

Addendum B

Alternative Documents and Provisions to be Used with HOME Dollars

The preferred funding source for the older homes that will be rehabilitated through the FAN Assist program is Kentucky's Affordable Housing Trust Fund. However, when Affordable Housing Trust Funds have been exhausted for the year, appropriate projects may be funded with HOME funds. Use of HOME funds has several requirements different from AHTF funds:

1. The Midtown Alliance of Neighbors must abide by 24 CFR Part 35 in dealing with all lead-based paint compliance issues on projects.
2. Homeowners are not required to sign a 10-year deed restriction. Instead they will sign a 10-Year Forgivable Mortgage and 10-Year Promissory Note. These two documents work together to spell out the responsibility of the homeowner related to the rehabilitation work.

The note is in the amount of total HOME funds spent on the work. It is forgiven at the rate of 1/10 the total amount over a ten-year period from the date the note was signed. If the property continues as the homeowner's residence for the full ten-year period, the full cost of the rehabilitation will be forgiven and the mortgage released.

There are several things the homeowner must do in order to NOT be in default during the ten-year period:

- a. Maintain insurance on the property.
- b. Pay all taxes on the property.
- c. Keep the property maintained and in good repair.
- d. NOT sell, transfer, or voluntarily further encumber the property without the approval of the mortgagee, the KY Housing Corporation.

If any of these requirements are not kept up with during the ten-year loan period, the homeowner will owe the unforgiven part of the loan (1/10 less for each year that's passed). The unforgiven part can be paid out of the sales proceeds, and the sale price must reflect no more than reasonable return on the homeowner's investment. If the loan goes into default for any reason, the unforgiven portion will accrue interest at the rate of 12% per annum from the date of default unto the note is paid in full.