

## **Home Repair Loan Program Process How It Works**

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## Home Repair Loan Program Process How It Works

### 1. Loan Application and Home Inspection

- Once submitted, your application will be assigned to a finance specialist at the Office of Housing.
- At this time, begin your search for contractors and have them send you a copy of their cost estimates. A contractor list was mailed to you with your application. This is not a representation or warranty by the City as to the quality of the contractors' work. More information regarding selecting contractors is in Section 2 below. Be aware that the work you would like to complete will depend on the final loan amount that your loan will be pre-approved for.
- The finance specialist will order a credit report and a title report. The credit report should demonstrate a pattern of financial responsibility and an ability to repay debts. The title report should indicate you have a good, clear, marketable title for your property that is free from any defects. There should not be any unpaid taxes or assessments.
- **Our finance specialist will contact you if your application is incomplete and send a list of those required documents missing from your loan application.** You will need to gather and submit all the information necessary to approve and process the loan. When your loan has been pre-approved, the finance specialist will send a letter specifying the loan amount and terms. At this point, you do not have a loan.
- After your loan has been pre-approved, one of our property rehabilitation specialists, (PRS) on staff, will contact you to discuss your project. You can assist the PRS by identifying known problems. The City may require that the work funded by the loan includes some important items, such as correcting safety hazards or exterior repairs to protect the home. A list on page 3 shows what type of improvements can be made.
- The PRS will verify the needed work that is eligible for this program. However, there may be hidden structural defects or other problems not readily detected without special tests or analysis. The PRS' opinion should not be considered the equivalent of a professional analysis by a licensed engineer.

### 2. Selecting a Contractor

Do not sign a contract before you have received notification from your PRS that you may do so. Do not give any contractor a deposit. The repair program will not reimburse homeowners for expenses that occurred from deposits or work performed before approval from the Office of Housing Repair Program. All funds will be disbursed through the City to the contractor.

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- The PRS will complete a description of the scope of work to be done on your home and can assist you in finding a contractor, if need be.
- You will have 30 days after your pre-approval to have contractors chosen and bids received. After 45 days with no progress after the PRS home assessment we will close your file. The city provided you with the names of contractors who have worked on home repair projects in the past. However, providing such information is not a representation of a warranty by the city as to the quality of the contractor's work. You may choose your own contractor outside of the city's contractor list; however, they will have to meet the city on-boarding criteria. You are encouraged to make inquiries and request references prior to selecting a contractor or signing a contract. You may call the State Labor and Industries office in Tukwila at (206) 835-1000 to check on contractors or visit L&I's website at <http://www.lni.wa.gov/TradesLicensing/Contractors/HireCon/>

You will sign a contract with the contractor you select. The City will provide you with the contract form that is acceptable to the City, as lender. Each contractor must **also** sign an agreement with the City to comply with certain laws and policies for all work done.

### **3. Closing Your Loan**

- After you have selected a contractor and determined a loan amount with your PRS, the finance specialist will send your loan documents. This process could take up to 3-4 weeks. If you should have any questions about your loan documents or the closing process, the finance specialist will be glad to answer them for you.
- You will not be able to start work or sign any contracts without your PRS' approval. Any work started prior to approval from your property rehabilitation specialist will be your responsibility. The city will not pay for the work.
- If you need legal advice, you should consult your own attorney.
- Upon signing your loan documents, your loan will be considered closed. You need to wait for the PRS to let you know the work can begin. You will be signing a notice to proceed (NTP).

### **4. The Repair Work**

- Work cannot begin until three business days after your loan documents have been received by the City and recorded with King County. This is when the NTP will be sent by your PRS to you and then to the contractor.

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- All repair work must be completed no later than six months after your loan closing. If you have extenuating circumstances and are not able to complete the repair work, please discuss this with your PRS.
- The City cannot guarantee your contractor will complete the work on time or to your satisfaction. When your contractor requests approval for final payment, check carefully to see that all work has been completed to your satisfaction. Ask your contractor for lien releases from all subcontractors and material suppliers. The PRS can assist you with any questions you may have regarding project completion.

The PRS does not approve the quality or durability of the work. Inspections by the PRS are done on behalf of the City as lender. The City will not be responsible for omissions or defects in the work.

#### **5. List of Eligible Repairs**

The Home Repair Loan Program is designed to meet immediate health, safety, and structural deficiencies. The following list describes many of the most common repairs covered by the program. The Home Repair Loan Program is not a cosmetic upgrading program.

- Accessibility needs and modifications
- Floor repair and covering (must be a hazard)
- Plumbing repair
- Appliances (some restrictions apply)
- Foundation repair or replacement
- Porch repair or replacement
- Bathroom repair
- Furnace repair or replacement (must be non-functioning)
- Retaining wall repair (if hazardous)
- Brick or masonry repair
- Gutter repair or replacement
- Roof repair or replacement
- Chimney repair
- Hazardous materials abatement
- Sewer repair
- Door and windows
- Hot water heater repair or replacement (only if failing, either leaking or rusted)
- Structural Repairs
- Driveway/walkway (for hazardous or unsafe conditions)

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- Kitchen repair (some exclusions; no cosmetic upgrades.)
- Waterline repair or replacement
- Electrical upgrades
- Painting, exterior only (not vinyl siding)
- Other repairs as necessary to meet program goals

### **6. Minimum Requirements**

- Own and live in the home as your principal residence.
- Live within Seattle city limits.
- Have equity in your home.
- All combined Income in household must not exceed income limits (chart below)
- Meet other underwriting criteria.

## Home Repair Loan Program Process How It Works

### Loan Terms

- **Loan Limits:** The minimum loan is \$3,000 and the maximum is \$24,000.
- **Loan Documents:** You will be required to sign a promissory note and a deed of trust for your loan. The promissory note requires you to repay the loan amount and the Deed of Trust secures the loan by placing a lien against your property.
- **Loan Payments:** Program staff will determine whether you can afford a minimum monthly payment of at least \$50. If you can make monthly payments, the loan term can be for up to 20 years.

If it is determined that you cannot afford a monthly payment of at least \$50, you may be eligible to receive a deferred payment loan. If so, the repayment term is 10 years, which may be extended, unless you sell, transfer, or cease to occupy the property. If you refinance your home, you can't receive any cash out.

- **Interest Rate:** Loans will have 0% interest.
- **Total Loan Amounts:** The amount of your loan includes the total amount of your repair contract, plus any change orders approved by you and the City, permit fees, and sales tax. It also includes the cost of title insurance.

**Homeowner's Acknowledgement:** Please sign demonstrating you understand "Home Repair Loan Program Process — How it Works."

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Name (print)

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Date

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Signature

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Name (print)

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Date

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Signature

Return this full document with your complete loan application (all 5 pages). If this property is jointly owned, each must complete and sign above. If more than 2 owners, attach separate page including all owners. Retain the client copy for your records.

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