

## APPENDIX C

### RESIDENTIAL REHABILITATION LOAN PROGRAM REHABILITATION AGREEMENT

(This signed form must accompany the loan application)

The applicant must agree to these Terms and Conditions in order to obtain a rehabilitation loan. These terms and conditions will be incorporated into the mortgage and/or other security instruments and the Promissory Note.

#### A. General

By program rule, the City is required to authorize only that work which is necessary to make your home safe. This is not a program that remodels homes for things that would be nice to have but are not necessary.

The documents containing all specific terms and conditions which an applicant must sign in order to close a Residential Rehabilitation Loan are the following: Rehabilitation Agreement – Terms and Conditions, Promissory Note and Mortgage or other security instrument.

The City of Bangor views the documents executed at the loan closing as a contractual agreement between the Borrower and the City. To fulfill this agreement, the Borrower must:

1. Complete within six (6) months all rehabilitation work as described in the loan application submitted by the applicant and approved by the Business & Economic Development (BED) Committee.
2. Repay in full and in the manner prescribed, all loan money disbursed to the borrower by the City of Bangor through the RR Loan Program.
3. The borrower accepts ultimate responsibility for fulfillment of this agreement and further agrees that:
  - a. To furnish information on personal income and expenses for purposes of processing the loan, rent regulatory inspections and for any other necessary purposes associated with the loan;
  - b. To use the property as principal residence or rent to LMI (low to moderate income) tenants if investment property (a minimum of 51% of tenants must be LMI);

- c. All property taxes are paid up to date and no liens are placed on the property;
  - d. No rehab work will be started until the Rehab Coordinator notifies them that work can begin. Any work started prior to notification will not be reimbursed;
  - e. If any assistance provided is with deferred loan funds, they will be required to occupy the property. If the property is sold or transferred, the balance of the loan will be payable in full;
  - f. If assistance is provided to rehabilitate a multi-family property there will be restrictions on rent levels and tenant incomes;
  - g. If any tenant has to be relocated as a result of rehabilitation, the tenant will be provided a 90-day notice prior to a moving date;
  - h. Other verbal agreements or written contracts entered into for the completion of any rehabilitation activity is made solely between the Borrower and the respective contractor and/or supplier; and
  - i. To hold harmless the City of Bangor and its agents from any and all disputes or claims of any nature for damages which may arise from the performance of any rehabilitation activity.
4. Investment property rehabilitation work shall be completed within 12 months from the loan closing date.

B. Project Loan Note

At the time of loan closing, the applicant will be required to execute a promissory note and a mortgage for the full amount of the Rehabilitation Loan. From this point on, the applicant will be known as the "Borrower". The note or mortgage will provide for payment of the loan according to a repayment schedule. It will establish the time and place for delivery of payments, the amount, the maturity date, and it will provide for any loan security or additional stipulations.

C. Loan Cancellation Provisions

The City of Bangor, at its option, reserves the right to make due and payable the borrower's entire indebtedness if, after 60 days from the date of execution of the note, the Borrower has failed or refuses to commence rehabilitation improvement activities. Further, the City, at its option, may make due and payable the Borrower's entire indebtedness if after six (6) months (commencing on the date of the loan closing) the owner has not fully completed the rehabilitation activities. Other loan cancellation or acceleration provisions are contained in the Promissory Note.

D. Terms and Interest Rate

All permanent financing will carry a maximum term and interest rate for the full term of the note, except those conditions outlined in Section E below "Interest Penalty" as follows:

- Housing Rehabilitation Loans
  - owner occupied (1-7) units                    3%                    20 years
  - Owner occupied (1-2)units deferred    3%                    20 years
  - Non Profit    3%                    10years
  - Investor    Prime at time of loan closing                    20 years
  
- Emergency Loans
  - Owner occupied (1-7) units                    3%                    10 years

Interest will begin accruing on a daily basis upon the first disbursement; Interest rates for any matching portion of the loan will be individually negotiated between the loan applicant and the respective lending institution providing the match. Terms and Interest Rates may be set and/or waived by the BED committee.

The interest rate for loans for the rehabilitation of investor owned properties will be fixed at the Federal Home Loan Bank of Boston rate at the time of the loan closing. The Business and Economic Development Committee has the authority to adjust the terms, rates and the match requirements if needed to make a project financially feasible.

E. Loan payments, Late Charges and Interest Penalties

Repayment of a loan is a legal responsibility. If you receive an amortizing loan you will be required to make regular monthly payments. If you receive a deferred loan there will be no monthly payments. However, you will be obligated to pay the loan back with 3% interest should you sell or transfer the home.

Loan payments are payable to the Department of Community Development, without late charge, from the first to the tenth day of the each month. The Borrower's first payment will be due no more than 45 days after loan closing. Payments made on or after the eleventh day of the month are considered delinquent and subject to the application of a late charge of five percent (5%) of the Borrower's monthly loan payment. If you have any questions concerning your monthly payment you should contact the City.

The Borrower's failure to make any monthly payment in full within thirty (30) days of the date when due, or the borrower's failure to make full payment of any late charge or interest penalty within thirty (30) days of the date assessed, shall constitute a default. Failure to make loan payments will put you at risk of foreclosure. Delinquent status of loans will be reported to major credit bureaus.

F. Loan Default

The entire principal balance and all accrued interest shall become immediately due and payable without notice or demand upon the foregoing events:

1. The Borrower's failure to make any monthly payment in full within 30 days of the date when due, or the borrower's failure to make full payment of any late charge or interest penalty within 29 days of the date assessed, shall constitute a default;
2. The commencement of any proceedings by or against the developer under any bankruptcy or insolvency laws;
3. The dissolution of, insolvency of, appointment of a receiver for, or assignment for the benefit of creditors of any property of, the developer;
4. Loss of, substantial damage to, destruction of, sale of, encumbrance upon (whether first or second position to this note and the mortgage securing this note), seizure of, levy against, attachment of, failure to pay any property taxes or other city utilities or insurance premiums on the project property;
5. Failure to maintain affordable rental charges, as required in Appendix B.

The applicant shall also be in default upon a determination by the Director of Community Development that the application has violated any part of the terms and conditions under which rehabilitation loans are made, and/or the rent regulatory agreement (if applicable).

G. Security

Rehabilitation Loans will require an acceptable security instrument. The cost of preparation and registration of the security document will be the borrower's responsibility to bear and will be payable to the city at the time of the loan closing.

H. Inspection

A Borrower agrees to permit inspection of the property, rehabilitation work and all contract agreements, materials, equipment, payrolls, and conditions of employment pertaining to the rehabilitation project by the City's Community Development Department and/or Code Enforcement personnel as deemed necessary for the residential rehabilitation loan program.

I. Municipal Codes and Conditions

The Borrower agrees to follow the procedures and conditions of all established and applicable municipal ordinances in the physical rehabilitation and maintenance of improved property. Work not meeting minimum standards and procedures established by code is unacceptable for disbursement of any loan funds. The Borrower agrees to code enforcement inspections for other properties owned by borrower located in the City of Bangor and to correct, if any, all code violations that may be reported.

J. Disbursement of Rehabilitation Loan funds

Disbursement of all Rehabilitation Loan funds is made to the Borrower and the contracted contractor upon request submitted to the City's CDD. Invoices received by the end of the day on Friday, will be processed for payment and the disbursement shall be available no later than the following Friday.

Repayment of the loan will begin 90 days after the loan closing.

The above is contingent upon approved rehabilitation activities being completed according to applicable municipal codes. No money will be disbursed to reimburse the Borrower for improvements made to the property which were not approved by the Rehab Coordinator before they were commenced. Prior to loan closing, the Borrower and the participating lender (if applicable) are required to enter into an agreement to escrow all participating lender loan funds and to permit disbursement only upon certification by the City that the work and materials for which payment is requested has been performed and verified by the Rehab Coordinator in accordance with the terms of the loan.

In the case of owner cash contribution, prior to loan closing, the Borrower and the City are required to enter into an agreement to escrow all applicant cash contributions and to permit disbursement only upon certification by the City that the work and materials for which payment is requested has been performed and verified in accordance with the terms of the loan.

K. Use of funds

The funds must be used to carry out only approved rehabilitation activities. Any rehabilitation loan funds not expended upon completion of the approved rehabilitation activity must be returned to the City as a loan repayment to reduce principle and interest amount. This will **NOT** affect your interest rate or monthly payment. It may shorten the loan term only as well as the final pay off date.

L. Prepayment of Note

The Borrower may prepay any or all outstanding principal to the City at any time without penalty.

M. Transfer of Improved Property

Ownership or control of a property improved with rehabilitation loan funds cannot be transferred in any manner to another individual, partnership or corporation until the entire amount of the outstanding loan balance is repaid, in full, to the City.

N. Insurance

The Borrower is required to maintain hazard insurance on the improved property for the full term of the note and for an amount equal to the total value of all mortgages held on the property. Prior to disbursement of rehabilitation loan funds, the City shall be listed as a loss payee on the policy for the property.

O. Records

The Borrower agrees to keep such records as may be required by the City of Bangor with respect to the rehabilitation activities.

P. Contractor Minimum Standards

You must select a contractor from the City of Bangor's pre-qualified pool of contractors. This list can be provided to you. If you know of a contractor you would like to use for your project, that contractor may apply to become pre-qualified for the program and will have an opportunity to bid on the project if approved.

A pre-qualified contractor has demonstrated proof of workers compensation and liability insurance, lead paint certification, established trade credit, references, assurances that the company does not appear on a state or federal debarred list, knowledge of local codes and a willingness to sign and adhere to the Attorney General's standard construction contract. **The City does not guarantee the work of the contractor, the contractor does.**

The CDD will write the job specifications, send the project to bid and review the bids with you. There will be a minimum of three bids from pre-qualified contractors. **If you choose a contractor whose bid is higher than another, you will be responsible for paying the difference between the lowest qualified bid and the bid you chose. Those funds will be required at the loan closing to be deposited into the escrow account.**

Q. Contracts, Permits and Licensed Technicians

The State of Maine requires many trade persons to be licensed. Common examples include plumbers, electrician and HVAC technicians. Contractors that disturb painted surfaces in pre-1978 homes must be trained as Lead-Smart Renovators. The contractor must provide proof of any required licensing or training. Verify that the contractor has obtained building permits to do the work. Some types of rehabilitation do not require permits. Building permits must be displayed at the job site and copies will be kept by the City.

The City requires the use of a standard construction contract based on the Maine Attorney General's model contract for home construction and repair. The City will provide the contract to you.

R. Lead Safe Practices

The City of Bangor is required to assure that rehab work is performed using lead safe practices. Before obtaining a rehabilitation loan, homeowners with homes build prior to 1978 will need to agree to a lead paint assessment. This may delay work under your rehabilitation loan.

If children under the age of 6 are present, temporary relocation may be necessary to perform the work. You may be required to temporarily move from your home. If lead based paint is found or presumed to be present, various measures will be performed. Grant funds **may** be available to assist you with relocation expenses.

S. Points of agreement with respect to Federal, State and Local Regulations

The Borrower further agrees to abide by all terms and conditions of Federal Regulations, including:

1. Federal Labor Standards: The Borrower must abide by established minimum wage rates (Davis Bacon Act as supplemented by Department of Labor regulations) contained in entitlement grant regulations for all commercial construction contracts

awarded in excess of two thousand (\$2,000) dollars. This also applies to residential properties with more than eight (8) units.

2. Lead-Based Pain Hazards: Any rehabilitation loans made by the City of Bangor shall be subject to the current federal regulations contained in entitlement grant regulations 24 CFR Part 35 provisions providing for the elimination of lead-based pain hazards.
3. Fair Housing Act: The Borrower must not discriminate upon the basis of race, color, creed, or national origin in the sale, lease, rental or occupancy of an improved property and will comply with the Fair Housing Act of 1968 as amended.
4. Flood Hazard Insurance: If the property to be improved is located in a designated flood hazard area, the applicant is required to carry flood plain insurance in accordance with the National Insurance Act of 1968 (as amended) and abide by the regulation of the Flood disaster Protection Act of 1973 as contained in Entitlement Grant Regulations 24 CFR 570.605.
5. Civil Rights Act of 1964: The Borrower must not discriminate upon the basis of race, color, creed, or national origin in the sale, lease, rental or occupancy of an improved property and will comply with Title VI of the Civil Rights Act of 1964 and Title BIII of the Civil Rights Act of 1968 and Section 109 of the Housing and Community Development Act of 1974, and in accordance therewith, no person in the United States shall, on the ground of race, color, national origin, religion, age or sex be excluded from participation in, be denied the benefits, or be subjected to discrimination under, any program of activity funded in whole or in part with the Community Development funds or any other federal financial assistance. The operating agency will immediately take any measure necessary to effectuate this agreement.
6. Interest of Certain Federal officials: No member of or Delegate to the congress of the United States, and no Federal Housing Commissioner shall be admitted to share any part of this Program or any benefit to arise from the same.
7. Interest of Members, Officers, or Employees or Operating Agency, Members of Local Governing Body or Other Public Officials: No member, officer or employee of the Department of Community and Economic Development (planning, community development, economic development or code enforcement) or its agents or assignees, no municipal officer of the City and not other members of any board or commission, elected or appointed official of Bangor or employee of the City of Bangor, who exercises any decisions-making functions or responsibilities regarding the Community Development Program, shall have any direct or indirect pecuniary interest in any contract subcontract or the proceeds thereof for work to be performed in connection with the program assisted under this agreement.
8. Bonus, Commission or Fee: The Borrower cannot pay any bonus, commission or fee for the purpose of obtaining the City of Bangor's approval of the loan application, or any other approval or concurrence required by the City of Bangor or its designee to complete the rehabilitation work, financed in whole or in part with the rehabilitation loan.

T. Resolution of Disputes

The City uses a standard procedure for resolving disputes between the homeowner and the contractor, concerning the rehab of a home. The Rehab Coordinator is initially responsible for resolving disputes. If a dispute arises concerning the provisions of the signed contract or the performance by the parties, contact the Rehab Coordinator immediately and describe your complaint. You must submit your complaint in writing. Failure to provide a written complaint may result in no action on part of the City. If the Rehab Coordinator is unable to resolve your dispute the following process will be initiated.

*Notice of Dispute* – Within five business days of becoming aware of a dispute that is not resolved, the Rehab Coordinator will notify the parties of the dispute and send it to the appropriate City agency.

*Informal Conference* – The Rehab Coordinator will set up an informal conference to be held within fifteen days from the date the City becomes aware of the dispute. The Rehab Coordinator will notify all parties of the date, time and place of the informal conference giving reasonable consideration to the schedule of all parties and the severity of the dispute. If the informal conference produces a resolution, the Rehab Coordinator will prepare a document signed by all parties that plainly state the agreed upon resolution.

*Binding Arbitration* – A construction escrow agreement among the contractor, the homeowner and the City will contain a binding arbitration clause. If the informal conference does not produce a resolution, the City will issue a document stating that no resolution was reached and the parties will participate in a binding arbitration proceeding to be held as soon as possible after the informal conference. Unless the City, homeowner and the contractor otherwise agree, the arbitration shall be conducted in accordance with the construction industry arbitration rules of the American Arbitration Association.

U. Rehab of Existing Homes is Not Always Easy

Existing homes, especially older ones, tend to settle or shift over time. Shifting overtime causes windows, doors, ceiling walls and floors to not be as “square” or level as they were when newly constructed. Homeowners should not expect that rehab will result in a perfectly square, level or smooth result when the work is completed.

It can be stressful living in a home that is undergoing rehabilitation. The work can be noisy and disruptive. Many contractor have a backlog of work, thus it may take several weeks to complete the work on your home.

Use of utilities such as electricity will be required during the work. Homeowners may see an increase in electric and heating bills during rehab. Utility bill are the responsibility of the homeowner, not the contractor.

The homeowner is responsible for securing pictures on walls, items in cabinets or on shelves that may fall when work is being conducted. Houses always need maintenance. It is a good idea for the homeowner to save a little each month for future repairs and maintenance.

**IF YOU DO NOT UNDERSTAND ALL OF THE INFORMATION IN THIS  
DOCUMENT, PLEASE CONTACT THE CITY FOR CLARIFICATION BEFORE  
SIGNING.**



The undersigned certifies that they are in full agreement and will abide by these Terms and Conditions as

set forth this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_.

Applicant(s):

By:

\_\_\_\_\_

By:

\_\_\_\_\_

City of Bangor

By:

\_\_\_\_\_