

Loan Policy – Summary of Updates
January 2022 Updates for Board Approval

Attachments:

Old Table of Contents - See attached for your assistance with review only.

Updated Table of Contents - See Loan Policy TOC for your assistance with review.

Home Repair Section - See note at the end of this summary document, as well as the attached language which was removed from the policy.

Updates Overview:

Old Section	New Section	Updates	Notes/Questions
	1. Board Approval	Not new, just updated	
Loan Committee	2. Loan Committee	A. Clarification of training on loan policy and need for board members on loan comm C. Added Director of Lending should be a licensed lender in VT, clarity on loan approval total amounts prior to providing information to loan committee, clarity on loan committee approval of nonconforming loans, clarify lending limits are set by the board. F. Clarity on conflict of interest.	C. How did we arrive at \$200k? Is a review from “time to time” okay with you?
General Overview	3. General Overview	B. Moved Lending Practice - General up to the top of general overview. G. Credit Concentration – deleted the language in this section as it is out of date. It referred to where we loan and how much we loan. We are eligible to lend across the state and other information is	

		<p>already documented elsewhere in the loan policy.</p> <p><i>Investment Properties</i> (page 12) – this section was removed. The requirements for programs which provide us with the funds to lend to landlords have their own requirements as outlined in each grant agreement. It's not a policy issue, but a grant agreement (and thus, the State of VT requirement) compliance issue.</p> <p>Ability to pay and Qualified Mortgages – moved to its own section (now Section 11).</p> <p>Other updates are only grammar and language clarifications.</p>	
Loan Products	4. Loan Products and General Underwriting Criteria	<p>Changed name to reflect what was in this section.</p> <p><i>Home Repair Loans – Increase maximum loan amount to \$50,000 given increased prices, increased needs of home.</i></p> <p>With this exception, updates are only grammar and language clarifications.</p>	<p>Okay to increase home repair loan maximum?</p>

Underwriting – various sections	5. Underwriting – one section with all underwriting criteria clarified	Updates are only grammar and language clarifications.	
Loan to Value Ratio	6. Loan to Value Ratio	Moved this to its own section	
Closing Costs and Fees	7. Closing Costs and Fees	Moved this to its own section.	
Building Evaluation	8. Building Evaluation	Moved this to its own section	
Emergency Loans	9. Emergency Loans	Moved this to its own section. Several language clarifications and no longer applicable language (removed ability of HOC director to approve loans – should have never been in the loan policy)	
Decision Timing	10. Decision Timing	Moved to its own section	
	11. Ability to Repay (ATR) and Qualified Mortgages (QM)	Created new section – see above	
General Requirements	12. General Requirements	Moved “Credit File Contents and Maintenance” to its own section (Section 14) along with internal and external loan file review. Other updates are only grammar and language clarifications.	
	13. Loan Denial	New section	
	14. Credit and Loan Files	New section – see above Other updates are only grammar and language clarifications.	
Subsection under General Requirements	15. Adherence to Regulations and Grant Conditions	Made its own section	

Subsection under General Requirements	16. Loan Loss Reserves	Made its own section	
Loan Servicing and Collection	17. Loan Servicing and Collection	<p>A. Overview - Updates were made to grammar and language clarifications where procedural and/or no longer applied.</p> <p>C. Loan Risk Rating</p> <p>Significant clarifications were made to clarify the assignment of risk assessment points. Delinquency was not included in the previous loan policy.</p> <p>G. Loan Modification and Refinance section was updated for clarity.</p> <p>Other updates are only grammar and language clarifications.</p>	The <u>risk rating</u> assigned to each loan is something that will be included in future reports to the loan committee, and therefore the full board.
<i>Rehab Standards, Rehab Process and Home Repair Process</i>		Removed these sections as they are procedural, not policy requirements. This language will be utilized to develop the procedural document for internal use (as part of our work required in the strategic plan) – see addendum to this summary document to see what was removed.	Okay to remove?

Loan Policy – Home and Rental Repair Language Removed

e.) Investment Properties

- If required by the funder, the applicant, for the life of the loan, must agree to rent a minimum of 51% of the units in the subject property to tenants at or below 80% median income, and must agree to keep rent costs at or below the HUD Fair Market Rents. The landlord will be obliged to provide names, addresses and lease agreements of his/her tenants to the lender as well as to facilitate the gathering of necessary information to verify household income. In order to determine compliance, HUD fair market rents from the HUD website will be compared with rents from the lease.
https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2016_code/2016state_summary.odn
An operating budget for the subject property must indicate a positive cash flow unless the debt can be serviced through other sources of verifiable income.

The applicant must agree to a Collateral Assignment of Rents, attached to the mortgage that protects the organization in the case of default. Assignments of rent will be recorded in the land records at the time the mortgage is recorded.

Commented [HS1]: This section is recommended to be removed as it will differ depending on the grant agreement signed.

6.. Home Repair

A. NWWVT Home Repair Standard

Home evaluation will be scheduled to review health and safety issues of the property. The property evaluation will be use as part of the underwriting prior to loan or grant approval.

No request for funding secured by property will be considered without a systematic inspection of the applicant's property by a NWWVT Home Evaluator.

Borrowers who are below 80% AMI must address every code violation found or we are required to walk away from the project per VCDP regulations. Borrowers over 80% AMI who chose not to address significant health and safety issues as identified in the home evaluation report will be required to sign a waiver indemnifying NWWVT from liability. Every NWWVT rehab project will meet or exceed HUD Section 8 guidelines for safe and affordable housing.

The procedures in this section are intended to highlight and support NWWVT's unique role as liaison between homeowner, contractor, and multiple funding sources.

B. Construction Escrow

The lender, with the assistance of NWWVT Home Evaluator, shall provide the construction budget amount, minus fees.

All funds designated for home repair shall be deposited into a NWWVT loan escrow account. If there are outside funds being used as part of the home repair process, those funds must be under the control

Commented [HS2]: Melanie and Aaron to review HR sections

Change all rehab language

Commented [HS3]: PROPOSE WE REMOVE ALL TOGETHER

Commented [HS4]: What education do we want our HE to have?

Commented [HS5]: Confirm all "rehab"'s are home repair

of NWWVT. Funds shall be allocated and disbursed in accordance with conditions identified in the construction escrow agreement.

C. Building Evaluations

For all rehab projects funded by NWWVT that will be secured by property, the home evaluator shall conduct a comprehensive building evaluation and prepare a report defining the project and providing preliminary cost estimates. The report should include all work requested by the homeowner as well as any additional repairs the evaluator found to be necessary. Items included in the report shall be prioritized based on health and safety considerations in accordance with these policies. The NWWVT Home Evaluator will alert the homeowner to potential health and safety considerations.

After an analysis of the homeowner's financial needs by the lending officer assigned to the case, the homeowner and Home Evaluator will discuss items to be included in the final report. The Home Evaluator will prepare the final report and cost estimate. The final report will include detailed specifications to ensure accurate bidding and performance quality.

All construction escrow projects/accounts must be closed within 180 days, unless otherwise noted in the borrower construction file. Exceptions may be made as a result of weather-related delays or in cases where there is difficulty in securing appropriate contractors. Once a rehab project is closed, all remaining funds in escrow will be applied to the principal balance of the loan or other projects needed in the home.

D. Bidding

The home evaluator will be responsible for soliciting bids for all work over \$1,500, unless the bid is supplied by the borrower. Only written bids are acceptable.

A single bid may be allowed on a case-by-case basis and/or for an emergency repair. The owner may sign a "bid waiver," to waive multiple bids and may select or reject any and all bids.

The homeowner may:

- Solicit more bids.
- Reduce scope of work and/or negotiate a price with the contractor of choice.
- Request a larger loan.

E. Contractors

Contractor Selection: Homeowners will select the contractors for bidding and will make the final selection of contractor(s). The contractor selected shall submit references, IRS form W9, and proof of insurance. NWWVT shall issue 1099s in compliance with IRS regulations. NWWVT will maintain a list of eligible contractors in the various trades for homeowner selection.

Insurance: All contractors and subcontractors shall submit evidence of the following required insurance:

- Workmen's Compensation insurance in accordance with the State Workers' Compensation Law.
- Liability insurance of \$500,000 for each person; \$1,000,000 for each occurrence; \$50,000 in property damage insurance.

Permits: Copies of all required fees, permits and licenses shall be furnished to the NWWVT office before commencement of work.

Licensed Trades--Plumbing: All plumbing, as defined by Vermont Statute 26,V.S.A. Chapter 39, shall be performed by a licensed plumber. Exceptions to this may be made for incidental plumbing repairs or alterations. All new plumbing work shall conform to the Vermont Residential Plumbing Code, 1984, or any subsequently adopted code.

Licensed Trades—Electrical: A licensed electrician shall perform all electrical repairs with exceptions made for incidental repairs and alterations. All new work shall conform to the requirements of the adopted National Electrical Code. See Vermont Statutes, Title 26: Professions and Occupations, Chapter 15: Electricians and Electrical Installations.

<http://www.leg.state.vt.us/statutes/sections.cfm?Title=26&Chapter=015>

Environmental Protection Agency (EPA) License—Lead: In accordance with EPA regulations, “Lead-based Paint Poisoning Prevention in Certain Residential Structures” (40 CFR 745), as well as “Accreditation of Training Program: Target Housing and Child-Occupied Facilities” (40 CFR 745.225), all contractors must employ lead-safe work practices while completing residential property renovations Energy Upgrade Projects shall be under the direction of Building Performance Institute (BPI) thermal shell professionals.

F. Home Repair Contract Management

NWWVT serves as a facilitator between homeowner and contractor.

Whether the construction contract is an agreement between the homeowner and contractor, or between NWWVT and the homeowner, the contract will specify a non-negotiable, fixed lump sum for payment. The contract shall include, but may not be limited to, provisions for:

- Payment.
- Insurance.
- Federal rules and regulations if loans are from Federal sources.
- Completion schedule.

For USDA Rural Development-funded projects, where NWWVT is the project manager, the construction contract is between NWWVT and homeowner.

No changes in the contracted work shall be made without prior written approval of all parties to the contract.

G. Payment

At the discretion of the Home Evaluator, partial payments may be negotiated between the contractor and Home Evaluator and be included in the contract upon satisfactory completion of the work. The homeowner shall authorize NWWVT to pay the contract amount to the contractor. Payment, in full or in part, will be made no later than 10 working days from satisfactory completion of the work. No payments shall be made to the contractor in advance of commencement of work, except for the purchase of materials. No payments shall be made to the contractor without supporting documentation (invoices).

Projects should not begin unless funds have been deposited in escrow.

Payments may not be used to compensate the homeowner for his/her own labor.

[H. Appeals Procedure](#)

Any dispute between the homeowner and contractor that cannot be resolved by the Home Evaluator should be brought to the attention of the NWWVT Homeownership Center director. If the problem remains unresolved, a written complaint may be submitted to the chair of the loan committee. The parties acknowledge that the owner has an interest in ensuring that the project is completed in accordance with the contract documents. Accordingly, the owner and contractor agree to appeal all grievances, difficulties, and/or disputes with each other to a non-binding mediation process with a third-party mediator who is agreeable to both the owner and the contractor. The owner and contractor shall equally share the cost of any agreed upon mediator. The owner and contractor agree not to bring any appeals to towns, town officials, or other funding agencies. Any efforts by the mediator to resolve the dispute as provided in this section shall be on a non-binding basis and is solely intended to assist the parties in resolving their disagreement. If no agreement is reached, with the assistance of the mediator, the owner and/or the contractor may pursue its rights and remedies under this contract as provided herein and/or as governed by law. Nothing in this section is intended to limit any rights, claims, or remedies or defenses which may be brought or filed by the owner. If the dispute cannot be resolved informally, then the parties to this contract reserve their respective rights and remedies as provided in this contract and/or at law or equity.

[I. "Do-It Yourself"](#)

Upon approval by a NWWVT Home Evaluator, homeowners with a demonstrated construction background may make their own repairs, however, loan funding is only available to cover the cost of materials used during repair work, and not for the labor of the aforementioned homeowner. Homeowners seeking a loan for the purpose of paying for materials will be required to furnish receipts. Except in the case of minor repairs, a licensed tradesperson must do all plumbing and electrical work.

[J. Construction Management Services](#)

NWWVT offers the following fee-based construction management services:

- Pre-purchase building inspections.
- Construction management.

[K. Other Funders](#)

In the case of rehab projects funded by other sources, such as Rural Development (RD), Vermont Center for Independent Living (VCIL), or Vermont Housing and Conservation Board (VHCB), and managed by NWWVT, the Executive Director or Homeownership Center Director is authorized to release funds on behalf of a borrower, contingent upon receipt of a commitment letter or a signed contract, confirming reimbursement from the funding agency.

[L. Temporary Displacement & Permanent Relocation](#)

The program will seek to avoid any temporary displacement or permanent relocation of tenants. In cases where relocation is unavoidable, a relocation plan must be submitted to the loan committee for their review.

Temporary displacement will be allowed only where the physical condition of the building requires extensive repair and/or the long-term disruption of essential systems, such as plumbing, heating, or electricity. NWWVT will make this determination.

Permanent relocation will only be permitted where relocation improves the living conditions of the relocated family or is in service of some other public purpose. For example, a family who is experiencing crowded conditions at their current home may be moved to a more accommodating residence. Likewise, in order to better serve all families' needs, larger families may be moved to larger spaces in order to free up more modest spaces for smaller families. Displacement of tenants at the time of rehab in order to permit occupancy by a member of the owner's family will not be allowed. Relocation to allow occupancy by the owner will be permitted where the owner bears the cost of relocation.

Whenever temporary displacement or permanent relocation is planned, tenants, at the discretion of the loan committee, may be compensated out of project funds.

NWWVT/VHCB has relocation money in the block grant from VCDP for lead paint abatement.

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