



CDBG/HOME PROGRAM POLICY AND PROCEDURES MANUAL

SUBJECT: CDBG HOUSING REHABILITATION – DEFERRED PAYMENT LOANS PROGRAM STANDARDS

HUD CDBG Policy:

Types of Assistance – 24CFR570.202 (b):

CDBG funds may be used to finance the following types of rehabilitation activities, and related costs, either singly, or in combination, through the use of grants, loans, loan guarantees, interest supplements, or other means for buildings and improvements:

1. Assistance to private individuals and entities, including profit making and nonprofit organizations, to acquire for the purpose of rehabilitation, and to rehabilitate properties, for use or resale for residential purposes;
2. Labor, materials, and other costs of rehabilitation of properties, including repair directed toward an accumulation of deferred maintenance, replacement of principal fixtures and components of existing structures, installation of security devices, including smoke detectors and dead bolt locks, and renovation through alterations, additions to, or enhancements of existing structures and improvements, abatement of asbestos hazards (and other contaminants) in buildings and improvements that may be undertaken singly, or in combination;
3. Loans for refinancing existing indebtedness secured by a property being rehabilitated with CDBG funds if such financing is determined by the recipient to be necessary or appropriate to achieve the locality's community development objectives;
4. Improvements to increase the efficient use of energy in structures through such means as installation of storm windows and doors, siding, wall and attic insulation, and conversion, modification, or replacement of heating and cooling equipment, including the use of solar energy equipment;
5. Improvements to increase the efficient use of water through such means as water savings faucets and shower heads and repair of water leaks;
6. Connection of residential structures to water distribution lines or local sewer connection lines;
7. For rehabilitation carried out with CDBG funds, costs of:
 - a. Initial homeowner warranty premiums;
 - b. Hazard insurance premiums, except where assistance is provided in the form of a grant; and
 - c. Flood insurance premiums for properties covered by the Flood Disaster Protection Act of 1973, pursuant to Sec. 570.605.
8. Costs of acquiring tools to be lent to owners, tenants, and others who will use tools to carry out rehabilitation;
9. Rehabilitation services, such as rehabilitation counseling, energy auditing, preparation of work specifications, loan processing, inspections, and other services related to assisting owners, tenants, contractors, and other entities, participating or seeking to participate in rehabilitation activities authorized under this section, under section 312 of the Housing Act or 1964, as amended, under section 810 of the Act, or under section 17 of the United States Housing Act of 1937;
10. Assistance for the rehabilitation of housing under section 17 of the United States Housing Act of 1937; and
11. Improvements designed to remove material and architectural barriers that restrict the mobility or accessibility of elderly or severely disabled persons to buildings and improvements eligible for assistance under paragraph (a) of this section.

PURPOSE

The primary objective of Title I of the Housing and Community Development Act of 1974, as amended, is the development of viable urban communities. This is achieved by: providing decent housing, providing a suitable living environment, and expanding economic opportunities. This activity meets the national objective of benefiting low-and-moderate-income persons.

This program meets the Dane County 2010-2014 Consolidated Plan priorities to:

- Provide energy efficiency improvements as a means to promote continuing affordability of housing;
- Promote the rehabilitation of existing owner-occupied housing as a means to maintain affordable housing;
- Provide accessibility improvements as a means to help low-and-moderate income households with disabilities maintain existing housing.

ELIGIBLE BORROWERS

- a. Eligible borrowers must own and occupy the home to be rehabilitated.
- b. Eligible borrowers must meet the Department of Housing and Urban Development (HUD) income requirements for low-and-moderate income households at the time of application. Verification of income will be required.
- c. Applicants must be considered in good financial standing with all entities that hold a lien or mortgage on the property to be rehabilitated. Applicants with workout repayment plans with lien holders will not be considered. All small claims judgments against applicants must be satisfied prior to loan closing. Applicants will be requested to provide permission to verify employment, mortgages, deeds of trust, savings accounts, credit accounts, and all other information necessary to complete an application for a housing rehabilitation loan. Applicants showing any probability of foreclosure or bankruptcy may be determined ineligible for the program.
- d. Eligible borrowers must be current on their property taxes and have an escrow account for property taxes and insurance set up with their primary lender.

RIGHT TO FINANCIAL PRIVACY ACT OF 1978 NOTICE

The Department of Housing and Urban Development (HUD) has a right of access to financial records held by any financial institution in connection with the consideration or administration of the rehabilitation loan for which the borrower applied. Financial records involving the transaction will be available to HUD but will not be disclosed or released to another Government agency or Department without the borrower's consent except as required or permitted by law.

ELIGIBLE PROPERTIES

- a. Existing owner-occupied, single-family, residential properties containing one dwelling unit.
- b. Manufactured housing is eligible when such housing constitutes part of the community's permanent housing stock. (24 CFR 570.202 (a) (5)).
- c. Property must be located in one of the 55 participating municipalities of the Dane County Urban County Consortium.
- d. Total debt secured by the property, including the CDBG-funded loan, cannot exceed 95% of the after rehabilitation value of the property.
- e. An appraisal is required.
- f. The after-rehabilitation value of the property may not exceed \$223,250.

ELIGIBLE WORK ITEMS

Any approved exterior rehabilitation is eligible. Interior code-related work is allowed, provided that all exterior code-related work is addressed first.

Eligible Work Items

- ◆ Abatement of asbestos hazards
- ◆ Chimney repair or replacement or flue liner replacement
- ◆ Code repairs and upgrades for plumbing, heating, or electrical systems
- ◆ Exterior painting
- ◆ Foundation repair
- ◆ Gutter and downspout repair or replacement
- ◆ Wall and attic insulation
- ◆ Plumbing fixture repair or replacement
- ◆ Porch repair or reconstruction (including concrete stairs and stoops), including ramps for ADA accessibility
- ◆ Removal and replacement of deteriorated, hazardous concrete, excluding garage slab replacement
- ◆ Roof repair or replacement
- ◆ Installation of security devices, including smoke detectors and dead bolt locks
- ◆ Siding repair or installation of new siding to increase energy efficiency
- ◆ Replacement of stove or refrigerator to increase energy efficiency
- ◆ Window and door repair or replacement including storm doors

Rehabilitation does not include:

Installation of luxury items, such as a swimming pool;

Costs of equipment, furnishings, or other personal property not an integral structural fixture, such as: a window air conditioner; or a washer or dryer (but a stove or refrigerator is allowed);

Labor costs for homeowners to rehabilitate their own property.

General

- a. Property owners must agree to correct all code items in accordance with the applicable local (city/village/town) housing and property maintenance code.
- b. Work may not begin until the environmental review requirements at Part 58 are met and the County has given notice to proceed.
- c. There must be an initial inspection conducted that details the work to be done. The participant file must contain a Work Write-Up and Cost Estimate that addresses the issues raised in the initial inspection.
- d. Any work, which disturbs a painted surface, must include lead testing and lead safe work practices.
- e. Three bids, at a minimum, are required from **qualified** contractors for the work items to be covered by the loan funds.
- f. All contractors are to be cleared through the HUD listing for debarred and suspended participants (24 CFR 570.506 and 85.3) prior to awarding of contract for work.
- g. Local building permits must be taken out for the work. If a permit is required, the building official should sign off on the permit indicating that the work was completed.
- h. Work should be inspected prior to paying the contractor.
- i. The owner or his/her authorized representative must approve each payment.
- j. Change orders must be documented and approved by the owner.
- k. There is to be a final inspection of the work by program participant staff that documents whether the work appears to correct the deficiencies noted in the initial inspection and whether all items were completed as specified in the work write-up.

- I. There must be documentation to show the contractor provided the appropriate lien releases.

LOAN TERMS AND AMOUNTS

- a. The minimum amount of loan funds for rehabilitation work is \$3,000 and the maximum is \$24,999.
- b. The rate on the loan is 0%.
- c. The County shall be provided with a Mortgagee's Title Insurance Policy satisfactory to the County, in the amount of the rehabilitation loan, and issued by a title insurance company licensed in the State of Wisconsin.
- d. The loan shall become immediately due and payable to the County upon the occurrence of any of the following:
 - i. Title to, or equitable ownership in the property is transferred to any party other than the surviving spouse of the borrower(s), if any; or
 - ii. The borrower(s) vacate the property; or
 - iii. The borrower(s) default in meeting any of the terms and conditions of the loan; or
 - iv. The borrower(s) refinance with cash-out.
- e. The borrower(s) must provide security for a housing rehabilitation loan in the form of a mortgage or other loan security instrument. In the case of multiple ownership, the signature of every titleholder to the property will be required on each instrument that evidences or secures the loan.
- f. The borrower(s) must agree to maintain the property in decent, safe, sanitary, and sound condition during the term of the housing rehabilitation loan.
- g. The borrower(s) must maintain property insurance on the property as required, during the term of the loan and list Dane County as a Mortgagee.

/cdbg – rehabilitation program standards.doc
Approved by the CDBG Commission 3.26.2009
Revised by the CDBG Commission 10.22.2009.
Revised by the CDBG Commission 7.28.2011.