

RESOLUTION NO. 8586-R25

A RESOLUTION  
APPROVING AND AUTHORIZING  
THE EXECUTION OF AN AGREEMENT TO ESTABLISH  
A REHABILITATION LOAN INTEREST SUBSIDY PROGRAM

WHEREAS, the City Council of the City of Urbana, Illinois, has heretofore, on the 20th day of July 1981, resolved to approve an agreement to Establish a Rehabilitation Loan Interest Program; and

WHEREAS, the City Council resolved to approve the second agreement to Establish a Rehabilitation Loan Program on November 7, 1983; and

WHEREAS, the third Agreement to Establish a Rehabilitation Loan Program is predicated on the prior two agreement and serves the purpose of providing low interest housing rehabilitation loans to qualified Urbana home owners.

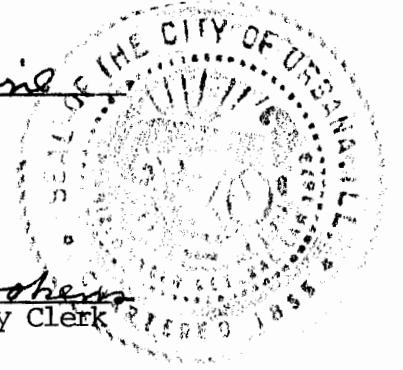
BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF URBANA, ILLINOIS, as follows:

Section 1. That an agreement to establish a Rehabilitation Loan Interest Program between the City of Urbana, Illinois and Busey First National Bank, in substantially the form of the copy of said agreement attached hereto and hereby incorporated by reference, be and the same is hereby authorized and approved.

Section 2. That the mayor of the City of Urbana, Illinois be and the same is hereby authorized to execute and deliver and the City Clerk of the City of Urbana, Illinois be and the same is hereby authorized to attest to said execution of said Agreement as so authorized and approved for and on behalf of the City of Urbana, Illinois.

PASSED by the City Council this 7<sup>th</sup> day of April

1986.



Ruth S. Brookens  
Ruth S. Brookens, City Clerk

APPROVED by the mayor this 18<sup>th</sup> day of April,

1986.

Jeffrey T. Markland  
Jeffrey T. Markland, Mayor

THIS IS THE ATTACHMENT WHICH IS REFERRED TO IN  
RESOLUTION NO. 8586-R25 AND IS INCORPORATED  
THEREIN BY REFERENCE.

Ruth S. Brookens  
Ruth S. Brookens, City Clerk/118

April 11, 1986  
Date



AGREEMENT TO ESTABLISH REHABILITATION  
LOAN INTEREST SUBSIDY PROGRAM

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THIS AGREEMENT, MADE AND ENTERED INTO this \_\_\_\_ day of \_\_\_\_\_, 1986 by and between the City of Urbana, an Illinois Municipal Corporation, situated in Champaign County and in the State of Illinois, hereinafter referred to as "THE CITY", and \_\_\_\_\_.

1. Program. The "Program" established under the terms and conditions of this Agreement shall be called "The Rehabilitation Incentive Program".
2. Initial Deposit. Within sixty (60) days of approval of this Agreement by the United States Department of Housing and Urban Development, hereinafter referred to as "HUD", insofar as such date is after The City will deposit \$250,000.00 in accounts at The Lending Institution, for the uses and purposes herein set forth. Subject to approval of The Lending Institution and HUD, The City may deposit additional sums from time to time.
3. Loans. Upon said deposit being made, The Lending Institution will process property rehabilitation loans to the persons designated by The City through the Community Development Division as qualified under the guidelines of the "Community Development Housing Rehabilitation Program Operational Manual (Revised)", hereinafter referred to as "The Manual".
4. Grants/Deferred Loan. Upon said deposit being made, The City will process property rehabilitation grants/deferred loans to the persons designated by the Community Development Division as qualified under the guidelines of The Manual.
5. Initial Loan. The first such loan, or the first such grant/deferred loan, shall be committed within forty-five (45) days of said deposit being made. Failure to commit said first loan or grant/deferred loan within forty-five (45) days can be cause for withdrawal of the funds if required by HUD.

6. City of Urbana Responsibilities.

A. **Loan Program.** It shall be the responsibility of The City to determine whether an applicant qualifies to participate in the Loan Program set forth in The Manual. The City, through its Community Development Division, shall furnish the following services and assistance:

1. Receive and review loan applications;
2. Verify information on application and determine eligibility in terms of residency, property ownership, debt limitations and income as set forth in The Manual;
3. Inspect the applicant's property and estimate the cost of correcting Code violations in order to bring the property to minimum property standards as described in the BOCA Basic Property Maintenance Code of 1978, other applicable City Codes, and required HUD rehabilitation standards, and estimate the cost of eligible general property improvements as set forth in The Manual;
4. Based upon the cost to rehabilitate the applicant's property, applicant's income and other factors as set forth in The Manual, determine the estimated loan amount and the effective interest rate as such loan for which the applicant qualifies;
5. Acting as the applicant's agent, advise applicants of costs involved and options available, and if deemed necessary, forward the loan file to The Lending Institution for preliminary financial status approval.
6. Upon selection of the general contractor, forward all pertinent loan documents to The Lending Institution for final approval.
7. Prepare C.D. subsidy documents and attend loan closing.
8. Conduct closing on contract documents for the rehabilitation work and issue Order to Proceed to the general contractor;
9. Perform progress inspections of the rehabilitation work to assure that the work is being completed in accordance with the

construction contract. All payment requests from the general contractor shall be submitted to the City through its Community Development Division for approval prior to submission to The Bank. The responsibility for review of lien waivers, contractor affidavits and related documents shall be The Lending Institution's with the advice and consent of The City;

10. Upon satisfactory presentation of documents by the contractor, upon The City's approval of the work and requested amount of payment, and upon satisfactory review of contractor documents by The Lending Institution and The City, The Lending Institution shall pay out on the payment request; and

11. Upon completion of the work, a final inspection shall be conducted by The City and a Certificate of Occupancy issued prior to final payment to the contractor.

**B. Grant/Deferred Loan Program.** The Grant/Deferred Loan program shall be carried out substantially as set forth in Section 6 (A) above, recognizing that The Manual requires in some instances different procedures for grants/deferred loans, such as the percentage of general property improvements eligible, a maximum grant of \$15,000, lower income requirements, and no loan closing.

The City's responsibilities in connection with the above Section 6, shall be carried out in accordance with The Manual and in accordance with all HUD regulations pursuant to Community Development Block Grant regulations.

7. Lending Institution Responsibilities.

A. Loan Program. It shall be the responsibility of The Lending Institution to handle all other matters of processing and administering the loans according to customary standards for lenders making property improvement loans in this area, and according to all applicable laws, including Truth in Lending regulations and the nondiscrimination regulations. The Lending Institution shall have the right to refuse to make a loan if the proposed security for the loan or the proposed borrower is not an acceptable risk according to the standard underwriting requirements of The Lending Institution, and taking into consideration all relevant information including the interest subsidy to be paid

by The City. In the event of default, The Lending Institution shall have sole responsibility for collection as well as risk of loss, except that The Lending Institution shall be entitled to receive the interest subsidy until the loan is collected in full or the original term of the loan expires, whichever occurs first. If a loan is in default beyond thirty-one (31) days, The Lending Institution must inform The City at its Community Development Division offices. The Lending Institution will provide a list of such delinquent loans, if any, to the City's Community Development Division each month.

8. Expenses. The Lending Institution may charge to The City or the borrower or a combination thereof, or add to the loan amount any reasonable credit report fees, recording fees, appraisal fees, title costs, or other out-of-pocket expenses incidental to the loan that are actually incurred or are reasonably charged to other borrowers. The Lending Institution shall provide, free of charge to the resident and The City, all grant/deferred loan origination services, which could include appraisals, credit checks and title searches.

9. Rehabilitation Incentive Loan Terms. Rehabilitation Incentive Loan shall be made by the Lending Institutions at the following Interest Rate and Term.

<u>Term of Loan</u>	<u>Interest Rate to City</u>
1-36 months	11%
37-60 months	12%
61-96 months	13%
97-120 months	14%

The City will designate the Term of the Loan based on the amount of the loan, the ratio of applicant's debt to expenses, and affordable monthly payments to the applicant.

10. Interest Subsidy. The City of Urbana shall pay the City's portion of interest subsidy in a lump sum, discounted, at the time of loan closing. The interest subsidy will be the amount equal to the difference between the annual percentage rate prescribed by The Lending Institution and the 6% subsidized interest rate by the City. Interest subsidy will be discounted based on the prevailing interest rates on liquid asset accounts at the time of loan closing.

11. Interest on Accounts.

A. Loan Account. The City shall deposit Community Development Funds in a Liquid Asset Account for the duration of the program. These funds will earn the standard interest rate for deposits of similar size and maturity. Deposit amount in the Liquid Asset Account will be \$235,000 and will be used to cover the expenses of all housing assistance programs.

B. Grant Account. The City shall deposit an additional \$15,000 in a passbook savings account; earning the prevailing rate for such deposits and to be used for the Rehabilitation Grant Program.

12. Loan Volume. The Lending Institution, shall, during the initial two-year term of this Agreement, or as the term may be extended by the parties to this Agreement and HUD, make loans under this Agreement in the amount of at least \$300,000 if eligible applicants are forthcoming from the City.

13. Termination. This Agreement shall terminate two (2) years from the date of execution, unless it is hereafter extended by written agreement of the parties with approval from HUD. Upon termination, The Lending Institution shall not be required to make further loans nor provide further grant origination services and The City shall be entitled to withdraw from the accounts all unobligated funds. The term "unobligated funds" means any amounts that, based on generally accepted actuarial principles, are not needed to meet the remaining interest subsidies under this Agreement on the loans outstanding at the time of termination. As all of said loans are either paid, or their term expires, whichever occurs first, The City shall be entitled to the funds remaining in the account.

14. HUD Requirements.

A. The loans and grants made pursuant to this Agreement shall be subject to the same requirements (excluding the treatment of loan repayments as program income) as are applicable to direct loan or grant assistance provided for the rehabilitation of private property under HUD regulations or Community Development Block Grants, 24 CFR Part 570.

B. The Terms and conditions of this Agreement are subject to the provisions governing lump sum drawdowns for property rehabilitation,



Part 570.513 of the HUD regulations on Community Development Block Grants 24 CFR Part 570. Further, if The Lending Institution shall default in any terms of this Agreement or said regulations, The City may, in addition to other legal remedy, withdraw from the accounts any unobligated funds required by HUD in the exercise of corrective or remedial actions authorized under Part 570.910(b) of said regulations.

15. Contingency. This Agreement may be contingent upon its being reviewed and accepted by HUD.

IN WITNESS WHEREOF each party has agreed to the provisions herein stated has caused this Agreement to be executed by its duly authorized representative.

BUSEY 1ST NATIONAL BANK

THE CITY OF URBANA

By: \_\_\_\_\_  
Ed. A. Scharlau, President

By: \_\_\_\_\_  
The Honorable Jeffrey T. Markland

Attest: \_\_\_\_\_  
Ruth S. Brookens  
City Clerk