REDEVELOPMENT AUTHORITY OF THE COUNTY OF FAYETTE, PA
HOMEOWNER REHABILITATION PROGRAM

The Redevelopment Authority will carry out a program of assisting low-to-moderate income homeowners to obtain the financial assistance necessary to rehabilitate their homes to a decent standard of safety and livability. The program is intended to benefit those who are unable to otherwise afford to maintain and upgrade their property and eliminate the blighting influence that unchecked deterioration has on the neighborhood and the community where they live.

A variety of grant sources will continue to be sought and used to provide the rehabilitation loans. A change in the requirements for the HOME Investment Partnership Program in 1998 allowed, for the first time, retention of loan repayments for reuse as additional rehabilitation loans. As this is the primary source of grant funds for the rehabilitation program, the Authority has restructured the terms for new rehabilitation cases to eliminate loans on which the principal is forgiven. The anticipated increase in resources, which is expected to result from retention of repayments, will eventually enable the Authority to serve more homeowners than would otherwise be assisted. Adding these resources will also make grant applications more attractive to grantor agencies.

Although applicants for assistance will be eligible if their income is 80% or less of the median for the area, past experience illustrates that more than 90% of those who have received assistance in the past have incomes less than 50% of median.

In order to assure maximum affordability, loans will be made at 0% interest. All loans will be secured by placement of a lien against the property. All loans will require repayment of principal, on a formula which recognizes the extent to which the borrower has the ability to make periodic repayments. To the extent it is determined that the borrower can make monthly payments, such payments will be required.

Ability to make monthly payments, and the amount of such payments, will be calculated in the same manner as in previous rehabilitation programs of the Authority. The program uses 30% of income as the target for gross shelter costs. This is the same level of ability to pay as is used by public housing programs. The net shelter resource available to make monthly payments on the rehabilitation loan is calculated by deducting from 30% of income the amount of monthly debt service on existing secured indebtedness, real property taxes, the cost of hazard insurance, and an allowance for utility costs.

When the amount of net shelter resource is determined, the term of the loan will be set by dividing the principal amount of the loan by the net shelter resource. The term will be the number of whole years required to repay the principal with monthly payments not larger than the net shelter resource. If the net shelter resource will not pay the entire principal in 20 years, the amount which cannot be paid in monthly payments will be deferred until the property is sold.

If all of the adults in the household are 65 years old, or are permanently and totally disabled, the entire principal amount will be deferred to sale and no monthly payment will be required. Very small monthly payments are inefficient to manage, so if the calculation results in a net shelter resource of less than $10.00, the entire principal will be deferred.

Following are illustrations of the calculation (all assuming one or more adults are under age 65 and not disabled):

Example 1: Full Loan Repaid Within 20 Years

Gross Income ($19,000 / year)	$1,600.00	/ month
	x 30%	
	$480.00	/ month
Less Existing Debt Service	- $180.00	/ month
Less Fire Insurance ($90 / year)	- $7.50	/ month
Less Real Property Taxes ($330 / year)	- $27.50	/ month
Less Utility Allowance	- $125.00	/ month
Net Shelter Resources	$140.00	/ month
Loan Principal	$11,000	
	/ $140	
Minimum Loan Term	79	months
Loan Term = 7 years	**84**	**months**
Monthly Payment ($11,000 / 84 months)	**$130.96**	**/ month**

Example 2: Portion of Loan Repaid Within 20 Years / Portion of Loan Deferred

Gross Income ($12,000 / year)	$1,000.00	/ month
	x 30%	
	$300.00	/ month
Less Existing Debt Service	- $100.00	/ month
Less Fire Insurance ($90 / year)	- $7.50	/ month
Less Real Property Taxes ($330 / year)	- $27.50	/ month
Less Utility Allowance	- $125.00	/ month
Net Shelter Resources	$40.00	/ month
Loan Principal	$15,000	
	/ $40	
Minimum Loan Term	375	months
Loan Term = 20 years	**240**	**months**
Monthly Payment ($11,000 / 84 months)	**$40.00**	**/ month**
Total Monthly Payments ($40 x 240 months)	**$9,600**	
Balance Deferred Until Sale of Property	**$5,400**	

Example 3: Full Loan Deferred

Gross Income ($13,800 / year)	$1,550.00	/ month
	x 30%	
	$345.00	/ month
Less Existing Debt Service	- $180.00	/ month
Less Fire Insurance ($90 / year)	- $7.50	/ month
Less Real Property Taxes ($330 / year)	- $27.50	/ month
Less Utility Allowance	- $125.00	/ month
Net Shelter Resources	$5.00	/ month
Loan Principal	$11,000	
Amount Deferred Until Sale of Property	**$11,000**	