

Proposed Revisions to Rehabilitation Lending Guidelines

Community Development Department – Lending Division

March 2019

Introduction

- The Community Development Department (“CDD”) analysis of systems/processes over the last 14 months
 - Goal:
 - Enhance efficiencies and effectiveness
 - Improve customer service
 - Result:
 - Changes needed to improve loan processing and loan approvals
- Opportunities for improvement have been identified

Technological Limitations:

- Staff previously relied on software with limited functionality
- Transition to new system - Neighborly - underway
 - Online platform
 - Manages all work processes electronically including:
 - loan applications
 - project bidding, and
 - contractor payment processing.
 - Allows for remote functionality

Opportunities for Improvement - Customer Service:

- Key areas identified to enhance customer service involves:
 - Modify lending guidelines governing program implementation
 - Modify amount of assistance
 - Revise limitations on assistance, and
 - Shorten loan processing time.

Proposed Modifications:

- Eliminate deferred loans
 - Loans do not require payment until property is sold or transferred –
 - Years before payment, if any
 - Increased opportunity for defaults
 - Replace with forgivable loans
 - Can be forgiven incrementally over a period of up to ten (10) years, with deed restrictions up to twenty (20) years

Change—

- Reduces administration
- Minimizes opportunities to flip houses after significant City investment

Proposed Modifications:

Increase program loan caps due to rising construction costs:

➤ Rehab:

➤ Increase loan amounts from \$45,000 to \$65,000

➤ TURN:

➤ Increase loan amounts from \$45,000 to \$65,000

➤ Emergency repair

➤ Increase loan amounts from \$6,500 to \$15,000

➤ Limit to health and safety only (system failures—HVAC, roof, gas, electrical, and plumbing)

➤ Physical accessibility

➤ Increase loan amounts from \$7,500 to \$15,000

➤ Flooring, all bathrooms added as eligible modifications

➤ Allows full mobility and whole home accessibility

Proposed Modifications:

- Eliminate repeat assistance (Rehab and TURN) except for one-time emergency assistance
- Eliminate equity requirements due to inequities in property valuations and loan limitations when equity is insufficient
- Hold/deny assistance when evidence of hoarding:
 - impedes full inspection to determine repair needs
 - exposes staff to hazardous conditions
 - referral to social and mental health service providers for decluttering assistance

Proposed Modifications:

- Enable staff loan approval authority:
 - Shortens processing time from bid receipt to loan closing on smaller rehab projects
- Approval levels proposed:
 - Community Development Director approves loans up to \$20,000
 - City Manager approves loans from \$20,001 to \$30,000
 - Loan Committee approves loans above \$30,000

Major NC Cities Rehab Program Information						
Category	Winston-Salem	Charlotte	Greensboro	Raleigh	High Point	Recommendation
Purpose: assist low-mod income owners with rehab of their primary home	Yes	Yes	Yes	Yes	Yes	Same
Source of Funds:						Same
•CDBG & HOME	Yes	Yes	Yes	Yes	Yes	
•Grant	Yes	Yes	Yes	Yes	Yes	
•Trust	No	Yes	No	No	No	
•Bond	Yes	Yes	Yes (\$25 mil)	No	No	
Assistance Type:						Same
•Repayable Loan	Yes	No	Yes	No		
•Forgivable Loan	Yes	No	Yes	Yes	Yes	
•Deferred Loan	Yes	No	Yes (majority)	Yes	Yes	
•Forgivable Grant	Yes	Yes (Deed Restrictions)	Yes	Yes		
Average Rehab Cases Completed Per Year:	27	20	20+	15	2 (Majority of cases are Emergency)	Increase pending approval of recommendations
Processing Time	30-90 day	90 days	150 days	90-120 days	Not Specified	Consider other options for assumption and conversion process in order to increase available processing time to focus on new loans and reducing backlog