



Community Development Block Grant Program

Homeowner Rehabilitation Process Overview

- 1. Homeowner submits an application along with all documents required for processing**

Applications will not be processed until all of the required documents have been submitted to the Administrator.
- 2. Administrator determines if the homeowner is income eligible**

Verification of all income and assets will be completed via third party or check stubs and statements, and income taxes. Income includes gross income plus interest or earnings from any type of asset such as savings and checking accounts, investment accounts, bonds, other property etc.
- 3. Administrator determines if the property is eligible**

The administrator will take into consideration the following items:

 - How much equity you have in your property by looking at how much you owe on the property compared to the market value that is listed on the property tax statement.
 - Mortgage balance(s) and whether you are current in making payments.
 - Confirm that property taxes are paid. All applicants with delinquent property taxes must satisfy that debt before any loan is approved. Emergency loans may be excepted.
 - The applicant is responsible for clearing any liens, judgments, title ownerships, or payment of taxes in order to be eligible to proceed.
 - Properties must be owner occupied and must be the owner's principal place of residence.
 - If there is a land contract, the land contract holder must sign the loan. The land contract must be legally binding and properly recorded.
 - If the occupant has a life estate, all owner(s) of the property must sign the loan.
- 4. Initial appointment with the administrator**

Applicant will receive a thorough explanation of the program and acknowledge the procedures and costs associated with proceeding with the loan. An appointment for the inspection will be scheduled at this time.
- 5. Inspection and specification preparation**

The building inspector meets with the homeowner to inspect the property and determine which rehab work the homeowner wants and what will be recommended. The program requires that repairs that affect the occupant's health and safety must be addressed and all code violations will be given top priority. Other types of repairs cannot be completed unless all health and safety repairs are also addressed. No cosmetic work or new construction is permitted unless the new construction is for overcrowding or handicap accessibility. No work may begin on the project until the mortgage has been signed and recorded and the contract(s) between the homeowner and contractor have been signed. Funds cannot be used to reimburse you for work that has already been completed.
- 6. If the project includes lead-based paint work, soil testing for a septic system, asbestos or mold remediation, additional inspections will be required**

These items may require special testing procedures in order to complete the inspection process. These tests will be conducted by a company that is specialized and certified in that area of work.

7. Homeowner obtains bids for the rehab work

Homeowners are expected to obtain three bids for each area of work. All bids must be mailed, delivered in person, emailed, or faxed to the grant administrator.

8. Review of bids and loan approval

1. Bids reviewed and contractors selected

The homeowner reviews the bids with the Administrator. The homeowner may choose the lowest, reasonable, and responsible bid or a bid that is within 10% of the lowest, reasonable, and responsible bid. The homeowner may select any contractor he or she chooses, but if he/she does not want to choose the contractor with the lowest bid or the bid within 10% of the lowest bid, the homeowner must escrow the difference. The homeowner must escrow the difference at the time the loan is signed.

2. Loan approval

The Administrator will take into consideration the overall condition of your property compared to the market value. There must be sufficient equity in the home to cover the existing liens and the home repair loan. If the bids for all of the work would have a negative equity effect or exceed 120% of the after-rehab value, then some of the repairs may be eliminated from the scope of work. The repairs will be prioritized according to code violations and health and safety repairs. Those repairs must be completed before other work will be approved. The administrator will estimate the increase in market value (no more than ____% of the repairs cost) as a result of the home repairs and take this into consideration when calculating equity.

Applicants who disagree with the administrator's calculations for determining equity may appeal the decision by providing a market analysis by a licensed Real Estate Agent or an appraisal by a licensed Appraiser. These documents must be no more than six months old and should take into consideration the repairs being considered.

9. Administrator will request a title search on the property

A Title search will confirm ownership and reveal debts against the property. When the title search reveals unusual information, a legal opinion of ownership or financial obligation is requested of legal counsel.

10. Loan Closing

1. Lending documents will be executed

Mortgages and Promissory Notes are recorded with the County Register of Deeds. Loans are deferred with no interest or payments until you no longer own or occupy the property as your primary place of residence. The mortgage information is forwarded to the homeowner's insurance carrier and a certificate of insurance is kept on file. Participants must keep their property insured as long as they have the home repair mortgage.

2. Contract(s) signed

The homeowner enters into a written contract(s) with the contractor(s). Contractors are given ____ days to complete the work. Sometimes the timeline is extended if the work cannot be done within ____ days due to weather restrictions. A good example might be the replacement of a septic system. The contract is between the homeowner and the contractor, not the Grantee or Administrator. The homeowner is ultimately responsible for supervising and monitoring the contractors and the quality of their work.

11. Payments and inspection of completed work

Payment request forms and lien waivers will be submitted to the Administrator by the contractor(s) signifying part or all of the work completed. The building inspector will schedule an appointment with the homeowner to determine if the work has been completed satisfactorily. The homeowner will be asked to sign the payment request signifying their acceptance of the work and approving the amount to be paid to the contractor. Approved payments will be made directly to the contractor.

12. Loan closure

Participants are provided with important information about their loan when the rehab is complete. They are reminded that as a condition of the mortgage, they must carry liability insurance on the property to cover at least the home repair mortgage and property taxes must be kept current. Periodic examinations are made on all loans to verify insurance coverage and tax payments. Notices are sent to homeowners when violations in the terms of the mortgage are discovered.

13. Loan repayment

The loan is due in full when the homeowner no longer owns or occupies the property.

14. Loan default

When a homeowner has been found to be in violation of the terms of the mortgage, a notice is sent with procedures for remedy. All attempts are made to resolve the situation with the homeowner. Remedy of the violation or repayment of the loan is the preferred way to settle and all reasonable ways that still meet the requirements set forth by the State are considered. When a reasonable solution cannot be reached with the homeowner, advice is sought with the legal counsel and the Loan Committee.

15. Subordinations

When a homeowner wishes to refinance a superior mortgage and does not intend to pay off the CDBG mortgage, their refinancing lender will most likely require that the CDBG mortgage subordinate or allow the refinancing lender to be in a superior position to the CDBG mortgage. It is important to tell the lender about the CDBG mortgage when you apply for a refinance loan. The CDBG loans do not automatically subordinate and you will be required to submit a request for subordination. A copy of the subordination policy has been provided for you in your application packet.

16. Grievance Procedure

All applicants or participants have the right to file an appeal/grievance when there is a disagreement or dissatisfaction with a decision by our agency. The appeal process is initiated by filing a written letter regarding the grievance within fifteen (15) business days of the service decision.

I have received a copy of this form.

Primary Applicant Signature: _____ Date: _____

Co-Applicant Signature: _____ Date: _____

Program Administrator: _____