



## Community Land Trust Homeowner Loan Program Policy and Procedures

Newtown Community Development Corporation (Newtown) has established a loan fund that its Community Land Trust (CLT) homeowners may access to pay for home improvements or repairs or to purchase home maintenance tools. The loans are provided as part of Newtown's stewardship of its CLT properties to help protect the value of the homes and to enhance the safety, usefulness and health of the homes. All loans are subject to the availability of funds and approval by Newtown staff and/or the Newtown Loan Review Committee. Priority will be given to homeowners who need repairs of major household systems or components; such as HVAC, roofing, water heater, electrical, plumbing, flooring, and exterior paint.

**Eligibility.** Newtown is not a consumer lender. Therefore, loans are only available to owners of Newtown Community Land Trust (CLT) properties who meet the eligibility and other requirements referenced below. To be eligible for a loan the CLT Homeowner (Borrower) must be current with their mortgage.

### Home Improvement / Repair / Tool Loans

- 1) **Eligible Activities.** Approved improvements and repairs include but are not limited to the following (other non-specified work may be approved):
  - a) Weatherization, energy improvements, insulation, window / doors; especially improvements recommended by a certified home energy audit.
  - b) New HVAC
  - c) Plumbing
  - d) Electrical wiring
  - e) New roof
  - f) Sewer line repairs
  - g) Drainage, gutters
  - h) Siding
  - i) Outdoor walkways where there is a safety issue going into or out of the home
  - j) Carpeting/Flooring
  - k) Outside painting or weatherizing
  - l) Termite damage
  - m) Safety and health hazard improvements
  - n) Landscaping
- 2) **Ineligible Activities.** Ineligible improvements and repairs include but are not limited to:
  - a) Swimming pools

- b) Hot tubs or spas
- c) Recreational or entertainment facilities

**3) Eligible Home Maintenance Tools.** Generally, this includes larger tools like ladders, mowers, wheel barrows and power tools; or a “package” or combination of tools needed for do-it-yourself home maintenance or repairs.

**4) Other Requirements and Guidelines**

- a) All improvements / repairs must comply with applicable building and safety codes.
- b) Any work requiring a licensed contractor must be done by a licensed contractor.
- c) For tool purchases, the Homeowner shall provide a list of tools that includes brand, model number, price and vender or store where available. Loan funds shall be paid directly to the vendor.
- d) Application: The Borrower shall submit an application form that includes a detailed description of the improvements or repairs to be completed, an estimated cost, and a proposed repayment plan; (i.e., monthly payments for how many months).
- e) Minimum loan amount: there is no minimum loan amount (however, the minimum processing fee is \$30.00).
- f) Maximum loan amount: \$5,000.00 (loans over \$5,000 may be considered on a case by case basis). Tool purchase loans may not exceed \$1,500 without approval by the Newtown Loan Review Committee.
- g) Security for loan: loans for \$5,000 or less will be unsecured (except some deferred loans). The Borrower shall sign a promissory note that at a minimum includes the following:
  - i) The Principal and any fees shall be due in full upon sale, refinance or transfer of title.
  - ii) The amount of monthly payments or other mutually agreed upon payment arrangements.
- h) In the event a loan for over \$5,000 is made it shall be secured with a recorded deed of trust and a note.
- i) Deferred loans. In some cases repayment of a loan may be deferred until resale; the loan is repaid by from the sale proceeds when Borrower sells his / her house. Deferred loans shall be approved by the Newtown Loan Review Committee. Deferred loans over \$2,500 shall be secured by a recorded Deed of Trust and Note.
- j) A Truth in Lending Disclosure Statement will be provided to the homeowner that includes the amount of the Processing Fee, amount financed, and total number of payments and a payment schedule.
- k) Interest Rate: Newtown does not charge interest for its CLT Homeowner Loans.
- l) Processing Fee: Newtown will charge a processing fee for each loan according to the following schedule. The processing fee shall be paid at the time the loan request is

approved, prior to disbursement of loan funds (not amortized).

- i) For loan amounts up to \$1,500 the Processing Fee is \$30.
- ii) For loan amounts over \$1,500 the Processing Fee is 3% of the loan amount.

- m) **Amortization.** Ideally, all loans will be repaid in the shortest amount of time possible while at the same time not creating an undue hardship on the Borrower. The maximum term shall be 60 months.
- n) **Debt Ratios:** Housing/Front End ratio shall not exceed: 33%; and total debt/Back End ratio shall not exceed 41%.

#### **5) Loan Approval Process**

- a) The Executive Director may approve home improvement, repair or tool purchase loans for up to \$1,500 that meet the program criteria and the underwriting guidelines. Any exceptions must be documented and approved by the Newtown Loan Review Committee.
- b) The Newtown Loan Review Committee shall review and approve / decline home improvement, repair or tool purchase loans over \$1,500 and up to \$5,000 that meet the program criteria and the underwriting guidelines. Any exceptions must be documented and approved by the Newtown Executive Committee before funding.
- c) Newtown Loan Review Committee shall consist of the Executive Director, two CLT homeowners and at least one Newtown Board member.
- d) Loan requests will be reviewed and the Borrower notified of a decision within 10 working days from the time a completed application is received by Newtown.

#### **6) Exception Guidelines.** Any exception must be documented specifically stating the compensating factors used to approve the loan.

- a) Any exceptions for loans up to \$1,500 must be documented and approved by the Newtown Loan Review Committee.
- b) Any exceptions for loans over \$1,500 and up to \$5,000 must be documented and approved by the Newtown Executive Committee.

#### **7) Disbursement of funds**

- a) Funds will be disbursed as agreed upon based on work completed and/or approved.
- b) The funds (or remainder of funds) will be disbursed upon presentation of receipts/bills, or completion of the project as noted by a signed "Statement of Completion".
- c) If improvements or repairs are done by the Borrower, loan proceeds shall be used to pay for materials. The Borrower shall provide an invoice or quote for the materials and payment will be made directly to the vendor.
- d) Repayment will begin on the first day of the month no sooner than 30 days from the first draw. The payment amount will be based on the full loan request.