



# Residential Rehabilitation Program

## Information Packet

The Housing Programs Division of the Cranston Department of Community Development is offering assistance to Cranston homeowners to correct housing deficiencies. Income eligibility will be determined according to HUD's Home/CDBG income limits guidelines in accordance with the HUD definition of income according to household size.

### **Types of Assistance**

The Cranston Department of Community Development has funding available for home improvements. This partial grant partial loan program will provide 50% of the cost of rehabilitation work completed, with a maximum grant of \$7,500.00. The remaining cost will be written as either a 2% loan or a 0% deferred loan in accordance with household size and income.

**The total amount borrowed will remain as a lien on your property as long as you own the house and it remains your primary residence. Monthly payments must be made on 2% loans until satisfied and then the lien will be discharged with the City Clerk's Office. Grants will remain as a lien on your property for 5 years following closing date and must remain your primary residence.**

#### ***Two Percent (2%) Interest Loans***

- Payable in 180 monthly payments (15 years)
- The applicant's total family income cannot exceed 80% of the median income.

#### ***Zero Percent (0%) Interest Deferred Loan***

- The applicant's total family income cannot exceed 50% of the median income.
- Loan to be paid in full upon change of ownership or title.

### **Allowable Repairs**

Funds can only be used for health, safety and energy conservation. New construction is not permitted. **Eligible rehab work to include:** roof, gutters, siding windows, furnaces, electrical upgrades, sewer connections and hardwired installation of smoke and carbon monoxide alarm system for 3-family homes.

Examples of work that is **not eligible** includes painting, minor repairs and finish work (cabinets, countertops, floors).

***This program provides funding to homeowners in need of emergency assistance, building/health code violations, and other upgrades to improve the safety, accessibility and energy efficiency of their home. Household income eligibility required.***



## **Determining Eligibility**

Program eligibility is based on household size, income and other factors. The chart below reflects the income limits for household size effective April 1, 2021.

Household Size	1	2	3	4	5	6	7	8
80% Area Median Income	\$48,450	\$55,400	\$62,300	\$69,200	\$74,750	\$80,300	\$85,850	\$91,350

## **Additional Eligibility Requirements**

- The program is limited to 1-3 family dwellings that are owner occupied
- Debt to income ratio cannot exceed 50% of monthly income. (Income consists of current gross income from all sources including social security, pensions, salaries, wages, interest income, rent, unemployment benefits, rental income etc. )
- Loan to Value ration cannot exceed 90% of the property value. This may be demonstrated by a property appraisal or comparative market analysis done by a realtor.
- Reverse mortgages are not eligible.
- The maximum loan amount is \$25,000.00. If the project is deemed to be over budget or outside the Department's scope of work it will not be eligible and will be determined on a case by case basis.
- If the property is located in a Flood Zone, the homeowner must have and retain flood insurance for the duration of the loan.

## **Policies and Procedures**

- When all supporting documentation has been received and application is complete, the Department of Community Development will have up to 2 Weeks to review the application in the underwriting stage. An approval/denial letter will be mailed to homeowner with a result.
- If approved, the City's Housing Inspector will contact the homeowner to conduct an initial inspection and determine all eligible improvements.
- Once the scope of work is determined, job specifications are made available to qualifying contractors on an active bid list and public. Contractors are given 2 weeks to submit bids back to the Department. The contract is then awarded to the lowest bidder.
- A loan closing is then coordinated with the Department, homeowner and Contractor. A Loan Agreement, Promissory Note, Mortgage Deed and other associated closing documents are signed by the homeowner and recorded in the City Clerk's Office.
- While the work is in progress, the Housing Inspector conducts periodic inspections to ensure work specifications are being met in accordance with the Contract.
- Upon job completion, a final housing and lead inspection will take place to confirm all job specifications have been met.
- The contractor then submits a final invoice to the Department signed by the homeowner and contractor and a final payment is made to the contractor.



**Other Terms and Conditions**

- Required permits will be obtained by the contractors prior to work being started.
- The applicant’s property, sewer tax and other assessments due to the City must be current
- The homeowner must have and retain homeowner’s insurance on the property for the life of the loan. Evidence of flood insurance coverage will be required if the property is determined to be located in the FEMA-designated Floodplain.
- A comprehensive lead inspection is required for all homes built prior to 1978. All lead hazards sighted in the lead report will need to be addressed. Upon completion of the project, a final lead clearance inspection is conducted to achieve lead safe status. The cost of the lead inspections are added to the homeowner’s rehab loan. The Department of Community Development will arrange these inspections.
- A loan will not be considered for subordination until one (1) year after completion of work. They are not granted to anyone entering into a reverse mortgage or receiving additional funds or cashing out for personal purposes.
- Disputes between homeowners and contractors will be rectified by the Department of Community Development staff to every extent possible.
- Loan must be repaid in full upon transfer of ownership or title. Upon death of the homeowner, the estate has one (1) year to pay off loan in full.
- Any additional cost that arises during work being performed due to unforeseen deterioration of areas that would be directly related to the home improvement, construction or rehab will be added to the loan portion of the agreement. The grant will remain the same.
- Failing to pay scheduled monthly loan payments (if applicable) will result in default.

**Disclosure Statement**

At the time of the application process the homeowner/applicant was informed of the policies and procedures for the Residential Rehabilitation program and was given a written copy of the guidelines.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

(Applicant)

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

(Community Development Staff)



## Residential Rehabilitation Program

### *Application Checklist ✓*

#### **Documents for Household Members**

- birth certificates for all household members
- Photo ID for anyone listed on the mortgage deed
- Social Security Cards for all household members
- Last filed income tax return, signed with all schedules, for anyone that resides at the residence
- If Self-Employed**, last three years income tax returns, signed with all schedules, along with a year to date profit and loss statement, prepared by an accountant.
- Four (4) most recent paystubs for everyone that resides at the residence
- Benefits statement for anyone in the household receiving unemployment benefits, TDI or worker's compensation
- Social Security Award letter for anyone in the household receiving benefits
- Pension letter reflecting monthly benefit
- Two (2) most recent bank statements for any adult residing in the home
- Current mortgage statement
- Statements from any debt with outstanding balance of \$500.00 or more (credit cards, auto loans, etc.)
- Documentation of any other income sources (child support, alimony, etc.)

#### **Property Documents**

- Last three (3) months rent receipts if applicable
- Property Deed
- Homeowners insurance binder
- Current tax bill if not included in mortgage payment
- Recent sewer bill