be released.

**Loan Security:** All loans will be secured with a mortgage in favor of the Elk River Housing and Redevelopment Authority. Borrower will pay all applicable title and filing fees, which may be financed in the loan amount.

**Borrower Fees:** Borrower will be responsible for a 1% origination Fee, \$50 Document Preparation Fee, mortgage filing and service fees, flood certificate, credit report fees and any other applicable closing costs, all which may be financed in the loan amount.

**Underwriting Decision:** Applicants must have acceptable credit history (see Credit Requirements). CEE will approve or deny loans based on a credit report, income verification and other criteria as deemed necessary through CEE's underwriting guidelines. CEE shall refer to the Elk River HRA for any questionable situations. All borrowers must have a credit score of at least 620.

**Work Completion:** All work must be completed within 120 days of the loan closing. However, when warranted, CEE may authorize exceptions on a case by case basis.

#### **General Program Conditions**

**Application Processing:** Loans will be distributed on a first come first serve basis as borrowers qualify.

**Applicants must provide a completed application package including, but not limited to:**

- Completed and signed application form
- Proof of income
- Bids or estimates for proposed projects
- Valid Identification
- Other miscellaneous documents CEE may require.

**Program Costs:** Loan origination and other administrative fees will be paid out of the Program Budget. Loan program marketing efforts will be billed directly to the City of Elk River Housing and Redevelopment Authority. Should the HRA choose to commission CEE for marketing support it will be a separate expense.

**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 cost exceeds the original loan amount, the borrower must obtain the additional funds and show verification of the additional funds in order to be approved for the loan.

**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 a city inspector and/or representative to verify the completion of the work. The following items must be received prior to final disbursement of funds:

- Final invoice or proposal from contractor (or materials list from supplier);
- Final inspection verification by a City Inspector or representative;

- Completion certificate(s) signed by borrower, contractor and city inspector or representative (if a permit is not required);
- Lien waiver for entire cost of work;
- Evidence of city permit (if required)