

Fort Smith CDBG Grants & Loans – FAQ's

1. My family member passed away and has a CDBG Loan or a Grant with mortgages on the property. What are the options for survivors?

Answer: The family may wish to have someone within the family that qualifies, by income, to live in the property and continue to make payments on the loan. The grant is forgivable over a 10-year period as long as the property is being lived in as the principal residence of the original owner. The property must be deeded to the family member that will occupy the home or have a lifetime estate. If someone in the family wishes to live in the property, they must contact the Community Development Department at 479-784-2209 for an application by the person (s) whom will reside in the property as a principal residence.

2. What happens if no one from the family wants to live in the property?

Answer: Unless the loan and / or grant remaining is paid off, the property cannot be rented out to someone else even if they qualify by income. The city staff will work with the family to allow time for the property to be sold. We encourage the loan payments to continue to be paid every month. This will prevent a foreclosure action from beginning.

3. How is the payoff calculated once the property is sold or if the family decides to pay it off?

Answer: The payoff is determined by the date of the death of the property owner(s). These property improvements were requested by your family member and allowed them to live in a home that is free from health and safety hazards have been mitigated. That would include any loan amount due at the time of the sale or family payoff. Past due loan payments not made by the owner(s) or surviving family members by closing, interest due and late fees may be added to the payoff.

The grant is calculated by how many years are left out of the 10-year period. In example, a \$15,000 grant was used to improve the property and is forgiven annually at the rate of \$1,500.00 per year. If the payoff or death occurs in year 4, the calculation would be as follows:

$\$15,000 \text{ grant} - \$1,500 \times 4 = \$6,000.00$ $\$15,000 - \$6,000 = \$9,000$ paid back to the CDBG program

4. What happens to the money that is paid back to the CDBG program?

Answer: It is used to assist with health and safety problems in a house for another income-qualified homeowner, such as your family member.