

## **Article 9: Residential Rehabilitation Loan Program**

### **Division 7: Terms of Conventional RAP Loans**

*(“Terms of Conventional RAP Loans”  
added 1-23-1975 by O-11483 N.S.)*

#### **§99.0701 Eligibility for Loans**

- (a) Each owner of property located within a residential rehabilitation area is eligible for a conventional RAP loan provided the owner demonstrates to the satisfaction of the City Manager the ability to repay such a loan, applies for the loan within a time period to be designated by the City Manager, and can meet the other requirements of this chapter. The property owner shall agree to all conditions of the loan agreement as a prerequisite to obtaining a loan. No elected officer of the state or any of its subdivisions shall be eligible to receive a loan under the provisions of this chapter.
- (b) Any owner who is denied a loan by the City Manager on the ground that the owner and/or property does not meet the eligibility requirements may appeal the decision to the Loan Committee. The Loan Committee shall review the application for a loan and make a recommendation regarding approval or denial to the City Manager. In reviewing the application, the Loan Committee shall give due consideration to the need for the loan to be made in order to accomplish the purpose of the program, the risks to the City of granting the loan, and the ability of the property to support the loan as well as to the reasons for denial of the application by the City Manager. If the City Manager does not accept the recommendation of the Loan Committee, he or she shall give written reasons for the refusal to approve the loan.

*(“Eligibility for Loans” added 1-23-1975 by O-11483 N.S.)*

#### **§99.0702 Maximum Repayment Period for Loan; Initiation of Payments after Rehabilitation**

- (a) The maximum repayment for a conventional RAP loan shall be as set forth in the California Residential Rehabilitation Act of 1973, as it may be amended from time to time, currently twenty years or three-fourths of the remaining economic life of the property, whichever is less.

- (b) Payments on a conventional RAP loan shall commence within 60 days of the signing of the contract for rehabilitation work.  
*(“Maximum Repayment Period for Loan; Initiation of Payments after Rehabilitation” added 1-23-1975 by O-11483 N.S.)*

**§99.0703 Prepayment Penalties**

There shall be no penalty assessed for prepayment of any conventional RAP loan.  
*(“Prepayment Penalties” added 1-23-1975 by O-11483 N.S.)*

**§99.0704 Security for Loan**

Unless provided otherwise in any bond resolution issued pursuant to the provisions of this chapter, every conventional RAP loan shall be secured by a deed of trust naming the City as beneficiary of the trust.

*(“Security for Loan” added 1-23-1975 by O-11483 N.S.)*

**§99.0705 Insurance**

All conventional RAP loan agreements shall provide that so long as the loan or any portion of it is outstanding, the owner of the property subject to the loan shall carry adequate property insurance. The City Manager shall establish standards for determining when property insurance is adequate.

*(“Insurance” added 1-23-1975 by O-11483 N.S.)*

**§99.0706 Impound Account**

If the City Manager deems it desirable and necessary to effectuate the purpose of the program that an impound account be required to assure taxes, insurance, or a maintenance reserve, he or she may include such a requirement in any conventional RAP loan agreement.

*(“Impound Account” added 1-23-1975 by O-11483 N.S.)*

**§99.0707 Transfer of Loans**

- (a) The unpaid amount of a conventional RAP loan shall be due and payable upon sale or transfer of the ownership of the property, except that assignment of the unpaid amount of such a loan to a purchaser or transferee may be permitted when the City Manager determines that hardship conditions exist and the prospective owner qualifies for a loan on the basis of current loan eligibility standards.

- (b) If the holder of a conventional RAP loan is dissatisfied with the City Manager's refusal to permit transfer of the unpaid amount of the loan because of a finding that hardship conditions do not exist, the holder of the loan may request review of the City Manager's determination by the Loan Committee. If the Loan Committee recommends a finding that hardship conditions exist, the City Manager shall either accept that recommendation or give written reasons for the refusal to accept it.
- (c) Hardship conditions exist when the owner of the property subject to a conventional RAP loan is forced to sell the property and the property cannot be sold without a substantial loss of equity unless the loan is transferable.  
*(“Transfer of Loans” added 1-23-1975 by O-11483 N.S.)*

**§99.0708**

**Interest Rates and other Loan Charges**

The interest rate and any other charges for a conventional RAP loan shall be established pursuant to the provisions of Sections 99.0204 and 99.0304 and may include:

- (a) The interest charged the City on funds borrowed to carry out the provisions of this chapter;
- (b) An amount needed to provide for possible defaults on outstanding loans;
- (c) An amount to cover the cost of servicing loan accounts;
- (d) An amount to cover the cost of making hardship loans (as provided for in Division 8); and
- (e) An amount to cover the costs of issuing bonds.

*(“Interest Rates and other Loan Charges” added 1-23-1975 by O-11483 N.S.)*

**§99.0709**

**Variable Interest Rate**

In connection with a conventional RAP loan, the loan agreement may provide for a variable interest rate. If the loan agreement does provide for a variable interest rate, the terms of the loan agreement and any change in the interest rate or other charges shall conform to the requirements of Section 37917 of the Health and Safety Code of the State of California relating to the use of variable interest rates in connection with financing residential rehabilitation.

*(“Variable Interest Rate” added 1-23-1975 by O-11483 N.S.)*

**§99.0710 Tenant Moving Costs and Right of First Refusal**

- (a) All conventional RAP loan agreements shall provide that, in the case of dwelling units which must be vacated because of residential rehabilitation to be performed on the structure in which they are located:
  - (1) The property owner is responsible for paying the reasonable cost of moving expenses only of each household displaced; maximum moving expense shall not be in excess of \$300, or such other sum as may be approved by resolution of the City Council;
  - (2) Any tenant who must vacate a dwelling unit shall have the right of first refusal to occupy that unit when rehabilitation of the property is completed;
  - (3) The property owner shall give each tenant affected written notice thirty days prior to the date the tenant must vacate of the right to have no more than \$300 (or such other sum as may be approved by resolution of the City Council) of the reasonable cost of moving the household paid; of the right of first refusal to occupy the unit vacated when rehabilitation of the property is completed; of the tenant's eligibility for relocation assistance as stated in Section 99.0901; and
  - (4) A copy of the notice specified in clause 3 above shall be forwarded to the City Manager.
- (b) The anticipated cost of moving households affected by residential rehabilitation may be included in the property owner's loan.
- (c) The determination of the amount of moving expenses due a tenant shall be made by the City Manager.  
*(“Tenant Moving Costs and Right of First Refusal” added 1-23-1975 by O-11483 N.S.)*

**§99.0711 Open Housing**

All conventional RAP loan agreements shall provide that so long as the loan or any portion of it is outstanding the property shall be open, upon sale or rental of all or any portion thereof, to all persons regardless of race, sex, marital status, color, religion, national origin or ancestry.

*(“Open Housing” added 1-23-1975 by O-11483 N.S.)*

**§99.0712     Equal Employment Opportunity**

All conventional RAP loan agreements shall provide that all contracts and subcontracts let for residential rehabilitation financed under this chapter are to be let without regard to the race, sex, marital status, color, religion, national origin or ancestry of the contractor or subcontractor. Further, all conventional RAP loan agreements shall provide that any contractor or subcontractor engaged in residential rehabilitation financed under this chapter must agree to provide equal opportunity for employment without regard to race, sex, marital status, color, religion, national origin or ancestry.

*(Equal Employment Opportunity Added 1-23-1975 by O-11483 N.S.)*

**§99.0713     Enforcement of Loan Provisions**

The provisions of Section 99.0711 and the provisions of Section 99.0712 as they relate to enforcement of nondiscrimination on the basis of race, sex, marital status, color, religion, national origin or ancestry, are enforceable by the City Manager. Violation of the loan agreement provisions required by Sections 99.0701, 99.0705, 99.0706, 99.0710, 99.0711 and 99.0712 may result in any outstanding financing obtained pursuant to the loan agreement becoming immediately due and payable.  
*("Enforcement of Loan Provisions" added 1-23-1975 by O-11483 N.S.)*