

BES Financial Assistance Programs

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ENVIRONMENTAL SERVICES
CITY OF PORTLAND

working for clean rivers

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1. Applicability

Bureau of Environmental Services (BES) Financial Assistance consists of programs related to deferring regulations and providing financial assistance through loans and payment deferrals.

A. Programs. The following BES programs have financial program assistance:

1. Mandatory Sewer Connection Program (ENB-4.18); and
2. Nonconforming Sewer Connection Program (ENB-4.27).

B. Types of Assistance. BES offers the following types of financial assistance:

1. Sewer connection deferrals;
2. Installment payment and deferred payment loans for sewer connection fees and system development charges; and
3. Installment payment loans for private plumbing costs related to sewer connection.

2. Purpose

The BES Financial Assistance programs are intended to advance the following City goals and objectives:

- Support and promote private economic developments and community reinvestments.
- Preserve the financial integrity of the City's sanitary sewer utility.
- Minimize the financial impact of system improvements on utility ratepayers.
- Facilitate property owner compliance with sewer connection and pollution control requirements.
- Minimize any hardships and dislocations caused by sewer connection requirements.

3. Definitions

These rules use terms described in the Portland City Code (PCC) Chapters 17.32 and 17.36 plus the following additional terms:

- A. "Household Members"** means all persons, regardless of relationship or age, who are considered dependent of the loan applicant as defined by the Internal Revenue Service. Those persons not determined to be dependents but who reside permanently in the household may be counted.
- B. "Loan Applicant"** means the person who has primary legal responsibility for the residence and is a member of the household. Other household members in title will be considered as co-applicants.
- C. "Supporting Documents"** means the written materials provided by the loan applicant required to verify the complete financial status of the loan applicant's household including income, assets, allowable deductions, and other facts related to financial program eligibility.
- D. "Verification Documents"** means the forms and papers originating from BES for the purpose of verifying information relative to sewer connection deferrals and financial assistance.

4. General Public Loan Programs

Property owners may use the following loan programs to finance all the costs of physically constructing and paying charges for connection to the City's sanitary sewer system. To request any loan described below, the property owner must submit a written request for a loan on forms provided by BES.

- A. City of Portland Loan Contract.** BES offers assessment loans that allow property owners to pay sewer connection and conversion charges in installments over periods

of five, ten or 20 years as secured by City lien. The installment payment contract must be signed by all owners of record for the property that is subject to the assessment lien. In cases of contract purchasers, the purchasers must demonstrate that they are legally authorized to encumber the property with a primary lien. BES will:

1. Pay the costs of administering the program;
2. Maintain-complete accounting records;
3. Perform regular and periodic accounting reconciliations; and
4. Prepare periodic and annual financial reports.

B. Private Plumbing Loan Program. BES may grant a loan to finance the costs of sewer connection work performed on private property. The loan will be limited to eligible owner-occupants of single family and duplex residences. These loans require installment payments over five or ten-year terms (depending on the amount financed) and are secured by a primary lien on property.

1. *Eligibility.* The property must not be encumbered with delinquent property taxes, special assessments or assessment loans. If delinquencies exist, the property owner must provide documents of special payment arrangements to eliminate the delinquency, and related payment histories.
2. *Competitive Bids.* The property owner must submit at least three bids for the sewer connection work. The bids shall be provided by contractors who are bonded and licensed with the Oregon Construction Contractor's Board. BES may waive the requirement of multiple bids if the property owner documents unsuccessful efforts to obtain multiple bids, has a sewer connection emergency, or has retained a qualified contractor for other work being performed on the property.
3. *Work performed by the Property Owner.* The property owner may elect to complete the sewer connection work without the use of a contractor and finance the costs of materials and equipment through the Private Plumbing Loan Program. The property owner must comply with all applicable sewer connection and plumbing regulations, and obtain all necessary permits and inspections.
4. *Amount to be Financed.* BES will establish a borrowing limit based on the lowest of the qualified bids submitted by the property owner, or the estimated costs of materials and equipment if the work is to be performed by the property owner. The total loan amount is the lesser of:
 - a. The borrowing limits established by BES prior to sewer connection work; or
 - b. The actual sewer connection costs as documented by the property owner or sewer connection contractor; and
 - c. Loan origination fees set by BES and loan processing and recording fees set by the Office of the City Auditor.

A Private Plumbing loan must not to exceed \$10,000. The property owner is directly responsible for any sewer connection costs contractor costs in excess of the limit established for the loan.

5. *Selection of the Contractor.* It is the responsibility of the property owner to select a contractor. The property owner may select a contractor that is different than the

one who provided the lowest of the bids used to determine the limit of the loan. However, the City will only provide funds for the amount of the lowest qualified bid.

6. *Managing the Sewer Connection Work.* The property owner is responsible for managing the sewer connection work, including the activities of the contractor, City permitting and inspection, restoration work, repairs and claims for damages incurred during the connection. The property owner must retain all receipts, permits, inspection reports and other documents.
7. *Payment of Costs and Final Loan Amount.* BES will authorize the payment of sewer connection construction costs once the property owner has presented documentation including all necessary permits and inspections, and an itemized statement of costs. The amount of the payment will not exceed the amount approved when the loan was authorized, except in cases where additional costs resulting from unanticipated complications were approved by BES.
8. *Loan Terms and Conditions.* A loan under \$2,500 will have a term of five years. A loan of \$2,500 or greater may have terms of five or ten years.

C. Owner Occupied / Low Income Loan and Deferral Program. Low-income property owners who qualify may use the following loan programs to finance sewer connection fees, system development charges, and onsite private sewer construction costs. Low-interest deferred payment loans are available for part or all of the sewer connection charge. Loan payments to be deferred for five years, or if the loan applicant is over 62 years of age until the property is sold.

1. *Safety Net Deferred Payment Loans.* These loans finance sewer connection charges and system development charges, and defer installment payments for periods determined by loan applicant's age or income level.
 - a. *Timing for Loan Application.* After receiving notification of their connection due date, property owners may apply for a Safety Net Loan. Loans through the Safety Net Low Income Program will also be available to property owners who must connect immediately due to a failed cesspool, failed onsite sewer disposal system, or failed common sewer conveyance system.
 - b. *Assumption of Loans.* Safety Net Loans are assumable in the following circumstances:
 - i. Upon death of the Safety Net loan holder when the person inheriting the property applies for and is approved for the Safety Net Low-Income Program; or
 - ii. Upon reapplication and approval to the Safety Net Program at the end of the five-year deferral period.
2. *Safety Net Private Plumbing Loan Program.* Low interest, deferred payment loans are available to owner-occupants who meet specific tests of financial hardship. This loan is used to finance the costs associated with hiring a contractor to connect the property to the public sewer system. The deferred payments schedule is determined by the loan applicant's age. BES records a lien against the benefited property to ensure full payment of the loan when property is sold or transferred to a new owner.

- a. **Timing for Application.** A loan through the Safety Net Private Plumbing Program will only be available to property owners who are ready to connect to the City public sewer or who must connect immediately due to a failed cesspool, failed onsite sewer disposal system, or failed common sewer conveyance system.
 - b. **Additional Loan Applicability.** A loan applicant who obtain a Safety Net Private Plumbing Program and are ready to connect to the City sewer or must connect immediately due to a failed cesspool or other onsite system will automatically qualify for a Safety Net Loan to pay for their sewer connection charge.
3. **Eligibility Criteria for Owner Occupied Low Income Programs.** A loan applicant must provide documentation of the following to be eligible for owner-occupied, low-income programs:
- a. The assessed property must be the loan applicant's residence of record;
 - b. The gross household income for the 12 months prior to the date of application, less allowable deductions, must be 80% or less of Median Family Income guidelines as established by the HUD Portland Area Median Income and based on household size;
 - i. Gross income includes, but is not limited to, wages, commissions, bonus, overtime, Social Security and retirement benefits, Veteran's benefits, public assistance, child support and alimony, interest and dividends, rental or boarder rent income, support from a non-member of the household, unemployment compensation and disability payments, net profits from sole or joint proprietorship or home business, and the living expenses portion of student grants for those students residing in the home for the 12 months preceding the date of application;
 - (a) Retirement income is calculated forward instead of back 12 months. An exception to the 12-month rule would be allowed if the loan applicant or co-applicant has fully retired during the prior 12-month period. Fully retired means the loan applicant or member of the household is not receiving and does not anticipate any business or employment income. In these cases, income would be from the date of retirement and projected forward 12 months. This forward projection presumes that upon full retirement the future income is predictable with little likelihood of significant change. Where this is not true, it will be necessary to go back 12 months from the date of application, and
 - (b) All non-reimbursed medical, dental, optical expenses, nursing home costs, verifiable child care costs of an employed loan applicant, home nursing costs, and child support will be considered as allowable deductions from gross income; and
 - ii. Gross income from other household members, including all persons, regardless of relationship or age, who are considered dependent of the loan applicant as defined by the Internal Revenue Service or who reside permanently in the household, will be added to that of the loan applicant's.

An Affidavit of Relationship and income, signed by the loan applicant and the house member (except in the case of children under 18 years of age), must be provided;

- c. Net household assets, excluding the primary residence, its contents, and one car must not exceed \$50,000 at the time of application;
 - i. Resources that can be liquidated or used as collateral for a private loan without substantial penalty in order to fund sewers, such as: stocks and bonds, savings accounts, credit union shares, cash on hand, vehicles, and equipment will be included as assets;
 - ii. If a business owned by the loan applicant or a household member is for sale and an offer has been made and accepted for the purchase of the business prior to the completed application, the purchase price minus all encumbrances would be included as a personal asset. Other real property, even though it produces income, will be considered as assets;
 - iii Resources not considered available to fund sewers include: pension funds, IRA's (when they can be drawn upon only with penalty), and businesses and the equipment and supplies necessary to operate that business. Encumbrances, such as mortgages, debts or outstanding loans will be subtracted from the value of all assets;
- 4. *Deferred Payments.* Low-income loan payments will be deferred for the first five years of the loan. On the five-year anniversary, the loan will convert to an amortized payment loan as described in Section 6.H. A loan applicant who has reached the age of 62 by the date of the loan application will have the payments deferred as long as they retain title and continue to occupy the property as their primary residence. An annual simple interest rate will be charged on the loan. All outstanding loans will become due and payable when the property is sold, the title is changed, or upon death of the low income loan holders in title. Sale or transfer of the property includes:
 - a. Any contract for the sale of the property over time,
 - b. Any transfer of title to another;
 - c. Any assignment for the benefit of creditors;
 - d. Any lease or rental with an option to purchase or where the financial program client no longer resides on the property or fails to utilize the property as his/her principal residence;
 - e. The appointment of a receiver, a foreclosure of any nature; or
 - f. Any gift of the property.
- D. Loans Due in Full.** A loan will become due immediately and in full upon the discovery of any false information or upon discovery that the Safety Net applicant intentionally failed to disclose information relative to their eligibility. A loan will become due in full upon the occurrence of any event specified in Section 4 of the Safety Net Loan Agreement entitled "When Due".
- E. Default of Loans.** A loan is in default when the owner fails to pay three consecutive installments on the loan when due, as provided in the Safety Net Loan Agreement.

Upon default, the unpaid principal amounts of the Safety Net Loan, any accrued interest charges, or any penalties, and the assessment lien on the property will become immediately due and payable. In the event of a default, collection proceedings shall be initiated as provided for in the PCC Title 17.36.

5. Loan Application

BES representatives will work with affected property owners to identify and assist them in application for various loan and funding assistance programs.

- A. Initial Contact.** BES will complete a pre-screening form during initial contact. Preliminary calculations may identify a potential loan applicant's eligibility if their information can be verified. At this time, an appointment for a formal interview will be set.
- B. Appointment Notice.** An appointment is made for the loan applicant to come into the BES offices (downtown) or for an interviewer to visit the loan applicant in their home if the applicant is disabled. A notice is sent to the loan applicant confirming the time, date and location of the appointment and listing the items that applicant should bring with them in order to complete the application.
- C. Completing the application.** The loan applicant should bring the requested supportive documents to the appointment. The interviewer reviews and completes each item on the application with the loan applicant based on the information provided. The loan applicant will receive a written list of any needed additional supportive documentation. The application will not be considered complete until all requested information is provided. The application will be considered active for 90 days from the last contact with the loan applicant. Should the loan applicant fail to supply the requested information within 90 days, a new application must be initiated.
- D. Verification Process for Safety Net and Safety Net Private Plumbing Loans.** The loan applicant must verify essential information concerning eligibility. All income and expenditure items must be verified either by supportive documents provided by the loan applicant or through appropriate verification forms. If the information from the loan applicant shows inconsistencies or does not adequately document household size, owner-occupancy, income, assets or other information relative to Safety Net eligibility, the loan applicant may be required to provide additional supportive documentation. Supportive documents are copied and the original documents supplied by the loan applicant are returned to the applicant.
- E. Additional verification needed for the Safety Net Private Plumbing Loan only.** Verification documents for all the items on the list provided by Section 5.C must be submitted.
- F. Documentation.** If adequate documentation is not available BES may request the loan applicant to sign a notarized affidavit swearing to the information they have stated in the application. BES may investigate other public records, as necessary to verify information pertaining to eligibility.
- G. Additional Application Review.** If the review cannot be completed within 30 days, BES will notify the loan applicant of the status of the review and the estimated date for its completion. BES will mail this notice prior to the end of the initial 30-day period.

- H. Determination of Ineligibility.** A loan applicant may be found ineligible if:
1. The applicant has income or assets over the amount allowed in the program;
 2. The applicant does not live in the property;
 3. The applicant does not have a financial interest in the property;
 4. There are significant, unexplained inconsistencies between the information provided by the applicant and the information located from a search of other records, verification sources or other investigative action; or
 5. The information provided by the applicant has proved false.
- I. Notice of Eligibility.** At the conclusion of the review, BES will make a formal written recommendation on loan program eligibility, supported by specific findings of fact. If a loan applicant is found to be ineligible for the program, the applicant is sent a letter indicating the reasons for ineligibility. The letter will include information regarding the loan applicant's rights of appeal, deadlines for appeal, and a summary of the appeal process, and other options available to the applicant.
- J. Finalizing Agreements.** BES will prepare, and the loan applicant will sign, any loan closing agreements and the deferral agreement, if applicable. All property owners in title must sign all closing documents.
1. *Loan Closing Summary Form.* BES completes and signs the summary form with the calculations showing the amount of deferral available to the loan applicant. BES calculates and explains the interest that will accrue on the loan and explains any other options the property owner may have regarding their sewer connection costs and connection responsibilities.

6. Loan Administration

- A. Loan Applicant Files.** A hardcopy file is maintained for each loan applicant with:
1. The application form, verification items, copies of supportive documents, and a log of contacts with the applicant and a worksheet showing calculations used in determining eligibility;
 2. Copies of the final agreements or letter of ineligibility; and
 3. The original loan documents.
- The loan applicant's files will be organized by property owner name. A computer database is maintained that is accessible by name, property tax number, and address in addition to the hardcopy loan applicant's file.
- B. Installment Calculation and Monthly Bill.** Loan installments will be calculated on an equal monthly payment basis. Each installment will consist of loan principal, interest calculated based on a simple fixed rate, and an account service charge. All payments will be applied first to costs, then to penalties, then to interest and finally to principal.
- C. Interest Rate and Account Service Charge.** BES will set the interest rate based on a financial analysis of the costs of the loan program and the financial risks associated with unqualified loans. The account service charge will be set by the City Auditor who will charge a fixed simple interest rate for Safety Net and Private Plumbing loans.

- D. Annual Percentage Rates (APR).** BES will calculate APR as a simple method of summarizing the total cost of interest, financing and origination fees, and monthly service charges. The APR is not used to calculate the monthly installment interest for this loan.
- E. Change of Address.** The property owner is responsible for notifying BES of any change of ownership or billing address. The notice must be made to BES in writing, and must be received within 15 days of the event triggering the change.
- F. No Penalty for Pre-Payment.** The payment period may be shortened by paying more than the required installment amount. Payments that are received on loans prior to the date payments are scheduled to begin will be applied first to accrued interest when calculating amortized loan payments. The entire unpaid balance may be paid off at any time with interest, penalties and costs accrued to the date of final payment.
- G. Amortization.** At the end of the five-year deferred payment period, a loan will convert to an amortized monthly payment with the same interest rate for the unpaid balance. No penalty will be assessed for early payment. The term of amortization will be five, ten, 15, or 20 years depending on the total amount of the principal plus the accrued interest. Property owners will be given the opportunity to choose a loan payment term that is shorter than the prescribed formula. The payments will be calculated on the principal plus accrued interest after any prepayments are subtracted.

\$0 – \$999	5 years
\$1,000 – \$1,999	10 years
\$2,000 – \$2,999	15 years
Above \$3,000	20 years

- H. Termination Notice** The loan applicant will receive a certified letter from BES with the following information:
 1. The date of loan termination;
 2. The balance of the loan including principal and interest on the date of termination;
 3. Current Safety Net Program criteria and information regarding deferrals the reapplication process; and
 4. Information regarding the conversion of the deferred payment Safety Net Loans to amortized payments.

The loan applicant will be asked to respond to the letter in 90 days. Failure to respond will lead to initiation of the collection process described in Section 7.

7. Default of Loan Terms

The City may implement any of the following actions for non-payment or default on BES loan programs:

- A. Recording of Property Lien.** Any loan available through BES are secured as a lien in the Docket of City Liens. The assessment will run with the land, and will bind owner's heirs, personal representatives, successors and assigns. The City will allow the contract to be assumed when the property is transferred; however the City will not subordinate the lien. When the loan is paid off in full, the Auditor's Office will

remove the lien.

- B.** The City's Bureau of Revenue is responsible for administering BES financial program loans. The actual signed loan document details the provisions for late payment, default, and foreclosure against the loan.
- 1.** *Late Interest and Penalties for Non-Payment.* The City will charge late interest against each delinquent installment payment based on the loan interest rate and the amount of time that each installment is past due. Beyond 60 days past due, the City will declare this contract in default and require payment of the entire unpaid balance, plus interest, penalties, billing charges and costs.
 - 2.** *Default and Foreclosure.* A breach of any provision of the loan will result in a default. Upon default all principal, interest penalties and costs will be due and payable. The City may then foreclose in any manner provided by the PCC or state law to collect the outstanding balance of the lien on the property.

APPENDIX A - Background Information

General Public Loan Programs

The City of Portland and the Bureau of Environmental Services (BES) provides financing options for sewer connection charges (sewer line, branch and system development charges) assigned under the Mandatory Sewer Connection Program, sewer conversion charges assigned under the Non-Conforming Sewer Program, and the cost of hiring a contractor to completed the required sewer connection/conversion work.

Duties to implement BES financial aid programs are split between BES and the City Auditors Office.

BES is responsible for:

- Collecting fees for the costs of administering the program and recording liens;
- Maintaining a rates and fees table complete accounting records, performing regular and periodic accounting reconciliations, and preparing periodic and annual financial reports; and
- Distributing, receiving and approving installment payment contracts to initiate an assessment loan.

The City Auditor's Office is responsible for:

- Preparing notices and documents required by the PCC to assess the amounts to be financed;
- Obtaining Council authorization for liens to secure the loans;
- Maintaining a record of the assessment lien, servicing the loan, billing and processing loan installment payments, collecting delinquencies, and conducting foreclosure proceedings if required to enforce the assessment lien.

4.A. Assessment Loans are only to finance charges associated with connection to the public sewer. The loans have identical terms and conditions as those provided for loans to finance local improvement district assessments.

4.B. Private Plumbing Loans are to help finance the construction costs of actually decommissioning onsite disposal and conveyance systems and constructing new piped connections to public sewer. These loans are only available to owner-occupant dwellings.

4.B.4 The \$10,000 loan limit was established when nonconforming properties were added in 2007.

4.B.5. BES will review bids and bidding contractors to assure contractors are licensed, bonded, providing bid documents with sufficient scope of bid items, and providing bid estimates in line with routinely experienced bid item costs.

4.C.3. Income evaluation will be completed by BES.

4.D.&J.1 Copies of all paperwork and loan documents are filed with a copy of the application and kept in BES offices.

Loan Administration

6.A. BES works with the Auditor's Office to maintain adequate financial records and

to service the loans for the individual loan applicant. Documents related to each assessment and private plumbing loan will be maintained for at least 12 months following the payoff of the loan. A loan applicant will be able to get information regarding accrued interest and the principal balance of the loan upon request from the Auditor's Office.

- 6.E. Property owners may use the APR rates to compare the total cost of the loan to loans offered by private lenders.
- 6.H. Administration of the monthly payment loans will be received and recorded by the Bureau of Revenue.

Default of Loan Terms

Loan administrative procedures used by the City's Bureau of Revenue

- 7.B.2 The BES prepares the documents necessary to record the loan as a lien against the property. The finalization of the loan or connection deferral and be requested to record the lien in the City Lien Accounting System and with the County when the properties are located outside City boundaries.