

# Essential Single-Family Rehabilitation Loan Pool - Disaster Recovery

## **What is the Essential Single-Family Rehabilitation Loan Pool – Disaster Recovery?**

Thirty-six Loan Pool Members serving forty-three counties have been awarded Membership by the North Carolina Housing Finance Agency ("NCHFA") under the Essential Single-Family Rehabilitation Loan Pool - Disaster Recovery ("ESFRLP-DR"). This program provides Members with funds via a "loan pool" to assist with the rehabilitation of owner-occupied homes damaged by Hurricane Matthew as well as Tropical Storms Julia and Hermine. The funds provided by NCHFA come from the North Carolina Housing Trust Fund

Each Member has been allocated an initial set-aside of \$150,000 which it plans to apply toward the rehabilitation of at least three houses in their service area. After demonstrating successful use of the initial set-aside, the Member may access additional funds, when available, on a unit-by-unit basis from the \$15 Million ESFRLP-DR loan pool.

## **Who is Eligible to Apply?**

There are six major requirements to be eligible for ESFRLP-DR assistance:

1. The housing unit to be rehabilitated with ESFRLP-DR funds must be in a Member's service area, and must be owner-occupied;
2. The gross annual household income must not exceed 100% of the Area Median Income for the County;
3. The home must have received at least \$5,000 of damage from either Hurricane Matthew, Tropical Storms Julia and/or Hermine;
4. The construction cost of rehabilitation charged to the ESFRLP-DR Program cannot exceed the limit of \$40,000;
5. The homeowner cannot have been approved to receive a loan from the Small Business Administration to repair damages to their home due to Hurricane Matthew, Tropical Storms Julia and/or Hermine; and,
6. The homeowner must work with Members to properly document any FEMA assistance received for home repair due to Hurricane Matthew, Tropical Storms Julia and/or Hermine.

## **What Types of Houses Are Eligible?**

Properties are eligible only if they meet all the following requirements:

- The property must require at least \$5,000 of improvements to meet the Essential Property Standard or the local minimum housing code.
- Site-built and off frame modular units are eligible for assistance. Manufactured housing is eligible for the full assistance if the foundation and utility hookups are permanently affixed including removal of all transporting equipment (e.g. wheels, axles, tongue) and installation of a full masonry foundation and tie-downs. Manufactured housing that isn't real property is eligible for a maximum of \$25,000 of assistance.
- No more than fifty percent (50%) of the total area of the unit may be used for an office or business (e.g. day care). Program funds may only be used to improve the residential portion of mixed-use buildings.
- The property must be free of environmental hazards and other nuisances as defined by all applicable codes or regulations, or any such hazards or nuisances must be corrected as part of the rehabilitation of the home. A Member's Rehabilitation Specialist will determine the presence of any known environmental hazards/nuisances on the site and if they can be removed through rehabilitation.
- Properties cannot be located in the right-of-way of any impending or planned public improvements. A Member's staff will assist in making this determination.
- The property cannot be located on a site that is endangered by mudslides, landslides or other natural or environmental hazards. If needed, the Rehabilitation Specialist will work with the homeowner to make this determination.
- The property may be located in the 100-year flood plain if the lowest finished floor level (verified by an elevation certificate provided by the homeowner) is above the base flood elevation and the property will be covered by flood insurance. The property must be in compliance with local government's flood plain

ordinance upon completion of any ESFRLP-DR assistance. (The Member will verify whether the home is in the flood plain.)

- Unfortunately, not all homes can be rehabilitated to meet either the local minimum housing standard or the Essential Rehabilitation Standard with the limited funding available. Some otherwise-eligible households may be deemed ineligible for assistance because their homes fail this test.

### **How Are Applications Selected?**

There are many more ESFRLP-DR-eligible households (with eligible houses) than can be assisted with the available funds. Therefore, Members have devised priority systems to select eligible applicants. Some Members will rank applications on a first-come, first-approved, and first-served basis while others will rank households per a prescribed rating system. Members may be able to treat additional houses with unrestricted pool funds. Pool applicants from the original applicant list may be considered per the feasibility of the repairs and the continued first-come, first-approved, and first-served basis.

Recipients of assistance under ESFRLP-DR will be chosen without regard to race, color, religion, national origin, sex, familial status, and disability. The Member's Assistance Policy will describe who is eligible for assistance under ESFRLP-DR for each project, how applications for assistance will be ranked, what the terms of assistance are, and how the rehabilitation process will be managed. Assistance Policies are reviewed by NCHFA to ensure that the ESFRLP-DR projects are fair, open, and consistent with its approved application for funding and with ESFRLP-DR Program Guidelines.

### **What Are The Terms of Assistance Under ESFRLP-DR?**

The form of ESFRLP-DR assistance is a 0% interest, forgivable loan covering the hard and soft costs associated with the rehabilitation of the home. Homeowners will receive an unsecured deferred, interest-free loan. As long as the homeowner is not in default, the loan will be forgiven at a rate of \$5,000 per year, until the principal balance is reduced to zero. Default can occur if the property is sold or transferred to another person and/or if the borrower fails to use the home as a principal residence without prior written approval.

NCHFA may pay an amount for soft costs not to exceed \$10,000 as part of the loan. Soft costs include application outreach and intake, management, environmental reviews, inspections, testing and project assessment, documentation, estimating and bidding to complete the repair of the home.

### **What Kinds Of Work Will Be Done?**

Each house selected for assistance, upon completion of the rehabilitation, must meet either NCHFA's Essential Property Standard or the local government's Minimum Housing Code. These so-called "habitability standards" establish minimum standards for decent, safe, and sanitary living conditions. These requirements are spelled out in full in the ESFRLP-DR Administrator's Manual.

Of course, contractors performing work funded under ESFRLP-DR are responsible for meeting all local requirements for permits and inspections. All work done under the program must meet NC State Residential Building Code standards. All contractors working on pre-1978 units must be Renovate, Repair and Paint Rule (RR&P) Certified Renovators working for Certified Renovation firms.

### **Who Will Do The Work On The Homes?**

Members are obligated under ESFRLP-DR to ensure that quality work is done at reasonable prices and that all work is contracted through a fair, open and competitive process. To meet these requirements, Members may either invite bids from general contractors or perform the work themselves. For additional information about procurement and disbursement procedures, please refer to the ESFRLP-DR Procurement and Disbursement Policies for each project.