
City of Pasadena HOME ENHANCEMENT LOAN PROGRAM (HELP) Program Guidelines

1. Purpose of the Program

The City of Pasadena funds the HOME Enhancement Loan Program (HELP) through its HOME Investment Partnership ACT (HOME) entitlement which is provided through the U.S. Department of Housing and Urban Development (HUD). HELP will provide loans to single-family owner-occupied households for necessary repairs and rehabilitation to bring their house up to code, eliminate critical health and safety concerns, and increase efficiency and accessibility thereby enhancing livability and preservation of the home. Each year, the City will set aside funds for this loan program with the anticipation that funds will be paid back through re-finance with cash out, transfer of title, or sell of the home.

Program Objectives

- To assist property owners within the city limits of Pasadena in the repair or rehabilitation of their homes to a safe and livable condition.
- To improve energy efficiency and conservation of resources.

2. Applicant Eligibility Requirements

- Pasadena homeowners that qualify as low income based on the most recently published HUD income limits
- Owner-occupied as their primary residence

3. Loan Terms

Interest Rate: 3% simple fixed interest rate.

Term: 20 years. Deferred payments during the loan term. Loan is due in full at the end of the term. Loan must be paid in full if the property is transferred, refinanced with cash-out, or sold.

Loan Amount: Up to \$100,000 may be borrowed.

3.1. Non-Assumable

Upon sale or other transfer of the property, whether by operation of the law or otherwise; in the event that the property ceases to be used as the primary residence of the owner; or upon change from a single-family residence, the loan amount will become due and payable.

4. Eligibility Criteria

4.1. Applicant Eligibility

4.1.1. Income Eligibility Standards

Participation in HELP is limited to applicants whose annual household income does not exceed the HUD established low-income limits (see attached 2020 income limits). The City will require documentation of both household size and household income in order to determine income eligibility.

4.1.1.1. Definition of Household: For the purpose of determining program eligibility, “household” means all persons occupying a housing unit as their principal place of residence. All persons 18 years or older living in the household will be required to provide income documentation.

4.1.1.2. Income Determination: The City determines annual household income as the adjusted gross income as defined for the purpose of reporting under IRS Form 1040 series for individual Federal annual income tax purposes. Gross income includes all taxable income as defined by the IRS Code, as follows:

- All income in the form of wages, salary, bonuses, and tips;
- The full amount received from social security, pensions, and annuities;
- Payments in lieu of earnings, such as unemployment compensation, other social security benefits, and dismissal wages;
- Benefits in lieu of earnings other than lump sum payments under health and accident insurance;
- Alimony, child support and the like;
- Subsistence allowance or receipts in connection with education or training; and
- Income from earning assets, rental income, and capital gains.

4.1.1.3. Income Documentation: Each person over 18 years old living in the household must submit a copy of the previous year’s IRS accepted income tax return (signed and dated), unless they are claimed on another person’s income tax return within the household. All adults in the household who have no income must sign a *No Income Certification* form.

4.1.2. Additional Restrictions

- Homeowner’s debt to income ratio may not exceed 50%
- Must be current on existing mortgage
- Homeowner is not eligible if they received a City rehabilitation loan within the past ten (10) years.

4.2. Property Eligibility

- The property must be located within the Pasadena city limits.
- The property must be an owner-occupied single-family structure, condominiums are not eligible.
- Value of property after rehabilitation must not exceed 95% of the median purchase price for the area. [\$890,500 as of May 2020.]
- The Program will not allow for rehabilitation of an outbuilding, such as a detached garage, unless it is determined by City staff to be necessary.
- A residence in need of less than \$25,000 in rehabilitation repairs is generally not eligible.

The total property loan to value ratio, including the City's rehabilitation loan, may not exceed 90% of market value of the property after rehabilitation.

5. **Scope of Rehabilitation Work**

5.1. Eligible Rehabilitation Activities

Priority 1: State and Local Code Violations

Any applicable state or local code violations identified for the property must be addressed and corrected.

Priority 2: Health and Safety Improvements

Items necessary to bring the property into a safe and sanitary condition including, but not limited to:

- Leaking plumbing
- Rotten wood
- Pest-termite control remediation
- Overloaded electrical system
- Broken windows
- Leaking/damaged roof
- Presence of lead-based paint or asbestos

Priority 3: Major Systems Efficiency

Any major system with a useful life of less than 5 years must be replaced and/or repaired. Those systems include: heating, structural support, electrical, roofing and air conditioning.

Priority 4: Accessibility Improvements

- Making a space accessible (bathroom, kitchen)
- ADA appliances (stove, refrigerator)
- Wheelchair ramps

- ADA alarm systems
- Hardwood floor installation
- ADA path of travel

Priority 5: Energy Efficiency Improvements

Those items which will appreciably reduce energy use and operating costs to the owner:

- Home energy efficiency assessment (Energy Audit)
- Wall and attic insulation (must comply with California Quality Standards for Insulating Materials {CCR, Title 24, Part 12, Ch. 12-136})
- Windows replacement (using products rated by the National Fenestration Rating Council)
- HVAC systems (must meet state energy standards)
- Water heater (must meet state energy standards)
- Weatherization
- Furnace (must meet state energy standards)
- Solar panel installation

Priority 6: General Property Improvements

These are improvements needed to increase livability of the structure. For example, exterior painting, new flooring, new counter tops, or new carpeting. Loan funds may be used for Priority 3 only after provisions have been made to complete all Priority 1 and 2 items.

5.2. Ineligible Rehabilitation Activities

Intercom systems	Kennels	Furniture
Outdoor fire places	Central vacuum	Portable appliances
Detached greenhouses	Hot tubs or spas	Area rugs
Tools		

6. Project Process

6.1. Workflow

- Homeowner(s) may submit an online application through the City of Pasadena's Housing Department at www.cityofpasadena.net/housing starting January 19, 2021.
- Applications will accepted and evaluated on a first come, first served basis for eligibility. Eligibility determined by submission of required loan verification documentation.
- Rehabilitation Loan Submission Checklist:

- Eligibility Questionnaire
 - Income Documentation (as applicable):
 - Three (3) most recent consecutive paystub with YTD Earnings
 - YTD Profit and Loss Statement for all businesses owned
 - Benefit Award Letters/Statements
 - Most recent two (2) years 1040s, W-2 forms, 1099s and all K-1s
 - Two (2) most recent years of business tax returns (if 25% ownership or general partnership)
 - No income certification
 - Two (2) most recent months of complete personal bank statements
 - Most recent mortgage statement
 - Most recent property tax bill
 - Evidence of Homeowners Insurance Policy/Master Insurance Policy (if applicable)
- Rehabilitation Loan Origination & Closing Process:
- Origination
 - Property Inspection (including environmental review)
 - Bid Walk/Appraisals
 - Document Signing
 - Review & Approval by Loan Review Committee & City Council
 - Closeout
- Construction Management
- NHS to act as liaison between homeowner and contractor
 - Provide oversight of construction schedule
 - Submit progress draw requests (w/lien) to lender no more than monthly (signed by contractor, homeowner, and NHS)
 - Final draw request and lien will be processed after inspector signoff obtained (if applicable)

The City will assist in all phases of the Program from loan application through construction. It is the policy of the Program that a general contractor oversees construction. Some exceptions may be granted if approved by the Rehabilitation Specialist. The homeowner may select the contractors (that meet City requirements) from bids based on a scope of work prepared by NHS and approved by the homeowner.

7. Special Conditions

Lead Hazards

If your home was built before 1978, it may have lead-paint hazards that could pose a particular hazard to children aged six and younger. The City will require a lead-paint hazard assessment for your home. Lead paint hazards identified in the risk assessment

must be addressed in accordance with the Residential Lead-Based Paint Hazard Reduction Act of 1992—Title X and CFR 24 Part 35, which requires abatement of any lead found at the property.

Loan Review Board (LRB)

The LRB reviews each loan application based on the eligibility criteria described in these Guidelines, the applicant's financial situation and credit history, the condition of the structure and the recommendations of the staff members. The LRB may make some exceptions to these guidelines on a case-by-case basis.

After Board approval, a promissory note and deed of trust are signed as security for the loan and recorded at the Los Angeles County Auditor's Office. The borrower only owes those funds disbursed on the project, any undisbursed funds are returned to principal.

Loan Commitment Terms

Upon approval, the City of Pasadena, the Loan Review Board reserves the right to cancel the commitment or terminate the loan under the following conditions:

- After 60 days from signing the promissory note and deed of trust, or 60 days from issuing "notice to proceed" for a contract, the Borrower or contractor fails to commence work on the project, unless the period is extended by the Housing Director.
- The Borrower or the Contractor cease work for more than forty-five (45) days, unless an extension has been approved in writing, or fails or refuses to complete the improvements within a reasonable time, as determined by the Housing & Services Program Manager.
- The Borrower changes or terminates the Rehabilitation Contract, or enters into another contract for work on the property, without prior written approval of the Housing Director.
- The Borrower does not follow the dispute resolution procedure provided under the Rehabilitation Contract (or to litigation, if applicable) when inspection indicates that the work in dispute was done in accordance with the Rehabilitation Contract.
- All Borrowers pass away or become legally incapacitated, or otherwise become legally unable to act prior to the completion of the improvement.
- The Borrower abandons the property, or fails to facilitate necessary access to the property.
- Any interest in the property is sold or transferred prior to the completion of the improvements (as evidenced by the Home Rehabilitation execution of a Certification of Final Inspection) without the Housing & Services Program Manager's prior written consent, except for (a) the creation of a lien or encumbrance subordinate to the Mortgage, (b) the creation of a security interest for household appliances.
- The loan review board commitment is subject to completion of an environmental

review by the city. The approval letter does not constitute a commitment of funds or site approval. Such commitment of funds or approval may occur only upon satisfactory completion of an environmental review under 24 CFR § 58 and receipt, as appropriate, by the city of a release of funds from the U.S. Department of Housing and Urban Development. The provision of any funds for this project is further conditioned on the city's determination to proceed with, modify, or cancel the project based on the results of a subsequent environmental review.

Displacement

It is the policy of the City of Pasadena not to fund rehabilitation projects that will result in the displacement. The LRB must grant any exception to this policy. If there were an exception made by the LRB, the City of Pasadena will follow the Uniform Relocation Assistance and Real Property Acquisition Policy Act of 1970 (URA) (42 U.S.C. 4201-4655) and 49 CFR § 24.

A displaced person is defined as a person who is required to move permanently and involuntarily as a direct result of a rehabilitation activity. Further explanation of the displacement policy is available upon request.

Temporary Relocation Policy

Recipients of rehabilitation loan who must be temporarily relocated during the rehabilitation process may be eligible to have temporary housing paid with loan funds.

Participation Requirements

- Applicant agrees to allow photographs of exterior/interior and before/after views of the property.
- A program sign is placed in the front yard (location decided with homeowner approval).
- All loans must be secured with a Deed of Trust.
- Adequate fire and hazard insurance must be maintained to cover total liens against the property.
- All taxes, assessments, and insurance premiums currently due on the property must be paid prior to loan closing.
- The rehabilitation project is expected to be complete within nine months from signing the promissory note and deed of trust. Failure to complete construction within that time period may result in loss of funding.

FY 2020 Income Limits Summary

FY 2020 Income Limit Area	Median Income	FY 2020 Income Limit Category	Persons in Family							
			1	2	3	4	5	6	7	8
Los Angeles County	\$77,300	Extremely Low (30%) Income Limits (\$)	23,700	27,050	30,450	33,800	36,550	39,250	41,950	44,650
		Very Low (50%) Income Limits (\$)	39,450	45,050	50,700	56,300	60,850	65,350	69,850	74,350
		Low (80%) Income Limits (\$)	63,100	72,100	81,100	90,100	97,350	104,550	111,750	118,950