

# Home Modification Loan Program

[www.cedac.org/hmlp](http://www.cedac.org/hmlp)

## Frequently Asked Questions

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

The HOME MODIFICATION LOAN PROGRAM (HMLP), established by the Massachusetts legislature, is a state-funded loan program. The program provides loans to homeowners or landlords for necessary housing adaptations or modifications to improve accessibility for seniors and individuals with disabilities. Most loans are secured by a mortgage lien on the property to ensure the loan is repaid. Repaid loan funds will be given as loans to other similar borrowers in the future.

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

The program is NOT a general home repair program. In order to be eligible for an HMLP loan the requested modifications must relate to the professionally documented disability or functional limitation of a household member of any age. Some examples of projects funded through this program include ramps and lifts, hardwired alarm systems, fencing, sensory spaces, accessory dwelling units, as well as accessible bathrooms and kitchens.

Projects that do not directly relate 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. Please speak with your provider agency if you have questions on the eligibility of your project.

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

Loans for property owners are made available from \$1,000 up to \$50,000. Loans for owners of manufactured or mobile homes are made available from \$1,000 to \$30,000.

All qualified applicants receive a **0% interest, deferred payment loan**. Some landlords may be eligible for a 3% interest, amortizing loan for an eligible tenant.

### **What are the income eligibility requirements?**

Income eligibility for this loan are updated annually and are based on the information published by the U.S. Department of Housing and Urban Development about the median income (by household size) for the Boston area. All homeowners with less than \$75,000 in countable assets and who have a total gross household income of up to 200% of the area median income (AMI) are eligible for the 0%-interest, deferred-payment loan.

#### **2021 Income Guidelines**

<b>Household Size</b>	<b>Eligible with Gross Income up to:</b>
<b>1</b>	<b>\$188,000</b>
<b>2</b>	<b>\$214,800</b>
<b>3</b>	<b>\$241,600</b>
<b>4</b>	<b>\$268,400</b>
<b>5</b>	<b>\$290,400</b>
<b>6</b>	<b>\$311,400</b>
<b>7</b>	<b>\$333,000</b>
<b>8</b>	<b>\$354,400</b>

### **What documents do I submit for proof of my current household gross income?**

Applicants should submit pay stubs or other proof of income for the last 60 days for all household members. If someone in your household does not have pay stubs, please provide the individuals'

benefit statement (SSI, SSDI, Veterans), pension statement or income tax returns.

Applicants must also submit three (3) months of bank statements for all household members. Please be sure to explain any reoccurring deposits. Please note, income documentation must be current at the time of loan closing, with documentation provided for the last 60 days.

### **How much in countable assets can I have and still qualify?**

Applicants cannot have more than \$75,000 in assets from the following sources; cash savings, deposits held in checking, savings, money market and brokerage accounts, cash value of stocks, bonds, mutual funds, ETFs, index funds, or other capital investments, real estate (aside from primary residence), and personal property held as investment (such as gold, jewelry, coins, etc.).

### **What are the loan terms?**

All applicants with a current gross household income of up to 200% area median income (AMI) and who have less than \$75,000 in countable assets qualify for a 0% interest, deferred payment loan.

HMLP loans made to property owners are secured with a mortgage lien against the property, loans made to manufactured or mobile homes are secured with a UCC-1 lien filed against the home.

Monthly payments are not required, with payment due when the property is sold or title is changed. Repayment could also be required if any condition of the loan agreement is not met.

### **How do I apply?**

There are seven (7) agencies, serving eight (8) regions, throughout the Commonwealth. These agencies work directly with HMLP applicants. The regions and the provider agencies are listed on page 2. Or visit: [www.cedac.org/hmlp](http://www.cedac.org/hmlp), to view a list of communities served by agency. You can also contact Susan Gillam for assistance at 1-866-500-5599 (toll free, valid in MA only) or 617-727-5944. If you need help 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 may apply for a loan. The modifications made must be documented by a professional 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 application process?**

Please visit [www.cedac.org/hmlp](http://www.cedac.org/hmlp) to watch a short video on the loan application process. In most cases, the Home Modification Loan Program does not refund applicants for completed construction projects.

#### **Step-One**

Applications are taken anytime and reviewed on a first-come, first-served basis. The application includes an *Application Checklist* on page 7 and without a complete application and the documents listed on the checklist your eligibility cannot be determined.

If you are unsure of the status of your application or need assistance with completing your application, contact your local provider agency. The provider can also answer any questions about the program requirements.

#### **Step-Two**

Once the provider agency has your complete application, including the *Home Modification Loan Program Bid, Scope of Work and Contract Form* (Bid Form) completed by your qualified

contractor, a program construction monitor will schedule an inspection to review your construction project. **Please see the handout, *HMLP and Contractors*, for more information.**

#### Step-Three

Following the inspection, the provider agency prepares the HMLP loan documents for your review and signature. The mortgage document will be filed at a Registry of Deeds/Registry District of the Land Court or if applicable a UCC-1 Financing Statement will be filed with Massachusetts Secretary of State. The fees to record a mortgage or file the UCC-1 may be included in your loan or you may pay these fee(s) directly.

#### Step-Four

Once your mortgage or UCC-1 is filed, the provider agency will be able to request your loan funds which will be disbursed according to the agreed upon payment schedule between you and your qualified contractor in your construction contract. Your loan disbursement schedule can also be found in your HMLP Loan Agreement. **Please note that it can take up to 4 – 6 weeks after your inspection until the first loan disbursement can be made.**

It is the responsibility of your qualified contractor to secure all necessary permits from your municipality. Loan funds cannot be disbursed until a copy of these permits are submitted to your provider. If the contractor is requesting money before any work starts, the first payment can only be for construction materials and cannot be more than 1/3 of the total price of the project.

All loan disbursements are made after the homeowner submits receipts or invoices from their chosen contractor. Please note, invoices submitted directly by your contractor to your provider cannot be processed. It is the responsibility of the homeowner to verify the construction work is completed to their satisfaction and the payment milestone listed on the bid has been completed to authorize payment. Homeowners should never pre-sign invoices from their chosen contractor.

#### Step-Five

The construction monitor conducts a final inspection only when your project is totally finished to your satisfaction, and any municipal inspections have been conducted. The final payment (at minimum 10% of the total contract price) is released after the final HMLP inspection has been performed. The contractor must also sign a lien waiver.

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

You will be notified by phone or in writing by the provider agency. The provider will attempt to provide you appropriate referrals to other programs or sources of funding.

#### **What if my project will cost more than my available loan amount?**

It will be your responsibility to find additional funds in order to complete your project. HMLP funds can only be used after all other sources of funding are spent on the project. Information on organizations or other programs that may have funds available can be found on our website or your provider can provide you with a handout with this information.

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

HMLP and your provider cannot recommend contractors. You will hire the qualified contractor of your choice to complete your project. All construction professionals hired must be licensed and insured in the state of Massachusetts and obtain the required building permits and this licensed individual should be the person who signs the legally binding construction contract. For resources on hiring a contractor visit <https://www.mass.gov/info-details/homeowners-guide-to-hiring-a-home-improvement-contractor>.

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

Be sure to review Step Four above regarding loan disbursements during construction. Please note,

your provider is not able to negotiate or discuss the details of your project or application with your chosen qualified contractor. You should review the handout, *The Home Modification Loan Program & Contractors*, for more information on working with contractors and HMLP. Homeowners are solely responsible for overseeing their chosen qualified contractor and determining when to authorize payment. You should keep a copy of your construction contract near-by and refer to it often. If something is not going the way you feel it should or if you have questions, you need to speak to your chosen contractor. You should also notify the provider, who can advise you on possible next steps you can consider.

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

HMLP, your provider and the construction monitor cannot be involved in disputes regarding the legally binding contract you entered into with your chosen contractor. More information about hiring a construction contractor and consumer protection laws, including how to file a complaint can be found on the Office of Consumer Affairs at: <https://www.mass.gov/info-details/home-improvement-contractor-law-resources> or call this toll-free hotline at (888) 283-3757.

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

If you are a licensed contractor, you may be allowed to do the work yourself. Please be aware your loan funds can be used to pay for the cost of materials only. You will not be allowed to use loan funds to pay for the labor costs of yourself or your immediate family member(s).

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

You'll work directly with your provider agency on the steps to request a subordination of your HMLP mortgage lien. Please be advised, in most cases, HMLP does not approve cash-out subordinations. Your provider will need to review a copy of your loan application, a copy of your home's appraisal, your credit report(s) and see proof you are current on your real estate taxes, to determine if they will subordinate their HMLP loan. The review process will be more extensive and take longer if you are seeking cash-out or the value of all your mortgaged debt in relation to the value of your home is high.

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

No. Some borrowers have received notices in the mail about a mortgage protection plan after they had a HMLP mortgage placed on their property. These notices are not from your provider or HMLP. You should consult an attorney, insurance agent or other trusted advisor for information on mortgage protection plans.

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

A Trust does not disqualify you from being eligible for an HMLP loan. Your provider will require copies of your trust documents for review by the program's legal counsel. This review is so your provider can 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. These home ownership programs have rules that will require you to seek approval for any construction on your home. They often also require permission to enter into a mortgage so the resale price of your home remains affordable to the next homeowner.

Please provide your provide agency copies of any affordable housing restrictions/covenants attached to your deed for review by the program's legal counsel. It is helpful if you inform your provider of this restriction early in the application process.