

## **General Rules and Terms of Eligibility**

The following general rules govern the financial conditions that apply to all programs offered under the One and Two-Family Rehabilitation Program. Applicants, who do not meet the criteria set forth in these General Rules will be denied assistance.

### **General Terms and Conditions:**

1. Applicants must own and occupy a one or two unit building, or condominium unit as their principal residence throughout the term of the loan. Cooperatives are not eligible for this program.
2. Applicants' income cannot exceed 80 percent of the median income of the Chicago Primary Metropolitan Statistical Area (PMSA). For these purposes, HUD has defined the PMSA as the six county Chicagoland area, specifically Cook, DuPage, Kane, Lake, McHenry, and Will counties.
3. An applicant will be ineligible for any housing rehabilitation program if he/she owes any back taxes on the property to be rehabilitated, or if they have any adverse encumbrances, judgments or liens. Tax delinquent property owners, who qualify, may receive tax relief under the Cook County Senior Citizen Property Tax Deferral Program. In addition, any applicants with poor credit such as past due accounts, delinquencies, etc. must clear up those adversities to become eligible.
4. When an applicant has a first mortgage, he/she must set up an escrow account with the holder of that mortgage to pay taxes and insurance. If the first mortgage holder will not set up an escrow or the applicant does not have a first mortgage, the applicant must agree to pay into an escrow account set up by the City for this purpose.
5. When there is an existing first mortgage on the property, the final loan to value ratio, including the City's second mortgage funding cannot exceed 95 percent. If there is an existing second mortgage on the property, the loan to value ratio cannot exceed 80 percent, including the City's third mortgage. (The value is calculated by adding the market value of the property to 50 percent of the rehabilitation costs then that total is divided by the total of all mortgages on the property.)
6. When the ratio of an applicant's existing housing debt to their gross income exceeds 50 percent, for normal housing expenses, a loan will not be made unless re-payment of that loan will not increase the applicant's housing debt/gross income ratio. The amount of money an applicant may borrow will be limited to the amount that can be repaid without increasing the applicant's housing debt/gross income ratio over 50 percent. In addition, each program will have a maximum loan limit.
7. Rehabilitation costs must exceed 50 percent of the applicant's liquid assets. If the cost of rehabilitation is 50 percent or less of assets the applicant is ineligible. (For example, if

liquid assets total \$20,000, then rehabilitation costs must exceed \$10,000). Liquid assets include any asset such as; stocks, bonds, savings accounts, checking accounts, etc.

In the event of a death of a loan recipient, the loan is due. Heirs of the property may make application for a new loan and are required to meet the guidelines at the time of application. The loan must be paid off or an application to qualify for a new loan be made within 60 days of the recipients death. If the application is not received within 90 days, the loan will start accumulating interest at a rate of one-half of the 30-year Treasury Bond rate as issued monthly.

If the property is left to one or more minors, the loan shall not become due until six months after the first minor comes of age or until title to the property is transferred to a third party, whichever occurs first. If the loan is an amortizing loan, repayment shall continue under the same terms agreed to by the original client.

9. Loans will be prioritized to address the following work items:

Category A.

**Code Violations and Residential Rehabilitation Standards**

These items are included in the City of Evanston's housing code, building code and rehabilitation standards.

When sufficient public and/or private funds are available, all Category A items shall be completed. If there are insufficient resources to complete all the items in Category A, then the work items will be subject to the following priorities:

- Life threatening conditions.
- Health and Safety items.
- Structural, electrical, mechanical, plumbing, fire prevention code items.
- Other violations.

**B. Incipient Code Violations**

These items include those elements of the structure which are not in violation of the housing code, but appear to be in a condition that will deteriorate into a code violation if left uncorrected.

Should sufficient resources be available to complete all items in category A, then category B items will be undertaken.

In addition, any item which can alleviate a physical hardship for disabled applicants shall be considered. These items include egress ramps, plumbing modifications, accessories, grab rails, etc.

**C. Energy Conservation**

These items are directly related to the conservation of energy by upgrading the dwelling's thermal protection, such as insulation, water saving fixtures, furnaces and window replacement. Items in this category will be completed if sufficient funds remain after completion of items in categories A & B. These items are to conform to the Department of Housing and Urban Development "Initiative on Energy Efficiency in Housing".

#### **D. General Property Improvements**

These work items constitute improvements which can be made to the property. Examples could include landscaping, sump pumps, etc. Luxury items such as room additions, air conditioning, decks etc. will not be considered.

10. Upon the request of the applicant, the City may consider subordinating its lien position to another lien holder provided that the aggregate of the total principal amount does not exceed an 80 percent loan to value ratio, and the applicant meets all lending criteria for the City loan they currently have. A service charge of \$50 shall be required to process the subordination agreement. Applicant shall submit a completed subordination agreement request with an accompanying remittance of \$50 to the City. All requests require a minimum processing time of two weeks.

11. No applicant shall receive additional rehabilitation assistance within 5 years of the date of completion of the original rehabilitation loan.