



Village of Shorewood, WI

NEIGHBORHOOD IMPROVEMENT LOAN PROGRAM MANUAL

**DOWN PAYMENT ASSISTANCE &
HOME IMPROVEMENT LOANS:
Duplex Conversion Loans &
Attic Improvement Loans**

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I. PROGRAM ADMINISTRATION

A. BACKGROUND

The Village of Shorewood has compiled various reports that address the Village's neighborhoods, looking at the mix and condition of its housing stock and surrounding quality of life factors. These reports and an understanding of Shorewood housing conditions, support the need for proactive programs that serve as a catalyst for enhancing Shorewood's aging housing stock, maintaining the rate of owner-occupied housing units, and increasing the number of housing units with three or more bedrooms in Shorewood.

A Neighborhood Improvement Loan Program (the Program) has been established offering deferred zero-interest loans for down payment assistance put toward the purchase of a home and home improvement loans for, attic improvements and conversions of a two-family dwelling to a single-family. Loans are for one- and two-family dwellings.

B. PROGRAM RULES

The Community Development Authority shall have administrative oversight of the Program as the Village's Housing Authority. Program administration will be provided by Village of Shorewood and Community Development Authority Shared Staff. The Village is partnering with a local bank appointed by the Village Board to be the Program Administrator.

All preliminary approval loan applications shall be approved by the agreed upon bank Program Administrator. The Planning and Development Department shall further verify eligibility, initiating the underwriting process following approved inspections for the home improvement loans.

Village of Shorewood and Community Development Authority staff shall provide annual updates to the Village Board. The Planning and Development Department supervisor may temporarily suspend acceptance of applications to seek program clarification with the Village Board as needed.

C. PROGRAM OBJECTIVES

The primary objectives of this program are to:

1. Increase the number of housing units with three or more bedrooms
2. Maintain or increase the number of owner-occupied housing units
3. Eliminate housing conditions that are detrimental to public health, safety and welfare
4. Conserve the existing housing stock

The intent of the home improvement loans is for funding repairs and improvements to properties where it would otherwise not be possible.

D. RECORDS

The Planning and Development Department shall maintain written records of housing loan activities, including loan applications and related documents. All personal financial information will be maintained as confidential records except those records subject to the Wisconsin Open Record Law.

Each project file will contain (if applicable):

- A completed loan application form
- A release of information form
- Fax Approval Form
- Evidence of fair market value of home
- Accepted bid by contractor(s)
- Contractor Work Completion Agreement
- Change order requests in writing
- Contractor Payment Request
- Check copies
- Contractor Termination form
- Annual Ownership Verification

Program Administrator
 Program Administrator
 Program Administrator
 Program Administrator
 Applicant
 Village
 Applicant
 Village
 Village
 Village

Lending Related Documents

- A Notice of Right of Rescission
- A Truth-In-Lending Disclosure Statement
- Lien waivers
- Copy of Mortgage Note & Recorded Mortgage
- Statutory checklist
- Authorization to Terms and Condition of Loan
- Insurance Notification
- Transunion Credit Report

Program Administrator
 Village

E. PROGRAM AREA

The program area is the entire Village of Shorewood

F. OUTREACH

Information regarding the various housing programs will be made available throughout the community. The Program Administrator and Village staff will monitor the need for advertising.

II. TYPES OF LOANS AVAILABLE

We will offer three types of loans:

A. DOWN PAYMENT LOAN

1. Two-year deferred payment, no-interest down payment assistance loans to applicants who have not owned real estate in the three years prior to application for eligible closing costs and down payment assistance to purchase a home may be offered. Maximum loan amount of \$5,000.
2. A first-time homebuyer is defined as any individual listed on the deed, mortgage and note who have not owned a home during the three-year period to purchase a home with the Village of Shorewood Down Payment Assistance. For married couples, if only one individual is listed on the deed, mortgage and note, the Village requires that both individuals qualify as first time homebuyers as defined above.
3. Loan repayment will be deferred for two years until either a: (a) the housing unit ceases to be the borrower's principal place of residence; or (b) the property is sold; or (c) the property is refinanced. At the occurrence of any of these events, repayment will become due in full. Partial payments will not be accepted. Complete loan payments can be made prior to the property being sold, refinanced or ceases to be the primary residence of the homebuyer. One spousal transfer will be allowed at continued terms. If property transfers to heirs, repayment is not required if: a) the property's equalized value remains below program eligibility limits at the time of the loan transfer, and b) if the heir resides in the mortgaged dwelling as his or her principal residence.
4. The Planning & Development Department shall be given written notice of change of ownership or change in occupancy. Failure to provide such notice shall require repayment of full Village loan amount and all incurred loan closing costs.
5. A lien will be taken in the name of the Village of Shorewood against the property in the amount of the loan to ensure repayment of the loan. If financing needed to purchase home, a HUD1 statement must be provided and list the Village of Shorewood and all future lien holders. The note will contain the terms and conditions outlined in this manual required for the type of loan being obtained.
 - a) A mortgage will be required of the first time home buyer as security for the loan. The mortgage will require: that the mortgager warrant title to the property; that no fixtures may be removed and grants a security interest to the Village in all fixtures (or a specific schedule of fixtures); mortgager to pay all taxes and assessments when due; in the event of default, allows the Village to declare the entire balance due and seek foreclosure and collect all costs and expenses including but not limited to reasonable attorneys fees and in event of foreclosure, such costs to be added to the judgment; as additional security upon or after default, consent to appointment of a receiver of the mortgaged property and all rents for the mortgaged property are assigned to the Village; an environmental warranty shall be provided to the Village; and if applicable require a statement that the note and mortgage were incurred in

the interest of the mortgager's marriage or family. This is a summary of some of the terms of the mortgage. The actual terms of the mortgage shall govern.

6. Prior to distribution of loan funds, the homebuyer will provide proof to the Program Administrator that the home to be purchased is insured against loss by fire and other perils, in accordance with lending institution standards.
7. The property cannot be scheduled for acquisition or demolition.

B. ATTIC IMPROVEMENT & DUPLEX CONVERSION LOANS

1. Two-year deferred payment, no-interest home improvement loans may be offered.
2. Maximum loan amount of \$20,000 for Duplex Conversions; and maximum \$20,000 for Attic Improvements.
3. Loan repayment will be deferred for two years or until: either (a) the housing unit ceases to be the borrower's principal place of residence; or (b) the property is sold; or (c) the property is refinanced. Partial payments will not be accepted. Complete loan payments can be made prior to the property being sold, refinanced or ceases to be the primary residence of the homebuyer. At the occurrence of any of these events, repayment will become due in full. One spousal transfer will be allowed at continued terms. If property transfers to heirs, repayment is not required if: a) the property's equalized value remains below program eligibility limits at the time of the loan transfer, and b) if the heir resides in the mortgaged dwelling as his or her principal residence.
4. The Planning & Development Department shall be given written notice within 30 days of change of ownership or change in occupancy. Failure to provide such notice shall require full repayment for Village loan amount and all incurred loan closing costs.
5. A lien will be taken in the name of the Village of Shorewood against the property in the amount of the loan to ensure repayment of the loan. If financing needed, a HUD1 statement must be provided and list the Village of Shorewood and all future lien holders. The note will contain the terms and conditions outlined in this manual required for the type of loan being obtained
 - a) A mortgage will be required of the borrower for a duplex conversion or attic improvement loan as security for the loan. The mortgage will require: that the mortgager warrant title to the property; that no fixtures may be removed and grants a security interest to the Village in all fixtures (or a specific schedule of fixtures); mortgager to pay all taxes and assessments when due; in the event of default, allows the Village to declare the entire balance due and seek foreclosure and collect all costs and expenses including but not limited to reasonable attorney's fees and in event of foreclosure, such costs to be added to the judgment; as additional security upon or after default, consent to appointment of a receiver of the mortgaged property and all rents

for the mortgaged property are assigned to the Village; an environmental warranty shall be provided to the Village; and if applicable require a statement that the note and mortgage were incurred in the interest of the mortgager's marriage or family. This is a summary of some of the terms of the mortgage. The actual terms of the mortgage shall govern.

6. Prior to beginning rehabilitation work, each building rehabilitated with loan proceeds shall be insured by the property owner against loss by fire and other perils, in accordance with lending institution standards.
7. The property cannot be scheduled for acquisition or demolition.

III. ELIGIBILITY REQUIREMENTS

Down Payment Assistance loan eligibility is performed by the Program Administer determining dwelling type, property values, previous home ownership, occupancy following purchase, credit, loan-to-value ratio and debt-to- income ratio.

Eligibility is determined in two phases for home improvement loans. Initial eligibility verification is performed by the Program Administer determining dwelling type, property values, home ownership, occupancy, credit, loan-to-value ratio and debt-to- income ratio. Following preliminary approval, Village staff inspects the property for eligible work. The Program Administrator is notified by Village staff if work is approved or not approved.

The Program Administrator may accept up to two concurrent loan applications within the Program per dwelling during the Program's interim period.

A. PRELIMINARY ELIGIBILITY APPROVAL

1. Down Payment Loans for home purchase require that the home must be owner-occupied. Duplex Conversion and Attic Improvement Loans must be of owner-occupied housing.
2. Qualifying properties are based on maximum value of the property except for Duplex Conversion Loans.
 - a. The maximum property value for single family dwellings must be below the most current 12 month average purchase price of a three-bedroom single family dwelling in Shorewood, determined using the fair market value.
 - b. The maximum property value for two-family dwellings must be below the most current 12 month average purchase price of a two-family dwelling in Shorewood, determined using the fair market value. There are no value limits for Duplex Conversion Loans.
3. Qualified properties must be one or two-family dwellings

B. ADDITIONAL ELIGIBILITY REQUIREMENTS

1. The applicant must be legally able to mortgage, pledge or assign equitable title to the property to the Village of Shorewood, as required by the loan security provisions as set forth in this manual.
2. Property taxes must be paid up to date before any home improvement work can begin.
3. For home improvement loans, a letter report shall be obtained to provide evidence of title and the amounts of mortgages or liens on the property. The Program Administrator shall review the evidence of title and the mortgage and lien amounts to determine if the title is proper and that there is sufficient mortgage-free investment by the owner to ensure payment of the loan.
4. Loans shall not be approved if the total of the existing indebtedness in the property plus the total value of the loan to be provided would exceed 100 percent of the property's fair market values.
5. To be eligible for home improvement loans, a property must be a permitted and/or conforming use under the Village's zoning ordinances and located within the limits of the Village.

C. ELIGIBLE WORK FOR HOME IMPROVEMENT LOANS:

Following the determination of an applicant's eligibility for the Program, the Planning and Development Department staff will conduct a preliminary inspection of the subject property. Specific home improvements could include:

1. Duplex Conversion Loan

Building improvements must result in a dwelling classified as a single-family and requires that the second unit exterior entrance is removed and second unit meters.

a. Eligible Work

- Electrical or plumbing
- Installation or modification of interior stairs
- Necessary work on load-bearing or partition wall changes
- Structural access changes

b. Ineligible Work

- All work not directly necessary for a conversion, determined by the Building Inspector

2. Attic Improvement Loan

All work must contribute to new habitable space and does not include finishing of space for storage space only.

a. Eligible Work

- Weatherization and insulation

- Electrical or plumbing
- Installation or modification of interior stairs
- Necessary work on load-bearing or partition wall changes
- Structural wall or roof-line changes
- Upper level window additions
- Access changes

b. Ineligible Work

- Purchase, installation or repair of furnishings including appliances
- Addition of any wall opening that is not deemed necessary as a part of required illumination and fire code requirements.
- All work not directly related to attic improvements.

All improvements must be attached to the property and permanent in nature. All rehabilitation work must comply with applicable codes of the Village of Shorewood. NOTE: It is the property owner's responsibility to ensure the proper building permits are issued prior to work commencing.

IV. APPLICATION PROCEDURES

Property owners interested in obtaining a home improvement loan or persons purchasing a home and seeking a down payment loan may obtain application forms and information concerning the Program from the Program Administrator or from the Planning & Development Department staff. Applications are taken Monday through Friday, 8:00 a.m. – 4:30 p.m. Loan applications and information may be mailed upon request. See that Appendix for further process details.

A. LOAN APPLICATION

Each prospective applicant who expresses an interest in participating in the Program will make an appointment with the Program Administrator. The prospective applicant will be informed of the specific information needed at the initial interview. During the initial interview, the Program will be explained and the prospective applicant will be furnished with written information concerning the requirements for housing loans or down payment loan. Upon request the applicant will also be given a copy of the Neighborhood Improvement Loan Program Manual from the Village of Shorewood which explains program eligibility.

The Program Administrator will assist property owners as necessary in completing the application. The property owner shall submit the application and supporting information to the Program Administrator. All personal financial information shall be kept confidential. The prospective applicant will authorize requests for financial verification up to and including income, assets, and employment.

No work undertaken, whether completed or incomplete, no materials ordered, and no contracts entered into prior to the approval of the loan application will be eligible for payment.

Elected officials are not eligible to receive loans through the program either for themselves, or members of their family. For purposes of the Shorewood housing program "family" means:

- Spouse
- Fiancée Fiancé
- Children and Children-in-Law
- Brothers and Brothers-in-Law

- Sisters and Sisters-in-Law
- Parents and Parents-in-Law
- Anyone who receives more than 50% of their support from the person (e.g., adopted child, foster child)

B. VERIFICATION OF INFORMATION

After the initial interview has been held, the Program Administrator will verify the information provided regarding the applicant's current fair market value of home except for Duplex Conversion loan applications. Initial verification of fair market value and preliminary eligibility will be determined prior to an initial property inspection. Preliminary eligibility verifies credit worthiness, loan-to-value and debt-to-income ratios.

C. PROPERTY INSPECTION for Duplex Conversion and Attic Improvement Loans

1. The applicant must submit two contractor bids of the proposed work within 30 days after preliminary loan approval from the Program Administrator. Bids will not be accepted for work completed by applicant(s) who may be a licensed contractor.
2. The applicant will arrange with the Planning & Development Department staff for an inspection to be made of the property for which the loan is being sought. The two contractor bids shall be submitted to the Planning & Development Department before an inspection is performed.
3. After satisfactory bid and work proposals have been obtained, an agreement will be reached between the staff and the applicant as to the extent of the rehabilitation work required and/or proposed to be performed.

D. PRIORITY SYSTEM

It is the Village's intent to approve and issue loans on a first come, first served basis. The Village obtains a waiting list by date and contacts interested applicants as loan funds become available.

E. LOAN DECISIONS AND ADMINISTRATION

1. Following preliminary loan application approval and property inspection, the Program Administrator is authorized to approve new loan and subordination requests under the following circumstances:
 - a. Applicant property fair market value is within the maximum limits in effect at the time of request to qualify for the loan.
 - b. The mortgaged property value is sufficient to protect the interest of the Village.
 - c. Loans and requests meet the requirements of this manual.
2. Where it has been determined by the Program Administrator that a loan applicant is related to or has a close personal relationship with a Village staff member within the Planning & Development Department, the Village Manager shall review file information and give final approval prior to initiating the underwriting process.

F. NOTICE OF APPROVAL OR REJECTION

1. Notification of loan approval or rejection will be provided to the applicant in writing by the Village Planning Director. The Program Administrator will be supplied an explanation by a Village staff for applications rejected following a property inspection for home improvement loans.
2. All loans given within the guidelines of this manual (and supporting documents) will be reported to the Village Board monthly.
3. Applications that have been denied by the Planning & Development Department staff solely for work determined as ineligible for home improvement loans may modify the project scope and resubmit two bids within 15 days of determination, not to exceed predetermined loan limits. The application will maintain its loan order until eligibility determination from village staff is made.

V. LOAN UNDERWRITING GUIDELINES

General loan criteria:

1. Residence
Stable residence is important. Postal boxes, general delivery, hotel and motel addresses are not acceptable.
2. Employment and Income
Continuity of employment is important. Stable employment with the same employer is preferred. A change of employment is acceptable if for advancement and in the same field. Self-employed applicants should be in business for a minimum of two years.
3. Debt Ratio
The total monthly obligations, including the new monthly payment, should not exceed 44% of gross income.
4. Credit History
A credit report will be obtained and reviewed in conjunction with the underwriting of the loan. To the extent permitted under the Equal Credit Opportunity Act and based upon the provisions of the Wisconsin Marital Property Law, the credit report and credit history of a nonapplicant's spouse may also be obtained and reviewed. In general, the credit report should reflect a pattern of responsible and satisfactory use of credit, determined by the Village. Final credit decisions will be made by the Village Staff.

The Program Administrator does not have any minimum score requirements. Applications for credit are individually reviewed. Home Equity Line of Credit payments are calculated using a 12% rate amortized for 180 months. The Program Administrator will not originate a mortgage behind a negatively amortizing first mortgage.

VI. LOAN CLOSING FEE

The application/closing cost fee of \$375.00 is paid by the resident. It is not collected at time of application or closing of the loan. The Village is withholding the funds for the fee out of the proceeds of the loan at the time of completion. For a \$20,000 loan, the Village would cut a check to the contractor for \$19,625. The lien filing on the home would be for the full \$20,000 and payments would be collected for the full \$20,000.

The Program Administrator invoices the Village for the application/closing cost fee at the time the loan closing is completed.

VII. SUBORDINATION

The Village may be in first, second, or third Lien Mortgage position. The Village will not subordinate its position unless a loan is taken in tandem with the loan program, the Village will subordinate to bank. If the bank loan is taken subsequent to the program, the Village will not subordinate.

VIII. CONTRACTING FOR HOME IMPROVEMENT LOANS

A. WORK COMPLETION AGREEMENT

Contractors must complete an Agreement to Complete Work form provided by the Planning & Development Department to ensure timely completion of project, to be completed at the time building and work permits are required.

B. HOME IMPROVEMENT CONTRACTS

Home improvement contracts shall be between the property owner and the contractor. The property owner will select the contractor to whom the contract shall be awarded.

C. WORK PERFORMANCE

All work will be performed in accordance with all applicable Village Codes.

D. CHANGE ORDERS

Changes to the project requires prior approval from the Planning & Development Department. Change order requests must be submitted in writing to include the property owner and contractor signatures.

E. CONTRACTOR INSURANCE

The Contractor shall submit to the Planning & Development Department proof of insurance prior to starting any work. The policy must have comprehensive general liability insurance with a minimum of \$500,000 bodily injury and \$500,000 property damage coverage and workers compensation insurance at statutory minimums.

F. LIEN WAIVER

Payments to contractors will be paid in full when the Village of Shorewood receives lien waivers.

IX. LOAN REPAYMENTS

The Village will not subordinate its position to reduce risk.

The repayment of this loan shall be over a maximum 10 year period, established from the date of the loan closing. Deferred repayments shall begin at a period beginning on the 25 month after the closing of the loan. The payment amount shall be at a minimum monthly repayment based on the amount of the total loan and the maximum repayment period. In addition, there shall be no penalty provided to the applicant if the applicant wishes to repay the loan back in its entirety prior to the beginning of repayment requirements. The Village of Shorewood reserves the right to file an additional lien on the property in event of two missed payments, scheduled to begin in the 25th month and throughout the entire loan repayment process.

For example, on a \$20,000 loan, the repayment amount begun at the beginning of the third year would be calculated at the amount of loan outstanding, divided by the number of years to the conclusion of the loan, divided by 12 months. Under this example, the monthly repayment amount required beginning in the 25th month of the loan would be \$208.33 (84 month loan payback). The Village of Shorewood is responsible to bill, collect, and record all payments received. Applicants are required to complete paperwork agreeing to have monthly payments automatically taken out of their bank account starting the 25th of each month, done on a form that is signed at closing. In the 23rd month following the loan closing, the Village will provide applicants a notice to set up automatic ACH payments.

At the time of sale, refinance or when the property is no longer owner-occupied complete loan repayments of the full loan amount are due. The Village's lien position guarantees repayment.

The Planning & Development Department shall be given written notice of change of ownership or change in occupancy by the loan Applicant. Failure to provide notice shall require repayment of all incurred original loan closing costs.

Annual verifications of owner-occupancy and ownership will be performed by village staff.

X. DISTRIBUTION OF FUNDS

A. LOAN CLOSING PROCEDURE

On the date of the loan closing the processing bank staff will meet with the applicant to:

1. Review documents involved in the transaction, and
 - a. Secure the applicant's signature on the application documents and Authorization to Terms and Conditions of the loan.
 - b. Have the applicant sign the Note and Mortgage.
 - c. Obtain the applicant's signature on the contractor's Notice to Proceed.
 - d. Have applicant sign the Truth In Lending Disclosure Statement.
 - e. Have the applicant sign the Notice of Right of Rescission, acknowledging Staff has explained the three-day right of rescission and provided two copies of same.
 - f. Sign other documents as necessary/applicable (owner/borrower labor agreement, etc.)
 - g. Receive applicant's proof of insurance for the file.

B. PROGRESS PAYMENTS TO CONTRACTOR

1. The Planning & Development Department staff shall approve progress payments to the contractor for work satisfactorily completed following all completed rough and final inspections performed by village inspectors including satisfaction of the property owner. No more than two progress payments shall be made for each loan. The Village will allocate payment to the contractor. No more than 50% of the total loan amount shall be distributed to the contractor as part of the first payment. Final payments may be made without all finish carpentry completed.
2. Each request for progress payment shall be made on a form provided by the Village of Shorewood.
3. Each request for progress payment shall contain:
 - a. The contractor's certification that the work for which the progress payment has been requested has been performed in accordance with the terms of the contract.
 - b. Certification by the building inspector that necessary inspections have been made and the work has been satisfactorily performed in accordance with the contract.
 - c. The signature of the applicant denoting approval of the work for which payment is requested.
4. Payments may be made directly to the homeowner for expenses incurred for materials as part of the approved project. Payments are made after all inspections are finalized and the project is complete.
5. The building inspector shall advise the applicant of any noncompliance in the work or of an incorrect invoice submitted by the contractor if the work completed is not in accordance with the requirements of the contract and accepted contracted bid. The applicant, with the assistance of the building inspector, shall be required to obtain appropriate corrective action from the contractor. No payment shall be made on the contract until the contractor has satisfactorily completed the necessary action.
6. Upon completion of all work, request for final payment shall be made on the same form as required for progress payments and shall contain the same certification and signatures required for such payments. Request for final payment shall include a release by the contractor, subcontractor and suppliers of all liens, and a copy of each warranty due the owner for the work.

C. TERMINATION OF HOME IMPROVEMENT CONTRACT

A home improvement contract may be terminated under the following conditions:

1. Poor work performance by the contractor and the demonstrated inability to rectify the poor workmanship. The following procedures shall be instituted when negotiating a workmanship problem:

- a. A meeting shall be held at the job site with the contractors, homeowner, and building inspector to attempt to come to a consensus regarding correction of problems.
 - b. On the second request for correction, the building inspector shall contact the contractor by certified mail notifying the contractor that the workmanship is still poor and specifying the areas that need to be addressed to satisfy the contract. The contractor shall be given a 15 day time limit in which to make the required repairs.
2. Causing undue damages to a homeowner's property and the inability or unwillingness to correct the damages.
 3. The inability of the contractor to perform the work within the allotted time that the Planning & Development Department has established for building permits.
 4. Irreconcilable differences between the contractor and the property owner.
 5. The contractor requests to be removed from the contract.
 6. The contractor required license(s) has been suspended.

No payments shall be made for work completed that has not been approved by a village building inspector.

D. CLOSE OUT PROCEDURES

1. The Village shall review the project file following close out to determine if all documents have been properly executed and are contained in the file.

If the applicant obtains a construction loan as part of the improvement project, the Village and Program Administrator shall establish subordination at the time of the construction loan closeout.

XI. REUSE OF FUNDS

Funds paid back shall be deposited into the Neighborhood Improvement Loan Program Fund and will be used for housing improvement in a manner consistent with the current Neighborhood Improvement Loan Program Manual. The Village Planning Director may reallocate funds between the attic, duplex conversion, and down payment assistance loans when a loan is paid back or if there are funds available in another fund and if there is no waiting list, but there is a waiting list for the other loan type. Village staff shall provide a report to the Village Board upon each allocation.

The Neighborhood Improvement Loan Program Fund shall be audited in the same manner and at the same time as other Village funds.

XII. AMENDING THE HOUSING PROCEDURES MANUAL

The Village Board may, at any time, amend the Neighborhood Improvement Loan Program Manual.

Shorewood Neighborhood Loan Program

Attic Improvement Loan, \$20,000
Duplex Conversion Loan, \$20,000
Down Payment Assistance Loan, \$4,000

Applicant Process

- Step 1. Determine if eligible and funding available
- Step 2. Apply to North Shore Bank
- Step 3. Village approval
- Step 4. Construction Bids
- Step 5. Village Confirmation Letter and Closing Deadline
- Step 6. Loan Closing
- Step 7. Work Permits
- Step 8. Loan Disbursement
- Step 9. Loan Repayment

Step 1. Eligibility and Funding. Resident contacts Village Planning & Development Department or Shorewood North Shore Bank to confirm funding available and if home is eligible. If no funding, resident may be placed on a waiting list maintained by the Village Planning & Development Department and are contacted once funding becomes available. Typically two loans are paid back annually and revolve out to those on the waiting list.

A. Eligibility. One- and two-family homes qualify and must be owner-occupied. The homes fair market value must not exceed a value number updated annually based on the village’s average price of home sales. The Planning & Development Department maintains those figures. Duplex Conversion Loans do not require value limits.

Step 2. Meeting with Bank. If home is eligible, the applicant schedules a meeting with North Shore Bank who has one person assigned to the program. The meeting is for completing a loan application and gathering the necessary documents for the approval process. The bank provides a *Loan Application* and a *Check List* in advance. The check list identifies documents that must be brought to that meeting. It may take up to two weeks for the bank to approve their part of the loan application once all documents are provided.

Step 3. Village Approval.

A. Home Inspection for Duplex and Attic Loans. The bank will notify the village whether the application was approved. The Village is required to verify credit history and will contact the applicant to schedule a home inspection. An inspection for a Duplex Conversion loan will verify the dwelling is a two-family dwelling. An inspection for an Attic Improvement Loan will verify the attic is currently uninhabitable. The village notifies the bank if approved.

Zero-interest, deferred loans for two years, starting installment payments year 3. Loans paid in full when home is sold, refinanced or no longer owner-occupied.

B. Down Payment Assistance Loans. For applicants searching to buy a home in Shorewood, the approved loan application remains in a HOLD status until a home is identified. Reminder that the loan eligibility depends on the home value. If purchase offer is accepted, the Village will provide a \$5,000 check written to the Bank performing the closing and the applicants. North Shore Bank will provide the check at the closing and simultaneously perform the loan closing for the Village.

Step 4. Construction Bids. The applicant must submit two construction bids. No work may be completed by the homeowner that is covered by loan funding. The applicant may choose which contractor to work with. Both bids must be submitted to North Shore Bank before the loan closing. Contractors must be bonded and insured.

Step 5. Village Confirmation Letter and Closing Deadline. Once approved by the bank and village, the village will mail a letter confirming the loan and process and provide forms that are given to the hired contractor for submitting payment requests. There will be an expiration date of 6 weeks from the time of approval to the loan closing date so funding remains active. Extensions may be given if there is no demand at that time.

Step 6. Schedule Closing with Bank. Once all approvals are complete and two bids are submitted, the applicant contacts North Shore Bank to schedule a closing. NO WORK may begin prior to the closing that is intended to be funded through this loan.

Step 7. Work Permits. Once the closing is completed, the contractor submits the necessary work permits along with other forms provided to the applicant.

Step 8. Reimbursement. Up to two payments are made directly to the contractor. Requests are completed on the form provided to the applicant and submitted to the Planning & Development Department. The request form requires the applicants signature and details of work completed. Work completed must be on the contractor's letterhead.

Step 9. Loan Repayment. The loan will appear on the property title as a lien. If the property is sold or refinanced, the village's loan is automatically paid back. The property owner must pay back the loan if the home becomes a rental property. The village reviews ownership semi-annually. The repayment of this loan shall be over a maximum 10 year period, established from the date of the loan closing. Deferred repayments shall begin at a period beginning on the 25 month after the closing of the loan. The payment amount shall be at a minimum monthly repayment based on the amount of the total loan and the maximum repayment period.

- Construction Loans. When a construction loan is part of the home improvement, the loan must be closed at a future date, requiring a refinance. The Village will not require repayment at that time but will be required to complete a loan satisfaction and record the document.