

### Guidelines of the Housing Loan Trust Fund

1. Loan. That a loan of \$300,000 from revenue sharing funds be made to the (Chapel Hill Housing Authority) for the purpose of establishing a Housing Loan Trust Fund to be implemented and administered subject to their terms and conditions hereinafter set forth.
2. Repayment. That said loan shall become repayable to the Town of Chapel Hill, on demand, in the event of either of the following conditions:
  - a. There exist no outstanding commitments against said fund, or
  - b. The Town of Chapel Hill shall receive the legal authority to directly establish and administer such fund, and it desires to undertake the administration of said fund in accordance with the terms and conditions hereinafter set forth, subject to any outstanding commitment against said fund.
3. Housing Loan Trust Fund. The entire principal of said loan shall be placed in an escrow or trust account with all principal and interest held by said fund, continuously invested in interest bearing deposits in financial institutions doing business in this community. The loan and all interest earned from said deposits shall be known and designated as the Housing Loan Trust Fund. No part of the Housing Loan Trust Fund may be used for any purpose other than as specified herein, and said fund as it may exit from time to time, including any additions that might be made thereto, or such portion thereof as may be necessary to comply with any commitment against said fund, shall continue so long as there exist any outstanding commitment, as herein authorized.
4. Loan and Grant Subsidies. The Council of the Town of Chapel Hill shall be authorized and empowered to grant liens or pledge portions of, or to use portions of said funds for the following purposes:
  - a. To guarantee the payment of loans made by financial institutions to individuals for the purpose of homeownership acquisition.
  - b. For guaranteeing the payment of loans made by financial institutions to individuals for the purposes of residential property rehabilitation.
  - c. To subsidize interest rates on certain of said loans upon the conditions hereinafter set forth, and to pay said interest subsidy from the principal or interest of said fund in such amounts as may be required to carry out purposes herein set forth.
  - d. For the payment of all expenses including labor, materials, license, permits, etc. during the construction process of residences being constructed for sale to qualified households, provided, however, that all such funds so advanced shall be

repaid in full upon the transfer of title to qualified individual or individuals, and the closing of the permanent financing loan on said property. However, the Town Council may elect to allow some or all of such construction loans related to site improvements to be a grant to the project only where necessary for project feasibility, if it makes the following findings: 1) that the project serves low-income households making less than 80% of the area median income; 2) the grant funds would serve to reduce the high costs of the beneficiaries; and 3) difficult topography or other environmental site conditions exist which raise the cost of development and which would reduce the affordability of the project for low-income households.

- e. To provide direct deferred payment loans to supplement loans made by financial institutions for the purposes of homeownership acquisition and for residential property rehabilitation.
- f. For the acquisition of properties situated within the Chapel Hill Planning Jurisdiction suitable for resale to low- and moderate income families qualifying under the provisions of this program, provided that all such acquisitions shall be approved in advance by the Town Council.
- g. For payment of pre-development costs (such as feasibility studies, appraisals, land options and preparation of an application) for projects to be developed for the purpose of providing rental or owner-occupied projects. Pre-development costs are eligible as a loan or a grant if the project:
  - (1) is located within the Chapel Hill Planning Jurisdiction; and
  - (2) will benefit households earning less than 80% of the HUD published area median income.
- h. To provide grants to organizations for land trust projects. Funds may be used as a grant for land trust projects that guarantee long-term affordability of a property through a 99-year renewable ground lease.

##### 5. Loan Limitations

- a. All loans guaranteed or loan subsidized by the Housing Loan Trust Fund shall not exceed the following maximum amounts: the actual cost of any property purchase; the actual cost of rehabilitating the property to the Town's property rehabilitation standards; or the actual cost of construction, as the case may be.
- b. The maximum interest subsidy paid by the fund shall have a present value not to exceed \$20,000.
- c. The maximum deferred payment loan to supplement a first mortgage loan at the time of initial purchase shall not exceed \$30,000; provided, however, that in the case of resale of a home with an existing outstanding Town deferred payment loan under this program, the deferred payment loan may be reissued to a new

buyer and the maximum loan shall not exceed the total amount of the Town's principal and equity share or interest due at time of resale.

- d. The amortization schedule for the repayment of loans identified in subparagraphs a. through c. above shall be within the household's ability to pay, with approximately 28% of the household's income generally appropriate for principal, interest, taxes and insurance.

6. Terms of Loan

- a. Rehabilitation loans shall be either deferred payment loans or amortized over a period of up to 15 years.
- b. Home purchase loans shall be either deferred payment loans or amortized over a period of up to 30 years.
- c. Construction loans shall be short-term loans with all loan funds repaid in full upon the closing of the permanent financing on the property and transfer of title to qualified buyer (s).

7. Loan Eligibility Requirements. In order to qualify for participation in the Housing Loan Trust Fund program, the following criteria must be met by the applicant:

- a. Be a resident of Chapel Hill or employed in Chapel Hill;
- b. Be unable to obtain a loan, either subsidized or unsubsidized, on comparable terms and conditions;
- c. Be the owner of the property in fee simple, if the property is to be rehabilitated, or have clear title if the property is to be purchased or constructed;
- d. Be residing in the property to be rehabilitated, or if purchased or constructed, occupy the property when the acquisition is complete;
- e. The residence must have an anticipated life or at least 20 years after rehabilitation, or 30 years, if constructed or acquired;
- f. Must fall within the gross income limits hereinafter set forth.

8. Income Limits for Participation in Loan Subsidy Program. In order for an applicant to be eligible for the loan subsidies described under 4.c. and 4.e. the applicant's gross household income must not exceed 100% of the area's median household income, adjusted for household size.

9. Income Limits for Participation in Loan Guarantee Program. In order for an applicant to be eligible to participate in the Loan Guarantee Program described under 4.a. and

4.b., the applicant's gross household income must not exceed 100% of the area's median household income, adjusted for household size.

10. Computation of Gross Income Gross Income shall be defined as income received annually from all sources by all wage earners in a household. The income from the following sources shall be considered in determining total gross annual income:

- a. Wages and salary (full and part-time employment)
- b. Child support
- c. Alimony
- d. Interest on savings
- e. Dividends from stock
- f. Social Security benefits
- g. VA Benefits
- h. Overtime pay
- i. Bonuses
- j. Unemployment insurance
- k. Any other annuities received

11. Security Procedures and Loan Conditions. In the event a loan is guaranteed or subsidized or a construction loan is made by the Trust Fund, the property owner must agree:

- a. To execute a note and first lien deed of trust on said property as security for said loan except that deferred payment loans, which supplement a first mortgage loan from another lender, shall also be secured by a second deed of trust;
- b. Must agree to obtain and pay for credit life insurance for the full amount of said loan, if available, and within the means of the property owner;
- c. To allow the Town discretion to refinance said loan at such times as might be desirable, to take advantage of favorable interest rates, so long as the amount payable by the applicant is not increased;
- d. That the loan shall not be assumed except with the consent of the Housing Authority, and in the event that the property is sold without such consent, the loan shall immediately become due and payable;
- e. In the event of the death of the head of the household the loan and loan subsidy may be assumed by the direct minor heirs or such head of household if such heirs own and occupy the property and loan payments are made in accordance with the terms of the original loan agreement.

If the above conditions are not met, the new owner(s) of the property must apply to the Town for the continuation of the loan subsidy or its refinance. If the new

owners qualify for assistance, based on the criteria established for the Trust Fund program, the loan subsidy may be refinanced. If the new owners fail to apply for refinancing through the Trust Fund or do not qualify for the loan subsidy, the loan shall be due and payable to the Town in full within 90 days written notice to the new owners.

Nothing contained in this subparagraph e. shall be construed to prevent the new owner(s) and the first mortgage holder from agreeing to continue the loan without further subsidy or guarantee by the Town.

12. Modification. The Council of the Town of Chapel Hill hereby reserves the right to modify or amend any of the criteria or procedures set forth in connection with said Housing Loan Trust Fund provided however, that no such amendment shall affect or diminish the rights of the holder of any commitment against said fund made prior to the date thereof.

Established November 9, 1973

Amended: 1/27/75  
3/8/76  
6/23/80  
7/14/80  
6/23/86  
10/10/94  
4/14/97  
2/22/99  
6/25/01  
11/25/02