Rock County Policies and Procedures

HOME, CDBG, and LEAD FUNDING GRANTS

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Contents

INTRODUCTION AND OVERVIEW

Rock County uses HOME, CDBG, and Lead Hazard Funds to provide owner occupied and rental rehabilitation loans to residents of Rock County (outside the cities of Janesville and Beloit). HOME and Lead Hazard grants are administered through the City of Janesville, and CDBG funds are funds that are available from repayment of prior loans made in the County. Current Rock County programs focus on improvements to the existing single family housing stock and increased access to homeownership. These programs are currently administered by the Wisconsin Partnership for Housing Development (the "Program Administrator"). In general, the Program Administrator handles the initial program administration and reporting, while Rock County staff handles long-term loan servicing and accounting.

This manual describes the policies used to administer these programs. Policies are dictated by federal requirements related to the use of the funds and by certain applicable state and county policies. These programs are overseen by the Rock County Planning, Economic and Community Development staff, the Planning and Development Committee (CDBG and Lead Hazard Control) and by the Rock County Housing Authority (HOME funds).

This manual is organized to provide information on program operation. Section I provides an overview of the general types of programs that can be developed using HOME and CDBG funds as well as some of the major regulatory requirements associated with the programs. Section II provides specific policies and procedures related to operation of the homeowner rehab program and Section III provides policies and procedures related to the rental rehab program. Section IV provides a description of the homebuyer down payment assistance program. Section V further describes current Lead funding programs; and finally, Section VI includes information on program operation that apply to all programs that are financed using federal funds (these are generally referred to as cross-cutting requirements, and include, for example, rules related to lead paint, asbestos, environmental review procedures, labor standards, minority and vicinity hiring). The Appendix of the manual includes sample forms, written agreements and checklists related to program management and administration.

This manual should be routinely reviewed and updated to ensure that it reflects the current program management activities and reflects any regulatory changes that may impact program operation.

SECTION 1: OVERVIEW OF THE HOME AND CDBG PROGRAMS

This section provides an overview of the options for using HOME, Lead Hazard, and CDBG funds within a community and the general rules associated with program operation.

A. Overview of the HOME Program

The HOME Program helps to expand the supply of decent, affordable housing for low- and very low-income families by providing grants to states, local governments and consortia called participating jurisdictions or "PJs". In this case, Rock County, the City of Beloit, and the City of Janesville have formed a HOME Consortium. The Rock County Home Consortium receives an annual allocation of HOME funds that can be used within Rock County to meet local needs. HOME program rules can be found in the Code of Federal Regulations, Title 24 Part, 92. It is important to note that HOME rules were revised in 2013. This created new program requirements, which are reflected in this document.

HOME Objectives

The intent of the HOME Program is to provide decent, safe and affordable housing and to alleviate the problems of excessive rent burdens, homelessness and deteriorating housing stock. HUD allows HOME money to be used for five general types of programs:

- Homeowner Rehabilitation
- Homebuyer Activities
- Rental Housing
- Down Payment Assistance
- Tenant Based Rental Assistance (TBRA)

Each PJ can decide how to distribute their HOME allocation across these program types.

Definition of a Project

Project means a site or sites together with any building or buildings located on the site(s) under common ownership, management and financing, to be assisted with HOME funds as a single undertaking. The “project” includes all of the activities associated with the site and building.

Match Requirements

Some special conditions apply to the use of HOME funds. PJs must match every dollar of HOME funds used (except for administrative costs) with 25 cents from nonfederal sources, which may include donated materials or labor, the value of donated property, proceeds from bond financing, and other resources.

Allocation

The Rock County HOME Consortium makes decision about allocation of funds to participating partners. Rock County is allocated a certain amount that can be used to operate HOME-eligible programs throughout the County (outside the Cities of Janesville and Beloit).

HOME funds must be spent in a timely way. HUD sets specific timeframes for obligation and expenditure of funds at the local level. Specifically, the Rock County HOME Consortium has 24 months from receiving an allocation to enter into written agreements with developers, owners, contractors, subrecipients, and CHDOs to *commit* HOME funds and five years to *expend* the HOME funds

Forms of Subsidy

HOME allows virtually any form of financial assistance to be provided for eligible projects and to eligible beneficiaries, but the Rock County HOME Consortium and Rock County Housing Authority determine what forms of assistance will be provided at the local level. Rock County has determined that they will provide *non-interest bearing deferred loans to homeowners and homebuyers* (loans which are paid upon sale or transfer of the home), or *interest bearing loans to landlords*, with ongoing payment required. In addition, for homeowners that are age 55 or older, one half of the loan is forgiven after five years. As a result, Rock County earns program income that can be re-used for eligible projects using all applicable HOME rules. [1]

Subsidy Amount

The maximum per unit HOME subsidy varies by metropolitan area. Each year, HUD calculates these maximum amounts by area. County staff is responsible for keeping information on subsidy limits current. The minimum amount of HOME funds that must be invested in any project is $1,000 for every HOME assisted unit in the project. If a project has multiple funding sources, an evaluation must be made (underwriting) to ensure that the HOME funds, in combination with other governmental funds, do not exceed what is necessary to provide affordable housing. This is generally referred to as underwriting or a "subsidy layering review".

Eligible Costs

Eligible costs depend on the nature of the program activity. HOME funds can be used to cover both hard (construction, rehab) and soft (fees, insurance, appraisals) costs and program delivery fees (generally staff time)[2]. HOME funds can be used for new construction, rehabilitation and acquisition of property.[3] Under the rules of the HOME program, if funds are used for rehabilitation of a property, ***rehab cannot be partial. A property rehabbed with HOME dollars must be brought into full compliance with established rehab standards.*** For this reason, emergency repairs are funded through the CDBG program and not HOME.

The Property

Depending on the nature of the activity, HOME rules specify the types of property that are eligible for funding. For owner-occupied rehab, rental rehab, and homebuyer properties, HOME limits the value and purchase price of the property. The price, or in the case of rehabilitation, the value may not exceed HUD's maximum purchase price/after value limits. HOME funded properties must meet certain minimum property standards that vary by type of activity. For the

[1] Under the HOME program, the following types of assistance can be allowed: Interest bearing loans, non-interest bearing loans, deferred loans (forgivable or repayable), grants, interest subsidies, equity investment or loan guarantees.

[2] Staff costs and program delivery fees must be reasonable and necessary, and can include: finance related costs, architectural, engineering and related professional services, tenant and homebuyer counseling (provided the recipient becomes the tenant or owner of a HOME assisted unit), project audit costs, affirmative marketing and fair housing services to prospective tenants or owners of an assisted project and staff costs directly related to projects

[3] Other HOME eligible activities include conversion of property from another use to affordable housing, demolition (if replacement is completed within 12 months), site improvements, reconstruction, acquisition of vacant land, refinancing and capitalization of project reserves.

rehab activities that Rock County completes, homes assisted with HOME funds must be brought up to the standards required by local code and work must be done to meet local rehab standards.

B. Overview of the CDBG Program

Introduction

CDBG is a Federal block grant to State and local governments designed to allocate funding among the States and hundreds of localities nationwide. In Rock County, CDBG funds were received from the State of Wisconsin through the Small Cities Program.

The source of the funds for this program in Rock County is funds that have been repaid over the years (program income). This program income is from prior CDBG eligible activities. It must be allocated using rules specified by the CDBG program. In addition to the federal rules, the State of Wisconsin imposes more specific rules regarding administration of the program which need to be considered when operating this program.

All CDBG funds must be used for eligible activities and meet at least one National Objective. Rock County has chosen to use CDBG Program income for homeowner rehab activities and down payment assistance.

CDBG National Objectives

- Assistance to low or moderate income individuals as defined by HUD.
- Eliminate slum and blight as defined by HUD.
- Meet an urgent community development need.

In general, funds that are spent for rehab activities meet the national objective of "assistance to low or moderate income individuals". As a result, the rehab program is restricted to households meeting the federal definition of low to moderate income (under 80 percent CMI).

CDBG Eligible Activities

There are a number of CDBG eligible activities, but the Rock County program focuses on rehab and preservation of housing to assist low and moderate-income owner-occupied houses. Solar energy is considered an energy efficiency repair and is an eligible expense.

CDBG Ineligible Activities

The following rehabilitation-related activities may not be assisted with CDBG funds[4]:

- Construction equipment;
- Fire protection equipment unless part of a public facility;
- Personal furnishing or property;
- Furnishings that are not integral structural fixtures; and
- New housing construction except for land acquisition and other specific circumstances.

[4] There are a number of other ineligible activities including new construction; buildings used for conduct of government, general government expenses except those to carry out the program, etc. Those listed are limited to rehab-related activities.

C. Lead Funding

In the past, Rock County and the Cities of Beloit and Janesville formed a consortium to obtain a Lead Hazard Control grant from the federal government.[5] This grant provided funds to rehab homes where there are children under 6 present who may be negatively impacted by the presence of lead paint in the home.

As of 2020, the Rock County Public Health Department has received a Wisconsin Lead-Safe Homes Program grant from the State of Wisconsin Department of Health Services. Rock County Public Health may work with the Program Administrator and Rock County staff to utilize these funds.

The Lead Safe funds can be used alone, or together with CDBG or HOME funds. Other funds may be used to complete rehab on other home components. However, if funds are combined in a project, policies and procedures related to the lead program must be followed.

[5] The City of Janesville staff administers this program, although the funds flow through Rock County.

SECTION II: POLICIES AND PROCEDURES FOR HOMEOWNER REHAB PROGRAM

A. Program Description

Using funds from the Federal CDBG and HOME programs, Rock County provides homeowner rehabilitation loans to Rock County residents outside of the cities of Janesville and Beloit. Loans made to homeowners are repayable upon sale or transfer of the property or when property ceases to be the primary residence of the homeowner.

The homeowner rehab program provides the necessary funds to bring the home up to local housing standards. Several inspections are completed to determine the work necessary to bring the home up to habitability standards and a contractor is identified to complete the work. The loan amount is generally limited to $35,000, but exceptions may be made by the Rock County Housing Authority (RCHA) or the Planning and Development Committee (PDC). For CDBG projects, rehab costs over $50,000 must be approved by the State Department of Administration.

Borrower eligibility is determined by a comprehensive application process. The scope of work, which defines the work to be completed, is developed by the Program Administrator and approved by the homeowner. The work is contracted out using procurement policies approved by the committees and staff. Each loan secured with a Mortgage and Note. Payments are made to the contractor by the County after approval is obtained by the homeowner and the Program Administrator. The Program Administrator oversees the project to ensure that the project is completed to the required standards. County staff also monitors the project over the affordability period to ensure that the home continues to serve as the primary residence of the homeowner.

B. Program Administration

Initial Phone Call

All parties interested in receiving a County rehab loan will contact the Department of Planning, Economic and Community Development and be referred to the Program Administrator. The Program Administrator will ask initial eligibility questions. Initial eligibility questions include:

- Do you own your home?
- Do you know the approximate assessed value of your home?
- Are you current on your mortgage and taxes?
- What is your household size? Do you have an approximation of your income?
- What type of work needs to be done on your home?

During this initial call, the potential application will also be informed about: (1) the process for getting assistance (including requirement for verifying income, getting inspections, getting bids, etc.), (2) the timeframe for getting assistance, and (3) the terms of the loan for which they are applying (a lien will be placed on their home, for example).

Determination of Initial Eligibility

Once an application is received, the Program Administrator will process the application. This includes:

- Calculating income to verify income eligibility. The Rock County Program uses Part 5 Income Calculation to determine program eligibility for both the CDBG and HOME program. A review of income documentation is used to estimate "anticipated income" to be received in the coming 12 month period. Section VI includes a detailed description of the correct process for income verification.

- Searching the Rock County property data base to ensure that:
    - Applicant is owner of record
    - Application is current on their property taxes (or current on a payment plan)
    - Determine the fair market value of the property to ensure that the after rehab value of the home will be less than the allowed property value, per HOME and CDBG underwriting guidelines

- Review Credit Report
    - Check current on mortgage
    - Check current on utilities
    - Check for bankruptcy within the past three years
      Check for fraud activity and deceased flag on Social Security number
- Running Title Report
    - Verify all loan amounts and judgements filed against the property
    - Verify applicant as owner of home
    - Verify ownership type

- Collect Insurance Certificate from Homeowner demonstrating insurance is in place.

If this review determines that the applicant does not meet the criteria listed above, they are informed that they do not qualify. A phone call is made, and a letter is sent, to the applicant letting them know that they are not eligible.

Environmental Review

If the homeowner meets the eligibility criteria, the Program Administrator completes the environmental review. The environmental review includes completion of the Statutory Checklist to verify that the property is not in a flood plain, is not located in a wetland area and that rehabilitation activities will not impact a historic structure. The statutory checklist is identical for both HOME and CDBG except as it relates to historic homes. If a home was built more than 50 years ago, and if the activities to be performed are not on the exempt activities list, when CDBG funds are used, approval from the Division of Housing, Environmental Review Desk must be obtained. If HOME funds are being used, this review can be completed internally.[6] The Appendix provides additional information on environmental review procedures.

Develop Scope of Work

The Program Administrator and the Property Inspector schedule a time with the homeowner to conduct a complete inspection of the home. In addition, if the home was built prior to 1978, a lead risk assessment is scheduled with the Rock County Health Department. If required, a

[6] The approval process is driven by the source of funds. When CDBG funds are used, the source of the funds is the State, and therefore state approval is required.

"Healthy Home" inspection is also requested from the Health Department (required only if these funds will be used to complete rehabilitation at the property).

Once all the information is available from: (1) the property inspection, (2) the lead inspection, and (3) the homeowner rehab requests, a detailed scope of work is prepared. The scope of work identifies all work necessary to make the home safe and sanitary and meet all code requirements.

Cost Estimate

The Program Administrator then prepares an estimate of the cost of the work that needs to be completed. If the cost estimate exceeds the programs loan limits, a meeting is held with the Director of Planning, Economic and Community Development to discuss potential options. If a waiver is not granted, the project is ineligible for funding.

After the cost estimate is completed, the Program Administrator will use the estimate to confirm the maximum subsidy limit, maximum after-rehab value, and loan to value requirement:

- **Proposed loan amount will not exceed the HOME program subsidy limit (HOME program only):** Compare the cost estimate to the subsidy limit. If the cost estimate exceeds the limit, determine the maximum project cost allowed under the limit. If the bids do not come in less than this value, the project is ruled ineligible unless the borrower brings enough money to the table to cover the difference.

> For the **HOME** program, the loan amount needs to be compared to the subsidy limit, and the after-rehab home value cannot exceed the home value limit.

- **Project will not exceed the HOME maximum after-rehab value limit (HOME program only):** Calculation of the estimated after-rehab value is done by adding the most recent tax fair market value (FMV) to a portion of the rehab cost estimate. Compare that number to the HUD established maximum value for Rock County. If the projected value exceeds the limit, determine the maximum project cost allowed under the limit. If the bids do not come in less than this value, the project is ruled ineligible.

- **Rehab loans cannot exceed an amount that would result in a loan to value ratio of more than 120% of the after-rehabilitation value (CDBG Program).** Using the credit report, the Program Administrator must determine the balance of all loans that are secured by the property. The underwriting template with equity and maximum loan amount calculation is included in the Appendix. If the loan amount needed exceeds the calculated Maximum Loan Amount, the loan is ineligible unless the borrower brings enough money to the table to cover the difference, which cannot include additional debt.

> For a **CDBG** loan, the total of the loans, including the rehab loan, cannot exceed 120% of the after-rehabilitation value of the home.

Determination of Lead Work based on Per Unit Costs

The Program Administrator will use the Lead Risk Assessment and cost estimate to determine the level of lead certification needed by the contractor so that this requirement can be included in the bid. The formula for determining the lead safe housing requirements that apply to a particular rehabilitation project are based on the "level of assistance" received by the project. The level of assistance is the **lower** of:

- Per unit rehabilitation hard costs
- Per unit Federal Assistance

These terms are defined by HUD as follows**:**

- **Rehabilitation Hard Costs:** The rehabilitation costs are calculated using only hard costs (e.g., physical improvements, utility connections, repairs and replacements, and energy-related improvements). They do not include soft costs (e.g., financing fees, relocation costs, acquisition, or administrative costs) nor do they include the costs of lead hazard evaluation and reduction, as described below.
- **Lead Hazard Evaluation and Reduction Costs:** Lead hazard evaluation and reduction costs include costs associated with site preparation, occupant protection, relocation, interim controls, abatement, clearance, and waste handling attributable to lead-based paint hazard reduction.
- **Federal Assistance:** The Federal assistance includes **all** Federal funds provided to the rehabilitation project, regardless of whether the funds are used for acquisition, construction, soft costs, or other purposes. This also includes funds for program income, but excludes low-income housing tax credit funds (LIHTC), Department of Energy Weatherization Program funds, or non-Federal HOME Program match funds.

Using these definitions, the "level of assistance" is calculated and requirements related to rehab work can be determined. There are three approaches to lead hazard evaluation and reduction for rehabilitation activities. The approach used is determined by the "level of assistance" received by the project. The requirements are established so that larger rehabilitation projects must meet more protective requirements than smaller rehabilitation projects. These approaches are:

1. **Do no harm- up to $5,000.** For rehabilitation projects with a level of assistance up to $5,000 per unit, the approach is to do no harm. This means that work is done using safe work practices and clearance of the worksite is performed at the end of the job to ensure that no lead dust hazards remain in the work area. Grantees can test surfaces to determine if they have lead-based paint or they can choose to presume that lead-based paint is present on all surfaces disturbed by the rehabilitation activities.

   All rehabilitation work must be completed in a way that does no harm: If the paint testing shows that no lead-based paint is present on surfaces to be disturbed by the rehabilitation, no lead hazard reduction activities or special work practices are required. If paint testing shows lead-based paint is present or if lead-based paint is presumed to be present, the grantee must ensure that all the work performed on all surfaces known or presumed to have lead-based paint is done using lead safe work practices. After work is complete, the unit must pass a clearance examination.

2. **Identify and control hazards- $5,000 to $25,000.** For rehabilitation projects from $5,000 up to $25,000 per unit, grantees must identify hazards by performing a risk assessment and then control any identified hazards using interim controls.

   If lead is present, you must use workers who are trained in lead-safe work practices or supervised by a certified abatement supervisor. The contractor must perform interim controls on all hazards identified in the risk assessment using lead safe work practices. After work has been completed a clearance exam must be performed and a clearance report must be issued.

   If paint testing and the risk assessment show no lead-based paint or lead hazards, then no lead hazard reduction activities are required.

3. **Identify and abate hazards- over $25,000.** For rehabilitation projects over $25,000 per unit, grantees must identify hazards by performing a risk assessment and then abate any identified hazards.

   If paint testing or the risk assessment shows that lead-based paint or lead hazards are present, then perform abatement on all hazards identified in the risk assessment. Interim controls are acceptable on exterior surfaces that are not disturbed by rehabilitation. Use appropriately trained, certified, and licensed workers. For abatement work, certified, licensed abatement contractors are required. For non-abatement work, use appropriately qualified workers. Perform a clearance exam and issue an abatement report.

   If paint testing and the risk assessment show no lead-based paint or lead hazard, then no lead hazard reduction activities are required

Contractor Eligibility

To be eligible to bid on a project, contractors must meet the required insurance coverage limits, carry the proper licensing, and have the necessary lead certification demanded by the project. In addition it must be verified that the contractor is not debarred.[7]

The contractor must have appropriate insurance coverage (including worker's compensation) and must not be debarred.

Bidding

Contractors are given a set a date and time to submit their response to the bid. Contractors will be given an opportunity to inspect the property if necessary. If additional work items are discovered during the site inspections and added to the scope or work, all eligible contractors

[7] The System for Awards Management (SAM) is the site employed when searching for debarred or suspended contractors or organizations ineligible to receive federal funds. Using the search tab at the top of the page, enter the name of the company, or principal into the first box or the company's DUNS number and then select the search button. Companies must be registered in the system prior to check of debarment.

will be given an Addendum to the scope reflecting the additional work item. Any needed addendums are prepared and released by the Program Administrator.

Opportunities to bid are given to all contractors known to have the necessary qualifications. Bid packets are sent to all of the qualified contractors either by mail or email. Rock County make every effort to obtain three bids for the work (including holding additional opportunities for inspection). If three bids cannot be obtained, at least two bids must be received and compared to the staff estimate or the project must be re-bid.

On the date that bids are due, bids are reviewed and the work is awarded to the lowest, responsive bid, unless a higher bid is favorable due to schedule or prior experience/ quality of work with the contractor. Contractors are informed that they have the low bid within 5 days of bid submission, although no contract can be signed prior to approval by the Program Administrator and appropriate committee, if necessary.

Should the homeowner, for some reason, wish to select a contractor that is not the lowest bidder, the homeowner may do so, but must pay the difference between the price of the selected contractor and the lowest bid.[8]

Loan Approval
Final loan Approval is contingent on the resulting actual loan amount conforming to the maximum subsidy limit, maximum after-rehab value, and loan to value requirement. If the loan amount needed exceeds any of the limits, the loan must be denied or the work to be performed must be adjusted. Once the loans have been approved, the Program Administrator can move forward with loan closing and contractor engagement.

Loan Terms
Homeowner rehab loans through Rock County are deferred loans (no monthly payments) and carry no interest. The loan is secured by a Mortgage, Note, and Loan Agreement and will be in subordinate position to senior debt. The loan is repayable upon sale or transfer of the property, or if the home ceases to be the primary residence of the homeowner.
For homeowners age 55 years or older that have a HOME loan, one half of the total rehab loan is forgiven at the end of 5 years. The remaining half is due upon sale or transfer of home, or non-owner occupancy.

For projects funded with CDBG funds, costs related to lead remediation may be structured as a grant, in conformance with current State of WI guidelines. No other costs may be granted under the CDBG program unless in line with current State of WI program guidelines.

Loan Closing Procedures
On the loan closing date the Program Administrator will meet with the applicant to review all documents involved in the loan and secure the applicant's signature on:

[8] Should the homeowner elect this option, at loan closing, the homeowner must provide a money order for the amount of the difference. The money order will be held by the county until the contractor makes the first payment request. At that time, the money order will be released to the contractor for payment.

1) Rehabilitation Contract;
2) Mortgage and note;
3) Truth-in-Lending Disclosure Statement;
4) Notice of Right of Rescission (two copies); and
5) Authorization of Terms and Conditions of Loan (i.e. Loan Agreement).

In addition, at closing the homeowner signs a letter to their insurance carrier instructing that Rock County be name on the policy as an insured party, which the Program Administrator forwards to the insurance agent. After closing the Program Administrator sends the mortgage to Rock County staff for recording. The borrower is responsible for paying the recording fees by providing a check payable to Rock County Register of Deeds at closing for the appropriate amount.

IDIS Set Up

After the loan is closed and the mortgage is recorded, the project is set up in IDIS or an IDIS set-up sheet is provided to the appropriate administrator for the program.

Homeowner/Contractor Pre-construction Meeting

The homeowner/contractor agreement is finalized once the following items have been completed:

- Loan approval, and
- Loan closing

After these steps have been completed, the Program Administrator schedules a pre-construction meeting where the Program Administrator, the owner and contractor discuss the schedule for the work to be performed and a construction start date is established. Information is provided to the homeowner regarding the project schedule, access to the work site by the contractor and how the homeowner should address concerns over the course of the project.

Notice to Proceed

In order to issue a notice to proceed, all of the steps above need to be completed and all required contractor information must be submitted. Required contractor items to be submitted include: the contract signed by the contractor, a certificate of insurance(s), and a signed W9 form. All appropriate permits must be pulled prior to any rehabilitation work commencing; this must be clearly relayed to all contractors. Once everything is in place, the Program Administrator issues the Notice to Proceed. The Notice is signed by the contractor, homeowner and Program Administrator. The contractor then has 10 days to start construction.

Payment Process

The contractor may submit interim payment requests for rehab projects with a contract amount greater than $4,999. Interim payments can be made only up to an amount which is less than 80 percent of the contract amount. Payment may be made for work done or materials purchased and on site only—no advance payments will be allowed. The remainder due the contractor (20%) shall be withheld pending satisfactory completion of the entire rehabilitation project.

Each request for progress payment shall include:

1) The contractor's certification (signature) that the work for which the progress payment has been requested has been performed in accordance with the terms of the contract.

2) Certification (signature) by the Program Administrator that necessary inspections have been made and the work has been satisfactorily performed in accordance with the contract.

3) The signature of the homeowner denoting approval of the work for which payment is requested.

A completed payment request with signatures from the Program Administrator, homeowner and contractor is submitted to Rock County staff for payment. The county makes payment directly to the contractor for the amount of this request. The County will then request reimbursement from HUD by submitting a draw down voucher in IDIS, or through the IDIS Administrator.

Project Completion

Upon completion of all work, a request for final payment shall be made on the same form as required for progress payments and shall contain the same certification and signatures required for such payments. The contractor's final Request for Payment must include a final lien waiver from the contractor, subcontractor and suppliers, and a copy of each warranty due the owner for the work. Prior to final payment, the Final Inspection Checklist must be completed and signed by the inspector and all building permits must be closed. [9]

In addition, where work has been done that triggers compliance with lead-based paint regulations, no final payment may be made until the work passes clearance.

IDIS Closeout

Once the work has obtained required clearance(s), passed final inspections, the final lien waiver has been submitted, and final payment has been made, expenditures should be adjusted as necessary in IDIS. After adjustments have been made, the project is ready to be closed out. Beneficiary information should be given to the appropriate party for entry into IDIS.

Contractor/Homeowner Disputes

The Program Administrator may encounter situations where the contractor and/or homeowner have a dispute about the work to be performed or the payment to be made. In general, these issues will be resolved by the Program Administrator, but there are opportunities to appeal to the appropriate Rock County Committee if issues cannot be resolved at the staff level.

Some common situations and resolutions are described below:

Contractor fails to begin all or a portion of a rehab project—The Program Administrator will notify the contractor, in writing, that if the project is not started or adequate progress made, by the specified date, the contract will be cancelled. When no, or minimal, work has been done on a

[9] If an adjustment to the mortgage and note are required because of change order, the revised mortgage and note must be signed by the homeowner before final payment is made.

project, the entire project may be re-bid or awarded to the next highest bidder, and the mortgage securing the loan adjusted accordingly.

Payment Dispute--The Program Administrator will advise the homeowner of any noncompliance in the rehabilitation work or of any incorrect invoice submitted by the contractor if the work completed is not in accordance with the requirements of the Rehabilitation Contract. The Program Administrator will request appropriate corrective action from the contractor. No payments shall be made on the rehabilitation contract until the contractor has satisfactorily completed the necessary corrective action. The contractor must be given the opportunity to correct his or her work. If a contractor has demonstrated that he or she is not available to, or incapable of, making the appropriate repairs in an adequate or a timely manner, another contractor may be brought in to make the required repairs.

Contractor Termination--A rehabilitation contract may be terminated under the following conditions:

A. Poor work performance by the contractor and the demonstrated inability to rectify the poor workmanship.

   The following procedures shall be used when negotiating a workmanship problem:

   a. If the Program Administrator notices poor workmanship at a routine inspection, the Program Administrator will verbally request correction and provide a time frame for the correction to occur.

   b. If the verbal request for correction does not result in a resolution of the problem, a meeting shall be held at the job site with the contractors, homeowner, Program Administrator, and Director of Planning, Economic and Community Development to attempt to come to a consensus regarding correction of problems.

   c. If resolution is still not achieved, the Program Administrator shall contact the contractor by certified mail notifying the contractor that the workmanship is still poor and specifying the areas that need to be addressed to satisfy the contract. The contractor shall be given a specific time limit by which to make the required repairs.

   d. If the contractor is not responsive within the time period allowed, the contract will be severed and the work will be awarded to another contractor.

   The cost of repairing poor workmanship and/or any higher costs related to award of the contract to another contractor shall be deducted from any amount owed to the initial contractor for work completed. In all cases the contractor shall be given the opportunity to rectify the problem before contract termination procedures are begun.

B. Causing undue damages to a homeowner/landlord’s property and the inability or unwillingness to correct the damages. The cost of repairing damages will be deducted from any money owed the contractor for work already completed. If the amount owed is insufficient to cover the costs of the damages, the Program Administrator will assist the property owner to identify options for recovering this amount.

C. The inability of the contractor to perform the work within the allotted time.

D. Irreconcilable differences between the contractor and the property owner.

E. The contractor requests to be removed from the contract. There will be no penalty associated with this request as long as the request is made within 30 days of receiving the Notice to Proceed.

F. The contractor has been debarred, suspended, or is otherwise ineligible to work on federal contracts.

Prior to Project Completion and Closeout, Rock County is responsible for paying to correct work improperly performed. After Project Closeout, the Homeowner is responsible for any follow up with the Contractor on workmanship and warranties.

Loan Servicing: Subordination

Homeowners who want to refinance an existing loan during the period of affordability must submit in writing the following information to Rock County staff:

- The reason for the subordination request;
- The names, address, and contact person(s) at the cooperating financial institution;
- The new mortgage amount that would take precedence over the Grantee's mortgage;
- Copies of estimates for any rehab/construction work being completed; and
- The current established fee to cover costs associated with the loan subordination.

Rock County will, on a case-by-case basis, consider subordination requests for owners wishing to refinance their loans. Staff may approve requests when an owner wishes to:

- Refinance an existing mortgage to obtain a reduced interest rate;
- Refinance an existing mortgage to obtain a comparable interest rate and extended payment terms so long as the loan to value ratio of the resulting first and second mortgages does not exceed 80 percent; and
- Refinance an existing mortgage as necessary to halt foreclosure proceedings by a bank or to halt tax deed proceedings by the county.

Rock County staff will submit a request to the Housing Authority (HOME loans) or the Planning and Development Committee (CDBG loans) in the case where:

- The owner wished to refinance an existing mortgage to obtain comparable interest rated and extended payment terms if the loan to value ratio including the first and second mortgages, exceeds 80 percent.

Typically, Rock County will NOT consider requests for subordinations for ANY of the following:

- Any new loan that would increase the amount of debt mortgaged against the property (unless the additional amount will be used to rehabilitate the property).
- For consolidation of consumer debt, such as credit cards, automobiles or other "cash to homeowner" transactions, or for any home equity loans other than for the sole purpose of rehabilitating one's primary residence.
- For any other type of subordination that will put the Grantee's security interest in jeopardy, unless required to halt foreclosure or tax deed proceedings.
- For any subordination where the interest rate on the new loan is 2 percent above the average local lending rate for similar type loans.

Loan Servicing: Sale of Property

Should the property be sold, any remaining balance of the loan must be repaid. A pay-off statement would be prepared and presented for payment at the time of closing.

Emergency Repair Procedures

Rock County CDBG funds may be used for emergency rehabilitation. An emergency is defined as a housing condition which represents an imminent threat to health and safety**,** for example, a furnace failure or septic system failure, or loss of water. The emergency must be documented in the file, evidenced with a statement from a contractor or from program staff that have inspected the emergency. The maximum limit on emergency project costs is $15,000; however, Rock County may allow exceptions.

Emergency repair homeowners are required to submit a completed application so the program administrator can verify that they are eligible. Loan terms are the same as the rehab program. All homeowner rehab program requirements apply to the emergency repairs program except:

- Homeowners will not be required to have an HQS inspection performed on their property. The homeowner has the option of re-applying to the CDBG owner-occupied rehabilitation program at a later date to correct other deficiencies.
- Homeowners will not be required to have equity in their property. In addition, liens, judgements, and unpaid taxes do not preclude a homeowner from receiving assistance as it relates to emergency situations.
- Homeowners will not be required to obtain three bids.

SECTION III: POLICIES AND PROCEDURES FOR ROCK COUNTY RENTAL REHAB PROGRAM

A. Program Description

Using funds from the Federal CDBG and HOME programs, Rock County may provide landlords with funds to rehabilitate rental units that are rented to low income households. These loans can be provided to landlords for properties that are located in Rock County but outside of the Cities of Janesville and Beloit. Loans that are made to landlords require repayment on a monthly basis (based on the loan amount, a loan term of 10 years, and a 3% interest rate).

Loans made to landlords provide the necessary funds to bring rental units up to local codes for safety. Several inspections are completed to determine what work needs to be completed to bring the rental unit up to County standards and a contractor is identified to complete all necessary work. The loan amount is generally limited to $24,999 per unit, but exceptions may be made by the Rock County Housing Authority (RCHA) or the Planning and Development Committee (PDC).

Determination of eligibility requires a determination that households living in the units to be rehabbed are low income. For properties with 1-4 units, all households must be at 60% AMI or below with rents at or below FMR as determined by HUD. For properties with 5 or more units, at least 20% of units must be occupied by households at or below 50% AMI. If the property is vacant, the landlord must agree to rent the property to low income households in the future.

The scope of work, defining the work to be completed, is developed by the Program Administrator and the landlord. The work must be contracted out using approved procurement policies. Each loan is to be secured with a Mortgage, Note, and Deed Restriction for the Period of Affordability, which is defined later in this section Payments are made to the contractor by the County. The Program Administrator oversees the project to ensure that the project is completed to the required standards. Rock County must also monitor the project over the entire loan period or the affordability period (whichever is longest) to ensure that the rental unit is rented to low income renter households and that other applicable requirements are met.

B. Program Administration

Initial Landlord Contact

Landlords interested in applying for this program should contact the Program Administrator. The Program Administrator will explain the program and clarify the process and requirements associated with the loan, including the long-term obligation that the landlord will be taking on.

Initial questions to be asked include:

- Do you own the rental units?
- Are the rental units currently occupied?
- Do you know the approximate assessed value of the rental units?
- Are you current on the mortgage and taxes for these units?
- How many units will be included in the application for funding?

- Will your tenants agree to provide the income information required for this program?
- What type of work needs to be done on the rental units?

During this initial call, the landlord will be informed about: the process and time frame for receiving assistance (including requirement for verifying tenant income, inspections, bids, etc.), the terms of the loan for which they are applying, and the long-term requirements related to rental of the units.

The property owner(s) should understand that long term compliance requirements will be placed on the property and should be clearly understood by the landlord prior to loan closing. Requirements include:

- Landlords are required to rent units that have been assisted with these loans to low income households. As a result, when a new household moves in to the assisted unit, the landlord will need to verify tenant income and retain this information for later review by the Program Administrator.[10]
- Rents for the assisted units are limited to those established by HUD for the size of the rental unit and the geographic area in which the rental unit is located.
- Monthly payments are required on loans for rental rehabilitation.
- Rental units must be adequately maintained over the entire period of the loan.
- Landlords must understand and agree to ongoing monitoring by the County during the period of affordability.

Compliance with these requirements will be monitored on an annual basis by the County during the period of the loan.

Determination of Initial Eligibility

Once an application is received from a landlord, the Program Administrator will process the application. Procedures are a bit different from those for a homeowner loans. The first step is to complete a property analysis to determine whether the loan is feasible. Once that has been determined, income information is collected and verified <u>for all tenants</u> living in the unit. If the unit is vacant, income verification is not required at this time.

- Searching the Rock County property data base to ensure that:
  - Landlord applicant is owner of record
  - Landlord is current on their property taxes (or current on a payment plan)
  - Determine the fair market value of the property to ensure that the after rehab value of the rental units will be less than the allowed property value.

- Review Landlord Credit Report
  - Check current on mortgage for the rental property
  - Check current on utilities
  - Check for bankruptcy

[10] The landlord must verify household income eligibility at initial tenancy and annually thereafter. If annual household income increases to the point that it exceeds 80 percent AMI, the landlord must notify the Program Administrator to ensure that units remain compliant (see monitoring section later in this chapter).

- Review Title Report
    - Verify all loan amounts and monthly expenses associated with the property

Once all this information is available, underwriting of the loan can take place. This includes calculating income and expenses associated with the rental property to determine if the property can support an additional loan against the property.

- Loan to Value: Add existing mortgage and potential rehab mortgage and compare to value. Policies require that the loan to value ratio not exceed 100 percent.
- Debt Service Coverage Ratio: This calculation compared revenue for the rental unit to existing expenses (including taxes, utilities, maintenance, etc.). Revenues minus expense (cash flow) is compared to the monthly payment for the first mortgage and assumed second mortgage to determine if the property can support additional debt. Debt service coverage must be at least 1.0 in order to qualify for a loan.

If the underwriting indicates that a loan is possible, information on tenant income is collected and income of tenants verified. The list of information required to verify income is provided to the tenant, and information is submitted directly to the Program Administrator for review. The Rock County program uses Part 5 Income Calculation to determine tenant eligibility for this program. A review of income documentation is used to estimate "anticipated income" and includes income, assets and other required income sources. Section V.C includes a detailed description for income verification.[11]

Environmental Review

The Program Administrator completes an environmental review of the property to be assisted. The environmental review includes completion of the Statutory Checklist to verify that the property is not in a flood plain, in a wetland area and that rehabilitation activities will not impact a historic structure. The statutory checklist is identical for both HOME and CDBG except as it relates to historic homes and buildings—if a home was built more than 50 years ago, and if the activities to be performed are not on the exempt activities list, when CDBG funds are used, approval from the Division of Housing, Environmental Review Desk must be obtained. If HOME funds are being used, this review can be completed internally.[12] Section V.D provides additional information on environmental review procedures.

Develop Scope of Work

The Program Administrator and the Property Inspector identify a time to conduct a complete inspection of the rental units, including the common areas. If the building was built prior to 1978, a lead risk assessment is scheduled with the Rock County Health Department. If Healthy Homes funds will be used, a "Healthy Home" inspection is also requested from the Health Department.

[11] Note that if there are currently no tenants living in the rental unit to be assisted with program funds, income verification will be completed at the time of initial unit occupancy (after construction completion).

[12] The approval process is driven by the source of funds. When CDBG funds are used, the source of the funds is the State, and therefore state approval is required.

Once all the information is available from: (1) the property inspection, (2) the lead inspection, and (3) the homeowner requests, a detailed scope of work is prepared. The scope of work identifies all work necessary to make the home safe and sanitary and meet all code requirements.

Cost Estimate

The Program Administrator and Property Inspector then prepare an estimate of the cost of the work that needs to be completed. If the cost estimate exceeds the programs loan limits or if the project cash flow cannot support loan repayment at that loan level, a meeting is held with the Program Administrator and the Director of Planning, Economic and Community Development to discuss whether the project should proceed to the bidding phase.

After the cost estimate is completed, the Program Administrator will use the estimate to confirm the maximum subsidy limit, maximum after-rehab value, and loan to value requirement as necessary for the program from which funds will be spent:

- **Proposed loan amount will not exceed the per unit HOME program subsidy limit (HOME only):** Compare the cost estimate to the subsidy limit. If the cost estimate exceeds the limit, determine the maximum project cost allowed under the limit. If the bids do not come in less than this value, the project is ruled ineligible unless the borrower brings enough money to the table to cover the difference.

- **Project will not result in an after-rehab value that exceeds the per unit HOME maximum after-rehab value limit (HOME only):** Calculation of after-rehab value is done by adding the most recent tax fair market value to the cost estimate. Compare that number to the HUD established maximum value. If the projected value exceeds the limit, determine the maximum project cost allowed under the limit. If the bids do not come in less than this value, the project is ruled ineligible.

- **Compare the total required loan amount to the property value (for HOME and CDBG)** to determine the loan to value ratio**.** Rental rehab loans cannot exceed an amount that would result in a loan to value ratio of more than 100%.

Determination of Lead Work based on Per Unit Costs

The Program Administrator will use the Lead Risk Assessment and cost estimate to determine the level of lead certification needed by the contractor so that this requirement can be included in the bid. The formula for determining the lead safe housing requirements that apply to a particular rehabilitation project are based on the "level of assistance" received by the project. The level of assistance is the **lower** of:

- Per unit rehabilitation hard costs
- Per unit Federal Assistance

These terms are defined by HUD as follows**:**

- **Rehabilitation Hard Costs:** The rehabilitation costs are calculated using only hard costs (e.g., physical improvements, utility connections, repairs and replacements, and energy-related improvements). They do not include soft costs (e.g., financing fees, relocation costs, acquisition, or administrative costs) nor do they include the costs of lead hazard evaluation and reduction, as described below.
- **Lead Hazard Evaluation and Reduction Costs:** Lead hazard evaluation and reduction costs include costs associated with site preparation, occupant protection, relocation, interim controls, abatement, clearance, and waste handling attributable to lead-based paint hazard reduction.
- **Federal Assistance:** The Federal assistance includes **all** Federal funds provided to the rehabilitation project, regardless of whether the funds are used for acquisition, construction, soft costs, or other purposes. This also includes funds for program income, but excludes low-income housing tax credit funds (LIHTC), Department of Energy Weatherization Program funds, or non-Federal HOME Program match funds.

Using these definitions, the "level of assistance" is calculated and requirements related to rehab work can be determined. There are three approaches to lead hazard evaluation and reduction for rehabilitation activities. The approach used is determined by the "level of assistance" received by the project. The requirements are established so that larger rehabilitation projects must meet more protective requirements than smaller rehabilitation projects. These approaches are:

1. **Do no harm- up to $5,000.** For rehabilitation projects with a level of assistance up to $5,000 per unit, the approach is to do no harm. This means that work is done using <u>safe work practices</u> and <u>clearance</u> of the worksite is performed at the end of the job to ensure that no lead dust hazards remain in the work area. Grantees can test surfaces to determine if they have lead-based paint or they can choose to presume that lead-based paint is present on all surfaces disturbed by the rehabilitation activities.

   All rehabilitation work must be completed in a way that does no harm: If the paint testing shows that no lead-based paint is present on surfaces to be disturbed by the rehabilitation, no lead hazard reduction activities or special work practices are required. If paint testing shows lead-based paint is present or if lead-based paint is presumed to be present, the grantee must ensure that all the work performed on all surfaces known or presumed to have lead-based paint is done using lead safe work practices. After work is complete, the unit must pass a <u>clearance</u> examination.

2. **Identify and control hazards- $5,000 to $25,000.** For rehabilitation projects from $5,000 up to $25,000 per unit, grantees must identify hazards by performing a <u>risk assessment</u> and then control any identified hazards using <u>interim controls</u>.

   If lead is present, you must use workers who are trained in lead-safe work practices or supervised by a certified abatement supervisor. The contractor must perform interim controls on all hazards identified in the risk assessment using lead safe work practices. After work has been completed a clearance exam must be performed and a clearance report must be issued.

If paint testing and the risk assessment show no lead-based paint or lead hazards, then no lead hazard reduction activities are required.

3. **Identify and abate hazards- over $25,000.** For rehabilitation projects over $25,000 per unit, grantees must identify hazards by performing a risk assessment and then abate any identified hazards.

   If paint testing or the risk assessment shows that lead-based paint or lead hazards are present, then perform abatement on all hazards identified in the risk assessment. Interim controls are acceptable on exterior surfaces that are not disturbed by rehabilitation. Use appropriately trained, certified, and licensed workers. For abatement work, certified, licensed abatement contractors are required. For non-abatement work, use appropriately qualified workers. Perform a clearance exam and issue an abatement report.

If paint testing and the risk assessment show no lead-based paint or lead hazard, then no lead hazard reduction activities are required

Contractor Eligibility

To be eligible to bid on a project, contractors must meet the approved insurance requirements, carry the proper licensing, and have the necessary lead certification demanded by the project. In addition it must be verified that the contractor is not debarred.[13]

Bidding

Contractors are given a set time to submit their response to the bid. Contractors will be given an opportunity to inspect the property if necessary. If additional work items are discovered during the site inspections and added to the scope or work, all eligible contractors will be given an Addendum to the scope reflecting the additional work item. Any needed addendums are prepared and released by the Program Administrator.

Opportunities to bid are given to all contractors known to have the necessary qualifications. Bid packets are sent to all of the qualified contractors either by mail or email. Rock County make every effort to obtain three bids for the work (including holding additional opportunities for inspection). If three bids cannot be obtained, at least two bids must be received and compared to the staff estimate or the project must be re-bid.

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[13] The System for Awards Management (SAM) is the site employed when searching for debarred, suspended or ineligible contractors or organizations receiving federal funds.

On the date that bids are due, bids are reviewed and the work is awarded to the lowest, responsive bid. Contractors are notified of their award, which is subject to committee approval, within 5 days of bid submission.

Loan Approval

Loan Approval is contingent on the loan amount conforming to the maximum subsidy limit, maximum after-rehab value, and loan to value requirement. If the loan amount needed exceeds any of the limits, the loan must be denied or the work to be performed must be modified so that it is compliant.

Once the loans have been approved, the Program Administrator can move forward with loan closing and contractor engagement.

Loan Terms

Rental rehab loans through Rock County require a monthly payment. The monthly payment amount is calculated based upon the loan amount, a 3% interest rate and with full repayment required over ten years. For example, if the loan amount is $14,000 per unit, and there are two units (total loan amount is $28,000). The monthly payment required by the landlord would be $270 per month.

If the cash flow for the property will not support this level of monthly payment over the ten year period, the loan should not be made OR the amount of the loan should be adjusted accordingly.

Loan Closing Procedures

On the loan closing date the Program Administrator will meet with the landlord applicant to review all documents involved in the loan and secure the applicant's signature on:

- Rehabilitation Contract;
- Mortgage, Deed Restriction for Affordability Period, and Note;
- Truth-in-Lending Disclosure Statement;
- Notice of Right of Rescission (two copies); and
- Authorization of Terms and Conditions of Loan (i.e. Loan Agreement); and
- Agreement for long-term program compliance.

After closing the Program Administrator will send the mortgage to Rock County for recording.

IDIS Set Up

After the loan is closed and the mortgage is recorded, the project is set up in IDIS or an IDIS set-up sheet is provided to the appropriate administrator for the program.

Landlord/Contractor Pre-construction Meeting

The landlord and the contractor agreement is finalized once the following items have been completed: County approval, loan closing, and the project set up in IDIS.

After these steps have been completed, the Program Administrator schedules a pre-construction meeting where the Program Administrator, the landlord owner and contractor discuss the schedule for the work to be performed and a construction start date is established. Information is provided to the owner regarding the project schedule, access to the work site by the contractor and how the owner should address concerns over the course of the project. In addition, tenants in the rental units must be notified, provided a schedule for work, and informed of any lead work that will be done in the home. All tenants will receive information on rehab and lead based paint, and will verify with their signature that they have received and understood the information.

In general, Rock County does not expect tenant relocation to be necessary to complete rehab work necessary. However, under certain circumstances, relocation may be required. See Section V.H later in the manual for an overview of these policies.

Notice to Proceed

In order to issue a notice to proceed, all of the steps above need to be completed and all required contractor information must be submitted. These items include: the contract signed by the contractor, a certificate of insurance, and a signed W9 form. All appropriate permits must be pulled prior to any rehabilitation work commencing; this must be clearly relayed to all contractors. No payments will be made unless the Program Administrator has all these items. Once everything is in place, the Program Administrator issues the Notice to Proceed. The Notice is signed by the contractor, owner and Program Administrator. The contractor then has 10 days to start construction.

Construction Payment Process

The contractor may submit interim payment requests for rehab projects with a contract amount greater than $4,999. Interim payments can be made only up to an amount less than 80 percent of the contract amount. Payment may be made for work done or materials purchased and on site only—no advance payments will be allowed. The remainder due the contractor shall be withheld pending satisfactory completion of the entire rehabilitation project.

Each request for progress payment shall include:

1. The contractor's certification (signature) that the work for which the progress payment has been requested has been performed in accordance with the terms of the contract.

2. Certification (signature) by the Program Administrator that necessary inspections have been made and the work has been satisfactorily performed in accordance with the contract.

3. The signature of the owner denoting approval of the work for which payment is requested.

A completed payment request with signatures from the Program Administrator, owner and contractor is submitted to the Rock County staff for payment. The county makes payment directly to the contractor for the amount of this request. Any payments made are also recorded in the IDIS system.

Project Completion
Upon completion of all work, a request for final payment shall be made on the same form as required for progress payments and shall contain the same certification and signatures required for such payments. The contractor's final Request for Payment must include a final lien waiver from the contractor, subcontractor and suppliers, and a copy of each warranty due the owner for the work. Prior to final payment, the Final Inspection Checklist must be completed and signed by the inspector and all building permits must be closed.

In addition, where work has been done that triggers compliance with lead-based paint regulations, no final payment may be made until the work passes clearance.

IDIS Update
Once the work has received the required clearance, passed final inspections, the final lien waiver has been submitted, and final payment has been made, expenditures are adjusted as necessary in IDIS. The project is not ready to be closed out in IDIS until beneficiary information is available. If beneficiary information is available, it can be entered and the project closed out. If not, this step can be taken once that information is available.

Contractor/Owner Disputes
The Program Administrator may encounter situations where the contractor and/or owner have a dispute about the work to be performed or the payment to be made. Some common situations and resolutions are described below:

Contractor fails to begin all or a portion of a rehab project—The Program Administrator will notify the contractor, in writing, that if the project is not started or adequate progress made, by the specified date, the contract will be cancelled. When no, or minimal, work has been done on a project, the entire project may be re-bid or awarded to the next highest bidder, and the mortgage securing the loan adjusted accordingly.

Payment Dispute--The Program Administrator will advise the owner of any noncompliance in the rehabilitation work or of any incorrect invoice submitted by the contractor if the work completed is not in accordance with the requirements of the Rehabilitation Contract. The Program Administrator will request appropriate corrective action from the contractor. No payment (or interim payments) shall be made on the rehabilitation contract until the contractor has satisfactorily completed the necessary action. The contractor must be given the opportunity to correct his or her work. If a contractor has demonstrated that he or she is not available to, or incapable of, making the appropriate repairs in an adequate or a timely manner, another contractor may be brought in to make the required repairs.

Contractor Termination--A rehabilitation contract may be terminated under the following conditions:

1. Poor work performance by the contractor and the demonstrated inability to rectify the poor workmanship.

The following procedures shall be used when negotiating a workmanship problem:

a. If the Program Administrator notices poor workmanship at a routine inspection, the Program Administrator will verbally request correction and provide a time frame for the correction to occur.

b. If the verbal request for correction does not result in a resolution of the problem, a meeting shall be held at the job site with the contractors, owner, Program Administrator, and Director of Planning, Economic and Community Development to attempt to come to a consensus regarding correction of problems.

c. If resolution is still not achieved, the Program Administrator shall contact the contractor by certified mail notifying the contractor that the workmanship is still poor and specifying the areas that need to be addressed to satisfy the contract. The contractor shall be given a specific time limit by which to make the required repairs.

d. If the contractor is not responsive within the time period allowed, the contract will be severed and the work will be awarded to another contractor.

   The cost of repairing poor workmanship and/or any higher costs related to award of the contract to another contractor shall be deducted from any amount owed to the initial contractor for work completed. In all cases the contractor shall be given the opportunity to rectify the problem before contract termination procedures are begun.

2. Causing undue damages to a tenant or owner's property and the inability or unwillingness to correct the damages. The cost of repairing damages will be deducted from any money owed the contractor for work already completed. If the amount owed is insufficient to cover the costs of the damages, the Program Administrator will assist the property owner to identify options for recovering this amount.

3. The inability of the contractor to perform the work within the allotted time.

4. Irreconcilable differences between the contractor and the property owner.

5. The contractor requests to be removed from the contract. There will be no penalty associated with this request as long as the request is made within 30 days of receiving the Notice to Proceed.

6. The contractor has been debarred, suspended, or is otherwise ineligible to work on federal contracts.

C. Post Construction Activities

Once construction is completed, the Program Administrator must ensure that the unit is rented within a specified time frame to an income eligible tenant. Certain requirements are in place for the entire period of affordability.

Rent-Up Period

If the units are not occupied at the time of rehabilitation, units must be rented up within a specified period of time, as follows:

- Within 6 months of project completion, if units are not rented, a marketing plan must be developed by the owner and submitted to the Program Administrator for approval.
- If units are not rented within 18 months of project completion, the project will be considered ineligible and the property owner will be required to repay Rock County the entire amount of the HOME funds that were invested in the units remaining vacant.

For purposes of the program, project completion is defined as the date on which final payment is made to the contractor, since at that point all work has been completed, permits have been closed, and clearance has been obtained.

Affordability Period

Rental units assisted with HOME funds must rent units to low income households and must abide by rent restrictions for the period of affordability. The period of affordability is defined as either (1) the period of affordability required by HUD, which is based on the amount of assistance provided, or (2) the length of the loan, ***whichever is longer***.

The following table shows the HUD requirements related to the affordability period for rental rehabilitation projects.

Amount of Assistance Provided (Per Unit)	Minimum affordability period
Less than $15,000	5 years
$15,000-$40,000	10 years
More than $40,000	15 years

Other requirements that must be met during the period of affordability include:

- Income restrictions—income must be verified (using the Part 5 income definition) at initial lease up of the property and annually thereafter.[14] If 5 or fewer units are assisted, all tenants must have incomes less than 60 percent of the area median income. If more than five units are assisted, the general HOME program rules can be used.[15]
- Rent restrictions—rents are limited to the HOME rents; the Program Administrator will notify the landlord when rents are modified. Rents can be increased to the rent limit (if they increase) upon lease renewal. [16] Rents must take into account utility using utility allowances provided by the Program Administrator. Rent restrictions are for all housing costs, so rent plus any utilities paid by the tenant cannot exceed the limit. As a result, it is recommended that any time rents are changed by the landlord, the rent increases are reviewed by the Program Administrator.
- Leases—a lease of at least a one year term must be in place for tenants in assisted units.

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[14] After initial income verification and owner may elect to use a written statement from the household indicating family size and annual income. This statement must be certified by signatures of each adult member of the household and the household is required to provide documentation if requested.

[15] The program rule for projects >5 units is 20% of units < 50% CMI.

[16] Property owners are "held harmless" if HUD rent limits are reduced—meaning that they do not need to reduce rents if the HUD limits decrease.

- Property standards—the landlord must ensure that the property is maintained to appropriate standards during the entire period of affordability. Note that no additional HOME funds can be provided for rehab of the property over this period of affordability.
- In addition, the landlord is required to abide by all Fair Housing rules, engage in marketing intended to reach eligible households, abide by all tenant protections laws in place, and the landlord may not decline to rent to any household with any type of rental assistance provided using federal funds.

If the Program Administrator and/or Rock County finds that the landlord is not complying with these rules when monitoring is completed, it will issue a letter requiring that the landlord return to compliance in all areas within a specified period of time. At that time a second monitoring will be completed to verify that this is done. Failure to do so will result in an immediate demand for repayment of the entire loan amount.

All of these requirements related to long term compliance are spelled out clearly in the mortgage and notes that were signed by the property owner at loan closing.

Loan Servicing: Repayment of Loans
Systems for processing and tracking loan repayments must be set up at the county level. Loan repayments are made to the County and repayments tracked. Late payments are subject to a late fee. Once the loan has been repaid, a loan satisfaction notice would be issued.

Loan Servicing: Monitoring for Program Compliance
Over the term of the loan or the period of affordability (whichever is longest), compliance with affordability requirements will be monitored. An annual review will be completed by the County of all rental units that have been assisted. The Program Administrator may complete the annual review if requested by Rock County. During this review they will verify that (1) income requirements are being met, (2) rents that are being charged are within the federal rent limits taking into account utility allowances[17], (3) rental units are being adequately maintained.

The County or Program Administrator must complete an on-site inspection of the property (1) upon project completion, (2) 12 months after project completion, and (3) at least every three years thereafter over the entire period of affordability. The landlord is responsible for new tenant income verification (using source documentation), but compliance will be monitored with a review of documentation that was collected and maintained by the landlord. The Program Administrator will provide assistance to the landlord as required to ensure income and rent compliance.

Loan Servicing: Subordination
If a landlord wants to refinance the primary mortgage on the property during the period of affordability, the landlord must submit the following to Rock County:

[17] The only exception to rent limits occurs if the tenant household's income increases over 80 percent of the area median income. In this case, the household is expected to pay at least 30 percent of their income for rent. Such rent adjustments can be made at the time of lease renewal. This can only occur when a household has initially income qualified (at time or original tenancy), but income increased during occupancy. When this occurs, the tenants can remain in the unit (paying the adjusted rent amount). However, at the time the tenant vacates the unit, the new tenant must meet income criteria and rents returned to the allowed rent level.

- The reason for the subordination request;
- The names, address, and contact person(s) at the cooperating financial institution;
- The new mortgage amount that would take precedence over the Grantee's mortgage;
- Copies of estimates for any rehab/construction work being completed; and
- The current subordination fee to cover staff costs for processing the request.

Rock County will, on a case-by-case basis, consider subordination requests for owners wishing to refinance their loans or in the case of sale of the property. Staff may approve requests when an owner wishes to:

- Refinance an existing mortgage to obtain a reduced interest rate;
- Refinance an existing mortgage to obtain a comparable interest rate and extended payment terms so long as the loan to value ratio of the resulting first and second mortgages does not exceed 80 percent; and
- Refinance an existing mortgage as necessary to halt foreclosure proceedings by a bank or to halt tax deed proceedings by the county.

Rock County staff will submit a request to the Housing Authority (HOME loans) or the Planning and Development Committee (CDBG loans) in the case where:

- The owner wished to refinance an existing mortgage to obtain comparable interest rated and extended payment terms if the loan to value ratio including the first and second mortgages, exceeds 80 percent.

Typically, Rock County will NOT consider requests for subordinations for ANY of the following:

- Any new loan that would increase the amount of debt mortgaged against the property.

- For consolidation of consumer debt, such as credit cards, automobiles or other "cash to homeowner" transactions, or for any home equity loans other than for the sole purpose of rehabilitating one's primary residence.

- For any subordination that will put the Grantee's security interest in jeopardy, as determined by standard underwriting practice, unless required to halt foreclosure or tax deed proceedings.

- For any subordination where the interest rate on the new loan is 2 percent above the average local lending rate for similar type loans.

Loan Servicing: Sale of Rental Units

If the landlord sells the property prior to the end of the loan term, the property that has been assisted is still subject to all long-term program requirements, including rent and income restrictions, property standards, etc. These remain in effect through the affordability period or the loan term, whichever is longest. The new owner must assume responsibility for compliance. The

Affordability Period requirements continue even if HOME funds are repaid prior to the end of the Affordability Period.

SECTION IV: HOMEBUYER PROGRAM – DOWN PAYMENT ASSISTANCE

A. Program Description

HOME and CDBG funds may be used to provide downpayment and closing cost assistance to low income households wishing to purchase a home. The program can offer ***up to $8,000*** to potential homebuyers.[18] The assistance is offered in the form of a zero-percent deferred loan, meaning that no payments are made on a monthly basis, but repayment of the entire amount is due upon sale or property transfer or if the property ceases to be the primary residence. Homes that are purchased must meet physical property standards. Homebuyers must contribute at least $1,000 of their own funds and they must attend home buyer education classes from a HUD-certified housing counselor in order to qualify for the loan.

B. Program Administration

Application

Households interested in purchasing a home will contact the Program Administrator. Households will be asked to submit an application to determine if they qualify for the program. The homeowner must have an accepted offer to purchase before the Program Administrator can determine whether they qualify for the program. Applicants will be given information on homebuyer counseling, and informed that education is a requirement for receipt of a downpayment assistance loan.

Determination of Homebuyer Initial Eligibility

Once an application has been submitted, the Program Administrator will process the application. The household must have income less than 80 percent of the area median income. Rock County uses Part 5 Income Calculation to determine program eligibility for both this program.

A review of income documentation is used to estimate "anticipated income" and includes income, assets and other required income sources. Section V.C of this manual includes a detailed description for income verification.

If this review of household income determines that the applicant does not meet the criteria listed above they are informed that they do not qualify. A phone call and a letter will inform the applicant that they are not eligible.

If the household is determined to be eligible, the household can then identify a home, if one has not yet been identified. The income verification is good for 6 months. If closing on the home does not occur within 6 months, income eligibility must be recalculated.

First Time Homebuyer status is not required when utilizing HOME funds. If CDBG is used, the applicant must be a first time homebuyer unless written authorization from the State of WI is received.

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[18] The actual amount of the assistance is determined by underwriting completed by the Program Administrator that demonstrates the need for assistance.

Determination of Property Eligibility

If the potential homebuyer qualifies, information will be collected on the property to determine whether the home to be purchased qualifies for the program. This requires:

- If HOME funds are utilized for down payment assistance, the home must have a value less than the HUD maximum purchase price allowed under the program. The Program Administrator will verify home value using either copy of the accepted offer or a current appraisal.
- The Program Administrator will arrange for an inspection of the home. This inspection is completed to verify that the home meets Housing Quality Standards, the current criteria for determining that a home is decent, safe and sanitary. For homes built before 1978, the home inspector will inspect the property to determine whether any lead hazards are present. If HQS deficiencies or lead hazards are identified, they must be corrected prior to closing. Loan funds do not cover the cost of such correction.
- The Program Administrator will obtain evidence that the homebuyer completed a homebuyer education course from a HUD-certified housing counselor.

Determination of Appropriate Financing

Finally, the HOME program requires that financing for the property be examined to ensure that the loan product that is used is not "predatory". Loans will be reviewed to verify that the interest rates and the terms of the loan are reasonable. Generally, loans are not allowed where the interest rates is more than 2 percent over the average community rate. Adjustable rate mortgages must have a lone term of at least 5 years and interest-only mortgages are not allowed.

Calculate Amount of Assistance

The Program Administrator will underwrite the project to determine the amount of the loan. This step is taken to ensure that the household needs the downpayment assistance loan in order to purchase the home. Underwriting is done to determine the "front-end" ratio (the housing debt ratio, which compares the monthly payment for the primary mortgage to monthly income). The housing ratio must at least 20 percent for a household to qualify for a loan from the HOME program. The "back end ratio" (the total debt ratio, which compares all household debt to household income) must not exceed 45 percent. The household may obtain down payment assistance of no more than $8,000 but will be given an amount that will ensure that these underwriting ratios are achieved. Project underwriting will be done using the calculation table shown at the end of this section.

If CDBG funds are used, CDBG may provide up to 50% of the required down payment costs, not to exceed ten percent (10%) of the purchase price of the home or $8,000. All down payment assistance must be matched with a 1:1 ratio. The matching down payment may be from other grant or loan funds, or the homebuyer's monetary contribution. The matching sources must be documented in the project file. Closing costs are not subject to the 1:1 ratio match.

Prepare Closing Documents

The loan is secured by placing a mortgage on the property. Documents that must be prepared for closing include:

- A truth in lending statement
- A loan agreement
- A mortgage for the amount of the loan

These documents are prepared and should be reviewed with the applicant household prior to closing. Loan terms should be clearly explained.

Closing

At closing documents should be signed by the homeowner, and the mortgage will be recorded in a subordinate position to the primary mortgage.[19]

Loan Servicing: Subordination

Homeowners who want to refinance their first mortgage loan during the period of affordability must submit in writing the following information, to Rock County staff:

- The reason for the subordination request;
- The names, address, and contact person(s) at the cooperating financial institution;
- The new mortgage amount that would take precedence over the Grantee's mortgage;
- Copies of estimates for any rehab/construction work being completed; and
- The current established fee to cover costs associated with the loan subordination.

Rock County will, on a case-by-case basis, consider subordination requests for owners wishing to refinance their loans. Staff may approve requests when an owner wishes to:

- Refinance an existing mortgage to obtain a reduced interest rate;
- Refinance an existing mortgage to obtain a comparable interest rate and extended payment terms so long as the loan to value ratio of the resulting first and second mortgages does not exceed 80 percent; and
- Refinance an existing mortgage as necessary to halt foreclosure proceedings by a bank or to halt tax deed proceedings by the county.

Rock County staff will submit a request to the Housing Authority (HOME loans) or the Planning and Development Committee (CDBG loans) in the case where:

- The owner wished to refinance an existing mortgage to obtain comparable interest rated and extended payment terms if the loan to value ratio including the first and second mortgages, exceeds 80 percent.

Typically, Rock County will NOT consider requests for subordinations for ANY of the following:

- Any new loan that would increase the amount of debt mortgaged against the property (unless the additional amount will be used to rehabilitate the property).

[19] Generally we expect that the HOME loan mortgage will be in second position behind the first mortgage, but it can be subordinate to other mortgages that provide additional assistance to the home buyer.

- For consolidation of consumer debt, such as credit cards, automobiles or other "cash to homeowner" transactions, or for any home equity loans other than for the sole purpose of rehabilitating one's primary residence.
- For any other type of subordination that will put the Grantee's security interest in jeopardy, unless required to halt foreclosure or tax deed proceedings.
- For any subordination where the interest rate on the new loan is 2 percent above the average local lending rate for similar type loans.

Loan Monitoring and Servicing

1. Each year, the County must verify that the assisted household continues to live in the home and that the home serves as the primary residence. This monitoring is completed by sending a postcard or letter to the homeowner to verify continued occupancy of the home as primary residence.
2. If a sale of the property occurs, the County must determine the repayment amount, which is based upon the loan value, taking into account the net proceeds from the sale of the property (if loan proceeds do not cover the amount of the loan, recovery is limited to the net proceeds).
3. The Program Administrator and County must also respond to requests related to subordination of the loan in the case of refinancing of the first mortgage. Staff may approve the subordination in cases where the primary mortgage is refinanced to get a lower interest rate or reduced monthly payments, but any subordination to a loan where additional debt is taken must be reviewed by the Rock County Housing Authority.
4. In the case of foreclosure, the mortgage will be released.

SECTION V: LEAD FUNDING

In the past, Rock County and the Cities of Beloit and Janesville formed a consortium to obtain a Lead Hazard Control grant from the federal government. This grant provided funds to rehab homes where there are children under 6 present who may be negatively impacted by the presence of lead paint in the home.

As of 2020, the Rock County Public Health Department has received a Wisconsin Lead-Safe Homes Program grant from the State of Wisconsin Department of Health Services. Rock County Public Health may work with the Program Administrator and Rock County staff to utilize these funds.

The Lead Safe funds can be used alone, or together with CDBG or HOME funds. Other funds may be used to complete rehab on other home components. However, if funds are combined in a project, policies and procedures related to the lead program must be developed and added to this section.

SECTION VI: CROSS CUTTING PROGRAM REQUIREMENTS

The following sections of the manual lay out program requirements that apply to all projects, regardless of the program type.

A. Conflict of Interest

Elected/appointed officials, municipal employees, employees of the Program Administrator, or other consultants involved in the decision-making processes of the program are not eligible to receive housing rehabilitation assistance through the program either for themselves, or their families or for those with whom they have family or business ties, during their tenure or for one year after.

For purposes of the County rehab loan program “family” means:

- Spouse;
- Fiancée/Fiancé;
- Children and Children-in-Law;
- Brothers and Brothers-in-Law;
- Sisters and Sisters-in-Law;
- Parents and Parents-in-Law; and
- Anyone who receives more than 50 percent of their support from the person (e.g., adopted child, foster child).

24 CFR Part 570.489 (h) specifies the requirements for grantees with respect to Conflict of Interest. In no case may the Grantee’s Chief Elected Official receive a rehab loan.

B. Citizen Grievance Process

A written grievance policy must be in place for citizens to resolve any issues that arise with regard to decisions about funding or program administration. The following represents the policy for Rock County:

- Citizens must submit complaints in writing to the Director of Planning, Economic and Community Development for resolution. A record of the complaints and action taken will be maintained. A decision by the Director of Planning, Economic and Community Development will be rendered within 15 working days. Appeals regarding income determination will be deferred to the State of WI DOA for a decision upon receipt by Rock County.

- If the complaint cannot be resolved to the satisfaction of the citizen by the designated official, it will be forwarded to and discussed by the appropriate committee of jurisdiction (Rock County Housing Authority for HOME loans, and the Planning and Development Committee for CDBG loans) at a public meeting. A written decision will be made within 30 working days. The decision of the governing body is final.

- A record of action taken on each complaint will be maintained as a part of the records or minutes at each level of the grievance process.

C. Income Determination

Rock County uses the Part 5 definition of income in order to determine eligibility for programs. 24 CFR Part 5 is used by a variety of Federal programs. The Part 5 definition of annual income is the **gross amount of income of all adult household members that is anticipated to be received during the upcoming 12 month period.** A Grantee must determine level of income to address eligibility and to determine household's ability to pay when estimating housing assistance needs. 100% of all households receiving a HOME or CDBG-Housing loan must be income verified and determined at or below 80% of County Median Income (per HUD Income limits published annually). Note that rental rehabilitation loans may have different income limit requirements for tenants as described in Section III.

The Part 5 definition of annual income contains income "inclusions" (types of income to be counted) and "exclusions" (types of income that are not considered, for example, income of minors). Income DOES include income from assets. The following sections provide specific information on income calculation.

Note that all information collected from a household to determine eligibility must be included in the project file. This information should be maintained in a manner to ensure that information is confidential.

Anticipating Income

For the purpose of determining eligibility, grantee must project a household's income in the future by evaluating current circumstances. The assumption is that today's circumstances will continue for the next 12 months, unless there is verifiable evidence to the contrary. For example, unemployment benefit must be included in income projections if currently receiving unemployment and even if there is a chance a person may be employed in the future. The exception to this rule is when documentation is provided that current circumstances are about to change.

Income Verification

The source documents, such as wage statement or interest statements, must be verified and evidenced. The source documentation must be obtained. Written requests and responses are preferred. Conversations with third-party, such as employer may be acceptable if documented through notes to file, including contact name, address, phone number, information conveyed, and date of a call. To conduct third-party verification, a grantee must obtain a written release from the household that authorizes the third part to release required information. All documents provided by the applicant must be reviewed and documented; however, they may not provide sufficient information.

Two consecutive months' worth of source documentation (e.g. wage statement, interest statement, unemployment compensation statement) is an appropriate amount upon which to base a projection of income over the following 12-month period. For those whose annual employment is less stable or does not conform to a 12-month schedule, a grantee should examine income documentation that covers the entire previous 12 months.

The annual salary must also include COLA's, bonuses, raises, and overtime pay. If it's determined that an applicant has earned and will continue to earn overtime pay on a regular basis, grantees should calculate the average amount of overtime pay earned by the applicant over the period 3 or 12 months (whichever is used to calculate eligibility).

The income verification is valid for 6 months for HOME, and 12 months for CDBG (starting from the date the calculation was completed and signed by Program Administrator). If the project has not started (defined as mortgage signed) within this period, household's income must be re-verified with updated source documentation

Definition of Household Members/Determining Family Size

The CDBG and HOME program requires that income of all household members, age 18 and over, be included in the determination of income. Program qualification depends on meeting income criteria which varies by household size. The Part 5 definition of annual income provides specific guidance pertaining to whose income in a household must be included in that calculation.

Household size should include all persons living in the home, including children and unrelated persons. A child must reside in the household at least 50% of the time to be counted as a household member. An unborn child is not counted. Some common special situations are described below.

- MINORS: **Unearned income** attributable to a minor, such as child support, TANF payments and other benefits paid on behalf of a minor is included in the gross household income. **Earned** income of minors, including foster children under age 18 is not included.

- LIVE-IN AIDES: If a household includes a paid live-in aide (whether paid by the family or a social services program), the income of the live-in aide, regardless of the source, is not counted. A related person does not qualify as a live-in aide.

- PERSONS WITH DISABILITIES: Certain increases in the income of a disabled member of qualified families living in HOME-assisted housing or receiving HOME tenant-based rental assistance may be excluded per 24 CFR 5.617(a).

- TEMPORARILY ABSENT FAMILY MEMBERS: The income of temporarily absent family members is counted in the Part 5 definition of annual income- regardless of the amount the absent member contributes to the household. For example, a construction worker employed at a temporary job on the other side of the state earns $600/week. He contributed only $400 to the family. The entire $600 is counted in the family's income.

- ADULT STUDENTS LIVING AWAY FROM HOME: If the adult student is counted as a member of the household in determining the household size, the first $480/year of the student's income must be counted in the family's income. However, this does not apply to a student who is the head of household or spouse.

- PERMANENTLY ABSENT FAMILY MEMBERS: If a family member is permanently absent from the household (nursing home), the head of household has the choice of either counting that person as a members of the household, and including income, or specifying that the person is no longer a member of the household.

Income

Income Inclusions

The Part 5 includes the following forms of income:

1. PAYROLL. The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.

2. BUSINESS. The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets may be deducted, based on straight-line depreciation, as provided in IRS regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in the income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.

3. INTEREST/DIVIDENDS. Any net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness. Any withdrawal of cash or assets from an investment will be included in the income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of$5,000, annual income shall include the greater of the actual income derivedfrom all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined per HUD.

4. RETIREMENT AND INSURANCE. The full amount of periodic amounts received from SS, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount.

5. UNEMPLOYMENT AND DISABILITY. Payments in lieu of earnings, such as disability or unemployment, worker's compensation, and severance pay.

6. WELFARE ASSISTANCE. Temporary Assistance for Needy Families (TANF). TANF regulations are complex, so please call the DOH to assist in income determination when TANF payment applies.

7. ALIMONY, CHILD SUPPORT AND GIFTS. If payments are periodic and determinable, such as alimony and/or child support, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.

8. ARMED FORCES. All regular, special pay, and allowances of a member of the Armed Forces. Exception: The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.

Income Exclusions

Some income to the household is not counted when program eligibility is determined. The following list provides some examples.

1. MINORS. Income from employment of children under the age of 18 years.

2. FOSTER CARE. Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone). Designation as a foster child or adult is required to exclude the income.

3. ONE-TIME PAYMENTS. Lump-sum additions to family assets, inheritances, insurance payments, capital gains, and settlement for personal or property losses.

4. MEDICAL REIMBURSEMENTS. Payments related to reimbursement of medical expenses for any family member.

5. LIVE-IN AIDES. If a person qualifies as live-in aide and is paid by the family or a social service program, their income is not counted.

6. DISABILITY INCREASE. Certain increases in income of a disabled member of qualified families residing in HOME-assisted housing or receiving HOME tenant-based rental assistance.

7. STUDENT FINANCIAL ASSISTANCE. Pay directly to the student or to the educational institution.

8. ARMED FORCES. Special pay to a family member serving in the Armed Forces who is exposed to hostile fire.

9. TRAINING PROGRAMS.

    a. Amounts received under training programs funded by HUD.
    b. Supplemental Security Income under a Plan to Attain Self-Sufficiency (PASS).
    c. Reimbursement of out-of-pocket expenses to participate in a specific program (special equipment, transportation, childcare, clothing).
    d. Resident service stipend not to exceed $200/month received by a resident of PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to fire patrol, hall monitoring, lawn maintenance.
    e. Incremental earning and benefits resulting from participation in qualifying state or local employment training programs (training not affiliated with local government).

10. TEMPORARY PAYMENTS. Nonrecurring or sporadic income, including gifts.

11. REPARATION. Payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.

12. STUDENT. Income in excess of $480/year for each full-time student 18 years or older with exception of student – head of household.

13. ADOPTION. Payments in excess of $480 per child.

14. SUPPLEMENTAL SECURITY INCOME AND SOCIAL SECURITY. Deferred periodic amounts that are received in a lump-sum amount or in prospective monthly amounts.

15. REFUND. Any rebates under the state or local law for property taxes paid on the dwelling unit.

16. DEVELOPMENTAL DISABILITY/EQUIPMENT. Any payments from state agency to a family with a member who has developmental disability and is living at home to offset the cost of services and equipment needed to keep the member at home.

17. OTHER STATUTORY EXCLUSIONS. A notice will be published in the Federal Register and distributed to determine benefits that qualify for this exclusion.

Assets

An asset is a cash or non-cash item that can be converted to cash. The value of an asset is not included in annual income. Cash Value Assets have both a market value and a cash value. The market value of an asset is simply its dollar value on the open market. A property's market value is the amount it would sell for on the open market. This may be determined by comparing the property with similar, recently sold properties. An asset's cash value is the market value less reasonable expenses required to convert the asset to cash (such as settlement costs or penalties for withdrawal).

In order to calculate income from assets a Grantee must recognize what to include in assets, how to compute the market and cash value of those assets, and how to determine the income from the asset to be included in annual income.

Assets – inclusions

1. CASH. Cash held in savings accounts, checking accounts, safe deposit boxes, homes, etc. For savings accounts, use the current balance. For checking accounts, used the average 6-month balance. Assets held in foreign countries are considered assets.

2. REVOCABLE TRUSTS. Cash value of revocable trusts available to the applicant.

3. RENTAL PROPERTY. Equity in rental property or other capital investments. Equity is the

estimated current market value of the asset less the unpaid balance on all loans secured by the asset and all reasonable costs that would be incurred in selling the asset. The equity in the family's primary residence is not considered in the calculation of assets for owner-occupied rehabilitation projects.

4. STOCKS AND BONDS. Cash value of stocks, bonds, Treasury bills, certificates of deposit, mutual funds, and money market accounts.

5. IRA's. Individual retirement, 401 (K), and Keogh accounts (even though withdrawal would result in a penalty).

6. PENSION. Retirement and pension funds.

7. LIFE INSURANCE. Cash value of life insurance policies available to the individual before death.

8. PERSONAL PROPERTY. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.

9. TEMPORARY PAYMENTS. Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, victim's restitution, insurance settlements and other amounts not intended as periodic payments.

10. MORTGAGES. Mortgages or deeds of trust held by an applicant.

Assets - exclusions

1. PERSONAL PROPERTY. Necessary personal property, except as noted in number 8 of Inclusions, such as clothing, furniture, cars, and vehicle specially equipped for person with disabilities.

2. INDIAN TRUST LANDS. Interest in Indian trust lands.

3. NON-OWNED> Assets not effectively owned by the applicant. That is, when assets are held in an individual's name, but the assets and any income they earn accrue to the benefit of someone else who is not a member of the household and that other person is responsible for income taxes incurred on income generated by the asset.

4. COOPERATIVES. Equity in cooperatives in which the family lives.

5. NOT ACCESSIBLE. Assets not accessible to and that provide no income for the applicant.

6. TERM LIFE. Terms life insurance policies where there is no cash value.

7. ACTIVE BUSINESS. Assets that are part of an active business. "Business" does not include rental of properties that are held as an investment and not a main occupation.

If value of assets is below $5,000 use the actual amount of income from the assets rather than using passbook rate.

D. Environmental Review

Regulations are found in the Environmental Review Procedures for Entitles Assuming HUD Environmental Responsibilities - 24 CFR Part 58. Sections 58.10 through 58.14 require grantees (local governments receiving funds) to assume the responsibility for environmental reviews. The Grantee has a legal responsibility for meeting all environmental review requirements stated in the HOME and CDBG contract.

The grant recipient must prepare an Environmental Review Record (ERR). The ERR is the compilation of all assessment narratives, checklists, agency contacts and responses, maps and photographs for all activities funded in whole or in part with HOME or CDBG funds. Rock County cannot release contract funds until the environmental review process is complete, and an award and contract are in place.

Exceptions to the above are:

1. Activities “exempt” by definition
2. Categorical exclusions [58.35(b)] not subject to NEPA Section 58.5

Content

The Environmental Review must cover all activities related to the project. The definition of "activity" in 58.2 includes both actions funded with HUD assistance and with other funding sources which are part of the same project. Section 58.32 states that "A recipient must group together and evaluate as a single project all individual activities which are related either geographically or functionally...”

Process

Please note that 58.14 and 58.5 require the grant recipient to involve federal, state and local governments (including environmental agencies) and the public in the preparation of environmental reviews.

The first step is classifying the proposed activities as exempt, categorically excluded, or subject to environmental assessment. Classify the activities properly, as this determines the procedures and time required.

Exempt Activities

Exempt activities are defined in 58.34 (a)(1)-(11). Exempt activities have no impact on the physical environment. They are primarily administrative or service-oriented in nature.

The listed exemptions are almost always part of a larger project that is subject to a more extensive review. If a whole project really is exempt, the recipient need only document in writing its determination that the project is exempt. Cite the applicable section of 58.34 (a)(1)-(11). A recipient does not have to submit an RROF and certification.

Categorically Excluded Activities
'Categorically excluded' refers to a category of activities for which no environmental impact statement, or environmental assessment and finding of no significant impact under NEPA, is required, except in extraordinary circumstances [see Sec. 58.2(a)(3)] in which a normally excluded activity may have a significant impact. Categorically excluded activities are defined in 58.35. Categorical exclusions are of two types:

- Categorical exclusions subject to Sec. 58.5 [(58.35(a)]. These activities are categorically excluded under NEPA, but may be subject to review under authorities listed in Sec. 58.5 (the Statutory Checklist). In general, they include:

    1) Reconstruction or rehabilitation of public facilities when the facilities are in place and will be retained in the same use without change in size or capacity of more than 20 percent (e.g., replacement of water or sewer lines, reconstruction of curbs and sidewalks, repaving of streets).
    2) Removal of architectural barriers that restrict the mobility of and accessibility to elderly and handicapped persons.
    3) Rehabilitation of buildings and improvements when the following conditions are met:
        a. Unit density is not changed more than 20 percent (multi-family buildings, commercial, industrial, and public buildings).
        b. The project does not involve changes in land use from residential to non-residential.
    4) An individual action on a one- to four-family dwelling.
    5) Acquisition or disposition of an existing structure or acquisition of vacant land provided that the structure or land acquired or disposed of will be retained for the same use.
    6) Combinations of the above activities.

- Categorical exclusions **not** subject to the Statutory Checklist (Sec. 58.5). These categorically excluded activities do not alter any conditions that would require a review or compliance determination under the Federal laws and authorities cited in Sec. 58.5. These projects include:

    1) economic development activities not involving construction or expansion;
    2) operating costs for other activities;
    3) affordable housing pre-development costs;
    4) activities to assist homeownership, including down payment and closing cost assistance.

Procedurally, these activities are equivalent to "exempt" activities. No public notice is required.

Activities to assist homebuyers to purchase existing dwelling units or dwelling units under construction, including closing costs and down payment assistance, interest buydowns and similar activities that result in the transfer of title to a property (but have no impact on the physical environment), are also categorically excluded activities not subject to compliance with the Statutory Checklist.[20]

E. Lead Paint & Asbestos

Asbestos is a mineral fiber that was commonly added to products to strengthen them, and to provide heat insulation and fire resistance. Asbestos is commonly found in older homes where it was used for pipe and furnace insulation, in asbestos shingles, millboard and transite siding, floor tiles, and a variety of other coating materials. The only way to determine whether a material is asbestos (containing more than 1% asbestos) is through Polarized Light Microscopy.

The handling of asbestos-containing materials is regulated by the Environmental Protection Agency (EPA) under the National Emissions Standards for Hazardous Air Pollutants (NESHAP), 40 CFR Part 61, and the Occupational Safety and Health Administration (OSHA) under regulations delineated in 29CFR 1926.1101.

General Policy on Asbestos

ALL rehabilitation that is done in whole or part with HOME and CDBG funds must comply with state and federal asbestos removal requirements.

1) Leave undamaged asbestos in place. Asbestos should only be removed when it is friable (which means that it can be crumbled to a powder by hand pressure) or when it will be disturbed by building rehab or demolition.

2) Removal of asbestos-containing material can be legally performed by contractors certified by ODHS.

3) Regulations regarding disposal in an approved landfill must be followed.

Lead Based Paint

Any housing unit rehabilitated in whole or part with HOME funds must comply with the lead-based paint requirements in Title X of the Housing and Community Development Act of 1992, as amended, Section 1012 of the Residential Lead- Based Paint Hazard Reduction Act of 1992 (Title X Subpart J) and 24 CFR 35. Procedures specified in earlier sections of this manual incorporate these requirements related to lead paint, but further information is provided below.

Lead-based paint (LBP) hazards include:

1) Deteriorated LBP: any interior or exterior LBP that is peeling, chipping, chalking, or cracking, or located on any surface or fixture that is damaged or deteriorated;

2) LBP on a Friction Surface: an interior or exterior surface subject to abrasion or friction, such as painted floors and friction surfaces on windows;

[20] The ER includes a determination of whether a home is designated as "historical" If the home is 50 years +, this determination must be made by the appropriate authority. When HOME funds are used, Rock Co staff may certify this determination; if CDBG funds are used, the State of Wisconsin Environmental Review Desk must be consulted.

3) LBP on an Impact Surface: an interior or exterior surface subject to damage by repeated impacts, such as parts of door frames;

4) LBP on an Accessible Surface: an interior or exterior surface accessible for a young child to mouth or chew, such as a window sill or door frame;

5) Lead-Contaminated Dust: surface dust in residential dwellings that contains an area or mass concentration of lead in excess of current federal guidelines; and

6) Lead-Contaminated Soil: bare soil on residential property that contains lead (often from chipping and peeling exterior paint) in excess of current federal guidelines.

The introduction of lead-based paint in residential structures rehabilitated in whole or part with HOME or CDBG funds is prohibited.

All contracts for housing rehabilitation and/or housing development must prohibit the introduction of lead-based paint.

All occupants of housing units built prior to 1978 must be notified of the hazards of lead-based paint, of the symptoms and treatment of lead-based paint poisoning, of the need to identify lead-based paint hazards through environmental inspection and blood lead tests, and of the importance and availability of maintenance and removal techniques to eliminate such hazards. The following website has the required pamphlet, Protect Your Family From Lead in Your Home as well as other good information to raise awareness about the continuing problem of lead-based paint poisoning.

http://www.hud.gov/offices/lead/outreach/

All occupants of units built before 1978 must be notified of the importance of monitoring and continual maintenance unless the lead-based paint has been permanently removed.

All units built prior to 1978 must be inspected for deteriorated paint. If there is deteriorated paint, this condition MUST be reflected on the HQS inspection form. All deteriorated paint must be addressed by the rehab activities.

All federal and state laws must be followed when completing rehabilitation work where lead-based paint is known or presumed to be present. All inspection forms, the Risk Assessments or, if there is none, the Presumption Notice, must be given to the occupants.

Process

1) Upon receipt of the application, determine the age of the home. It is known that many surfaces in post-1960 units do not contain lead-based paint. In fact, even some pre-1960 construction may have been completed without the use of lead-based paint. However, lead-based paint is still in use so be alert for deteriorated paint no matter the age of the house.

2) Provide occupants with the pamphlet, Protect Your Family From Lead in Your Home.

3) Children under the age of 6 may not be required to be tested for elevated levels of lead in their blood as a requirement to receive the HOME loan. It is STRONGLY urged that such testing take place prior to the initiation of rehab that addresses deteriorated paint or that will disturb a painted surface in a pre-1978 unit.

4) During the Initial Inspection, the condition of painted or varnished surfaces must be noted and the existence of lead-based paint hazards must be evaluated through a Lead Risk Assessment (LRA)

5) **Note: Inspection report must be complete or there may be a clearance issue.**

6) Write the Bid Specifications, making sure to identity deteriorated paint that must be corrected or work items that will break a painted surface. Determine which work items will require a lead-safe worker or, perhaps, an abatement contractor.

7) In general, the Standard Treatments Option is the preferred method since it allows the grantee to skip the risk assessment and presume the presence of lead-based paint. The homeowner must be notified that the program is presuming the presence of lead-based paint. Contractors trained in lead-safe work practices must perform the work and the house must pass clearance.

8) Standard Treatments Option:
   a. Stabilize all deteriorated paint (interior and exterior)
   b. Create smooth cleanable horizontal surfaces
   c. Correct dust generating conditions, including friction and impact surfaces
   d. Treat bare soil, make lead-based paint contaminated soil inaccessible

9) Determine whether the household should be temporarily relocated during the rehabilitation. The trained contractor being used to do the lead-based paint related work must develop an **occupancy protection plan** for the project. Depending on the nature of the rehab, the occupants may need to be temporarily relocated from the unit. The cost of the temporary relocation is an eligible project expense, but IS NOT an expense to be included in the loan to the property owner.

10) Make sure the contract includes language which will ensure that the contractor is responsible for cleaning the unit so that it will pass clearance when all work is done, and before payment is made.

11) Make frequent site visits to ensure compliance by all contractors of the Lead-Safe Work Rules.

Arrange for Clearance Testing, both visual and sampling as needed, before final payment is issued to the contractor.

F. SECTION 3: Local Employment and Contracting

Section 3 is a federal policy that applies to housing rehabilitation, new housing construction and other construction projects that are paid for, in whole or in part, with funds from the U. S. Department of Housing and Urban Development (HUD). Its full name is "Economic Opportunities for Low and Very Low Income Persons." It became law in 1968 as Section 3 of the Housing and Urban Development Act, thus it's commonly referred to as Section 3.

The purpose of Section 3 is to ensure that the employment and other economic activities that this federal assistance generates will, to the greatest extent possible, be directed toward low- to moderate-income (LMI) people (below 80 percent of county median income).

All recipients (grantees) who use HUD funding for housing rehabilitation or new construction, including the construction or rehabilitation of homeless shelters and transitional living quarters, are required to make an effort to recruit LMI people for job openings. In addition, if a recipient (grantee) is awarding competitive contracts of more than $100,000, the recipient (grantee) must attempt to recruit businesses as bidders that are "Section 3 business concerns."

ANY GRANTEE AWARDING A SUBCONTRACT WITH A VALUE OF $100,000 OR MORE TO BUSINESSES (INCLUDING NON-PROFIT CORPORATIONS) THROUGH A COMPETITIVE PROCESS MUST:

Establish a preference policy for "Section 3 Businesses". A Section 3 Business is one in which:

- 51 percent or more of the owners are LMI residents of the area of service (for non-profits, 51 percent of the Board of Directors members are LMI residents);
- At least 30 percent of its permanent full time employees are currently LMI residents of the area of service, or within three years of their date of hire were LMI residents; and
- It provides evidence of a commitment to subcontract greater than 25 percent of its dollar awards in all subcontracts to businesses that meet the qualifications in the above categories.

Include this policy in the Request for Bids materials and include a mechanism to allow companies to self-declare that they are Section 3 Businesses (in other words, you do not need to determine whether or not they qualify). If a company falsely claims to be qualified, it could face federal penalties. Include the "Section 3 clause" in all solicitations and contracts.

G. Minority and Women's Business Enterprises

There is a national policy to award a fair share of federal contracts to minority and women's business firms. Accordingly, grantees are urged to take affirmative action to encourage contracting with such business enterprises. This is especially important if these businesses are located in the community.

Grantees must report on the contracts and subcontracts awarded to minority and women's business. The reports will enable the City to track the number and dollar amounts of HOME contracts and subcontracts awarded to minority and women's businesses.

Each grantee must maintain the appropriate records to document the numbers and types of contracts and subcontracts awarded (whether for construction, supplies, or services), the dollar value of each award, and the gender and ethnic/racial status of the management/ownership of the business

Some specific voluntary actions a grantee may take to promote the use of MBEs and WBEs are:

- Develop and maintain a reference file of MBEs and WBEs, including the type of work performed, which are routinely sent invitations to bid or requests for proposals;
- Develop a strategy to promote the use of MBEs and WBEs in the HOME program. Include ways to encourage such use by contractors;
- Develop a procurement policy which provides that, where possible, contracts for work or supplies be obtained from MBEs or WBEs; and
- Maintain a log of follow-up phone contacts and personal visits to MBEs and WBEs.

An Equal Opportunity file must be maintained which contains the following items:

- Demographic profiles of the community relating to race, ethnicity, sex, age and head of household (HOH);
- Racial, ethnic, gender, age, handicapped persons and familial status data showing the extent to which these categories of persons have participated in, or benefited from, the HOME programs and activities;
- Documentation of all actions taken to achieve fair housing;
- Evidence of efforts made to promote the use of local businesses and the identification, training and/or employing of lower-income residents;
- Record of all HOME contracts and subcontracts (by name, address, number and dollar amount) awarded to minority business and women's business enterprises (MBE/WBE); and
- Records relating to equal opportunity monitoring.

These additional items are to be included if they apply:

- Copy of the local fair housing ordinance;
- Copy of the local equal employment opportunity policy and/or affirmative action plan;
- Data which record affirmative action in employment;
- Evidence of attempts to identify and solicit minority and women contractors and vendors; and
- Studies of special needs of minorities and women.

Individual files must also be maintained for each work project. These must show that the appropriate EO language is contained in the bid and contract documents and that the grantee performs its EO related tasks, including on-site contractor compliance reviews, in a timely and responsible manner.

H. Relocation

Relocation may be necessary for tenants occupying rental units to be rehabilitated. Owner occupants are not eligible for relocation benefits as they are voluntarily participating in the program.

Rock County does not expect to undertake projects where relocations is required. However, there may be circumstances where the work to be done in the unit creates a temporary health or safety issue. In this case, tenants could be relocated for a time period ranging from one to 14 nights. Payment for the costs associated with relocation is an eligible program expense.

Under all circumstances, tenants must be informed that work will be completed in their unit (as described in the earlier section of this manual. Once the scope of work is known and the project has been approved, the Program Administrator will determine if relocation is necessary. Relocation is generally required if work is being done that will create a health hazard to the family. If relocation is required, the tenant must be informed and informed of their choices related to relocation, which include:

- Relocation to a hotel or motel or other temporary rental that is determined to be decent, safe and sanitary and of reasonable cost (as determined by the Program Administrator)
- Relocation to a unit identified by the tenant, which must also be inspected to verify that it is decent, safe and sanitary

If the tenant is relocated to a hotel or motel, the tenant continues to pay rent to the landlord, and the program covers the cost of the hotel stay. Hotels must be approved by the Program Administrator and the hotel will be paid directly for the cost of the stay. In addition the program must compensate the tenant for food costs if no kitchen is available in the temporary unit. In cases where no cooking facilities are available, the tenant household will be offered a per diem payment of $34 per adult ($25 if breakfast is included at the hotel) and $15 for each child ($10 per day if breakfast is included).

Transportation costs will be covered if the distance of the temporary housing is more than 10 miles away from the apartment units. Mileage will be paid at the federal per diem rate for transportation to and from work and school. If required, the cost of storage for personal belongings will be paid.

Relocation benefits end when the unit is deemed safe for habitation (as determined by inspections and clearance tests).

APPENDIX

A. Homeowner Rehab Guidelines Handout
B. Homeowner Rehab Underwriting Template
C. Homeowner Down Payment Assistance Guidelines Handout
D. IDIS Template
E. HUD HOME Income Limits (2020)
F. HUD HOME Subsidy Limits (2020)
G. HUD HOME Value Limits (2020)

A. Homeowner Rehab Guidelines Handout

HOME OWNER REHABILITATION
DEFERRED LOAN PROGRAM

Rehabilitation Deferred Loan
Program Guidelines

<table>
<tr><td>Purpose:</td><td>The purpose of this program is to provide easy access to rehab funds for low to moderate income households who are in need of modest home repairs (not to exceed $24,999).</td></tr>
<tr><td>Eligible
Households:</td><td>Eligible recipients must have total household income equal to or less than 80% of the area median income adjusted by household size. The current income limits are listed below:
<table><tr><td>1 person</td><td>2 people</td><td>3 people</td><td>4 people</td><td>5 people</td><td>6 people</td><td>7 people</td><td>8 people</td></tr><tr><td>$38,300</td><td>$43,800</td><td>$49,250</td><td>$54,700</td><td>$59,100</td><td>$63,500</td><td>$67,850</td><td>$72,250</td></tr></table></td></tr>
<tr><td>Eligible
Properties:</td><td>Owner-occupied, single-family attached or detached units (condominium). The property must be located in Rock County, <u>outside</u> the cities of Janesville and Beloit. Property must not exceed HUD's after rehab maximum fair market value for Rock County, which is currently $151,000.</td></tr>
<tr><td>Eligible
Repairs:</td><td>Priority repairs activities include repairs to mechanical or structural items that present an imminent health and safety problem, such as:
➢ roofs
➢ mechanical systems (i.e., furnaces and hot water heaters)
➢ plumbing, water or water/sewer laterals in disrepair
➢ windows in disrepair
➢ foundations
➢ siding
➢ improvements to the interior of the home in bathrooms and kitchens
➢ any accessibility improvements</td></tr>
<tr><td>Loan Terms:</td><td>0% deferred loan due upon sale or transfer of home or non-owner occupancy</td></tr>
<tr><td>Loan Terms, Senior Plus Program:</td><td>For homeowners age 55 years or older, one half of the total rehab loan is forgiven at the end of 5 years. The remaining half is due upon sale or transfer of home, or non-owner occupancy.</td></tr>
<tr><td>Max/Min Loan Amounts:</td><td>$24,999/$1,000</td></tr>
<tr><td>Fees</td><td>$30 check payable to Register of Deeds, due at closing, for each mortgage to be recorded</td></tr>
<tr><td>Administrator:</td><td>Wisconsin Partnership for Housing Development
2045 Atwood Ave, Ste 101A, Madison, WI 53704
Contact person: Heather Boggs
608.258.5560 X32
info@wphd.org</td></tr>
</table>

B. Homeowner Rehab Underwriting Template

Address		City	Borrower
Program		HOME or CDBG	55+ or No

HOME Underwriting			
HOME Value Limit	$	156,000.00	95% of median purchase price
Fair Market Value	$	-	must be less than HOME value limit
Total Rehab Loan			
Multiplier		30%	Assumed equity return value of rehab
After Rehab Value	$	-	
After Rehab Value Below HOME Limit?	*YES or NO*		

CDBG Underwriting			
Fair Market Value	$	-	
Rehab Costs - Loan and Grant Amount			
Multiplier		30%	Assumed equity return value of rehab
Value of Repairs	$	-	Includes lead grant scope
After Rehab Value	$	-	
120% of After Rehab Value	$	-	
Liens Against Property			Current mortgages and judgements
Final Rehab Loan			Not including lead grant costs
Change Order			
Total Liens Against Property	$	-	
Total Liens less than 120% after rehab value?	*YES or NO*		

For CDBG, total liens must be less than 120% of after rehab value.

C. Homeowner Down Payment Assistance Guidelines Handout

HOME BUYER DOWN PAYMENT ASSISTANCE
DEFERRED LOAN PROGRAM

PROGRAM GUIDELINES

Eligible Areas	Properties located in Rock County, outside the cities of Janesville and Beloit.
Loan Amount	Maximum loan amount up to $8,000, minimum $1,000. Actual amount based on household need (financing gap).
Repayment Terms	Zero percent interest loan. Deferred until sale, property is transferred, or if the property ceases to be the primary residence.
Maximum Household Income	Household Size — 2020 Income Limits 1 — $39,700 2 — $45,350 3 — $51,000 4 — $56,650 5 — $61,200 6 — $65,750
Debt Ratios	Must spend at least 20% of your monthly income on housing costs. May not spend more than 45% of your monthly income on all debt.
Eligible uses	Down payment, closing costs, costs required by the lender to be paid in advance (items must be detailed on the Settlement Statement), escrow reserves deposited with the lender, and home buyer counseling fees.
Eligible Properties	Single-family home, condo, or one-half a duplex.
Maximum Purchase Price	$156,000 for HOME, NA for CDBG
Borrower Contribution	Borrowers are required to contribute $1,000 if their own funds.
First Mortgage Financing	• Conventional (fixed or adjustable), Fannie Mae, Freddie Mac, WHEDA, Federal and State VA, Habitat for Humanity, FHA. • Interest rate cannot exceed the average community rate by more than 2%. Interest only mortgages are not allowed. • Points, fees and other charges on first mortgage must not be excessive or unreasonable. • Adjustable rate mortgages must have a loan term at least 5 years.
Subsidy Layering	May be combined with other federal, state and local grants/loans.
Home Buyer Counseling	One-on-one session required and must provide us with certificate of achievement prior to closing.
Inspection	Property must pass a home inspection ordered by Rock County. If the property was built prior to 1978, the home inspector will also determine whether any lead hazards are present. If deficiencies are identified they must be corrected prior to closing.
Closing Costs	$30 payable to Register of Deeds for recording of mortgage.
Program Administrator Contact person	Wisconsin Partnership for Housing Development Heather Boggs, 608-258-5560 X32, heatherboggs@wphd.org

D. IDIS Template

IDIS TEMPLATE

NAME	*Name*		
ADDRESS	*Address*	**Funding Types**	CDBG or HOME
CITY	*Address 2*		
Loan Closed:	*DATE*	**Completion Date:**	*DATE*

TOP NOTCH

	BUDGET	**ACTUAL**
	(IDIS Set-up)	**(IDIS Completion)**
Credit Report		
Title Report		
Initial Inspection		
Lead Inspection		
Lead Lab Fees		
Interim Inspection		
Final Inspection		
Final Lead Inspection		
Lead Lab Fees		
Miscellaneous		
WPHD Activity Delivery		
Rehab Loan		
Grant (Lead work)		
TOTAL	$ -	

Staff	Hours	Total
Staff #1		$ -
Staff #2		$ -
Staff #3		$ -
TOTAL REQUESTED #1		$ -
Staff #1		$ -
Staff #2		$ -
Staff #3		$ -
TOTAL REQUESTED #2		$ -

	DATE	DATE	DATE		
Payment Requests:	Request #1	Request #2	Request #3	TOTAL/FINAL	
Credit Report					
Title Report					
Initial Inspection					
Lead Inspection					
Lead Lab Fees					
Interim Inspection					
Final Inspection					
Final Lead Inspection					
Lead Lab Fees					
Miscellaneous					
WPHD Activity Delivery					
Rehab Loan					
TOTAL PAYMENT	$ -	$ -	$ -	$ -	

Contractor:	*Contractor Name*
Section 3?	*Yes/No*
MBE/WBE?	*Yes/No*
Lead Certified?	*Yes/No*

E. HUD HOME Income Limits (2020)

--------------------- 2020 ADJUSTED HOME INCOME LIMITS ---------------------

	PROGRAM	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
Janesville-Beloit, WI MSA									
	30% LIMITS	14900	17000	19150	21250	22950	24650	26350	28050
	VERY LOW INCOME	24800	28350	31900	35400	38250	41100	43900	46750
	60% LIMITS	29760	34020	38280	42480	45900	49320	52680	56100
	LOW INCOME	39700	45350	51000	56650	61200	65750	70250	74800
La Crosse-Onalaska, WI-MN MSA									
	30% LIMITS	16150	18450	20750	23050	24900	26750	28600	30450
	VERY LOW INCOME	26900	30750	34600	38400	41500	44550	47650	50700
	60% LIMITS	32280	36900	41520	46080	49800	53460	57180	60840
	LOW INCOME	43050	49200	55350	61450	66400	71300	76200	81150
Madison, WI HUD Metro FMR Area									
	30% LIMITS	21050	24050	27050	30050	32500	34900	37300	39700
	VERY LOW INCOME	35050	40050	45050	50050	54100	58100	62100	66100
	60% LIMITS	42060	48060	54060	60060	64920	69720	74520	79320
	LOW INCOME	54950	62800	70650	78500	84800	91100	97350	103650
Columbia County, WI HUD Metro FMR Area									
	30% LIMITS	17200	19650	22100	24550	26550	28500	30450	32450
	VERY LOW INCOME	28650	32750	36850	40900	44200	47450	50750	54000
	60% LIMITS	34380	39300	44220	49080	53040	56940	60900	64800
	LOW INCOME	45850	52400	58950	65450	70700	75950	81200	86400
Green County, WI HUD Metro FMR Area									
	30% LIMITS	16600	19000	21350	23700	25600	27500	29400	31300
	VERY LOW INCOME	27650	31600	35550	39500	42700	45850	49000	52150
	60% LIMITS	33180	37920	42660	47400	51240	55020	58800	62580
	LOW INCOME	44250	50600	56900	63200	68300	73350	78400	83450
Iowa County, WI HUD Metro FMR Area									
	30% LIMITS	16500	18850	21200	23550	25450	27350	29250	31100
	VERY LOW INCOME	27500	31400	35350	39250	42400	45550	48700	51850
	60% LIMITS	33000	37680	42420	47100	50880	54660	58440	62220
	LOW INCOME	44000	50250	56550	62800	67850	72850	77900	82900
Milwaukee-Waukesha-West Allis, WI MSA									
	30% LIMITS	17650	20150	22650	25150	27200	29200	31200	33200
	VERY LOW INCOME	29350	33550	37750	41900	45300	48650	52000	55350
	60% LIMITS	35220	40260	45300	50280	54360	58380	62400	66420
	LOW INCOME	46950	53650	60350	67050	72450	77800	83150	88550

F. HUD HOME Subsidy Limits (2020)

Issued by Milwaukee CPD

Effective 01/01/2020

WISCONSIN HOME PER UNIT SUBSIDY LIMITS - 2020

(for all Wisconsin Participating Jurisdictions)

All Wisconsin Participating Jurisdictions Use the High Cost Percentage (240%)	Section 234 Basic Limits per No. of Bedrooms					
	No. of Bedrooms:	0	1	2	3	4+
	Basic Limits:	$63,881	$73,230	$89,049	$115,201	$126,454
	High Cost Limits:	**$153,314**	**$175,752**	**$213,718**	**$276,482**	**$303,490**

Per CPD Notice 15-003, limits are based on Section 234-Condominium Housing Basic Mortgage Limits (Elevator Type).

G. HUD HOME Value Limits (2020)

HOME and Housing Trust Fund Homeownership Sales Price Limits - FY 2020

(Data through June 2019; New limits effective April 1, 2020)

			Existing Homes HOME/HTF Purchase Price Limit					
State	County Name	Metropolitan/FMR Area Name	1-Unit	2-unit	3-unit	4-unit	Unadjusted Median Value	Years Worth of Sales Data*
WI	Pepin County	Pepin County, WI	$156,000	$199,000	$241,000	$299,000	$163,950	1
WI	Pierce County	Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area	$256,000	$328,000	$397,000	$492,000	$269,500	1
WI	Polk County	Polk County, WI	$183,000	$235,000	$284,000	$352,000	$192,905	2
WI	Portage County	Portage County, WI	$167,000	$214,000	$259,000	$321,000	$175,750	1
WI	Price County	Price County, WI	$156,000	$199,000	$241,000	$299,000	$163,950	1
WI	Racine County	Racine, WI MSA	$169,000	$216,000	$262,000	$325,000	$178,000	1
WI	Richland County	Richland County, WI	$156,000	$199,000	$241,000	$299,000	$163,950	1
WI	Rock County	Janesville-Beloit, WI MSA	$156,000	$199,000	$241,000	$299,000	$163,950	1
WI	Rusk County	Rusk County, WI	$156,000	$199,000	$241,000	$299,000	$163,950	1
WI	St. Croix County	Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area	$256,000	$328,000	$397,000	$492,000	$269,500	1
WI	Sauk County	Sauk County, WI	$177,000	$227,000	$275,000	$341,000	$186,750	2
WI	Sawyer County	Sawyer County, WI	$209,000	$268,000	$324,000	$401,000	$220,000	3
WI	Shawano County	Shawano County, WI	$156,000	$199,000	$241,000	$299,000	$163,950	1
WI	Sheboygan County	Sheboygan, WI MSA	$156,000	$199,000	$241,000	$299,000	$163,950	1
WI	Taylor County	Taylor County, WI	$156,000	$199,000	$241,000	$299,000	$163,950	1
WI	Trempealeau County	Trempealeau County, WI	$156,000	$199,000	$241,000	$299,000	$163,950	1
WI	Vernon County	Vernon County, WI	$156,000	$199,000	$241,000	$299,000	$163,950	1
WI	Vilas County	Vilas County, WI	$223,000	$286,000	$346,000	$429,000	$235,000	2
WI	Walworth County	Walworth County, WI	$199,000	$255,000	$309,000	$383,000	$209,900	1
WI	Washburn County	Washburn County, WI	$179,000	$229,000	$277,000	$343,000	$188,000	5