



**LUMINEST, INC.
OWNER OCCUPIED REHABILITATION PROGRAM
FOR THE BOROUGH OF CHAMBERSBURG**

Homeowner Guidebook

September 2022

Program Overview:

The housing rehabilitation program was created to assist low- and moderate-income families living in substandard conditions to bring their homes not only into compliance with local codes but also to make them safe and habitable. The preservation of housing stock was identified as a high priority in the Borough of Chambersburg's Five-Year Consolidated Plan for FY 2020 – FY 2024.

The cost of new home construction is prohibitive to most low- and moderate-income families. The aim of the program is to preserve the existing housing stock in the Borough before it falls into unrepairable condition. The program will ensure adequate housing for low- and moderate-income families and preserve and stabilize existing communities.

Objectives of the Program:

- Prevent moderately declining neighborhoods from further deterioration by providing rehabilitation fund and technical assistance.
- Provide safe and energy efficient housing within the financial reach of area residents.
- Stimulate broad interest in neighborhood preservation.
- Partner with other programs to maximize impact.

General Policies & Procedures:

After preliminary intake identifying an applicant has met program guidelines, Luminest staff will begin a client file and maintain all necessary documentation on the household.

1. Applicant's household must be income qualified. All income for all household members will be reported for income determination based on HUD's Part 5 determination of income. All income documents must be submitted to determine eligibility. Homeowner certifies that income information provided is true and accurate. If rehabilitation contracts are not executed within six months from the date of initial income determination, the applicant's income must be re-certified.
2. Applicant must **own** and **reside** in the property (i.e. the title to the home must be in the name of the income eligible applicant).
3. Homes in mobile home parks are not eligible for rehabilitation under this program.
4. Housing that is considered unfit for human habitation under HUD regulations is not eligible for rehabilitation under this program.
5. Homes in a 100 year flood plain are not eligible for rehabilitation under this program.
6. The property will be required to meet all applicable Borough Building Code Standards and Property Maintenance Codes to all buildings and structures on the property. These standards will be reviewed with the Applicant.
7. Applicants do not have to have perfect credit ratings and may even have declared bankruptcy; however, applicants cannot have active judgements on their credit reports. All property taxes

and any borough bills/fees must be current. Applicant will be required to provide proof of payment for property taxes and borough bills/fees.

8. Applicant must maintain Homeowner's insurance and flood insurance (if applicable) on the property naming Luminest, Inc. an additional loss payee/insured.
9. Luminest provides free start-to-finish technical assistance to the applicant, including help with application preparation, site inspections, preparation of the scope of work, contractor selection, execution of contract documents, oversight of construction, and coordination with Borough building inspectors or their designee's.

Luminest staff will perform an inspection of the property to determine what proposed rehabilitation work is required to ensure that the property meets "Housing Quality Standards." This includes all applicable zoning, building and safety codes, as well as any applicable State codes or regulations pertaining to single family housing such as Historical Preservation requirements. Luminest staff will prepare a draft "Work Write Up". It will address (in the following order of importance):

1. Correction of code violations, the repair and/or replacement of defective structural, mechanical, plumbing, or electrical conditions.
2. Deferred maintenance conditions such as condition of water heater, roof, paint, flooring, etc.
3. Rehabilitation is targeted to health, safety, and code violation concerns: electric, heating, roofing, sewer/water lines, septic clean-out. Generally, "cosmetic" work such as landscaping, remodeling, appliances, etc. are not eligible activities.
4. Luminest staff will meet with the applicant to review the final Work Specifications. At that time the applicant will have the opportunity to modify and/or make changes to the Work Specification sheet.
5. The applicant is required to have Homeowner's insurance coverage on the property. Applicant's insurance carrier will be required to forward a copy of the policy naming Luminest, Inc. as an additional loss payee/insured.

Available Financial Assistance:

Applicants are determined eligible for the rehabilitation program using the current HUD HOME Income Limits for Franklin County (See Exhibit A). Eligible applicants will receive assistance through a non-interest-bearing loan.

Loan terms and conditions

The non-interest-bearing loan is deferred meaning the applicant makes no payments during the term on the loan. The loan term is 5 years for loans up to \$25,000 and 10 years for loans over \$25,000. The loan may be due and payable in the event the property is sold, refinanced, transferred, or rented to anyone other than original applicant(s).

1. The loan amount will be based on the extent of the work.
2. To finalize the loan and before any work can commence, a loan closing will be held. You will be asked to sign a Note, Mortgage, and any related documents for the loan. Recording and notary fees will be incorporated as an element of the loan. The mortgage will be recorded, and copies furnished to the applicant.

3. A portion of the loan may be forgiven each year the homeowner remains in compliance.
4. The borrower may pay the entire deferred loan amount at any time without penalty.
5. When the property ceases to be owner-occupied, the home must be rented to a low-income tenant or the loan will be called due. Any expenses to Luminest Inc. to verify the income eligibility of the new low-income tenant will be owed by the homeowner.
6. Requests to refinance during the term of the loan:
 - a. Mortgage subordination due to refinancing must be approved by Luminest Inc.
 - b. The homeowner agrees to reimburse Luminest Inc. for any expenses incurred to refinance including legal fees whether the request is approved or not approved.

The following transfers **may not** trigger repayment of the loan:

7. A transfer to a surviving joint tenant by Will, descent (inherited), or operation of law on the death of a joint tenant.
8. A transfer, in which the transferee is a person who occupies or will occupy the property, which is:
 - a. A transfer to a relative resulting from the death of the borrower.
 - b. A transfer where the spouse or children become co-owner of the property.
 - c. A transfer resulting from a decree of dissolution of marriage, legal separation agreement, or from property settlement agreement by which a co-owner spouse becomes the owner of the property.
 - d. A transfer into an inter vivo trust in which the borrower is and remains the beneficiary and occupies the property.

Applying for Funding:

Homeowners who meet the following criteria may apply for funding.

1. The property to be improved is owner-occupied.
2. Structure must be located within the limits of the Borough of Chambersburg.
3. The property to be improved is either a single-family or two-family structures with a value less than 95% of the median sales price. The after-rehab value of the home cannot exceed the current 95% value limits as established by HUD generally on an annual basis.
4. The household's total gross income does not exceed 80% of the area median income. See income guidelines in Appendix A.
5. The minimum loan request is \$2,000.

Steps for Applying:

1. Complete all blanks on the application form. The Rehab Specialist can provide assistance if needed.
2. Include proof of income.
 - a. Four (4) bi-weekly pay stubs or eight (8) weekly paystubs from the previous sixty (60) days or two years of federal and state tax returns.
 - b. Self-employed individuals attach three (3) years of federal and state tax returns.

- c. Person's receiving Social Security benefits or Civil Service benefits:
 - i. Benefit adjustment letter from Social Security Administration for the current year.
 - ii. Benefit adjustment letter from Civil Service for the current year.
 - d. Person receiving pension benefits should attach 1099 form from pension providers for the previous year.
 - e. Person's receiving alimony or child support should attach verification of the child support or alimony received in the form of a separation agreement or court order.
3. Applications are accepted and reviewed on a first come, first serve basis.
 4. All loans are subject to funding availability.

Examples of Eligible Work:

1. Insect infestation extermination (if needed)
2. Attic insulation
3. Hard-wired smoke detectors and carbon monoxide detectors
4. Structural deficiencies
5. Roofing deficiencies
6. Plumbing deficiencies
7. Heating deficiencies
8. Electrical deficiencies
9. Creation of safe ingress & egress
10. Removal of all blighting exterior conditions
11. Elimination of lead-based paint hazards per EPA Standards

Examples of ineligible repairs:

1. Reimbursement for an Owner's personal labor
2. Room additions and extensions (unless required due to family size)
3. Purchase, installation, or repair of furnishings
4. Demolition that does not improve the existing structure
5. Free standing concrete block walls
6. Interior wood paneling
7. Bookcases
8. Barbeque pits / Outdoor fireplaces
9. Bath house, swimming pools, saunas, and hot tubs
10. Dumbwaiters
11. Flower boxes, greenhouses, and greenhouse windows
12. Kennels
13. Photo murals
14. Steam cleaning of exterior
15. TV antennas and satellite receivers
16. Tennis courts
17. Valances, cornice boards, and drapes
18. Decks or patios

19. Materials, fixtures, or equipment of a type or quality exceeding that customarily used on properties of the same general type as the property to be rehabilitated.

Contractor Selection:

Applicant must receive bids from three (3) qualified contractors for the rehabilitation project, if possible. Luminest maintains a list of contractors who perform rehabilitation work. This list is available for selecting a qualified contractor. This list is not a recommendation or endorsement of any contractors by Luminest. All contractors who are licensed, bonded, and registered in the State of Pennsylvania are eligible to be considered to perform the work. Ultimately, it is the homeowner's responsibility to investigate the contractor(s) being considered to perform the work by checking references, checking with the Better Business Bureau, and/or any other sources of information. Luminest will prepare the bid specifications. It is the applicant's responsibility to mail the invitation to bid to the prospective contractors. All invitation to bid packages will contain:

1. Homeowner's contact information.
2. Description of rehab work to be performed.
3. Site visit required
4. Due date of bids. Bids must be returned to Luminest and include approximate contractor start date.

Upon receipt of bids, Luminest will review the bids with the homeowner. Homeowner will select the contractor having the lowest responsible bid. Luminest will send the selected contractor a notice of award.

Contractor Payments:

Partial payments or progress payments of the contract amount may be made to the contractor. There will be an inspection of the work for which the contractor wants payment. The contractor will be paid for the percentage satisfactorily completed, and you will be asked to verify that the work has been completed.

Certification Agreement:

Prior to awarding contract, the contractor and homeowner must sign a contract agreement and Waiver and Release of Mechanic's Lien. The agreement provides for a minimum one-year guarantee for materials and workmanship. Some materials carry a manufacturer's warranty for a longer period of time. Copies of those warranties are to be provided to homeowner. Should any defects occur during this period, the homeowner should immediately contact the contractor to have the defects corrected. The homeowner will also sign the contract agreement denoting acceptance of the work/material provided by the contractor under the terms of the contract documents.

Certification of Completion:

Upon project completion and prior to the contractor receiving final payment a Certification of Completion will be provided by Luminest, Inc. to be completed and returned by the homeowner.

Final Inspection:



After the rehab work has been completed, the contractor will arrange for a final inspection with Luminest. When you and Luminest determine that the project has been satisfactorily completed, the contractor will be paid in full.

Cancellation of Participation:

After the bids are returned by the contractors and the total cost of the rehab is determined, it is possible for a homeowner to reconsider and withdraw from the program. Should you decide to withdraw there is the possibility that conditions that exist in your home that pose a threat to health or safety may be referred to the local code inspector.

Exhibit A
Program Income Requirements & Median Home Values

Income Eligibility:

To be eligible for the program, owner occupied household income cannot exceed the income limits as established by the U.S. Department of Housing and Urban Development (HUD) based on household size.

	1-person household	2-person household	3-person household	4-person household	5-person household	6-person household	7-person household	8-person household
80% Income Limit	\$46,600	\$53,250	\$59,900	\$66,550	\$71,900	\$77,200	\$82,550	\$87,850

Chambersburg-Waynesboro, PA MSA – Effective June 1, 2022

*These income limits are updated annually by the U.S. Department of Housing and Urban Development. Potential applicants should verify with Luminest for current income limits.

Median Home Values

Existing Homes HOME/HTF Purchase Price Limit

New Homes HOME/HTF Purchase Price Limit

<u>Existing Homes HOME/HTF Purchase Price Limit</u>					<u>New Homes HOME/HTF Purchase Price Limit</u>				
1-Unit	2-unit	3-unit	4-unit	Unadjusted Median Value	1-Unit	2-unit	3-unit	4-unit	Unadjusted Median Value
\$209,000	\$268,000	\$324,000	\$401,000	\$220,000	\$251,000	\$321,000	\$389,000	\$482,000	\$264,000

Effective June 1, 2022

After Rehab Value cannot exceed the above limits.