

# **Home Modification Loan Program**

[www.mass.gov/mrc/hmlp](http://www.mass.gov/mrc/hmlp)

## **Frequently Asked Questions**

### **What is the Home Modification Loan Program?**

The HOME MODIFICATION LOAN PROGRAM (HMLP) was established by the Massachusetts legislature to provide loans in amounts between \$1,000 and \$30,000 for modifications to the primary, permanent residence of elders, and individuals with disabilities. These loans allow homeowners in Massachusetts to remain in their home and must specifically relate to a person in the household's ability to function on a daily basis. The program is funded through a state-bond and the loan is secured by a mortgage in order to guaranty repayment. These repaid loan funds will be lent out to other borrowers in the future.

### **What kinds of projects are eligible?**

In order to be financed by an HMLP loan, modifications must relate to the functional limitation of the beneficiary as documented by a professional with whom there is a client history. Some examples of projects funded through this program include ramps, hardwired alarm systems and other safety modifications, as well as accessible bathrooms and kitchens.

Projects that are not directly related to the beneficiary's ability to function on a day-to-day basis and would benefit anyone living in the home are not eligible for financing under the HMLP program.

### **What types of loans are available?**

Loans are made available in amounts from \$1,000 up to \$30,000. Applicants are eligible for a one-time per property loan. Loans are secured with a promissory note and a mortgage.

This program offers **0% deferred loans**, **0% amortizing loans** and **3% amortizing loans** depending on the income of eligible households. Some landlords may be eligible for a 3% amortizing loan for a tenant.

- **0% Deferred loans:** Repayment of a 0% deferred loan is made only when the property title is sold or transferred, or if any condition of the loan agreement is not met. No monthly payments are required.
- **0% Amortizing loans:** 0% amortizing loans require monthly payments on principal only, no interest is charged. The repayment period for 0% amortizing loans ranges from 5 to 15 years depending on the size of the loan.
- **3% Amortizing loans:** 3% amortizing loans require monthly payments on principal and interest. The repayment period for 3% amortizing loans ranges from 5 to 15 years depending on the size of the loan.

## What are the Income Guidelines?

### 2016 Income Guidelines

Income guidelines are based on HUD published median income for the Boston MESA and are updated annually.

Household Size	Interest Rate		
	0% (DPL) Up to 100% of Median income	0% (Amortized Loan) Up to 125% Median income	3% (Amortized Loan) 125-200% of Median income
1	\$68,700	\$85,875	\$137,400
2	\$78,500	\$98,125	\$157,000
3	\$88,300	\$110,375	\$176,600
4	\$98,100	\$122,625	\$196,200
5	\$106,000	\$132,500	\$212,000
6	\$113,800	\$142,250	\$227,600
7	\$121,700	\$152,125	\$243,400
8	\$129,500	\$161,875	\$259,000

### How do I apply?

There are six agencies, serving seven regions throughout the Commonwealth that administer the program. To find the provider serving your community, look up your town on our website, [www.mass.gov/mrc/hmlp](http://www.mass.gov/mrc/hmlp) and find the provider's contact information or contact Susan Gillam at 617-204-3739.

The provider will send you an application and determine initial eligibility. If you need assistance or reasonable accommodations during your application process, please let your local provider know.

### Can a landlord apply for a loan to modify a rental unit?

A landlord who has an identified tenant with a disability or plans to have an identified tenant with a disability may apply for the loan. As in the case of a homeowner loan, the modifications to be made must be documented and must relate to the tenant's (beneficiary) functional needs. A landlord owning fewer than 10 units in the building may apply for a Home Modification loan at 3% interest.

**NOTE:** Any landlord with a unit in a building of 10 or more units is required to make modifications under MGL Paragraph 7A, Chapter 151B Section 4 and is **NOT** eligible for the Home Modification Loan Program unless the landlord can prove hardship through litigation under this statute.

### What is the loan process?

The Home Modification Loan Program does not reimburse for completed construction projects. Applications are accepted anytime and applicants are served on a first-come first-served basis. Applications are reviewed by the regional Provider Agency to determine eligibility. The application includes an *Application Checklist*, please be sure to include all items on this Checklist so your loan can be processed efficiently. Your loan application cannot move forward without all items included on this checklist. Please contact your regional provider agency if you are unsure of the status of your application or if you have any questions regarding the program requirements.

Once the Provider Agency has received a complete, signed application with all of the required documentation, including the *Home Modification Loan Program Bid, Scope of Work and Contract Form* (Bid Form), filled out by your chosen contractor, a program construction monitor will come to the home and perform an initial inspection. Once the provider agency has the inspection report they will

draw up the loan documents for signature and will then record the mortgage at a Registry of Deeds/Registry District of the Land Court.

Please note, the Registry charges a fee to record a mortgage (or any other documents such as Certificate of Trustee or Change of Name Affidavit that may be necessary). This cost is the borrower's responsibility. The borrower may wrap these fees into their loan or pay these fee(s) up front.

Once the mortgage is recorded, the provider agency will be able to request funds from its funding source, CEDAC. Once the provider agency has received the loan funds from CEDAC, funds may be disbursed as anticipated by the agreed upon loan disbursement schedule attached to your Loan Agreement. **Please note that it can take up to 4 – 6 weeks until the first disbursement can be made.**

Loans are disbursed in increments throughout the modification project. An initial disbursement of no more than 1/3 of the loan can be made to allow contractors to start work, please be aware labor costs cannot be included in an initial up-front disbursement. Subsequent disbursements are made after the homeowner submits contractor receipts or invoices showing a given percentage of work has been completed. It is the responsibility of the homeowner to verify the work completed was done to their satisfaction prior paying an invoice.

A final inspection will be conducted by the construction monitor at project completion. The final payment (10% of the total loan amount) will not be released to you or the contractor until the final inspection has been performed, the contractor signs a lien waiver and you have indicated your satisfaction with the modifications.

#### **What happens if my application is determined not eligible?**

If the application is not eligible for the HMLP funding, the applicant will be notified by the provider agency. The provider agency will attempt to provide appropriate referrals to other programs or sources of funding. Information on other programs which fund home modification can be found on our website or you can request a list from the provider agency.

#### **What if my project will cost more than \$30,000?**

Many HMLP borrowers have projects that exceed the maximum loan amount and need to find other sources of funds to supplement the loan. HMLP funds can only be disbursed after other sources of funding are utilized. Information on organizations or other programs which may have funds available for home modification projects can be found on our website or provider agencies can provide you with a handout with this information.

#### **Who will do the actual work to modify the home?**

Homeowners hire the designer and/or contractor of their choice to modify the home. Please note, all construction professionals must be licensed and insured in the state of Massachusetts. The provider agencies can give you resource materials on choosing and hiring architectural, design, and contracting professionals **but cannot recommend specific contractors.**

#### **What should I expect during construction?**

HMLP providers do not get involved directly with contractors. Please see *The Home Modification Loan Program & Contractors* handout for more information on working with contractors and using funding from HMLP. Homeowners are responsible for monitoring contractors and other home improvement professionals. We suggest that when the work begins, homeowners keep a copy of the contract handy and refer to it often. If something is not going the way you feel it should or if you do not understand it speak directly to your chosen contractor, and notify the provider agency who can advise you on possible next steps.

#### **What if I have a dispute with my contractor?**

Please understand HMLP, your provider agency and the program construction monitor cannot be involved in disputes regarding the legally binding contract homeowners enter into with their chosen contractor. More information about consumer protections and how to file a complaint can be found at the state's Consumer Affairs department, [www.mass.gov/ocabr/consumer/home-improvement-contract](http://www.mass.gov/ocabr/consumer/home-improvement-contract) . This website provides a consumer guide to home improvement contractor complaints, which outlines the four different programs that handle complaints against residential home improvement contractors.

### **May I do any of the work myself?**

A borrower who is a licensed contractor, may be allowed to do the work themselves in order to maximize the value of the loan funds. This is referred to as Self-help. In such cases, the HMLP funds can be used to pay for the cost of materials but cannot be used to pay for the borrower's or the borrower's immediate family member's labor.

### **What happens if I need to refinance my primary mortgage in the future?**

If you need to refinance your primary mortgage after your HMLP loan project is completed, you must contact your Provider agency IN ADVANCE to request a subordination of the HMLP mortgage. The provider agency will need to see a copy of your home's appraisal, your credit report and real estate tax status in order to determine if they will subordinate their HMLP loan. The higher the value of all your mortgaged debt in relation to the value of your home, the more extensive the review process is likely to be. However, in most cases the subordination will be allowed. Please note that the HMLP review process can take a few weeks, so please be sure to notify your provider agency as soon as possible.

### **Is a Mortgage Protection Plan a requirement of the program?**

No. Some of our borrowers have received notices about obtaining a mortgage protection plan in the mail after placement of a HMLP mortgage on their property. These notices are not from the HMLP. Mortgages and other filings at Registry of Deeds/Registry District of the Land Court are public record. You should consult a lawyer, insurance agent or other trusted advisor for further information on mortgage protection plans.

### **My home is in a Trust, am I eligible?**

A Trust does not disqualify an applicant. However, the provider agency will require copies of your trust documents to be reviewed by legal counsel and in order to correctly document your loan.

### **I bought my home using an affordable home ownership program, am I eligible?**

This does not automatically disqualify you for a HMLP loan. However, these home ownership programs frequently have rules that require you to seek approval for any construction on your home and/or any additional mortgaged debt. This is to ensure the maximum resale price of your home remains affordable, and therefore may reduce the amount of your HMLP loan.

Please provide your Provider Agency copies of any affordable housing restrictions/covenants that are attached to your deed as early in your application process as possible.