



## GET THE LEAD OUT PROGRAM GUIDELINES

### GENERAL PROGRAM DESCRIPTION

In 1971, Massachusetts enacted the nation's first lead law requiring all residential property owners to abate or remove the risk of lead poisoning in homes with children under the age of six. The continued presence of lead paint in existing residential structures continues to be an urgent health concern in the Commonwealth for more than four decades. This concern triggered a statewide effort to remove lead paint from residential buildings.

As part of this effort, MassHousing (the Agency), in cooperation with the Department of Housing and Community Development (DHCD), the Department of Public Health (DPH), and Local Rehabilitation Agencies (LRA) across Massachusetts, is offering a Loan program to help homeowners, investors, and non-profit organizations finance lead paint abatement in 1-4 family residential properties.

Lead Paint Abatement Loans are initiated statewide through Local Rehabilitation Agencies designated by the Director of the Department of Housing and Community Development. LRA(s) assist Mortgagors through every step of the loan application and abatement process. Lead paint abatement inspections, and high-risk removal can only be done by state-licensed inspectors and contractors who have liability/workman's compensation insurance and errors and omissions policy.

Lead Paint Loans are recorded as a mortgage, junior to any first or second mortgage already in place. MassHousing will assume a third position behind a second mortgage, equity line or MassHousing Home Improvement Loan only. A fourth position will be reviewed on a case-by-case basis.

#### Overview:

- 50% of the lead funds are targeted to high-risk communities as determined by the Department of Public Health.
- Loans are made to eligible homeowners, investors, and non-profits.
- All applicants must apply through an approved Local Rehabilitation Agency.
- Loan amounts range from \$30,000 - \$45,000, depending on property type.
- Interest Rates range from 0% deferred to 3% amortized.
- No points are charged to the Borrower.
- Only State-licensed lead paint inspectors, licensed deleading contractors, licensed lead safe renovators, homeowners who have received a Child Lead Poisoning Prevention Program (CLPPP) Certificate are eligible to perform lead removal. [See separate Section on Moderate Risk Abatement by Homeowners].
- The Commonwealth offers tax credits for lead abatement expenditures.

## **PROGRAM GUIDELINES**

### **INTEREST RATES**

#### **0% Deferred**

##### **Owner-Occupants**

- Income eligible families who owner occupy a 1-4 family home in which a child under the age of six resides as a primary residence and/or have a court order to delead or a code enforcement to delead or doing preventative deleading. No closing costs or fees to the borrower.

Receivership loans are eligible under the 0% Deferred loan. **See Form LP-001 Lender Document Checklist** for a list of required documents.

##### **Investors**

#### **3% Amortized**

##### **Investors who own 1-4 family unit properties**

- Borrower will be responsible for all closing costs and fees which can be rolled into the loan.

##### **Non-Profits**

#### **0% Amortized**

##### **Non-Profits who own 1-4 family unit properties**

- Borrower will be responsible for all closing costs and fees which can be rolled into the loan.

## **LOAN TERM**

### **Investor/Non-Profit**

- 15 years

### **0% Deferred Owner-Occupied**

No monthly payments. Repayment of the entire Loan amount is deferred until the sale, refinance, or transfer of the property.

Payments of loans may not be assumed by third parties, whether incident to sale or otherwise.

## **ELIGIBLE MORTGAGOR**

Income-eligible owner-occupants of 1-4 family residential properties, real estate investors and non-profits who own 1-4 residential family properties and rent the units to be delead to tenants whose household incomes fall within the MassHousing Income Guidelines (**Form LP-011 Income Limits**).

Investors and non-profits must certify that the units to be delead are rented to income-eligible tenants. If deleading vacant units, the owners must certify that the first tenants to occupy the unit(s) after deleading will have household incomes that fall within the MassHousing Income Guidelines (**Form LP-011 Income Limits**).

-ALL person(s) who are on the DEED and OCCUPY THE PROPERTY MUST be on the Application and all Loan Documents.

- Person(s) who are on the DEED but DO NOT OCCUPY the property, only need to be the Mortgage and the Right of Recession. They do not need to be on the Application and their income will not be included.
- Any person(s) who DOES NOT have an OWNERSHIP INTEREST in the property SHOULD NOT be on any CLOSING DOCUMENTS or be PART OF THE LOAN TRANSACTION.
- Right of Recession does not apply to Investors or Non-Profits.
- Co-Signors are not needed on these loans.

All people having an ownership interest including those residing outside the residence must sign the Mortgage and Right of Rescission. (Right of Rescission does not apply to Investor and Non-Profit loans).

**NOTE: Realty Trusts, Life Estates, or similar entities are not eligible for this Program.**

**ELIGIBLE PROPERTY TYPE**

Single family, Condominiums and 2-4 family properties.

Financing is limited to eight (8) units per investor or non-profit. However, MassHousing may waive this requirement to those creditworthy Borrowers meeting all MassHousing investor-underwriting requirements who are current on all other MassHousing Lead Paint Abatement Loans.

**INCOME LIMITS**

MassHousing income limits apply to owner-occupants (**Form LP-011 Income Limits**). Only the Borrower income is counted when underwriting the loan.

There are no income limits for non-profits or investors. However, MassHousing Income Limits apply to tenants of each unit to be delegated by a non-profit or investor (**Form LP-011 Income Limits**).

**MAXIMUM LOAN LIMITS**

The following Loan limits (including all financing costs) have been set for each eligible property type:

Single Family	\$30,000
Two Family	\$35,000
Three Family	\$40,000
Four Family	\$45,000

If Lead Paint Borrowers are obtaining grant funds or financing additional lead abatement from their own funds, these funds must be evidenced in the form of an award, money order, or certified check. The Lead Paint Abatement loan will not close without this documented information verified by the LRA.

**MINIMUM LOAN LIMIT**

There is no minimum loan limit for this program.

**ELIGIBLE IMPROVEMENTS**

- The proceeds of a Lead Paint Loan shall be used only to finance lead paint abatement (including encapsulation), finance charges and closing costs.
- All abatement performed under contract shall be in compliance with state laws and so

warranted by the issuance of a Certificate of Compliance issued by a State Licensed Lead Paint Inspector.

- Lead inspections completed prior to loan application are an eligible expense and can be included in the mortgage amount. Inspections must be completed no more than 3 months prior to loan application.
- A detailed contractor's bid must correspond to the inspection report and identify number of windows, cost, number of doors, cost, etc. MassHousing recommends that Borrowers get at least two estimates before selecting a contractor.
- A homeowner/lead safe renovator must provide a written estimate corresponding to the Inspection Report. It must be detailed and identify number of windows-cost, etc.
- Fences that have been identified as lead positive that cannot be made intact must be removed.
- The abatement of lead paint on detached buildings is acceptable.
- Daycare facilities are eligible if no more than 50% of the total living area of the property is used for primary daycare.
- Necessary replacement of lead positive windows is to be replaced by similar windows, i.e., not sliding glass doors, picture windows, etc.
- Kitchen cabinets that need to be abated may be replaced with moderately priced replacements unless homeowner chooses to pay-out-of-pocket expenses for upgrades. Granite counters, corian, etc., will be permitted only at owner's expense.
- Porches are to be scraped or made intact. Porches cannot be replaced unless determined by code inspector as not structurally sound. Under no circumstances may a porch be expanded beyond the original size.

### **INELIGIBLE IMPROVEMENTS**

Home improvements unrelated to lead abatement are not eligible. No Lead Paint Loan proceeds may be used for work begun prior to the date of Loan closing, except the cost of the lead inspection.

### **MODERATE RISK ABATEMENT PROGRAM: HOMEOWNERS**

#### **Scope of Work to Be Performed by Homeowner/Lead Safe Renovators**

All lead abatement activities must conform to Massachusetts Law, M.G.L. 111 subsections 189-199 and the CLPPP regulations 105 CMR 460.000.

All moderate risk deleading activities must be in conformance with CLPPP regulations 105 CMR 460.175 (B)(1). Moderate-risk abatement activities are predominantly removal and replacement of all woodwork and windows (with the exception of ceiling and walls) containing dangerous levels of lead. Moderate-risk abatement also includes making small amounts of loose paint intact on surfaces other than moveable and impacted parts of windows. A small amount is defined as no more than 2 square feet per interior room, hallway, or common area, and no more than 10 square feet total on exterior surfaces. No dry scraping is allowed. A homeowner who has received a CLPPP Moderate Risk Deleader Certificate may perform such work only in his or her own property. Such homeowner is not eligible to perform deleading work on any other property.

All other deleading must be performed by licensed deleaders. A fully licensed inspector is responsible for noting on the Inspection Report loose components to be made intact by deleading contractor.

## **LOAN APPLICATION PROCESS**

LRAs will continue to process the intake application as under existing program guidelines and submit to approved Lender for funding. Escrow Accounts will be managed by the LRA.

Homeowners wishing to perform deleading work on their residence must bring the Certificate from CLPPP certifying that they are authorized as moderate risk deleaders at time of application.

To establish Loan amounts, homeowners must submit verified cost estimates for supplies, material, and cost of renting equipment on vendor's letterhead. For work that must be performed by licensed deleaders, detailed bids from the deleader must also be submitted.

## **ELIGIBLE EXPENSES**

Supplies, materials that become permanently installed in the property being delead, and the cost of equipment that is rented in order to install such supplies and materials.

Supplies are defined to include, but not limited to 6 mil plastic, duct tape, 6 mil poly trash bags. These supplies are required for deleading as described in CLPPP's moderate risk training material and Department of Labor and Workforce Development regulations, 454 CMR 22.00. In addition, paint scrapers, sandpaper, paint brushes/rollers and cleaning supplies may be included as well, since they are needed to complete the deleading process as well as Inspection Report; Inspection Fees; Dust wipe samples and Reinspection Fees, if required.

There is no contingency amount required on a Get the Lead Out loan.

## **INELIGIBLE EXPENSE**

Sweat equity; Relocation Expenses; Unauthorized Deleading.

## **LOAN DISBURSEMENTS**

Homeowners will be reimbursed for expenses incurred during the deleading process only after submission to the LRA of a Letter of Full Deleading Compliance in accordance with Massachusetts law and regulations as well as CLPPP's regulation 105 CMR 460.760 (D) (2) (b).

All reimbursements must be documented by paid invoices on vendor's letterhead. No payments will be made without paid invoices.

Disbursements may also be made based on documented paid invoices and submission of a re-occupancy certificate. In this case, funds must remain in the Escrow Account in an amount required to complete the remaining deleading work. Once the remaining work is completed, a copy of the Letter of Full Deleading Compliance must be submitted to the LRA and forwarded to the Agency. It is anticipated that only one or two disbursements will be made.

## **VISUAL ASSESSMENT REQUIREMENT**

Due to the possibility of interior and exterior structural changes, as well as the changing condition of painted surfaces, **all lead paint inspections over one year old will require a visual assessment of the property by a lead paint inspector prior to closing.** The Visual Assessment Form will be given to the inspector by the LRA. A Visual Assessment of the property, (by the original inspector, if possible), will

verify that the initial inspection report is still valid and that no additional violations have occurred. All results found during the assessment must be recorded on the VISUAL ASSESSMENT REPORT FORM and attached to the initial inspection report and returned to the Local Rehabilitation Agency.

If structural changes of any nature, by unauthorized deleading or other rehabilitation work, are reported by the inspector, such changes may render the initial inspection report invalid. The LRA must contact a CLPPP Housing Specialist to determine if identified changes will prohibit a Letter of Compliance. The inspector must attach an addendum to the initial report that outlines the structural changes, and then provide a report on any deleading that must occur within the structural changes in order to achieve compliance.

MassHousing will not provide financial assistance to property owners involved in unauthorized deleading. The visual assessment is required only to protect homeowners from possible additional lead paint hazards which may have arisen since the initial lead paint inspection was performed. If an additional fee is charged to the homeowner for the second visual assessment, the fee may be included in the Loan amount.

#### **MAXIMUM TIME FRAME**

Borrowers applying for mortgage financing have a maximum time limit of six months from the closing date of the mortgage to complete the deleading work. The LRA must report the status of all deleading loans that are not in compliance with the escrow agreement to MassHousing.

If the deleading work cannot be completed within the specified timeframe of the Escrow Agreement, the LRA must notify MassHousing in writing the reason for an extension and the projected completion time (**Form LPM-015 Extension Request**). The LRA must also include the status of the rehabilitation, LRA's recommendation for action, and any additional documentation which may be requested by MassHousing for determining the feasibility of completing the deleading work.

MassHousing will review and approve the extension request and the LRA will add an addendum to the original Escrow Agreement with the extension terms.

The LRA will continue to monitor the deleading of the project and the LRA will update MassHousing with the status of the project.

#### **ACCEPTABLE TIME FOR COMPLETION**

Homeowners will be expected to complete the deleading within 6 months of Loan approval. Extensions may be requested due to weather and contractor issues.

#### **FINAL COMPLETION**

Following completion of the deleading, the LRA must obtain a Certificate of Compliance. The LRA must obtain all necessary lien releases or take any other action that may be required to assure that the title to the property is clear of all liens and encumbrances (if applicable).

#### **LEAD PAINT CREDIT**

The Lead Paint Abatement Tax Credit is a credit provided by the Massachusetts Department of Revenue for covering or removing materials on residential premises in Massachusetts that have been established

as containing dangerously high levels of lead. For more information on the Lead Paint Abatement Tax Credit, refer to Massachusetts Regulation 830 CMR 62.6.3 Lead Paint Removal Credit.

## **ROLE OF THE LOCAL REHABILITATION AGENCY (LRA)**

### **Local Rehabilitation Agency (LRA) Approval**

An LRA would apply with DHCD and MassHousing as a designated DHCD-designated Local Rehabilitation Agency to participate in the program.

### **Role of the Local Rehabilitation Agency**

Local Rehabilitation Agencies will be responsible for providing the following services:

- A. Local program marketing to advertise available funds.
- B. Distribution of the most current Residential Deleading Advisory to all applicants. Copies of this Advisory can be obtained by calling the Childhood Lead Poisoning Prevention Program 1-800-532-9571.
- C. Pre-screening and financially counseling applicants to determine that they meet all Agency guidelines and understand all the lead paint abatement options available to them.
- D. Must be involved in preliminary property inspections or cost determinations. A preconstruction conference may be held with the homeowner to determine the best lead abatement treatment prior to the signing of an approved contract. The Local Rehabilitation Agency will provide to the applicant a list of State Licensed Inspectors and Contractors. The applicant then obtains the required Inspection and Contractor's cost estimate and submits these forms and contract to the Local Rehabilitation Agency.
- E. Reviews the Lead Paint Inspection Report and Contractor estimates to ensure that only lead paint abatement and closing costs are financed through the loan.
- F. Reviews the approved detailed contract and makes a preliminary determination that the Mortgagor(s), and the property meet program eligibility requirements.
- G. Collects required documentation from owner-occupants, investors and non-profits and submit complete application package to the Lender for underwriting review and approval (see Form LP-002 LRA Document Checklist). The package should include a copy of deleader's license, and/or lead safe renovator's license and/or CLPPP Certificate for Homeowners, current bid, and contractor's liability insurance. Liability insurance not applicable for homeowners going through the Moderate Risk Abatement Program if the scope of the deleading work does not involve a licensed deleader. An itemized document list must be enclosed as part of the loan package submitted to the Lender (**Form LP-002 LRA Document Checklist**). The Lender is responsible for evaluating the financial capacity of the investors and non-profits to repay the Lead Paint Loan.
- H. Executes an Escrow Agreement between the LRA and Borrower and establishes accounts in the amount of the Lead Abatement Loan, the terms of which will be agreed upon by Escrow Agent. The Escrow Agreement can be signed by the Borrower at closing.
- I. When the Loan is approved and closed, the Lender will issue two checks: one payable to the Borrower and the Local Rehabilitation Agency for the amount of the Lead Paint Loan in conformance with the Escrow Agreement; one for the Local Rehabilitation Agency Fee.
- J. On a monthly basis prepare and submit all account balances upon notification from MassHousing. (**See Monitoring Document Checklist Form LPM-014 Monitoring Document Checklist**).

The LRA is responsible for monitoring the completion of the work and managing the release of loan proceeds to pay for the completed work. The LRA must exercise all approval and oversight responsibilities. On a monthly basis, the LRA will provide a status of all outstanding deleasing projects, which will include Borrower's name, MassHousing account number, original escrow balance, current escrow balance, percent disbursed, percent of project completion, estimated completion date. The LRA is to ensure that the completion of the repairs is done in a timely manner. The LRA is also to ensure that repairs are completed in accordance with the plans and specifications and the contractor's bid.

- Coordinate construction site overviews with the Borrower and the contractor.
- Provide construction oversight ensure that completion of repairs is done in a timely manner and that repairs are completed in accordance with the plans and specifications and the contractor's bid.
- Identify situations that would require an extension and report review findings to MassHousing to request an extension (**Form LPM-015 Extension Request**).
- Monitor development implementation of the extension and ensure the construction oversight is kept up to date.
- Provide periodic updates to MassHousing on the construction oversight.
- Executed contract between the borrower and the contractor describing the specific work the contractor agrees to perform, schedule for payments, construction schedule of work, contractor's liability policy, the contractor's agreement to complete the work in accordance with all applicable building codes and to obtain all necessary approvals and permits. **\*Licensed contractors must complete all rehabilitation work.**
- Escrow Agreement between the borrower and lender that details the timetable for completing the rehabilitation work, how the escrow funds will be used, and a payment schedule to the contractor and borrower.

\*Contractors are required to be licensed with the State of Massachusetts and be active and in good standing with the Contractors' License Board.

-Contractors must have public liability and property damage insurance, and worker's compensation, unemployment, and disability insurance, to the extent required by State law.

-Contractor must agree to comply with all federal and state regulations

The LRA must submit copies of all documentation that supports the rehabilitation work, e.g., plans and specifications, "As-Completed" appraisal, contracts, rehabilitation escrow agreement, certificate of completion, title insurance endorsement, etc., to MassHousing.

#### **MANAGEMENT OF ESCROW ACCOUNT**

An escrow account sufficient to finance the completion of the deleasing must be maintained by the LRA in an interest-bearing account. The completion escrow shall be held in trust for the benefit of Borrower and MassHousing until the deleasing is completed. The completion escrow amount may provide for periodic draws against the escrow as portions of the deleasing are completed.

The LRA is responsible for managing all disbursements from this account according to the terms of the Escrow Agreement. Disbursements should occur only after the deleasing work for which the disbursement is being requested has been inspected and approved by the LRA. Required documentation for disbursements must include signed and dated contractor invoices.



Disbursements from the Borrower's Escrow Account must be made directly to the Borrower, Supplier, and/or Contractor. If the Borrower or contractor presents paid receipts for materials/supplier(s) for improvements listed on the contract for work may be paid directly to the supplier and/or Contractor. These expenditures must be reasonable and the LRA must monitor the delivery and installation of all purchased material. If paid receipts are used to support a disbursement payable directly to the Borrower, the LRA must use caution to ensure that the same receipt is not repeatedly used to support more than one disbursement.

The Local Rehabilitation Agency must not disburse any proceeds from the Escrow Account without a signed request for disbursement from the Borrower.

Based on the scope of work, the LRA shall utilize a mechanics lien waiver and title run downs to ensure release of potential liens and payment to the contractor.

The LRA must maintain records on all escrow disbursements.

A ten percent (10%) holdback is required until the LRA receives a copy of the Certificate of Compliance.

#### **Escrow Account**

At loan closing, the Borrower will endorse the Loan proceeds check issued by the Lender in accordance with the Escrow Agreement. The Local Rehabilitation Agent will deposit the loan proceeds check in a Non-Interest-Bearing Escrow Account, which is held jointly in the name of the Borrower and Local Rehabilitation Agency.

Any funds remaining in the Escrow Account six (6) months after the Closing Date must be applied to reduce the principal balance of the Loan or be applied to the Get the Lead Out General Funds, whichever is applicable, unless the Agency provides an extension in writing prior to the end of the six (6) month period. These funds should be sent, by check to:

**MassHousing  
Home Ownership CASH  
One Beacon Street, 6<sup>th</sup> Floor.  
Boston, MA 02108**

The check should be made payable to MassHousing for credit to the account of the Borrower or to the Get the Lead Out General Funds, whichever is applicable. A cover letter from the LRA should include the Borrower name and property address. The LRA must notify the Borrower in writing of this action.

#### **Disbursement Limits:**

1. The Local Rehabilitation Agency may limit the number of disbursements per loan. (The Borrower should be informed of the number and amounts of disbursements allowed before the loan is closed.)
2. Due to the nature of work done to bring the property in compliance with the Lead Law, it will be necessary for an executed Letter of Full Deleading Compliance to be produced along with an executed contractor's invoice in order that final disbursements of funds be made.

3. No loan proceeds may be used for work begun prior to the date of the loan closing, other than the initial lead paint inspection. All advance payments to a contractor are solely the responsibility of the Borrower, and not the responsibility of the Local Rehabilitation Agency.
4. There is no contingency fee required for a Get the Lead Out loan.
5. No reimbursements for materials may be made to a Lead Safe Renovator or Homeowner with CLPPP Certificate until a Certificate of Compliance is received by the Local Rehabilitation Agency.

#### **Contract and Inspection Report Review: All Loans**

Prior to closing a Loan, the LRA shall obtain an inspection report and contract for work to be completed on subject property. This contract (bid), completed by a state licensed lead contractor, state licensed lead safe renovator and/or homeowner must be consistent with the Lead Inspection Report. After lead work is completed, the state licensed inspector will prepare the Letter of Full Deleading Compliance.

#### **LRA FEES**

MassHousing will pay a fee to the Local Rehabilitation Agency for the services provided in the amount of a flat fee of \$1,500.00 (this fee does not include LRA inspection fees). The Lender will disburse funds to the LRA after the Loan has been purchased by MassHousing. The LRA has the ability to waive the fee.

#### **RELOCATION**

Relocation costs to Mortgagors cannot be included in the loan amount. Relocation assistance is available from a separate fund for lodging and related taxes only, if required. The following guidelines outline in detail the steps that must be followed when relocation expenses are incurred:

M.G.L. C. 111, s. 197 and 105 CMR 460.160(A) requires that a dwelling unit or residential premises shall not be occupied while deleading is being conducted. Furthermore, the residential premises or dwelling unit cannot be reoccupied until deleading is completed according to the procedures specified in 105 CMR 460.160(D), and it meets the conditions of a reoccupancy reinspection specified in 105 CMR 460.760(A) and a certificate of compliance issued by a licensed inspector. To receive MassHousing funds to carry out any type of deleading work, an acceptable plan for alternative housing must be approved and acknowledged by the Local Rehabilitation Agency and by the Mortgagor(s), **in writing, prior to Loan closing.**

Costs for alternative housing may not be incorporated into the loan amount and are the responsibility of the Borrower(s). There is a limited pool of funds available for households (i.e., homeowners or tenants) who cannot locate no-cost housing. Funds will be available on a first come first served basis through MassHousing and must be the minimum amount necessary to effectuate relocation. Alternative housing must be based on **average local area lodging costs**, not to exceed a total of \$750 per household. The Local Rehabilitation Agency is responsible for determining the average local area lodging costs, and for approving, **in writing**, the household's (i.e., Borrower(s)/and or tenant(s)) alternative housing location.

**Please note that alternative housing reimbursement is limited to lodging and related taxes. Items such as transportation, meals, and telephone charges are not reimbursable.**

The homeowners and/or tenants will not be granted reimbursement for lodging not approved in writing by the Local Rehabilitation Agency **prior to the relocation and deleading**. A local area is the city or town in which the prospective deleading property is located, or a city or town contiguous to it. All reimbursable lodging must be situated **within the Commonwealth of Massachusetts**. MassHousing must approve any exceptions to these criteria in writing prior to the loan closing and deleading or reimbursement will not be granted.

To ensure that the abatement process is carried out effectively, the following relocation guidelines must be followed:

- (1) Owner-occupants/tenants shall make every effort to obtain no-cost alternative housing during abatement with relatives, friends, or neighbors. If this option is unavailable, the owner-occupant(s)/tenant(s) shall certify to their inability to obtain no-cost housing, **in writing**, and submit the certification to the Local Rehabilitation Agency.
- (2) The Local Rehabilitation Agency shall then assist the owner-occupant(s)/tenant(s) in locating possible sources of alternative housing funds through local, municipal, or state agencies. If this search is unsuccessful, the Local Rehabilitation Agency shall, **in writing**, detail the search efforts that were undertaken on the Mortgagor's behalf and indicate the estimated amount necessary for the alternative housing, the number of days that alternative housing assistance will be required, and the average cost of alternative housing **in the local area**. Once the homeowner(s) and or tenants select alternative housing, they must obtain the Local Rehabilitation Agency's written approval of the accommodations as to the alternative housing location and its cost.
- (3) Homeowners will be reimbursed for approved alternative housing expenses incurred during the deleading process only after submission of the following documentation by the Local Rehabilitation Agency to MassHousing:
  - The Homeowner's written and signed certification that they were unable to obtain alternative housing with relatives, friends, or neighbors.
  - A letter of Full Deleading Compliance in accordance with Massachusetts's law and regulations as well as CLPPP's regulation 105 CMR 460.760 (D0 (2) (b).
  - The Homeowner's paid in full itemized receipt from the LRA approved hotel or motel which provided the alternative housing during the deleading process.

## **ROLE OF LENDER**

Lenders are responsible for underwriting, processing, and closing the Mortgage Loan. Lenders will qualify applicants using sound and customary underwriting standards.

## **Lender Approval**

Lenders must obtain special approval from MassHousing to participate in the Get the Lead Out Program before reserving funds.

**Lender Fees**

The Agency will pay a fee to the Lender of \$1,500 per loan when Lead Paint Loan is purchased by the Agency.

**Underwriting Considerations****Maximum LTV**

Loan-to-value ratios do not apply to this program. Loans are not dependent upon equity in the home.

**Qualifying Ratios**

The maximum debt-to-income ratio permitted is 50% of the Borrower's gross income including the Lead Paint Loan. There is no debt-to-income ratio for the 0% deferred loan for owner occupants with children under the age of six or who are court ordered to delead or have a code enforcement to delead in place.

**Credit**

Loans will be written in accordance with Mortgage Lender's internal prudent and reasonable credit guidelines for Borrowers who are deleading for preventative reasons. The credit guidelines for a 0% deferred loan for owner occupants with children under the age of six or who are court ordered to delead or have a code enforcement to delead in place will be looked at on a case-by-case basis. There is no minimum credit score. The lender should contact MassHousing to discuss credit issues on these loans.

***The 0% Deferred loans meet the current exemptions from Sections 4 and 5 of RESPA dated October 6, 2010, and the criteria set forth in 12 Code Fed. Regs. § 1026.3(h) and § 1024.5(d), effective October 3, 2015.***

**Credit Investigation: Owner Occupants and Investors**

The Lender must submit a single repository credit report as evidence of a Mortgagor's credit standing (other than Non-Profits). The credit investigation shall include information on all persons required to sign the application and to execute the Note. Under no circumstances will the Agency accept credit applications or loan reviews that are more than three months old as of the date of loan closing.

**Income Verification**

Salaried Employee: Lender must obtain the Borrower's IRS W-2 forms, for last 2 years and current paystub with year-to-date figures; calculate monthly income based on year-to-date figure to annualize.

Self Employed: 2 years signed federal income tax returns with all applicable schedules; a year-to-date profit and loss statement if at time of application more than 120 days have elapsed from the end of the tax year.

**Required Documents****Underwriting Owner-Occupants**

The Lender must review for approval the following documentation:

- Title Rundown (evidence of ownership)
- 30 days of paystubs

- Last year's W-2's
- If self-employed, last two years tax returns (business and personal) and Profit and Loss Statement
- If a multi-family last year's tax return
- Credit Report – Single Repository
- Copies of leases if not owned during previous tax year.
- Verification of current taxes, water & sewer payments, and insurance
- Loan Application
- All real estate taxes, water bills and other assessments must be paid to date.
- Lender will use 75% of actual rents, or 50% of market rents if vacant, and subtract from all monthly mortgage obligation including the Lead Paint loan. Positive cash flow will be added income, and negative cash flow will be added to debt.

Borrowers must be able to finance any cost beyond the per unit maximum allowed under the Lead Paint Program with private financing, savings, or other verifiable sources. If the deleading contract estimate exceeds the maximum loan amount, a copy of a certified bank check for the difference made out to the Mortgagor and Local Rehabilitation Agency must be provided to the Lender with the application package.

### **Underwriting Investors**

Investors will have to qualify for a mortgage based on common underwriting standards and have sufficient cash flow to meet all mortgage debt obligations. Maximum Debt to Income ratio permitted is 50% of investor's gross income, including Lead Paint Loan. The following documents will be used during the underwriting process:

- verification of current mortgage payments (all properties owned by investors).
- verification of current taxes, water and sewer payments, insurance (property to be deleaded).
- credit report.
- past year's tax returns; (for multi-families)
- affidavit certifying tenants' income (if vacant structure, affidavit certifying that all units to be deleaded (**Form LP-009**) will be initially rented to income eligible tenants); (Additional documentation is **NOT** required).
- loan application.
- copies of leases if the property was not owned by applicant previous tax year.
- Lender will use 75% of actual rents, or 50% of market rents if vacant, and subtract from all monthly mortgage obligation including the Lead Paint loan. Positive cash flow will be added income, and negative cash flow will be added to debt.
- All real estate taxes, water bills and other assessments on all properties to be deleaded by the investor must be paid to date.
- investors must be able to finance any cost beyond the per unit maximum allowed under the Lead Paint Program with private financing, savings, or other verifiable sources.

### **Underwriting Non-Profits**

**Non-Profits will have to qualify for a mortgage based on common underwriting standards and have sufficient cash flow to meet all mortgage debt on the property. The following items will be used during the underwriting process:**

- a 501(c)(3) determination letter issued by the IRS or equivalent evidence of federal tax-exempt status.
- audited financial statement covering the most recent fiscal year.
- a profit and loss statement covering the most recent ninety (90) day period.
- a fully completed Intake application.
- have two (2) year's experience providing housing for low- and moderate- income families.
- certify that there is a voluntary board and no part of the net earnings of the organization benefits any member, founder, contributor, or individual.
- proof of signatory authorization.
- an affidavit certifying income of tenants to be deleaded and/or that income eligible tenants will occupy vacant units after lead abatement; (Additional documentation is **NOT** required).
- copies of leases.

***The Investor and Non-Profit loans meet the requirements as set forth in 12 Code Fed. Regs. § 1026.2(a)12.***

### **Right of Rescission**

The Agency will not purchase a Loan when the Right of Rescission has been waived.

### **Lien Position**

Liens placed through the Homestead Act must subordinate to the MassHousing Lead Paint Loan. The Lead Paint Abatement Program has been designed as a second mortgage loan program. MassHousing will assume a third position behind a second mortgage, equity line or MassHousing Home Improvement Loan only. If there are more than 2 liens on the property, the Lender should contact MassHousing to discuss.

Loans must be secured by a recorded lien in the form of a mortgage. The Mortgage and Mortgage Rider must be executed by all persons or other entities having an Ownership Interest in the Residence.

Property must have a clear, marketable title.

### **Insurance Requirements**

At the Closing Date, the property securing each Loan must be covered by hazard insurance including fire and extended coverage insurance in amounts required under all MassHousing Mortgage Loans.

### **Security**

All Lead Paint Loans are secured by a recorded mortgage.

### **Warranty Regarding Anti-Predatory Laws**

Lenders must warrant that any Loan sold to the Agency complies with all applicable laws, including anti-predatory laws, and is not a "high cost" Loan as defined by state law. Delivery of a Loan to MassHousing

for purchase shall constitute an affirmative covenant by the Lender that the Loan complies with the applicable laws.

### **Encumbrances**

The Agency will not approve loans for properties that have encumbrances including, but not limited to, tax liens, municipal liens, attachments, or judgements. The guidelines for a 0% deferred loan for owner occupants with children under the age of six or who are court ordered to delead or have a code enforcement in place will be looked at on a case-by-case basis. The lender should contact MassHousing to discuss encumbrance issues on these loans.

### **Bankruptcy**

A bankruptcy must be fully discharged prior to the time of application.

### **Closing costs**

For Investor and Non-Profit loans, reasonable closing costs and fees can be rolled into the loan including attorney fee (including title update), credit report, flood cert, MERS fee, recording fee, LRA fee (flat fee of \$1,500), State Inspection fees and LRA inspection fees.

All closing costs and fees for 0% Deferred loans will be paid by MassHousing.

### **Contingency Amount**

There is no contingency amount required on a Get the Lead Out loan.

### **Exceptions**

MassHousing will consider exceptions for loan amounts only. We do not accept exceptions for over income. An Exception Request (**Form LP-012**) must be submitted to MassHousing along with 2 bids and the Inspection Report. MassHousing will review the request and perform their due diligence. The following will be reviewed, and MassHousing reserves the right to request additional information if needed:

- Application stating Assets
- All Income Sources
- Purchase Price of Home
- Estimated Value of Home
- Date of Purchase
- Housing Expenses/DTI
- Current Mortgages/Date/Amount
- Bids/Scope of Work meeting "like" "kind" requirement
- Inspection Report/Feedback from CLPPP/Dept of Public Health

Once MassHousing has conducted their review, the request will be sent to EOHLC with a writeup, backup documents and a recommendation or needs discussion. EHOHC will review and ask for more information, a discussion of the request or grant an approval. The approval letter will be emailed to the Lender/LRA.

Exceptions to underwriting will be sent to MassHousing for review. These do not need EHOHC approval. Once approved, the Lender will document the file with the approval from MassHousing.

## **RESERVATION OF FUNDS**

## **Registration System**

This section describes in detail the registration system which must be utilized by lenders to access MassHousing mortgage financing. Lenders must obtain a loan registration from MassHousing for any loan the lender intends to sell to MassHousing under this program. Loan registration may be made via the internet, at the following address: [www.emasshousing.com](http://www.emasshousing.com).

## **Extensions**

All rate lock extensions must be completed prior to the current rate lock expiration date. There is no rate lock extension fee. To request an extension, email the Lock desk at [Lockdesk@masshousing.com](mailto:Lockdesk@masshousing.com)

## **Withdrawals**

Lenders may also withdraw the registration and resubmit a new registration after 10 days.

## **Mortgagee Clause**

The mortgagee clause of any Property/Flood insurance policy required in connection with a mortgage loan sold to MassHousing Finance Agency must read as follows:

Massachusetts Housing Finance Agency  
ISAOA/ATIMA  
PO Box 2229  
Coppell, TX 75019

## **Loan Delivery Pre-Purchase**

MassHousing will complete a prepurchase review to ensure the accuracy and completeness of the closing documents, credit file, data integrity, and compliance with state and federal regulatory requirements. Lenders must utilize their own interim funding facility. MassHousing will work with lenders to address file differences prior to funding. Loans will be funded by MassHousing once all conditions have been cleared. Refer to Prepurchase File Review below.

MassHousing conducts these prepurchase reviews. However, our review does not release lenders from their obligations or representations and warranties under the Master Loan Purchase Agreement.

## **Imaged Document Delivery**

MassHousing requires lenders to upload loan files for purchase by transmission of electronic image through [www.emasshousing.com](http://www.emasshousing.com). In transmitting an electronic image of a loan file for purchase, the lender certifies and warrants to MassHousing that the lender has scanned and electronically provided MassHousing with complete and accurate electronic images of every document in the loan file.

Notwithstanding MassHousing's acceptance of the delivery of loan files by electronic image, lenders must still deliver the Original Promissory Note to MassHousing.

## **Document delivery**

MassHousing does not require lenders to conform to any indexing scheme.

Acceptable Image Types include single-page and multi-page TIFs. Additionally, single-page and multi-page PDFs are also acceptable with a minimum PPI (Pixels Per Inch) of 200¼ however, 300 PPI is preferred.

The loan file will then undergo MassHousing's review, and the lender will be notified of any issues and discrepancies. Lenders must deliver the original note with proper endorsement to MassHousing.

## **Note Endorsement**

All Notes must be endorsed to Massachusetts Housing Finance Agency in the following manner:



Pay to the order of

Massachusetts Housing Finance Agency

Without recourse

By \_\_\_\_\_

Printed Name \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Name of Lender \_\_\_\_\_

Note: No endorsement may be executed by an Attorney in Fact. Lenders using warehouse lines are required to utilize allonges executed by authorized signatories.

Note: "Without recourse" shall not affect the Lender's repurchase obligations provided in the Master Loan Purchase Agreement.

Lenders must maintain their own loan file records in compliance with recordkeeping requirements.

**File Order**

Lenders must upload the loan file to [emasshousing.com](http://emasshousing.com) in the order shown on Mass Housing's **Document Checklist Form LP-001**. Lenders should avoid submission of duplicate copies or unexecuted forms and disclosures deemed immaterial. Placing the documents in the required stacking order will expedite the review of the Lender's Loan file.

**Mortgage Electronic Registration System (MERS)**

Lender must be an active member of MERS when selling loans to MassHousing. Active members create a unique MIN number for each transaction and are required to deliver loans on "MERS as Original Mortgagee" (MOM) documents using the MIN number. Refer to [www.mersinc.org](http://www.mersinc.org) for details.

Lenders must register the loan with MERS using their company name and provide evidence of registration as part of the loan package uploaded to [www.emasshousing.com](http://www.emasshousing.com) for prepurchase review. Once MassHousing notifies the lenders of the loan purchase, lenders will transfer the Beneficial and Servicing Rights within 72 hours of the date of funding.

Second Mortgage Lenders can obtain a MERS Lite Membership.

**Prepurchase File Review**

All loans must be closed, disbursed, and received by MassHousing on or before the rate lock expiration date.

MassHousing will complete a review of a loan file prior to MassHousing purchasing the loan. When document errors and omissions are cited an Audit Report will be issued to the lender.

Lenders should expect delays in completion of the prepurchase file reviews due to missing and/or inaccurate documentation contained in each loan file. Therefore, it is essential that lenders and their closing attorneys implement best practices to ensure the following:

- The note is properly endorsed to MassHousing.

### **Condominium Unit Numbers**

If a subject property is a condominium or other type of property wherein the mortgage document including the note is identified by a unit number in the legal description, the unit number must be included on the note and the mortgage.

In some instances, the findings will identify, via the USPS, the property as having a unit number when a unit number does not exist. The lender must confirm the accuracy of the property address by providing documentation, such as the title report, appraisal, or a third-party provider. MassHousing will not be able to purchase a loan if the mortgage documents do not provide the correct property address.

### **Funding of Loans**

Loan funding is a process whereby MassHousing purchases a Note, security instrument, and servicing rights from the Lender. Once it has been determined that a loan is acceptable for purchase, MassHousing will make every effort to fund the purchase within two business days. Loan funding will be conducted via wire transfer.

### **Purchase Price Calculation**

To compute the amount due to the Lender, the following items are added or subtracted from the loan amount:

- Accrued interest (calculated on a 365-day basis) from the funding date through the end of the month will be subtracted from the loan amount if the loan is funded in the same month as the loan closing.
- If the loan is funded in the month following the loan closing, the interest (calculated on a 360-day basis) to be paid to the Lender will be calculated from the first day of the month (inclusive) to the purchase date.

### **Purchase Principal Balance**

The purchase principal balance is determined by the date the loan is purchased.

- If the MassHousing scheduled purchase date is prior to the 15th of any month, the loan will be purchased at the next scheduled due date and principal balance.
- If the MassHousing scheduled purchase date is on or after the 15th of any month, the loan will be purchased at a balance amortized an additional payment beyond the next scheduled due date and the Lender shall be responsible for the collection and correct application of any payments due prior to the effective due date of the balance purchased.

### **Reimbursement to the Lender for 0% Deferred Loans**

For a 0% Deferred loan, at loan closing the lender will disburse all closing costs and fees to the appropriate parties. At loan funding, the Lender will be wired the loan amount which is for abatement only. The Lender will email a Reimbursement Invoice to MassHousing. The invoice should include itemized closing costs and fees associated with the loan. Once MassHousing receives the Reimbursement Invoice it will be processed, and funds will be wired to the Lender within 5 business days.

MassHousing does not have set standard fees that are allowed, but we do ask for the closing costs and fees be kept reasonable.

GTLO Loans are allowed reimbursement of the following:

Credit Report

Flood Certificate

Mortgage Recording Fee

MERS Fee

LRA Fee

USPS

Attorneys & Inspection Fees\*

\*MassHousing requires back up of Attorney Fees and Inspections. You may get a blanket invoice from the attorney that we can hold and use for each Reimbursement, or you send one with each Reimbursement. Please send paid invoices for inspections. If inspections have not yet taken place, you may request later and request all other fees until then.

Please use the following procedures for reimbursements.

-Fill out form LP-013.

-Email the LP-013 form with back up to [dramsd@masshousing.com](mailto:dramsd@masshousing.com) & [smelvin@masshousing.com](mailto:smelvin@masshousing.com).

Please allow up to a week for reimbursement.

-Once inspections have been completed. (If not at time of first request) please send along paid invoices with another LP-013 form with the final inspection fees.

For Investor and Non- Profit loans the closing costs and fees will be paid by the Borrower and can be rolled into the loan amount. The Lender does not submit an invoice to MassHousing. The Lender will be funded the total loan amount in a wire.

### **Sale of Servicing Rights to MassHousing**

The servicing rights to each loan purchased by MassHousing on a servicing-released basis shall be transferred to MassHousing at the time of funding. The Lender shall sell, transfer, assign, and deliver to MassHousing all rights, title, responsibility, and interest in the servicing of such loan including each related escrow account.

The transfer, assignment, and delivery of the servicing rights and of the related escrow accounts shall vest MassHousing with all rights as servicer, free and clear of all claims, charges, defenses, offsets, and encumbrances of any kind or nature whatsoever.

### **Notification of Assignment, Sale, or Transfer of Servicing Rights**

For condominium loans, an official written notification must be given by the lender to the appropriate condominium association that all interest in the first mortgage given by the lender and subsequently funded by MassHousing has been assigned to MassHousing. This notification must be sent to the association when the loan is closed by the lender and funded by MassHousing and copies must be mailed to the borrower and to MassHousing at MassHousing, One Beacon Street, Boston, MA 02108.

Upon receipt of funding proceeds, Lenders must provide the borrower with a combined Notification of Assignment, Sale, or Transfer of Servicing Rights in accordance with RESPA and Reg. X guidelines, which

informs the borrower that the servicing of their loan has been sold to MassHousing. The combined notification shall be issued by the transferor under both the Lender's and MassHousing's signature.

**The mailing address for all payments due to MassHousing is:**

Borrower Payment Remittance Address Only  
MassHousing  
P.O. Box 416301  
Boston, MA 02241-6301  
Mortgage Service Center: 1-888-843-6432 Option 1 then 2

Lender shall prepare and provide to MassHousing or its designated agent, as appropriate, copies of all forms, documents, and other information required by RESPA or reasonably requested by MassHousing in connection with the transfer of the servicing rights. Lender shall cooperate with MassHousing in the completion and, if required, execution of such forms, documents, and other information in connection with the transfer of the servicing rights.

**Transfer Date**

The Transfer Date is the date on which the first mortgage payment is due to MassHousing pursuant to the assignment, sale, or transfer of the servicing rights.

If a loan is purchased on or after the 15th of the month, it will be purchased at an amortized principal balance, and Lender shall be responsible for the collection and correct application of any payment(s) prior to the effective date of the transfer. In such case, one or more payments shall be collected and applied by the Lender prior to the transfer of the loan to MassHousing.

If at the time of loan transfer, one or more payments have been or shall be made to the Lender, MassHousing requires a copy of the pay history to ensure that all required payments have been made and properly applied and that all required escrow disbursements have been made. This also ensures that the loan has been purchased correctly. This procedure will not only allow us to properly set up the customer's account to be serviced, but also help to avoid lost payments, misdirected collection efforts and generally serve our mutual customer in the most professional way.

**Insurance Policies**

It is the Lender's responsibility to ensure that the initial insurance policies for property insurance (for condominiums, unit certificate of the master policy, and HO-6 binder, if required), flood insurance (if applicable), and the life-of-loan flood determination certificate, are properly endorsed to MassHousing and that the required notice of the subsequent change of servicer is sent to each provider immediately following the loan funding in order to fully protect, under the terms of the policy/certificate and applicable law, MassHousing's interest as mortgagee.

**Trailing Documents**

MassHousing does purchase loans allowing for specific missing documents ("trailing documents") to be sent after funding. Since these trailing documents are not provided to MassHousing at the time of loan purchase, it is even more important for our lenders to follow up and ensure they are delivered to

masshousing.com within 90 days of purchase. MassHousing considers trailing documents to include, but not limited to the following:

- The original or registry certified copy of the mortgage
- Completion Letter along with the Certificate of Completion or Compliance in conjunction with rehabilitation loans
- Transfer of Servicing

### **Outstanding Documentation**

Funded loans will remain incomplete until all documentation requirements and/or conditions are satisfied.

### **Servicing**

MassHousing services all Lead Paint Loans.

### **Subordination Requests**

Due to limited funding, the GTLO Program follows the standard MassHousing Subordination Guidelines and will subordinate a GTLO Loan for a “no-cash-out”, rate and term refinance only. The GTLO Program relies on loan repayments to replenish the funding source. This is a mission-based program, and funds are recycled so the program can continue to be available for all qualifying households to meet current lead remediation requirements, comply with state regulations and reduce the possibility of lead poisoning in children creating a healthy environment across the Commonwealth.

MassHousing will consider subordination of its liens whereby the new Loan amount is to be less than, or equal to, the outstanding principal balance of the existing loan(s) and which is to be subject to an interest rate that is lower than the existing priority loan(s); and which is to be for a term greater than, or equal to, the remaining term of the existing loan(s); this is more commonly referred to as a “no-cash-out, rate/term refinance.” The only exception to this policy is that we will allow Borrowers to finance the closing costs into the new Loan amount. All subordination requests should be directed to the Home Ownership Mortgage Service Center 1-888-843-6432.

### **ROLE OF MASSHOUSING**

MassHousing will monitor the work progress via reports received from the Local Rehab Agency.

MassHousing reserves the right to inspect all documentation relating to the management of the construction project and /or escrow advances upon request to the Local Rehab Agency and reviews and approves project extensions.

### **Inspections**

The Agency or an authorized representative shall have the right to inspect the property to be abated at any time from the date of the Note, upon giving due notice to the Borrower(s) or the occupant(s).

### **MassHousing Construction Monitoring**

On a monthly basis, the Local Rehab Agency will provide a status\* of all outstanding rehab projects, which will include, but not limited to, Borrower’s name, MassHousing Loan number, original escrow balance, current escrow balance, percent disbursed, percent of project completion and estimated completion date. The status report will be sent to MassHousing at [www.rehabmonitoring@masshousing.com](mailto:www.rehabmonitoring@masshousing.com) .

### **Request for Extension for Escrow Agreement**

If the rehab work cannot be completed within the specified timeframe of the Escrow Agreement, the Local Rehab Agency must notify MassHousing in writing the reason for an extension and the projected completion time. MassHousing will review and approve the extension request and the Local Rehab Agency will add an addendum to the original Escrow Agreement with the extension terms. These requests should be sent to [www.rehabmonitoring@masshousing.com](mailto:www.rehabmonitoring@masshousing.com).

### **Required Documents for Monitoring Process**

These required documents for the Monitoring Process are to be sent to MassHousing, upon completion of the project.

- Non-Interest-Bearing Escrow Agreement
- \*Monthly Status Reports
- Copies of disbursement requisitions
- Copies of paid receipts for items paid directly to the borrower.
- Change order requests (if applicable)
- MassHousing Letter of Completion (signed by borrower work has been completed satisfactory and request
- Verify issuance and sign off on Permits by city/town (if applicable)
  - Certificate of Compliance
  - Form LPM-014 – Monitoring Checklist
  - Form LPM-015 – Extension Request (if applicable)

Audit of closing and escrow account; any remaining funds are sent to MassHousing to apply to principal or appropriate funding source.

### **FORMS**

Lenders are expected to use FNMA, FHLMC and HUD standard documents and forms for all Mortgage Loan applications and Mortgage Loans. In addition, there are forms unique to the Agency's Programs which must be completed and/or distributed.

**The following is a list of MassHousing forms:**

**Form LP-001 – Lender Document Checklist**

**Form LP-002 – LRA Document Checklist**

**Form LP-003 – 0% Interest Deferred Payment Note**

**Form LP-005 – 0% Interest Deferred Owner Occupied Uniform Mortgage Rider**

**Form LP-006 – 0% Interest Deferred Truth in Lending Disclosure Statement**

**Form LP-007 – 0% Interest Deferred Mortgage Repayment Terms Disclosure**

**Form LP-008 – Escrow Agreement**

**Form LP-009 – Investor/Non-Profit Affidavit**

**Form LP-010 – Homeowner Questionnaire**

**Form LP-011 – Income Limits**

**Form LP-012 – Exception Request**

**Form LP-013 – Reimbursement Invoice for 0% Deferred only.**

**Form LP-014 – Notice of Servicing Transfer**

### **MONITORING FORMS**

**Monitoring Document Checklist**

**Extension Request**

**Letter of Completion**

**MassHousing - Part 3**  
**Get the Lead Out Program**

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