



# Housing Loan Programs

## PURPOSE OF THIS PROGRAM

The objective of this program is to stabilize and improve the City's housing stock by providing financial assistance to income qualifying single family homeowners and income property owners of affordable residential rentals. The City offers loans for Residential Improvement, Rental Improvement, and Emergency Rental/Residential work. The improvements shall correct life safety hazards, code deficiencies, and systems expected to fail within two years, in addition some general improvements can be included when associated with the other qualifying items. Exorbitant aesthetic upgrades do not qualify. This is a federally funded program and all federal guidelines will apply.

\*All information submitted with, and in support of this application becomes public information.

## Program Eligibility

- The property under consideration must be within the corporate limits of the City of Great Falls.
- For Residential Loans; Applicant must own the home. Applicant or borrower must continue to reside in the property until the maturity of the loan. The applicant must provide a copy of a contract for deed (if applicable).
- For Rental Loans; Applicant must own the property. If in a contract for deed a copy of the written contract must be provided.
- Mobile homes are not eligible for these programs. Manufactured units (per the City code definition) which are on a permanent foundation that meets City codes are eligible. An original building permit of the foundation and/or inspection report and certification from the Building Official or a professional engineer will be required.
- An ownership report (acceptable to the City) will be obtained prior to loan approval. If applicant is purchasing the home on a contract for deed, the contract holder must sign the City's mortgage and note.
- Income eligibility is based on the limits set by the US Department of Housing and Urban Development. Income eligibility is adjusted by the number of members in the household.
- All income, of any working family member that is 18 years of age or older in the household, will be considered. Examples of income for determining eligibility include wages, social security, retirement, pensions, child support, disability, alimony, living allowances, and TANF. The client will provide the City with a copy of their current federal income tax report and 2 months of wages. Current employment status and wages will be verified through the Montana State Department of Labor.
- A credit report will be acquired and reviewed by the City, if needed.

# Loan Guidelines

- Staff will review the clients desired rehab items for program eligibility. Items concerning the federal lead-based paint regulation and the historical significance regulation and any observed hazard will be reviewed with the client. All federal regulations must be met before a loan can be processed.
- The Loan Committee will review the applications and make the final determinations of eligibility. The Loan Committee will also ensure the City does not loan over the property's value after rehabilitation. In the case of an emergency loan application the final determination will be made by two members of management within the Planning and Community Development department.
- For the Residential Loans the maximum loan is \$25,000.00, plus the cost of the testing and monitoring of lead based paint if applicable. For the Rental Improvement the maximum loan is \$25,000.00 per unit with a maximum of \$ 100,000.00 per project, plus the cost of the testing and monitoring of lead based paint if applicable. Requests outside of these amounts may be reviewed; however other requirements may apply including the possibility of City Commission approval.
- The loan is secured in the form of a mortgage against the property, a personal note and/or acceptable collateral may be considered by the loan committee.
- **Residential Improvement Loans**, payment is deferred until the first mortgage is paid off, a transfer of title, or the payment start date listed on the note, whichever comes/occurs first. At that time, the payment will equal the principle and interest made on the homeowner's original first mortgage. If the City Loan will be in first mortgage position, payment is expected to start the month following substantial completion of the project. *Reoccurring monthly payments are due the first of each and every month. Additional advance funds received will be credited against the end principal of the loan and not count as subsequent month's payments.*
- **Rental Improvement Loans** require the approved re-payment to begin the month following substantial completion of the project. *Reoccurring monthly payments are due the first of each and every month. Additional advance funds received will be credited against the end principal of the loan and not count as subsequent month's payment.*
- **Residential/Rental Emergency Loans** require the approved repayment to begin the month following substantial completion of the project. *Reoccurring monthly payments are due the first of each and every month. Additional advance funds received will be credited against the end principal of the loan and not count as subsequent month's payment.*
- The full loan amount is due and payable to the City upon any transfer of title from the loan recipient(s). The City will consider subordination of its position for the purpose of reduction in interest rate and/or reduction in term of the first mortgage position only. The cost of closing the refinance could be added to the loan (provided there is adequate equity) in front of the City loan

at the time of subordination. There cannot be any cash out to the owner. The City of Great Falls will **not** subordinate to any other added debt other than refinance to reduce the term and/or interest rate.

- Any applications considered that are outside of regular program guidelines will need to be reviewed by the City Commission for a final decision.
- All Loan Committee decisions concerning loan determinations may be appealed to the Director of Planning and Community Development. All loan decisions made by the Director of Planning and Community Development may be appealed to the City Commission.

# Application Submittals

## 1. INCOME VERIFICATION:

- **Residential Loan Applications**; include copies of verification of all income from anyone 18 years of age and older residing in the home.
  - Copy of previous year tax return
  - Most recent 2 months of paystubs
  - Proof of all unearned income; ie, Social Security, SSI, Workers Comp, VA Benefits, Child Support, TANF, Unemployment, Alimony, etc.
  - Self-Employment; most recent taxes and most recent quarter's profit and loss
  
- **Rental Loan Applications**; all tenants of the property requesting funding must complete the "Initial Renter's Information Form".
  - "Initial Renter's Information Form" tenant information sheet for each of the units. (Found at the end of this application – make copies so each renter has one.)

## 2. UTILITIES: (Include copies of the most recent monthly bill for all utilities you are responsible for)

- Current Gas bill
- Current Electric bill
- Current Garbage/Water/Sewer bill

## 3. Copy of most recent first mortgage statement or copy of original contract for deed.

## 4. Copy of current homeowners/property insurance.

## 5. Copies of any professional inspection of the property. (appraisals, market analysis, eng. study)

## 6. Include current copies of written bids from licensed and insured contractors. Be sure to let them know that they will need to register with SAM.gov before completing any work. (2 are required)

- Bid #1 \_\_\_\_\_
- Bid #2 \_\_\_\_\_
- Bid #3 \_\_\_\_\_

### **Return the completed application along with everything listed above to:**

City of Great Falls Finance Department  
 ATTN: CDBG  
 Civic Center, Room 104  
 P.O. Box 5021  
 Great Falls, MT 59403

## Steps in the Rehabilitation Process

- **Loan Application:** City Staff will explain the application, receive the signed application, collect general financial information, copies of the utility bills, history information of property, and bids obtained for proposed work.
- **Bid Process:** The applicant can solicit quotes from any contractor licensed to work in Great Falls. The City and applicant acknowledge the lowest bid becomes the acceptable bid if there are no observable irregularities. However, the applicant, and the City of Great Falls reserve the right to accept or reject any or all bids. Property owner/applicant may act as general contractor. No payment will be made for the labor or service of the owner or any member of his/her immediate family.
- **Eligibility Analysis:** The eligibility for financing is determined upon receipt of application; household income cannot be above US Department of Housing and Urban Development guidelines; property taxes, property/homeowner insurance and utility bills must be current and the ownership report must be acceptable to the City, a credit report may be considered.
- **Loan Committee Review:** Once the application is complete and has gone through eligibility analysis, the City's Loan Committee will review the application and make a determination of approval or denial.
- **Loan Approval:** The City will notify the applicant if the loan has been approved or denied and reasons for denial.
- **Loan Closing:** All necessary documents (mortgage, note, etc.) are presented for signature.
- **Final Work Write-up:** Due to possible changes in review, a final work write-up may be completed.
- **Pre-construction Conference:** All subcontractors are identified to the owner and City. The parties signing into contract shall negotiate starting and completion dates.
- **Award Contracts Notice to Proceed:** All necessary documents are presented for owner and contractors signature. All applications for permits are submitted for building review by contractor.
- **Project Monitoring and Payout Inspections:** The City may do timely inspections and monitoring of the project. All change orders will be in writing and copies signed by both owner and contractor must be submitted to City to review **before** work can continue. Any project that is not performing timely will be reviewed by City Staff. If the project is taking too long to complete or not fulfilling the outlined work City Staff will notify the homeowner in writing outlining the next steps.

- **Final Inspection:** Inspection by City staff will be conducted and, if needed, staff will prepare a punch list, receive lien waivers, and have all parties sign final approval.
- A project-closing interview is conducted with the owner. The owner will be provided with copies of record filings and a repayment schedule. The owner/borrower signs off on the project completion.
- The Rental Improvement Program will require an interview with initial tenants at the time of lease up to determine tenants meeting income eligibility and rents are at agreed levels. Follow up interviews will be conducted annually for a two-year period.

## COLLECTION PROCESS

- ***Reoccurring monthly payments are due the first of each and every month. Additional funds received will be credited against the end principal of the loan and not count as subsequent month's payments.***
- A letter requesting immediate payment will be sent when loan payment is 30 days late.
- A second letter will be sent when loan payment is 60 days late containing a notice that the loan will be turned over to an attorney for legal action.
- When payment becomes 90 days late, a third letter will be sent containing a statement that the loan has been turned over to an attorney for legal action.
- If all delinquencies are not brought current, the City Attorney will send out a letter demanding immediate payment of all past due amounts.
- Loan will then be turned over to the city attorney, a collection attorney or collection agency for collection of all amounts due plus legal fees. A judgement will be filed to collect the personal note. The City will continue to maintain the lien against the property.
- If City is contacted by debtor with a hardship reason (e.g. medical) during the collection process, the request will be submitted to staff for review and resolution. If a resolution is not obtained to the satisfaction of both the debtor and the City, the request will be presented to the Loan Committee for consideration.
- LATE FEES:
  - A \$10.00 late fee will be assessed and added to the loan balance for each month that the loan payment is late.
- BANKRUPTCY:
  - The City will use any means possible as allowed by current bankruptcy laws to collect the loan, as determined by the type of bankruptcy filed.
- FORECLOSURE:
  - The Planning and Community Development Director will determine on a case-by-case basis, whether to acquire the subject property if the City's position is in jeopardy due to foreclosure. The decision will be based upon the City's loan amount, the property's worth, and the amount of debt against the property in front of the City's loan.
  - If the City receives the property, all City, State and Federal laws will be followed for disposition of the property.



- If the City decides not to bid on the property, collection of the personal note will be initiated by turning the loan over to a collection attorney or a collection agency for collection.
- APPEAL PROCESS:
  - All staff decisions concerning loan collection may be appealed to the Loan Committee. All Loan Committee decisions concerning loan collection may be appealed to the City Commission.

# Some Things Homeowners Should Consider Before Selecting Contractors

**1. It's a good idea to get bids from at least three contractors.**

We require that homeowners receive at least two bids, and homeowners are strongly encourage to obtain three or more contractors for bids on proposed home improvement work.

**2. It's a good idea to get contractor references and to look at their work.**

We suggest that homeowners check contractor references before selecting a contractor to perform work. Homeowners should talk with the references and take a look at recent work done by the contractors.

**3. Contractors *must* have General Liability Insurance.**

**4. Contractors *must* have a City of Great Falls Business License and General Contractors must have a Contractor License from the City of Great Falls.**

**5. Contractors *must* have Workman's Compensation insurance (or exemption from the State).**

State law requires contractors to carry workers' compensation insurance. This insurance helps protect contractor workers if they should be hurt on the job. Contractors may call the state at 1-800-332-6102 to apply and request the documents be faxed to Planning and Community Development 406-455-3181.

**6. Don't discriminate when asking contractors to bid.**

Homeowners cannot discriminate on the basis of race, color, creed, religion, sex, national origin, age, handicap, or otherwise, as provided by applicable law, in the selection of contractors to submit bids.

**7. The selection of all contractors is the responsibility of the homeowner.**

The City may, however, deny assistance if the work plans and/or bids are unacceptable. To avoid this circumstance, the homeowner is advised to follow the process described in the previous sections.

**8. Do not sign any contracts with a contractor prior to approval of your loan and contractor bids by the Planning Community Development Office.**

**9. If your home was built more than 50 years ago, a historic preservation review will be conducted.**

Homeowners must ensure contractors they select are willing to adhere to the historic preservation restrictions placed on the project if required. Repairs made which do not follow historic preservation guidelines established will not be paid for by the City.

**10. If your home has tested positively for lead based paint, contractors disturbing painted surfaces are required to have undergone lead safe work methods training.**

# Instructions for Bid Solicitation and Contractor Selection

*Homeowner must seek two to three written contractor bids for each rehab work item (3 are preferred).* **Contractors can only bid on work discussed or approved during initial inspections.** Solicit the names of potential contractors from friends and family who have had work done, building material supply firms, contractor associations, the phone book, or online.

Try to have your property open and all areas accessible so the contractor can easily estimate the cost of work. The first impression is important in obtaining the best possible bid. A contractor will raise his/her bid if they cannot accurately assess the problem or may have to incorporate moving furniture or deal with excessive clutter to address the work. If your house is clean and accessible, they will see a minimum of time-wasting distractions to keep them from their work, which will result in a more economical bid.

Allow contractors to take up to fourteen days to prepare their bids. **Do not sign a construction contract** until the bid and contract have been reviewed and approved by the Planning and Community Development office and your loan has been finally approved.

Contractors doing work in this program must be experienced, licensed, and insured. Be sure your contractor is experienced in remodeling work. Ask the potential contractor for the names and phone numbers of three property owners for whom they have done recent remodeling work. Be sure to call the references and ask about the quality and timelines for the work performed, the general reliability of the contractor, and what problems occurred with the contractor and his/her work. Your contractor and you **MUST** mesh. Depending on your size of project, he/she may be in your house several weeks. Take every effort to make sure that this seems like the quality of person you want around your house and your family for this time period.

When selecting a contractor, keep in mind **you will never find a perfect contractor**. The person with the best skills may not be an easy person to deal with, and the contractor with a brilliant personality may perform shoddy work. Therefore, select the contractor who provides you with the best value when considering: your time; the quality of work desired; level of disorganization and conflict you can manage; and the bid price. You will be in constant contact with the contractor for one to three months, so try to find someone you can work with. A personality conflict or lack of communication can destroy a job before your project is completed.

If you select a contractor other than the lowest bidder, the reason for disqualifying the lower bidders must be stated in writing for your file. The contractor must be selected regardless of race, religion, sex, age, or national origin.

**A note on self-help projects:** Occasionally, homeowners will ask friends and family to help with project items on a "self-help basis". Although most people mean well when volunteering to help with projects, individuals have their own priorities which limit their ability to complete all of the work necessary for a rehab project within time limits.

**Homeowners wanting to act as their own contractor must prove he/she has the skills, knowledge, time and assets in order to perform the work. Homeowners may not be paid for the time/labor of completing the work.**

# Working With Your Contractor

Contractors are by and large honest, small-business people who must keep track of many details and are generally overworked. Most contractors will go out of their way to satisfy any owner **IF** they believe the owner is not creating problems that will force them to lose money. The following information may help you to obtain a good quality job within a reasonable amount of time.

## *BEFORE THE WORK BEGINS*

- Review the work list with the contractor to ensure a mutual understanding of the work to be completed.
- Be sure to go over the finish materials and colors to be used.
- Identify the work schedule and vacating of rooms or areas.
- Review the payment schedule and process.
- Review the process for proposing, reviewing, and approving changes in the work.

## *AFTER THE WORK BEGINS*

Check the job daily. If you find things which concern you, please talk directly to the contractor, his/her foreman, or their office about the concerns. Do not talk to the workers about problems or changes until you review your concerns with the proper supervisor. Do not expect rough carpentry to be completed with fine wood and to the precision needed in installing the finish trim. Any problems you have with the work or materials being used should be pointed out to the contractor as soon as possible. If the response of the contractor is not satisfactory, then call for an inspection and review by Planning and Community Development staff.

Do not spend much time talking to the workers. Providing a cup of coffee once or twice a day is okay, but additional socializing will simply distract the workers. The contractor has estimated a specific number of work hours to complete your job. If you use worker hours in non-productive ways, the contractor will need to find ways to save time in other areas. Generally, try to facilitate the contractor's work in any way you can.

Cooperate with your contractor in order to help him/her complete the work as soon as possible. Avoid distractions that may make the contractor uneasy about working on your property (frightening dogs, arguments with family/friends, etc.). Maintain the cleanliness of your home during the project and have areas open and accessible to the contractor as requested to avoid unnecessary delays. Some contractors will need to be called to remind them of the project timelines and schedule. If a contractor is performing well and generally on time, do not bother him/her with unnecessary phone calls.

## *PROCESSING PAYMENTS*

**You are responsible for providing signed invoices to the Planning and Community Development office in order to facilitate payments.** If the contractor receives rapid payments when they are due, you will get better service from the contractor. If you try to force the contractor to do some extra free work before you facilitate payment, you will have a very difficult time getting any warranty corrections or other service from the contractor in the future. On the other hand, never authorize payments until all of the items listed on the invoice are completed. Work must follow the outlined work list. Any additions or deletions must go through the Planning and Community Development office for authorization.