



creating homeowners  
building community

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## West St. Paul Economic Development Authority Home Improvement Loan Program

### PROGRAM GUIDELINES

**Program Description:** This loan program is designed to assist homeowners to maintain and improve their properties by offering flexible below-market rate financing. The program is administered by the NeighborWorks Home Partners (NWHP).

**Eligible Properties:** All properties must be located in the City of West St. Paul, specifically in the project area which is south of Annapolis Street, north of Butler Avenue, east of Robert Street and West of Waterloo Avenue. Only owner-occupied single-family detached homes are eligible.

**Eligible Improvements:** Eligible work shall include repairs or replacement to:

1. Improve the exterior of the property
2. Correct local or state code deficiencies
3. Complete system improvements such as HVAC, electrical and plumbing
4. Other repairs or replacements as approved by the EDA

**Ineligible Improvements:** Ineligible work shall include recreational or luxury improvements, such as a swimming pool or Jacuzzi, working capital, payment for owner's labor, debt service, refinancing existing debts and other work items determined by NWHP to be ineligible.

**Loan Amount:** The minimum loan amount is \$5,000. The maximum loan amount is \$15,000. A household may receive up to two loans concurrently for different projects, as long as they are current on their existing loan and the sum of the two loans does not exceed the maximum loan amount of \$15,000.

**Interest Rate:** The loans are offered at an below-market interest rate determined by NWHP.

**Income Eligibility:** The income limit ranges from 80-120% of Area Medium Income (AMI) adjusted by household size.

**Loan Term:** The maximum possible maturity on the loan is 15 years. Loan term can be flexible based on eligibility.

**Loan Security:** All loans will be secured by a Promissory Note and a Mortgage in favor of the West St. Paul Economic Development Authority (EDA).

**Debt-to-Income Ratio:** Applicants must have the ability to repay the loan. Applicants who have a potential debt-to-income ratio in excess of 50% will be denied.

**Loan-to-Value Ratio:** Applicants who have a potential loan-to-value (LTV) ratio in excess of 100% will be denied.

**Underwriting:** Applicant must be current on mortgage payments, property taxes and all consumer credit. The NWHP practices prudent underwriting and follows generally accepted industry standards.

**Work by Owner:** Work can be performed on a "sweat equity" basis. Loan funds are for materials only, not for labor or tools. The NWHP construction manager will determine if the owner has the ability to properly complete the work within the program time requirement. Material must be purchased and installed prior to the disbursement of the loan proceeds.

#### **OTHER GENERAL CONDITIONS AND PROCEDURES:**

- 1. Rehabilitation Consulting:** The NWHP construction manager will be available to borrowers to advise them about proposed projects prior to obtaining bids and will review all bids for reasonableness. Two bids must be obtained for all projects for which at least \$5,000 of funds will be spent.
- 2. Loan Costs:** A non-refundable credit report fee is due at the time of application: \$55.13 per married couple; \$27.69 per non-married borrower. An Owners and Encumbrance Report will be ordered to examine title. The cost of this report is \$75.00 and may be included in the loan amount. There will also be an origination fee of \$150 may be included in the loan amount. Mortgage filing fees and mortgage registration tax will be paid by the borrower at closing.
- 3. Initial Applications for Funding:** Applications will be accepted by the NWHP on an ongoing basis and processed on a first-come, first-served basis, as funds are available until all program funds are committed.
- 4. Contractors & Permits:** Contractors must be properly licensed by the state of Minnesota when required. Permits must be obtained when required by city code. **Do not sign a contract prior to the closing on your loan. Any work begun in advance of the loan closing will not be eligible to be paid for by the loan.**
- 5. Work Completion:** Weather permitting, all work must be completed within 120 days of the loan closing.

6. **Total Project Cost:** It is the borrower's responsibility to obtain the amount of funds necessary to finance the entire cost of the work. If the final cost exceeds the loan amount, the borrower must obtain the additional funds. NWHP can direct borrowers to additional financing sources. The additional funds needed to complete the project must be paid to the contractor prior to NWHP release funding to the contractor.
7. **Custody of Funds:** Loan funds will remain in the custody of the NWHP until payment is made for completed work.
8. **Disbursement Process:**
  - a. Payment to the contractor (or owner) will be made after completion of the work. An inspection will be performed by the City and/or NWHP to verify the completion of the work.
  - b. The following items must be received before the funds can be released:
    - 1.) **Final Invoice** from each contractor showing all amounts paid and due
    - 2.) **Original Lien Waiver** from each contractor
    - 3.) **W-9** from each contractor
    - 4.) **Completion Certificate** signed by each contractor and the borrower
    - 5.) **Evidence of all Permits Closed Out**
    - 6.) **Material Receipts** for sweat equity projects
    - 7.) **Final Inspection** and approval by the NWHP. The above items must be provided to NWHP to begin the preparation of the check(s). Lien waivers must be provided before the funds will be released.
  - c. Payment checks may take up to 10 business days to prepare after the above items are received. Payments will only be made for work completed and approved.