



Something is happening here....

**Fix-Up Loan Fund Policy
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Fix-Up Loan Fund Policy

Section 1. Objective and Fair Housing.

Program Objective

The primary objective of the Fix-Up Loan Fund Program is to provide financial assistance to improve the value of housing stock and commercial properties in general, while making a visible appearance impact on properties in the City of Wadena.

Fair Housing

- A. It is our policy to work affirmatively to ensure all persons regardless of race, color, creed, national origin, sex, marital status, age, handicap, or reliance on public assistance are treated equally and fairly for purposes of this Program.
- B. Program promotion shall be inclusive and will exercise care to avoid promotion methods that may exclude applicants.
- C. All applicants will be provided printed information on Fair Housing at the time of application.
- D. Affirmative promotion shall actively pursue methods of reaching potential applicants that are difficult to reach.

Section 2. Loan Fund Information.

Loan Fund

The Fix-Up Loan Fund Program consists of a:

- A. 20% deferred (forgivable) loan; and
- B. 80% repayable loan at 3% minimum interest or two points less than prime rate at the time of the loan, whichever is greater.

Deferred Loan Information

- A. A deferred loan is a loan without interest or period payments, with a Repayment Agreement and Lien secured against the property;
- B. A deferred loan must be repaid in the event the improved property is sold, transferred, conveyed or ceases to be the borrower's principal place of residence, or in the case of a commercial loan, be owned by the applicant, for seven years from the date of the Repayment Agreement;
- C. During the seven-year repayment period, one-seventh of the deferred loan will be forgiven at the end of each year;
- D. After seven years the deferred loan is 100% forgiven.

Repayable Loan Information

The repayable loan will be in the form of a seven-year loan with interest determined at the time of the loan and monthly payments made by automatic withdrawal from the applicant's banking account.

Loan Pre-Payment

Loans may be pre-paid without penalty.

Maximum Loan Amount – Residential

The total maximum amount of the deferred and repayable loan for residential property is \$7,000.00.

Maximum Loan Amount – Commercial

The total maximum amount of the deferred and repayable loan for commercial property is \$15,000.00.

Loan Fund Balance

- A. If the Fix-Up Loan Fund balance is less than the maximum loan amounts, the applicant may receive a loan up to the amount of the fund balance.
- B. The applicant waives the right to receive additional funds to obtain the maximum amount allowed for a loan.

Minimum Loan Amount

Projects under \$2,500 do not qualify for a loan.

Repairs Exceeding Loan Limits

If the total cost of repairs exceeds the maximum loan limits, the applicant is responsible for securing additional financing.

Allowable Residential Projects

The Fix-Up Loan Fund may be used for the following permanent improvements that correct defects and deficiencies which affect the safety, habitability, structural integrity or energy efficiency of the property:

- A. Roof repair or replacement;
- B. Mechanical systems; or
- C. Exterior repair and improvements.

Allowable Commercial Projects

The Fix-Up Loan Fund may be used for the following improvements:

- A. Structural work;
- B. Roof repair or replacement;
- C. Mechanical systems;
- D. Electrical systems;
- E. Plumbing work;
- F. Interior work;
- G. Exterior work; or
- H. Signs and awnings.

Section 3. Loan Process.**Program Administrator**

- A. The WDA Director shall be responsible for program administration, with the City of Wadena as the fiscal agent for the Loan Fund.

- B. The Program Administrator is responsible for all aspects of the program as directed by the Loan Committee.

Loan Committee

The Loan Committee members are:

- A. Program Administrator;
- B. City Administrator;
- C. WHRA Director; and
- D. One council member.

Loan Committee Process

The Loan Committee shall:

- A. Meet and review submitted applications; and
- B. Make a determination to either fund or deny the request.

Loan Committee Exception

- A. In the case of an emergency, the Program Administrator and City Administrator are permitted to review and make a loan determination.
- B. For purposes of this policy, emergency means: a sudden, urgent, usually unexpected occurrence or occasion requiring immediate action.
- C. All loans approved under this provision shall be immediately reported to the Loan Committee.

Applications

- A. Applicant definition. For the purposes of this policy applicant means: any property owner seeking to obtain a loan under the terms of this Program.
- B. Application fee. There is not an application fee. Property owners are prohibited from collecting an application fee from their tenants.
- C. First come, first serve. All applications deemed eligible for a loan shall be processed on a "first come, first served" basis. Loan funds may not always be available.
- D. Funding preference. Preference will be given to an application that has not previously received funding under the SCDP or Fix-Up Loan Fund program.
- E. Application retention. Applications will remain on file for one year from the application date.

Applicant Ineligibility

An applicant shall not receive a loan if:

- A. The property received funding under a previous SCDP Grant or Fix-Up Loan Fund within the past 10 Years.
- B. Property taxes are delinquent and unpaid.
- C. Owner or rental occupant is not current with city utility payments, or accounts receivables due the city. (Electric, water, sewer. Information will be verified through the City of Wadena)
- D. The property is in violation of the City's nuisance code.
- E. The owner is in default of a mortgage, contract for deed, or comparable obligation.
- F. The owner is currently engaged in bankruptcy proceedings.
- G. There are unpaid court judgments filed against the property or the property owner.

Income Eligibility

Owner income shall only have a direct bearing on a loan for owner-occupied housing.

Annual Income Defined

For purposes of this policy, annual income means:

- A. Applicant's total gross income from all sources received by all household members 18 years or older, for the previous 12-month period.
- B. Income derived from assets from all household members 18 years or older, for the previous 12-month period.

Income Verification

- A. All information concerning income, assets, property, and other facts reported by the Applicant, or which are relevant to eligibility shall be verified.
- B. Applicants shall sign an "Authorization for Release of Information" form allowing the proper verification of information.
- C. Other forms of verification may be approved as deemed appropriate.
- D. Income verification information more than one year old will not be considered current or valid and must be re-verified.

Applicant Notification

The Program Administrator shall notify the applicant of the approval or rejection of their application and of the approved amount of the loan. This notification shall include a "Notice of Right of Recession", in compliance with the Federal Truth in Lending requirements.

Section 4. Property Information.

Property Requirements

- A. All properties must be located in the City of Wadena.
- B. The owner must possess at least one-third interest in the following types of ownership in the property:
 1. A fee title;
 2. A life estate (permission from the contract vendor is required before a Fix-Up Loan is granted. Contract vendor must be a party to the loan mortgage and repayment agreement);
 3. A life estate or fee title subject to a mortgage or other lien securing a debt;
 4. A mutually binding, recorded contract for deed where the Applicant is rightfully in possession and purchase price is payable installments. (Contract vendor must be a party to the loan mortgage and repayment agreement);
 5. The property owner shall provide compliance with the following insurance requirements:
 - a. The property owner shall keep the existing and future improvements insured for any loss of fire, hazards included within the term "extended coverage".
 - b. The insurance shall be maintained until all the financing obligations have been satisfied and in amount sufficient to cover any or all outstanding indebtedness of the property owner and other creditors using the owner's property and security.
 - c. All insurance policies and renewals shall be acceptable which include a standard "mortgage clause" and where applicable, a "lender loss payable clause".
 - d. The City of Wadena must be listed as an additional insured on the policy.

Additional Requirements for Rental Properties

Rental property owner's participation in the Fix-Up Loan Program is conditional upon the property owner's Consent to enter an agreement stipulating the following conditions:

- A. Rental unit shall be maintained to meet HUD Housing Quality Standards requirements for the term of the Loan.
- B. The Owner agrees to enter into an annual written lease with the existing tenants if the affected unit is not currently under lease.
- C. Rents charged by owner must not exceed the current HUD Fair Market Rate (FMR) for the area or Wadena County Payment Standard, whichever is greater. The Fair Market Rate and Payment Standards are the current gross rent (shelter rent plus utilities).
- D. Owners must limit rental increases per lease year, for the effective term of this contract, not to exceed the current HUD Fair Market Rate (FMR) or the current Wadena County Payment Standard, whichever is greater.
- E. During renovation, the owner agrees to minimize any activity that may result in displacement of a tenant.

Mixed-Use Building Improvements

A mixed-use building is a building which is used partially for commercial purposes and used partially for residential purposes.

- A. Improvements benefitting the residential portion of the building must meet the Allowable Residential Projects criteria and will be funded no more than the maximum amount allowed for Residential Loans.
- B. Improvements benefitting the commercial portion of a mixed-use building must meet the Allowable Commercial Projects criteria and will be funded no more than the maximum amount allowed for Commercial Loans.

Property Conditions Affecting Loan Approval

- A. Permanent improvements.
 - 1. Only permanent improvements can be funded through the Program.
 - 2. Permanent improvements shall include conversions, alterations, renovations, or repairs that correct defects and deficiencies, which directly affect the safety, habitability, structural integrity, or energy efficiency of the property.
- B. Vacant structures. Vacant structures shall be eligible for a Fix-Up Loan if:
 - 1. The structure has been occupied on a full-time basis as a principal place of residence within the preceding six months.
 - 2. The vacant property is a bona fide development and rehabilitation is necessary for the unit to once again be occupied.
 - 3. A vacant rental assisted with the funds must be occupied by renters on a full-time basis within three months of the repair completion date. Violation of or failure to fulfill this condition shall make all Deferred Loan and Repayable Loan Financing immediately due and payable.
 - 4. Applicants seeking to purchase, have purchased, or are in the process of purchasing a vacant home but have not moved in, shall be eligible to apply for the loan and have eligibility determined. However, no loan shall be executed until the applicant(s) have established the property as their principal place of residence.
- C. Properties without defects or deficiencies.
 - 1. Properties without defects or deficiencies are not eligible for Program funding.

2. The Loan Committee shall have the authority to determine whether a unit is feasible for repairs based on the following criteria:
 - a. Good condition: structure is less than 10 years old, or there are no indications of exterior deterioration.
 - b. Fair condition: structure displays some exterior deterioration, but minimal severity.

Unfeasibility Due to Property Economics

- A. A Fix-Up Loan will be considered unfeasible due to structural instability and/or the need for secondary improvements where more funds are needed than the building can economically return.
- B. The threshold for determining unfeasibility is if the improvement cost exceeds 50% of the assessors estimated market value prior to the fix-up.
- C. If improvements exceed the threshold, the building will be considered ineligible for loan funding.

Loan Ineligibility

The following are ineligible for loan funding:

- A. Demolition.
- B. Churches, schools, government building or non-profit organizations.
- C. Payment of any portion of a public improvement assessment.
- D. Decks, patios, fencing, gazebos, or landscaping beyond what is necessary in connection with foundation and basement work.
- E. Private driveways and sidewalks, unless health and safety dangers are present.
- F. Room additions.
- G. Fireplaces, wood burning heating systems, central air conditioning units (applicable only to residential property) or water softeners (except for medical needs verified by physician).
- H. Housing appliances, cabinetry, furnishings, carpeting, baths, whirlpools, etc. determined to be cosmetic or luxury items.
- I. Detached garages, garage door openers, or any outbuildings.
- J. Electrical service upgrades unless there is a justified and substantiated safety need.
- K. Refinance existing indebtedness.
- L. To pay for any repairs or improvements that may be in progress or may have begun prior to approval of Loan. An exception may be made in the case of a defined emergency.
- M. Manufactured Homes.
 1. "Manufactured home" means a structure, not affixed to or part of real estate, transportable in one or more sections, which in the traveling mode, is eight body feet or more in width or 40 body feet or more in length, or, when erected on site, is 320 or more square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air conditioning, and electrical systems contained in it.

Section 5. Bids and Contractors.

Project Bids

It is the property owner's responsibility to solicit bids from contractors.

- A. A minimum of two bids is required. Exceptions:
 - 1. If after thorough and diligent efforts by the property owner to obtain multiple bids, and only bid has been received, the Loan Committee may approve one sole bid if that bid appears to be fair and accurate.
 - 2. In the case of an emergency, the Loan Committee may approve one sole bid if that bid appears to be fair and accurate.
- B. All bids shall include a material list and be reviewed by the Loan Committee to determine bids are comparable.
- C. The bid shall be awarded to the lowest qualified bidder unless:
 - 1. The contractor failed to follow the work specifications outlined by the owner in the application and provide a material list.
 - 2. The bid is determined to be unrealistic.
 - 3. The property owner does not want the lowest bidder to perform the work and the difference will not be part of the loan.
 - 4. All bids are determined to be unrealistically high or non-competitive, in which case all bids will be thrown out and different contractors solicited for bids.
 - 5. Collusion involving a contractor or the applicant will result in the contractor and property being barred from further participation, and the project canceled.

Contractors

- A. All contractors must meet state licensing requirements.
- B. Any contractor that has been debarred is not eligible to participate.
- C. Contractor must furnish a Certificate of Insurance that includes the minimum state requirements.
- D. The contractor has a 90 calendar day to complete the contracted work.

Applicant Labor

No applicant labor shall be allowed unless the applicant meets the requirements of a contractor as defined by Minnesota Statute.

Payments to Contractors

The City of Wadena will issue all checks and track all finance and project disbursements.

- A. No prepayments or partial payments will be made for any work that is not completed.
- B. Appropriate lien waivers are required prior to payments being made.
- C. Completion Certificate and Acceptance of Work Form must be presented at the time of payment and be signed by the applicant(s), contractor(s) and Program Administrator.
- D. All payments will be made only after the final inspection has been conducted, and property owner and contractor have signed off on the work.
- E. The City will process payments based on the City's accounts payable schedule.

Project Changes

- A. The Loan Program will not pay for work that is not specified and approved by the property owner and Program Administrator.
- B. Any change orders increasing the project cost more than the specified amount of the loan will be paid by the property owner.
- C. Renters cannot initiate changes orders.

Loan Close-Out

The Program Administrator shall process the close-out documents required for the loans including final mortgage documents, repayment agreements with the County Recorder. Program files shall be kept at the City Administrative Center.

Section 6. General Loan Fund Policy Information.

Marketing

Application solicitation will be conducted as follows:

- A. Advertise to the community in both the local newspapers and to local radio stations.
- B. Direct mailing of program information, on request.
- C. Posting Program information in the City Administration Office.

Data Privacy

- A. Public data. As enacted by the Minnesota State Legislature in 2003: The names and addresses of applicants for and recipients of benefits, aid or amount of assistance through programs administered by any political subdivision, state agency, or statewide system that are intended to assist with the purchase, rehabilitation, or other purposes related to housing, or other real property are classified as public data on individuals.
- B. Private data. Other information such as financial statements, income and asset information is private data and will be gathered and released in accordance with the Minnesota Data Practices Act.
- C. Corporation. If an Applicant is part of a corporation, or is in partnership, the names and addresses of the officers of the corporation, or partners is public data.
- D. Data release form. A Data Release Form shall be signed by the applicant(s) and will inform the applicant of what information may be released and to whom.
- E. Private data required. The applicant's private data will be used only when required for administration and management of the Program.
- F. Sharing private information. Private information may be shared with the following persons or agencies involved with the administration and management of the Program: Loan Committee, Staff, and other persons involved with program, Administration, Auditors, Local Governing Board, Lending Institutions, Participating Financing Sources.

Evidence of Fraud

Any party participating in the Program shall refer evidence of fraud, misrepresentation, collusion or other misconduct on the part of the applicant or contractors in connection with the operation of the Program to the State of Minnesota Attorney General for investigation and possible legal action.

Conflict of Interest

- A. No member of the governing body, no official, employee, or agent of the local government or program administration who exercises policy, decision making functions, or other responsibilities in connection with the implementation of this program shall directly or indirectly benefit from the program.
- B. All applicants for the Fix-Up Loan Program must declare any conflict of interest.

- C. If there appears to be a potential conflict of interest and a request for an exception is made, the Loan Administrator will provide the following to the Loan Committee for review:
 - 1. Description of the nature of the conflict.
 - 2. Description of the public disclosure.
 - 3. Evidence of the public disclosure of the conflict.
 - 4. An opinion from the City Attorney stating the interest for which an exception is sought would not violate State or Local Law.
- D. The Loan Committee will review the information and make a written determination on whether the situation warrants granting an exception to the conflict of interest provision.

Amended this twelfth day of March, 2019.

Janette M. Bower
City Administrator

George Deiss
Mayor