King County Consortium
Housing Repair Program Guidelines

1. Program Objective. The King County Consortium (the Consortium) supports the maintenance of a consortium-wide program to repair and rehabilitate the ownership housing of very-low to moderate-income households that is staffed by the King County Housing and Community Development Program (HCD). The Consortium also supports a program to modify the rental housing units of very low to moderate income tenants with a disability. These programs are administered pursuant to the adopted King County Consortium Consolidated Housing and Community Development Plan (the Consolidated Plan).

   The Housing Repair Programs were established by the Consortium in order to provide a public benefit that preserves and improves the safety and security of housing that is affordable to households with incomes equal to or less than 80% of area median income (AMI) as determined by the U.S. Department of Housing and Urban Development (HUD), and the life and safety of the very-low to moderate-income owners of those homes. According to the most recent American Community Survey data, the stock of affordable ownership housing continues to lag behind the needs of the population in King County that are at or below 80% AMI.

   An additional public benefit is provided through the provision of access and safety in rental housing stock that is affordable to households with a disability at or below 80% AMI. Securing an accessible rental unit is an ongoing challenge for persons with a disability.

   These Housing Repair Programs are not entitlement programs. The determination of whether assistance is provided through these Programs is based upon the discretion of program administrators exercised in accordance with these Guidelines, and is further subject to availability of federal funds set-aside for consortium-wide housing repair activities pursuant to the Consortium's Interlocal Agreement.

2. Eligible applicants.

   a. Financial assistance may be provided to homeowners with incomes equal to or less than 80% AMI for Deferred Payment Loans (DPL) only. Homeowners must have an ownership interest in the property, must occupy the property as their principal residence and must have resided in the property for one year prior to the submission of their application to the Housing Repair Program. An eligible ownership interest includes: 1) fee simple title; 2) 99 year leasehold interest in property; and 3) ownership or membership in a cooperative.

   b. Financial assistance may be provided to homeowners of manufactured home units that reside in mobile home parks or on leased land, with applicant incomes equal to or less than 50% AMI. Homeowners must possess a valid manufactured home title reflecting home ownership as the legal owner and or registered owner of the personal property. Manufactured Homeowners must have an ownership interest in the property, must occupy the property as their principal residence and must have resided in the property for one year prior to the submission of their application to the Housing Repair Program. The applicant must have a formal rental agreement or lease on the land that the unit resides.

c. Financial assistance may also be provided to disabled renters with incomes equal to or less than 80% of median as determined by HUD. Renters must live in a units specifically designed for residential use and have a formal rental agreement or lease.

d. Qualified participants in the Neighborhood Stabilization Program (NSP) or non-profit organizations that have purchased a foreclosed property in order to rehabilitate the home to comply with local housing code standards, provide energy efficiency upgrades, as applicable, and sell the home at an affordable home price for the income level of an eligible low to moderate-income home buyer.

3. <u>Asset limits for individual home owners</u>. Asset limits assure that the neediest households are served by the program. Applicants for loan assistance may not have assets, other than their personal residence, personal retirement accounts and vehicles, greater than $40,000 net value. Applicants for grant assistance may not have assets with a net value greater than $20,000. Homeowners for whom the principal applicant and/or the principle applicant's spouse or domestic partner has a long-term disability, thus will not be subject to asset limitations due to the substantial savings required for full-time assisted care living environments.

   An applicant with a stated disability is defined as "Any person who has a physical or mental impairment that substantially limits one or more major life activities; has a record of such impairment; or is regarded as having as having such impairment. "In general, a physical or mental impairment includes hearing, mobility and visual impairments, chronic alcoholism, chronic mental illness, AIDS, AIDS Related Complex, and Mentally challenged that substantially limit one or more major life activities,. Major life activities include walking, talking, and hearing, seeing, breathing, learning, performing manual tasks, and caring for oneself.

4. <u>Eligible properties</u>. Eligible properties are any single-family properties, occupied as a principal residence by the owner, including a one-to-four family property; condominium unit; manufactured home; mobile home; or cooperative unit. Travel trailers, motor homes, and other recreational vehicles designed and manufactured for recreational use are not eligible for assistance.

5. <u>Types of Assistance.</u>

   a. Grant assistance.

      i. Emergency Grants are available to owner-occupant households with incomes below 50% of area median income, to address urgent health and safety repairs. Emergency grants are subject to field inspection and determined by housing repair staff. The lifetime limit for emergency grants per eligible household is $6,000.

ii. Mobile/Manufactured Home Grants are available to owners of mobile or manufactured housing located on leased or rented property. Mobile/Manufactured Home Grants are available to owner-occupant households with incomes below 50%. The lifetime limit for mobile/manufactured home grants per eligible household is $8,000.

    Mobile/Manufactured home grant funds may be used in conjunction with other leveraged funding for the purpose of total replacement and removal of the subject unit when repairing the unit is inappropriate. This activity is subject to the availability of an appropriate manufactured home for replacement, and the following requirements: 1) a replacement may only occur within a manufactured home park for which there is a long-term commitment in place through a contract or covenant/agreement that the park will remain affordable to low-income tenants ("Agreement Parks"); and, 2) legal ownership of the replacement home will be with the Agreement Park, with the manufactured home resident as the registered owner.

iii. Home Access Modification Grants (HAM) are available to renters with a disability in order to make accessibility modifications to their rental unit, which includes manufactured housing located on leased land. The landlord must give written approval of the proposed work. HAM grants are available to renters with incomes below 80%. Applicants must reside in a unit that maintains an "affordable rent ". Affordable Rent is determined by the yearly published, HUD matrix or the local Section 8 Multi-Tiered Payment Standard. The Housing Repair Program will use the most favorable allowable rent standard in determining the applicants HAM program eligibility. The lifetime limit for home access modification grants per eligible household is $8,000.

b. Loan assistance

   i. Deferred Payment Loan (DPL) – Home repair assistance, in the form of non-amortizing, interest-free secured loans, up to a maximum lifetime loan amount of $25,000, may be provided to eligible homeowners with incomes equal to or less than 80% of AMI. The loans are to be paid back at the time of the homeowner's sale or transfer of the property, or when the home is no longer the primary residence. The loan shall be secured by a mortgage or other security interest to King County on the homeowner's property. Payment on the obligation shall be made to the King County HCD, and becomes available for future appropriation pursuant to the King County Consortium's Consolidated Plan.

      A DPL may be utilized to assist in replacing an existing manufactured home with a new or newer manufactured home, subject to the availability of a manufactured home that meets applicable standards. A Housing Repair Program inspector must determine that the existing manufactured home has surpassed its physical life cycle in order to qualify for this program. For the Deferred Payment Loan Program, the activity must take place on owner-occupied fee simple land where the manufactured home is placed on the property in accordance with HUD set-up guidelines. Such guidelines contemplate a concrete ribbon footing/foundation with adequate tie-downs that secure the home permanently to the property. The subject property is considered fee simple and is taxed as real property.

ii. Match Loan Program – Eligible home owners may be eligible for additional deferred payment loan funds above the DPL limit of $25,000, if the homeowner secures a dollar for dollar match of the additional loan funds in the form of private funds. Provided that each dollar is matched by a dollar of private funds, the Housing Repair Program may provide up to an additional lifetime limit of $25,000 for an additional deferred match loan. Any costs over a maximum combined $50,000 in loan funds from the Housing Repair Program, plus matched private funds, will be the sole responsibility of the homeowner. The Matching Loan Program can be utilized to assist in replacing an existing manufactured home with a more suitable replacement manufactured home, subject to the availability of an appropriate manufactured home. A Housing Repair Program inspector must determine that the existing manufactured home has surpassed its physical life cycle in order to qualify for this program. This manufactured home activity must take place on owner-occupied fee simple land where the manufactured home is placed on the property in accordance with HUD set-up guidelines. Such guidelines contemplate a concrete ribbon footing/foundation with adequate tie-downs that secure the home permanently to the property. The subject property is considered fee simple and taxed as real property.

iii. Energy Conservation and Efficiency Loans - The Housing Repair Program may provide energy audits and energy efficiency upgrades for eligible applicants. The program identifies energy conservation measures that will reduce energy costs for the homeowner and reduce the carbon footprint of the housing unit. Major areas of focus will concentrate on infiltration, insulation, efficient heating systems, lighting, and energy star appliance replacement.

The lifetime limit for energy conservation and efficiency loans per eligible household is $8,000. The loans shall be interest-free secured loans subject to all of the same terms and conditions as the program's regular DPLs, with the exception of loan to value limits per Section 10 of these guidelines. Payment on the loan obligation shall be to King County HCD, and will be available for future energy efficiency loans.

6. <u>Extenuating Circumstances to Exceed DPL and Grant Limits</u>. The Housing and Community Development Program may approve a DPL that exceeds the $25,000 lifetime limit, and may approve a grant that exceeds the applicable grant limit on a case by case basis, due to extenuating circumstances. The Housing Repair Coordinator will review such requests and make a recommendation to the Housing and Community Development Regional Program Manager, who has the authority to

determine whether extenuating circumstances exist to warrant an increase in the applicable loan or grant assistance limits, and to approve the request.

a. Definitions. Extenuating circumstances are defined as follows:
   i. Circumstances in which additional major mechanical or structural deficiencies are discovered during the course of eligible repair program work performed pursuant to these guidelines, resulting in costs exceeding the amount of the housing repair loan or grant.
   ii. Circumstances in which a former Housing Repair Program client has received the maximum lifetime limit of housing repair assistance, per a DPL or a grant, has a new, life threatening or public health problem, and does not have the financial ability to address it.

b. Threshold review. HCD Management Staff will only review a case for extenuating circumstances if:
   i. The homeowner has agreed that all non-urgent repairs not yet begun will be eliminated, and the cost savings will be redirected to the critical item discovered; and
   ii. The homeowner provides private funds toward the increased costs, or a determination has been made that the homeowner does not have the assets or resources to provide private funds to contribute to the increased costs.

7. <u>Priority of the work</u>. Repairs will be considered in the following order of priority:
   a. Urgent emergency repairs;
   b. Health and safety repairs, including access for persons with disabilities;
   c. Building preservation repairs;
   d. Energy conservation repairs; and
   e. All other eligible repairs.

8. <u>Priority of the applications</u>. Applicants will be screened in priority order, based on HUD's household income guidelines, where the lowest of income applicant having priority. Priority of repairs will be, Emergency Repairs, Health and Safety and Major Building Preservation issues, and will be arranged and weighted with consideration to income and repair need. Prioritizing projects will be addressed by Project Engineer and the housing repair coordinator. If additional review is necessary the housing repair staff will meet as a loan committee to review and determine priority applications. Application appeals process will be resolved by the Housing Repair Coordinator and Housing and Community Development Regional Program Manager. Even distribution of Housing Repair service between cities will continue as a priority in the overall approach and outreach of the program. The overall prioritization will be determined by the Housing Repair staff on an individual and case by case basis.
   Lower priority applications may be assisted if funding levels permit, and if funding is available.

9. Performance of work. Once approved, repairs to dwellings under this program are generally performed by a licensed and bonded contractor that meets King County risk management criteria. King County maintains a list of such approved contractors through which the homeowner may choose to receive competitive bids on the approved repair work. Repairs may be performed by the homeowner personally if the homeowner has the knowledge and skill to do the work, and/or by a contractor or other persons hired by the homeowner. The materials and hired labor costs shall be approved in advance by King County, provided that a homeowner shall not be reimbursed for his or her own labor, or the labor of immediate family members or other members of the household.

10. Loan to value ratio limits.

    Loan to Value Ratio Limit for DPL Loans. The combined loan to value ratio (CLTV) for any DPL loans approved under these Housing Repair Program Guidelines shall not exceed 90% of the property value as determined by King County assessed value, MIA appraisal or a reliable real estate market analysis[1].

    Loan to Value Ratio Limit for DPL Loans Combined with Energy Conservation/Efficiency Loans. The CLTV ratio for any DPL loans combined with energy conservation/efficiency loans approved under these Housing Repair Program Guidelines shall not exceed 100% of the property value. This is for Community Development Block Grant (CDBG) Funded projects only.

    Loan to Value Ratio Limit Accommodation for Special Circumstances. Applicants with a CLTV ratio exceeding 90% or 100% may request a CLTV limit accommodation for rehabilitation activity as described in Section 7, Subsections a. and b. of these Housing Repair Program Guidelines. Any accommodation approved shall not exceed a CLTV of 125% of the property value. A CLTV limit accommodation will only be available to homeowners that demonstrate that their monthly income is sufficient to service the household’s existing housing debt, and other current revolving and long-term debt. Income to debt ratios cannot exceed 45% for housing debt and 62% for housing and long-term debt. The applicant must also be free of adverse liens against the subject property, personal judgments, or unresolved collections. For CDBG funded projects only.

    Loan, Grant and Loan to Value Limits to be Re-visited. The limits of assistance for loans and grants in these guidelines, and the LTV limits, are updated and effective when passed by the Consortium’s Joint Recommendations Committee (JRC) [on April 23, 2015]. Periodically the JRC may be asked to review the assistance limits and recommend an increase, if warranted, based upon the Consumer Price Index inflation table or some other index of need for an increase in the limits. The JRC will review the CLTV limit accommodation annually to determine if the increased CLTV is still warranted by the housing market and economic environment along with other potential program details

[1] Property value shall be determined through one of these methods for all of the limits covered in Section 10.

11. <u>Loan Servicing</u>

a. **Loan Payoff Requests**:
These are inquiries to the HRP from Mortgagors, Escrow Companies, Title Agents, Real Estate probate Attorneys or Executor / Executrix of an estate, requesting loan payoff figures in order to retire the County HRP loan and to clear loans from title. Typically this indicates that the property is being sold or refinanced. The HRP will research the history of the loan and holding period and transmit the outstanding loan balance stating the payoff amount necessary to pay off the County loan of record and file and record the required Mortgage Satisfaction Document.

b. Loan Payoff with interest penalty:
The HRP at their option, will charge interest pursuant to the instructions within the Note, Mortgage Document and Loan Agreement. Paragraph 3 and or 6 of the Promissory Note as well as paragraph 2 and 2a of the Loan Agreement states that if a breach of the Note and Mortgage takes place the loan is then determined to be in default, interest will be charged to the outstanding loan balance at 12% per annum, compounded annually from date of payment.

c. Subordination Policy:
In today's climate of low interest rates, and homeowners experiencing an increase in home equity, the frequency of refinancing has increased. Many homeowners, including those with King County deferred payment loans, are refinancing their homes to improve their monthly housing expenses. There is an increasing number of requests for King County to subordinate its lien position behind the new loan amount. In some cases, agreeing to these subordination requests could increase the risk that the taxpayers' funds will not be paid back. <u>**Consequently, it is important for the County to clarify its subordination policy. Our general policy is that we will not subordinate**</u> our lien position. When homeowners refinance, we expect them to take out a large enough loan to pay off their debt to the public.

Subordination requests will only be considered for improvement in rate or term of the existing superior indebtedness against the property. The County will not subordinate to take cash out, consolidate unsecured debt, and finance the costs of educational expenses nor medical expenses.

d. **Loan Assumption Policy:**
<u>Our general policy is that the DPL is not assumable</u>. When homeowners sell, transfer, convey or assign, or transfer by devise or descent, we require them to pay off their debt to the public.

Assumption requests will only be considered for immediate family members of the original mortgagor. Those that reside in the subject property and can qualify for the existing indebtedness and can achieve through the underwriting process creditworthiness and whose household income is under 80% of King County area Median income, and meets all requirements outlined in the HRP guidelines. An assumption request in the name of a corporation, partnership, sole proprietorship, trust or Limited liability structured company is not acceptable for assumption.

e. **Loan Receivables, charge off to bad debt:**
The HRP will occasionally receive notices of Sheriffs Sale, notices of foreclosure on properties that the HRP has a lien interest. These notices usually are generated by municipalities, or lenders with superior lien position than that of King County HRP. These notices can place the original HRP loan in jeopardy. When the HRP receives such a notice, we attempt to make contact with our borrower. We will try to help the homeowner identify reasonable option available in dealing with a pending foreclosure. On occasions, the County loan may be in second or third lien position which is a less desirable.

If the property is foreclosed, the proceeds from the foreclosure sale may not be sufficient to retire the HRP outstanding loan in part or full. This result, requires the HRP to write off the outstanding loan balance that is not recovered. Loan Receivable balances will be reduced to reflect this loss.