

## Residential Revolving Loan Fund

### **Purpose:**

The Franklin Development Corporation's ("FDC") Residential Revolving Loan Fund ("RRLF") is a cooperative community project developed to encourage and aid the rehabilitation/renovation of historic and/or underutilized homes and buildings located within the Integrated Economic Development Area of historic Franklin.

### **Plan:**

The Downtown Residential Revolving Loan Fund was originally funded with \$1,000,000 from the Franklin Redevelopment Commission. This program is limited to residential structures located within the Integrated Economic Development Area (the "Green Zone"). Loan proceeds may be used for exterior property renovation. The Corporation proposes to partner with local sources as much as possible to complete each project. Projects must adhere to the Corporation's architectural design guidelines.

### **Parameters:**

Approved applications will receive a loan of a maximum sum of \$20,000. The minimum loan amount is \$5,000, and the amount of the loan that is forgivable for **owner occupied** households will be directly proportional to the attached income limit documentation system (Exhibit A). Property owners that apply for rental properties are eligible for 50% of the loan to be forgiven, and the **tenant** must be at or below the area median income.

Income shall be based on the occupant of the property. Income will be verified using the adjusted gross income reported through the most recent year's tax return. A copy of the current lease will also be required if the property is not owner occupied. In the case of a multi-unit property, a minimum of 50% of the occupants must meet the income limits.

Underwriting Criteria for the Purpose of Rental Properties: Maximum Debt/Income limit will be 50% (gross) provided credit score is 640 or above; 40% for borrowers with a credit score between 550-639. For applicants with credit scores below 550, an alternative program will be considered.

The loan will have an interest rate of 2.5% for the first five (5) years, then adjusts to 4.0% for the remaining five (5) years of the loan period. A loan period will not exceed ten (10) years. There will be no penalty for early repayment.

Projects should be complete within 9 months of closing. Loan payments will begin once the project is complete and all draws have been made.

The borrower will provide security as deemed necessary by the Loan Committee. Loans will not be made to lessees, only to the owners of properties. Property owners are only eligible for one residential loan at a time. Property owners only receive the grant percentage on their first residential loan. Subsequent loans will not have any portion forgiven, regardless of income.

In exchange for financing, the borrower agrees to choose from a list of contractors approved by the FDC. Borrower also agrees to comply with architectural design guidelines adopted by the Franklin

Development Corporation. Borrowers will submit project plans for approval by the FDC and Discover Downtown Franklin's Design Committee to ensure compliance with architectural design guidelines prior to loan approval if necessary.

**Eligible and Ineligible Activities:**

Types of activities that can be financed through the Residential Revolving Loan Program include the following:

- Exterior and Façade improvements (Design Review approval is required)
- Sidewalk and driveway repairs/replacement
- Landscape Design
- Foundation repairs/replacement

The types of activities that cannot be financed through the Residential Revolving Loan Program include, but are not limited to, the following:

- Interior renovations/repairs (foundation repairs are acceptable)
- Property acquisition
- Furniture and fixtures
- Refinancing of any current debt
- Property tax payments

**Partners:**

The Franklin Development Corporation (FDC) will maintain an approved list of partners that borrowers may choose from to complete the project. Approved partners will know and understand the architectural design guidelines and will be able to assist borrowers in preparing plans to be submitted to FDC for approval. All contractors, historic preservation groups, and developers are welcome to submit qualifications to FDC for consideration as an approved partner. Local partners will be given greater consideration. A list of qualification criteria with point values will be supplied by the FDC. An applicant for the Approved Contractor List must score 95 out of a possible 120 points to be accepted. Program participants who want to use a contractor not listed on the Approved Contractor List may ask the FDC to consider that contractor for acceptance to the Approved Contractor List. Applicants who can demonstrate ability may complete their project on their own.

**Guidelines:**

- Borrower must be located in the Integrated Economic Development Area, with special emphasis being placed on the State Road 44, East and West Jefferson Street, King Street, Monroe Street, Madison Street, and North and South Main Street.
- Borrower can apply for up to \$20,000.
- 50-100% of the loan amount will be forgiven as a grant, based on income qualification.
- Loan can be amortized for up to 10 years. There is no prepayment penalty.
- The initial interest rate of the loan will be 2.5%. The rate is fixed for the first 5 years and then adjusts for the remaining period of the loan to 4%.
- Borrower is responsible for following all codes and standards held for the buildings in the district, and shall provide proof of compliance when necessary.

**Application Process:**

- Applicant meets with the Design Review Committee on-site to discuss the specifics of the project.
- Completed application with all required financial information is received. The following items must be submitted with your application in order to be considered complete: (1) borrowers most recent year's personal tax return; (2) occupants most recent year's personal tax return (if applicable); (3) most recent pay stub; (4) proof of homeowner's insurance; (5) project description and cost estimates from contractors and/or suppliers.
- Application receives Design Review Committee approval **prior** to start of construction.
- After approval of the project design, the FDC Loan and Grant Committee approves or denies the loan.
- After loan approval, a commitment letter is issued to the borrower outlining the terms and condition of the loan.
- Signed commitment letter is returned to the FDC.
- Once all necessary documentation is received, the borrower is contacted and the loan is closed. There is a \$150 closing fee made payable to the Franklin Development Corporation at the time of closing.
- Draw requests are made as the project progresses. Checks will be made directly to the contractor and/or supplier with written approval from the borrower. Checks will be made out for the exact amount of each invoice and/or receipt.
- Once the project is complete and all draw requests have been made, the final exact total project amount minus the grant portion is sent to Horizon bank to begin repayment. No monthly loan payments are due until after the completion of the project. Projects that are not complete within 9 months require further approval by the Board.
- Borrower agrees to maintain the property in its improved condition.

**EXHIBIT A - OWNER OCCUPIED**  
**HUD Fiscal Year 2015 Income Limits Documentation System**  
**FY 2015 Income Limits Summary**

FY 2015 Income Limit Category	Percentage Forgiven	1 person household	2 person household	3 person household	4 person household	5 person household	6 person household	7 person household	8 person household
Area Median Income (100%)	70%	\$45,780	\$52,320	\$58,860	\$65,400	\$70,680	\$75,900	\$81,120	\$86,340
Area Low Median Income (80%)	80%	\$38,150	\$43,600	\$49,050	\$54,500	\$58,900	\$63,250	\$67,600	\$71,950
Area Very Low Income (50%)	90%	\$23,850	\$27,250	\$30,650	\$34,050	\$36,800	\$39,500	\$42,250	\$44,950
Area Extremely Low Income (30%)	100%	\$14,350	\$16,400	\$20,090	\$24,250	\$28,410	\$32,570	\$36,730	\$40,890

**Property owners that apply for rental properties are eligible for 50% of the loan to be forgiven, and the tenant's household income must be at below the area median income.**