

APPLICATION PROCESS THE RAPID CITY NEIGHBORHOOD RESTORATION PROGRAM

The Neighborhood Restoration Program is available to qualifying low-to-moderate income Rapid City property owners residing within the corporate limits of the City of Rapid City.

Acceptable rehabilitation projects address structural, safety, health and energy efficiency issues. Examples of acceptable rehabilitation projects would be replacement of a water heater or furnace; insulating the home, repair or replacement of a roof; repair or replacement of windows; residing home; painting exterior of the home; sewer, gas or water line repair; modifications for handicap access; deck or porch repair or replacement; etc. Not all homes rehabilitated will have the same amount of work completed on them. The items addressed are contingent upon the condition of the home and prioritized following a home inspection conducted by an inspector approved by our office.

REHABILITATION 0% FORGIVABLE LOAN PROGRAM

The Neighborhood Restoration Rehabilitation 0% Forgivable Loan Program will provide 0% interest loan funds to qualifying low-income applicants whose total household income is less than 50% of HUD's median income for their household size, for use in rehabilitating their homes. The 0% Forgivable Loan Program is subject to availability of funds.

The minimum allowable 0% Forgivable Loan amount is one thousand dollars (\$1,000). The maximum allowable 0% Forgivable Loan amount is seven thousand dollars (\$7,000).

REHABILITATION 3% LOAN PROGRAM

The Neighborhood Restoration Rehabilitation 3% Loan Program will provide 3% interest loan funds to qualifying low-income applicants whose total household income is less than 80% of HUD's median income for their household size, for use in rehabilitating their homes. The 3% Loan Program is subject to availability of funds.

The minimum allowable 3% Loan amount is one thousand dollars (\$1,000). The maximum allowable 3% Loan amount is twelve thousand dollars (\$12,000). **EXCEPTION:** If the 3% Loan program is used in conjunction with the 0% Forgivable Loan program, the maximum 3% Loan amount will be five thousand dollars (\$5,000).

0% Forgivable Loan and 3% Loan Program Guidelines

(Additional guidelines not listed here may also apply.)

- The 0% Forgivable Loan and 3% Loan programs may only be used for owner occupied homes.
- Owners must occupy the property as their primary residence for a period of not less than eleven (11) months of the year.
- The property owner must have clear, fee simple title to the property.
- Individuals with contracts for deed for the purchase of the property are not eligible.
- Applicants for the 0% Forgivable Loan and/or 3% Loan program must meet the income guidelines for total household income, as determined annually by HUD. Income from all adults over eighteen (18) residing in the household will be used in determining the total household income.

- The 0% Forgivable Loan and/or 3% Loan programs may only be used one time per property.
- Applicants must maintain hazard insurance on the home for the term of the loan(s).
- **0% FORGIVABLE LOAN PROGRAM:** If the home is sold, refinanced for cash-out, or becomes non-owner occupied within ten (10) years of the date of closing, the full amount of the 0% Forgivable Loan will become due and payable to the City of Rapid City. At the end of year ten (10), the 0% Forgivable Loan will be fully forgiven. A mortgage shall be filed against the property at the time of closing.
- **3% LOAN PROGRAM:** The loan term shall be a minimum of one (1) year, with a maximum of fifteen (15) years, based on the dollar amount of the loan and ability to pay, as determined by the Community Development Block Grant Specialist. There shall be a maximum term of ten (10) years on a 3% Loan used in conjunction with the 0% Forgivable Loan program. If the home is sold, refinanced for cash-out, or becomes non-owner occupied prior to loan payoff the full amount of the loan shall become due and payable to the City of Rapid City. A mortgage will be filed against the property at the time of closing.

APPLICATION PROCESS FOR THE 0% FORGIVABLE LOAN/ 3% LOAN PROGRAM

- Applications will be accepted on a first come, first serve basis. If there are no funds available, applicants will be placed on a waiting list for the next funding period.
- Applications must be filled out completely and accompanied by the required income verifications and a list of the requested home repairs. Receipt dates are determined when all application documentation has been received.
- Applicants are required to provide the following documentation for all adult members of the household over 18 years of age at time of application:
 - o pay stubs to cover the most recent 30 day period;
 - o W-2's for all jobs for the past two years;
 - o tax returns for the past two years;
 - o award letters for pensions, SSI, VA benefits, etc;
 - o other documentation appropriate for verifying any sources of income;
 - o a list of current monthly bills and expenses; and
 - o a copy of a current homeowner's insurance policy.
- An appointment will be made to review the application and supporting documentation
- If the application meets the program guidelines, written verifications will be ordered to verify property taxes, utility costs, employment and income. Property tax payments must be current on the property before loan approval may be given.
- **A budget review shall be required of all applicants. Call Consumer Credit Counseling Service of the Black Hills (CCCS/BH) to schedule your free appointment at 348-4550 – X103**
- **Completion of an approved financial education program shall be required of all applicants before funds will be released. The education program is provided at no cost to applicant.** The financial education program, *Credit When Credit is Due*, will be provided to you at your counseling session at CCCS/BH.
- Applicants who meet the program-qualifying requirements will be scheduled for a home inspection to determine the scope of work needed.
- The home inspection shall be ordered by the CDBG Specialist. The home inspector shall perform a full home inspection and identify any health, safety, energy or structural issues that need to be addressed. The owner must be present. ***This program will not fund luxury items.***

- The inspector shall prioritize the rehabilitation items and provide an estimated cost of repair in a preliminary scope of work along with a recommended contingency reserve percentage, based on the unknown risk for the type of work. Any funds remaining upon completion of the project will be applied to the loan to reduce the balance owed.
- The Community Development Block Grant Specialist shall review the scope of work, provided by the Inspector with the applicant to determine which items meet the program guidelines and can be accomplished with the money available.
- A lead paint inspection and test shall be done on homes built prior to 1978 in accordance with HUD Lead-based Paint Requirements. A project may be rejected if repairs or modifications are not cost effective.
- Contractors shall be required to follow HUD guidelines for performing repairs on homes identified as having a lead-based paint hazard.
- Environmental reviews shall be done in accordance with HUD Requirements for Environmental Reviews. A project may be rejected if repairs or modifications are not cost effective.
- The applicant shall be responsible for obtaining a minimum of two bids for the work identified in the scope of work. The applicant shall provide the scope of work to the contractor(s) so that they will know exactly what work needs to be done and the materials that should be used for the project. All contractors shall provide proof that they are licensed (when required) for residential work by the City of Rapid City, and insured. A copy of their insurance must be provided.
- All work must be done by approved contractors. This is not a "do it yourself" program.
- Once the bids are obtained, the Community Development Block Grant Specialist shall review the bids with the applicant and determine the final scope of work allowable with the funds available.
- The applicant shall be responsible for choosing the contractors. The applicant and the Community Development Block Grant Specialist shall sign the finalized scope of work detailing the contractors, their bid prices and a contingency reserve amount. Once this form is signed, no further changes can be made to the work without prior approval of the Community Development Block Grant Specialist and completion of a Change Order.
- City Rehab Specialist will send a request for escrow account set-up to the City Finance Department.
- ***No work may begin on home until Contractor and Homeowner receive the "Start Rehabilitation Letter" from the City Rehabilitation Specialist.***
- When work is done, Contractor will provide Homeowner with a final bill.
- Homeowner will notify City Rehab Specialist that work is completed.
- The City Rehab Specialist will request an escrow progress inspection(s) from the home inspector.
- Release of funds for payment to the contractors will occur within 30 days of receipt of final bill and will require:
 - o acceptable release inspection by the home inspector
 - o acceptable City Code inspections, as required by type of work
 - o signature of acceptance of work by City Rehabilitation Specialist
 - o final bill from the contractor
 - o signature of contractor on lien waiver
 - o council approval of escrow account set-up and payouts

If you have any questions or proposed changes to the scope of work, you must call the Community Development Rehab Specialist BEFORE making any changes or doing any work.

***If you do not have prior approval from the Rehab Specialist,
you will be responsible for all costs.***

