

## **Appendix D**

### **Non-Allocated Programs**

## **NON-ALLOCATED PROGRAMS: 2012**

Because of limitations upon available housing resources, MaineHousing has not allocated HOME resources to the following programs at this time, but reserves the right to make such allocations during this program year. The decision to shift resources will be based on changes in the market and demand for the product that may occur, as well as having surplus available through one of the other programs. Formally, the MaineHousing Program Review Committee, as part of the strategic planning and goal setting process, reviews the progress of all programs and resource commitments and may decide from time to time to re-allocate those funds. Programs that may receive such allocation funding are:

### **A. PROJECT REFINANCING**

Introduction. In 1996, HUD altered the HOME rule to permit the refinancing of non-federally financed, insured, or CDBG housing projects. There may be an instance in 2012 when MaineHousing determines that this allocation is necessary. If so, the following represents potential program use.

Program Description. HOME funds may be used for refinancing of projects, where such refinancing will be used for rehabilitation projects where subsequent income affordability will be consistent with Section 92.252. Affordability for the project shall remain for a minimum of 15 years and a maximum of 30, depends upon the amount of MaineHousing and HOME subsidy that are required for the project. At a minimum, the following requirements must also be met:

- Rehabilitation is the primary eligible activity and that requirement is met by establishing a minimum rehabilitation of \$2,500 per unit.
- That after a formal review of the Technical Services staff, the owner can demonstrate that the need is not the product of dis-investment over time and that the new improvements will serve to extend affordability over an established period of time.
- Demonstration that the refinancing will maintain existing affordability or create new affordable units or both.

Given a limitation of resources, preference may be given to non-entitlement areas of Maine. During the year, MaineHousing will continue to investigate the need for such a program and should it deem it necessary, will create the appropriate program guidelines.

### **B. RENTAL REHABILITATION PROGRAM**

MaineHousing may consider offering a rental rehabilitation program, depending on the demand for resources during the fiscal year. Should an offering be made the program would promote the rehabilitation of smaller rental properties statewide. Projects may be one or more existing buildings that are under common existing ownership, management, and financing. There are no preferences for unit size and style. However, all units must be full residential units with a separate bathroom, adequate kitchen, and sleeping facilities.

Eligible rehabilitation can include a construction activity to correct unsafe or unacceptable housing conditions, to repair major building systems in danger of failure, to make energy-related repairs, to make improvements necessary to permit the use of rehabilitated projects by persons with disabilities, and to make other essential improvements. Eligible costs may also include demolition, lead based paint abatement, related soft costs, and relocation costs. This program is not intended to be used for the creation of new units, although exceptions can be made in special cases.

The applicant must be the person or entity who owns the project. An ownership entity must be validly existing and in good standing under the laws of the jurisdiction in which it is organized and must be authorized to do business in the State of Maine at the time of application. MaineHousing requires at least one individual participant in all partnership ownership entities. Except for 501(c)(3), limited equity co-operatives, and governmental entity applicants, sole corporate ownership is not permitted without guarantor(s) acceptable to MaineHousing.

### **C. HOME REPAIR GRANT**

MaineHousing has determined that there are many households that would have difficulty to repay a home repair loan. Underwriting practices make it difficult to serve those at 50% of median income or below, despite the fact that they need assistance. Reasons for being turned down include:

- bad credit rating
- inadequate income flow
- high credit to income ratio
- costs and structural problems exceed program requirements

The remaining market of below median income homeowners is relatively small, making it increasingly difficult to serve that market. An assessment of delinquency shows a tendency towards households that are younger on average and have larger loan payments.

MaineHousing has designed its HOME Rehab program to enable some households to receive a deferred/forgivable loan or a combination 1% amortizing and deferred, forgivable loan. While deferred, forgivable loans are not technically grants; the entire debt is forgiven if the homeowner resides in the home for a period of five years from the date of closing. If the owner sells or transfers title within the five year period, the full amount of the loan is due and payable. This financing arrangement has made it possible for Maine's poorest households to make necessary repairs to their homes.

### **D. LEAD BASED PAINT**

MaineHousing estimates that there are 63,480 low-income households with lead-based paint in Maine. MaineHousing and the Maine Department of Health and Human Services (DHHS) Center for Disease Control and Prevention are coordinating efforts to remove this danger from Maine homes and protect Maine children.

The DHHS Center for Disease Control and Prevention program provides lead-based paint education and outreach.

Of the 63,480 units that have lead based paint, 38,944 are low-income renter units and 24,536 are low-income homeowner units. A further analysis suggests that those with highest risk are the 53,000

owners and 17,000 renters that are cost burdened (spending more than 30% of their income on housing) and receive no housing subsidy.

MaineHousing has supported the training of general contractors in lead safe renovation work practices. This has resulted in several hundred certified contractors to perform work on federally financed rehab projects. MaineHousing will continue to invest in building statewide capacity to address Maine's lead paint housing problems.

MaineHousing would like to expand the capacity of the programs in the area of lead hazard reduction. Providing financial resources is critical to maintain the extensive infrastructure Maine has developed. Several Community Action Agencies provide trained lead risk assessors and inspectors for the program. MaineHousing intends to expand the available expertise to under served communities in the rest of the state.

#### **E. SECURITY DEPOSIT PROGRAM**

The Security Deposit program would use HOME funds to assist families and individuals who are homeless or may become homeless. Marketing may be targeted to homeless shelters, Community Action Agencies, and local town offices so that homeless families and individuals trying to avoid homelessness will be aware of this program. Referrals may also come from other sources, such as the Department of Health and Human Services, city welfare offices or the Department of Corrections. Preference will be given to individuals and families who are homeless and have exhausted all other available funds. Applicants must not have taken any action to cause their own displacement. The program will have two components: client intake and preliminary eligibility at the shelters and participating agencies, and program administration of HOME funds by contract agents. Clients will be assessed for income and program eligibility at the shelters and participating agencies, with preliminary applications submitted to the contract administrators. Contract administrators will process applications for income verification and Housing Quality Standard (HQS) inspections and issue payments to landlords. MaineHousing recently used the Homeless Prevention and Rapid Re-Housing Program (HPRP) grant to address this need. HPRP funding has ended.

## **F. HOMEBUYER PROGRAM**

HOME funds may be used to help low income first-time buyers fill the gap between the price of a home and what they can afford. The Maine American Dream Initiative (MADI) program would help low-income first-time homebuyers with their downpayments, closing costs, repairs, or other financing to fill the gap between what they can afford and the purchase prices of their homes.

MaineHousing may utilize the HOME funds to create low-income homeownership opportunities consistent with one or more of the following models.

There are at least three financing models that may be employed. The first is what is commonly known as a “soft-second” mortgage. The concept is to provide financing (using HOME funds) which is subordinate to a conventional amortizing first mortgage. Typically, the subordinate debt does not require immediate amortization through mortgage payments, but remains in place to be repaid at some point in the future. This allows the family to have funds available to purchase their home but only have responsibility for payments that they can afford.

A second model — interest subsidy — also allows a family to have sufficient funds to purchase a home at affordable payments but calls for one mortgage at below market interest. This is accomplished by making a financial arrangement with a lender whereby HOME funds are made available to the lender in exchange for the lender providing the below market interest rate loan to the homebuyer.

A third, but varied alternative of either of the above, is to mix each with MaineHousing’s conventional first-time homebuyer program. In all cases, homeownership is made available to families that typically cannot afford such homes and need or are in need of short and long term assistance that often requires very deep subsidy.