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**City of Pontiac
Federal Programs Division
Community Development Block Grant Program
HOME Rehabilitation Program
Program Guidelines and Procedures**

2010

TABLE OF CONTENTS

1. GENERAL PROVISIONS

A. Intent	1
B. Administrators	1
C. Goals	1
D. Source of Funds	2
E. Fair Housing	3
F. Acronyms & References	3

2. ELIGIBILITY REQUIREMENTS

A. Applicants	3
B. Property	4
C. Improvements	5
D. Contractors	6

3. APPLICATION PROCESS

A. Notice of Available Funds	7
B. Acceptance of Applications	7
C. Application Procedure	7
D. Receipt of Application	8

4. APPLICANT SELECTION

A. Selection Process	8
B. Inspections	8
C. Checklists and Certifications	9
D. Photographs	9

E. Scope of Work and Cost Estimates	9
F. Determination	9
G. Bid Proposals	9
H. Bid Review	9
I. Contract Award	10
J. Contractor Notification	10
K. Approval	10
L. Discrimination	10
M. Application Holdovers	10
5. REHABILITATION PROCEDURES	
A. Verifications	10
B. Pre-Construction Meeting	11
C. Construction Contract	11
D. Program Note & Mortgage	11
E. Right of Rescission	11
F. Notice to Proceed	11
G. Construction and Contractor Payment	11
6. REPAYMENT	
A. Deferred Loans	13
B. Installment Loans	13
C. Agreement	14
D. Loan Recording	14
E. Death	14
F. Loan Assumption	14
G. Lien Execution	14

H. Subordination	15
I. Grants	15
7. COMPLAINT RESOLUTION	
A. Review Committee	15
8. PROGRAM ADMINISTRATION	
A. Confidentiality	16
B. Files	16
C. File Retention	16
D. Approval Authority	16
E. Grant Agreement & Program Compliance	16

1. GENERAL PROVISIONS

A. Intent

The intent of the Community Development Block Grant Program (CDBG) is to stabilize the current housing stock in the City of Pontiac and provide financial assistance to income eligible homeowners for rehabilitation of their homes. The program, through use of existing local codes, will address homes in need of repair, deteriorated and unsafe housing conditions in owner-occupied housing located within the city limits of Pontiac. The City of Pontiac will follow all requirements of the Residential Lead-based Paint Hazard Reduction Act of 1992, which is Title X of the Community Development Act of 1992, as mandated by 24 CFR Part 35, and is identified as the Requirements for Notification, Evaluation, and Reduction of Lead-Based Paint Hazards in Housing Receiving Federal Assistance.

B. Administrators

The staff of the Federal Programs Division for the City of Pontiac will administer the program in accordance with HUD approved guidelines.

The Federal Programs Division Director will act as the City contact for purposes other than general day to day administration of the Housing Program.

C. Goals

The goal of the Homeowner Rehabilitation Program is to provide housing rehabilitation and emergency repair assistance to the city of Pontiac residents that are at 80% or less of the County's Annual Median Income (AMI). Maximum income levels are based on household size and are published annually by HUD.

Homeowners that receive rehabilitation assistance will have their home meet local Code and greater energy efficiency. Homeowners that receive emergency repair assistance will not have their entire home brought up to local code standards. Only the emergency repair will be brought to Local Code and greater energy efficiency standards.

D. Source of Funds

The primary source of funding for the CDBG Homeowner Rehabilitation Program will be Community Development Block Grant (CDBG) funds and HOME dollars. Since the City provides deferred loans instead of grants it is not required to provide matching funds; however, matching funds from other sources will be considered for each project. Potential sources include:

(2) Local CAP Agency: Assistance for energy related projects is available through their Weatherization program.

(3) Department of Human Services: In some instances, State Emergency Relief funding may be available.

(4) Program Income: Funds may be available from the repayment of previous Homeowner Assistance Program deferred loans. These funds are governed by, and will be used in accordance with HUD policy.

(5) Other Sources: Funds from other sources will be used when available.

E. Fair Housing

(1) Policy: The City of Pontiac will not discriminate based on race, color, creed, religion, national origin, sex, marital status, reliance on public assistance, age, or disability. The City of Pontiac will comply with the fair housing requirements set forth by HUD.

(2) Fair Housing Log: The Fair Housing Representative will maintain a log in order to record fair housing issues, complaints, and distribution of fair housing materials.

(3) Complaint Procedures: A fair housing complaint can be initiated by a program participant, prospective program participant, or contractor.

(a) The complaint will first be recorded in the fair housing log.

(b) The individual making the complaint will be informed that he or she may go directly to the Michigan Department of Civil Rights, HUD, or their local fair housing center.

(c) A copy of the complaint will be forwarded to our designated HUD Community Development Specialist.

(d) The complaint will be investigated.

F. Acronyms & References

The acronyms and references below will be used throughout the remainder of these program guidelines:

Community Development Block Grant (CDBG)

Housing Urban Development (HUD)

Housing Quality Standards (HQS)

Scope of Work (SOW)

State Historic Preservation Office (SHPO)

The term “applicant” refers to “one or more individuals”.

The term “The City” refers to “The City of Pontiac”.

The term “Program” refers to the “Homeowner Rehabilitation Program”.

2. ELIGIBILITY REQUIREMENTS

A. Applicants

Applicants must meet certain eligibility requirements in order to be eligible for CDBG or HOME funds from the Program.

(1) **Ownership:** An eligible applicant is an individual or family who owns a single-family, permanent, year round, residential structure located within The City of Pontiac, Michigan. An applicant’s mortgage including taxes, insurance and/or escrows must be paid current.

(2) **Occupancy:** An applicant must have resided at the property as their legal residence for a period of not less than six (24) months.

(3) **Income:** An applicant’s household income must not exceed the limits established by HUD. Only applicants who have a total household income of 80% or less of the County’s Annual Median Income (AMI) will be eligible to receive CDBG funds. Only applicants who have a total household income of 50% or less of the County’s AMI will be eligible to receive HOME funds.

Size of Household Gross	1	2	3	4	5	6	7	8
Income*	30,850.00	35,300.00	39,700.00	44,100.00	47,650.00	51,150.00	54,700.00	58,200.00

*2010 Income Limits however Income Limits may change as HUD provide periodic updates

(4) **Asset Limitation:** An applicant who has liquid assets of cash, deposits, or investments in excess of \$10,000 per household must use those assets in excess of \$10,000 as matching funds for the rehabilitation project. This requirement is waived if those assets are currently being used as a source of primary retirement income.

(5) **Conflict of Interest:** The following persons are **not** eligible to benefit from CDBG or HOME funds if they are in a position to participate in a decision-making process, gain inside information with regard to CDBG funded or HOME activities, or have been in such positions within the last year.

- (a) employees directly involved in administering the program,
- (b) members of the City Council,

(c) immediate family members of those already identified.

Checking for a conflict of interest is one item reviewed for by the local administrator of the Homeowner Rehabilitation Program when approving applications.

(6) Discrimination: No applicant will be denied access to the Program based upon race, color, creed, religion, national origin, sex, marital status, reliance on public assistance, age, or disability.

B. Property

In order to be rehabbed with CDBG funds or HOME from the Program, a property must meet certain criteria.

(1) Single Family Housing: The property must contain no more than one (1) owner occupied dwelling unit.

(2) Age of Home: Structures which are less than twenty (20) years old will not be rehabbed except for energy efficiency, health and safety, handicapped accessibility, or as the result of a declared disaster.

(3) Types of Homes: Homes that are conventional stick-built construction, modular, or manufactured single and double-wide units may be eligible. In order to be eligible, manufactured homes must be:

- (a) On a permanent foundation,
- (b) Taxed as real property, and
- (c) Not subject to a mortgage or severance agreement that treats the unit as personal property.

If there is a question as to whether a foundation is permanent, the City's Building Department will be the determining authority.

(4) Condition of Home: If the total rehabilitation costs exceed seventy-five percent (75%) of the estimated replacement value of the property after rehab, the property will **not** be eligible for rehabilitation and replacement options will be considered.

(5) Property Taxes: All property taxes, excluding assessments, which have been levied against the applicant's property shall not be delinquent unless the local taxing authority has issued a property tax deferment or exemption to the applicant.

(6) Hazard Insurance: The applicant must have a paid fire and extended coverage insurance policy on the property. Minimum fire and extended coverage must equal or exceed the debt against the property.

(7) Flood Plain: Properties in a designated one-hundred (100) year flood plain, as indicated on a Flood Hazard Boundary Map published by the Federal Insurance

Administration, or properties that are located in a municipality which does not participate in the Federal Flood Insurance Program and appears to be in a flood plain, will not be eligible for rehabilitation.

(8) Lead-Based Paint: Pre-1978 housing units may contain lead-based paint surfaces. Rehabilitation work on these units shall be in accordance with the Residential Lead-based Paint Hazard Reduction Act of 1992.

(9) Asbestos: Housing units that contain friable asbestos materials shall only be eligible to receive funds after an inspection and cost estimate for abatement is performed by a licensed asbestos contractor. The cost estimate must be provided to the Federal Programs Division.

(10) Historical Property: The Michigan State Historic Preservation Office (SHPO) will be notified of all potential projects in which the structure is fifty (50) years of age or older. This is to assure compliance with all federal and state regulations concerning rehabilitation of historic properties. Structures deemed to be of historic significance will be processed on a case-by-case basis. SHPO clearance is not needed in the case of manufactured homes.

C. Improvements

In order to be rehabbed with CDBG funds or HOME funds from the Program, improvements must meet certain criteria.

(1) Limitations: Improvements will be limited to those outlined in the City of Pontiac's rehabilitation standards as approved by HUD.

(2) Minimum and Maximum Levels of Assistance: All units assisted with CDBG funds will receive a minimum of \$1000 in funds and a maximum of \$35,000 for rehab which is inclusive of the elimination of lead-based paint hazards. The homeowner is responsible for all costs.

(3) Minimum and Maximum levels of Assistance: All units assisted with HOME funds will receive a minimum of \$1,000 in funds and a maximum of \$45,000 for rehab which is inclusive of the elimination of lead-based paint hazards. The homeowner is responsible for all costs with the option of 50% being forgiven after a period of ten (10) years provided the property remains the homeowner's primary residence. 50% of the HOME lien of will be forgiven at a rate of 10% each year until the end of the 10th year.

(3) Minimum Property Requirements & Standards: With the exception of emergency assistance all deficiencies will be brought to local code Standards and be more energy efficient. Homeowners that receive emergency repair assistance will not have their home brought up to these standards. Only the emergency repair will be brought to quality and energy efficiency.

(4) Materials: Materials, equipment, and fixtures used will be new, moderately priced, and of durable quality. Materials will be specified in the bid

specifications (or approved equal).

(5) Permanency: With one exception, all improvements must be physically attached to the property and be permanent in nature. A free standing kitchen range or refrigerator may be purchased if the existing unit(s) fail to meet HUD HQS.

(6) Relocation: The Program will not provide funds for temporary or permanent relocation by any occupant. In the event that relocation is necessary the applicant will be responsible for all relocation expenses.

D. Contractors

The Program will maintain a list of qualified contractors that are eligible to participate in the Program. Contractors on HUD's debarred list are not eligible.

(Including Women and Minority Owned Business Outreach) and Suggestions Regarding the Use of Contractors to Complete Work Financed in Full or Part With Federal Programs Funds.

(1) Contractor Solicitation: The Program will actively solicit qualified contractors to bid on projects. Solicitation efforts will include minority and female contractors. The following methods of solicitation will be used:

(a) An invitation by letter to all Local based contractors listed in the yellow pages section of the current Tri-County Book and Yellow Book.

(b) An invitation to all qualified contractors currently participating in the Program.

(c) Possibly, a one-time announcement in the newspapers that circulates in the Pontiac area.

(d) Periodic contractor recruitment meetings.

(2) Required Documentation: Contractors that wish to participate in the Program must provide the following documents to the third party administrator:

(a) A copy of an active Michigan Builder's license.

(b) A copy of a valid license, as required by law, for any skilled trades in which the contractor is engaged

(c) The name, address, and telephone number of no less than three (3) principal suppliers, or subcontractors, and bank references.

(d) A Certificate of Insurance for comprehensive public liability coverage of not less than \$1,000,000 bodily injury and \$300,000 property damage and workers' compensation or sole proprietor form.

(e) Name, address, and telephone number of no less than three (3) customers for whom construction or rehabilitation work was performed within the last twelve

(12) months.

(4) Contractor Performance: The Federal Programs Division may use its discretion in temporarily removing a contractor from the list of eligible contractors. The following are examples, but not an inclusive list, of what would constitute reasons for removal: documented complaints by a homeowner or building code official, repeated delays in completing projects, unprofessional behavior, or substandard work as defined by the Rehabilitation Standards.

Repeated substandard performance of work by a contractor may result in the contractor's ineligibility to participate in the Program. Substandard performance needs to be documented by the Federal Programs Division, City code officials, Bureau of Occupational and Professional Regulation, or the Michigan Department of Consumer and Industry Services. The program staff will notify, in writing, any contractor that is deemed to be ineligible.

(5) Discrimination: No contractor or subcontractor will be denied access to the Program based upon race, color, creed, religion, national origin, sex, marital status, reliance on public assistance, age, or disability.

(6) Davis-Bacon Labor Standards: The rehabilitation of owner occupied homes does not require implementation of Davis-Bacon labor standards. The Program will comply with standards on projects that trigger Davis-Bacon Standards.

3. APPLICATION PROCESS

A. Notice of Available Funds

The Federal Programs Division will notify the general public when CDBG funds are available. The general community will be informed by a one-time notice in the newspapers that circulates in the City, a written notice to previous applicants that were not assisted due to the unavailability of funding. Notifications will outline application procedures.

B. Acceptance of Applications

Applications will not be accepted prior to HUD's notification to the City of Pontiac of the grant award or a legislator's news release, whichever occurs first.

C. Application Procedure

Homeowners desiring to apply for the Program must contact the Federal Programs Division either in person or by phone. At that time the homeowner will be provided with, or mailed, a list of required documentation and be scheduled for an intake interview. The applicant shall bring all required documentation to the intake interview. The interview will be terminated if the applicant does/do not have all required information. The following are required documents:

- (1) Proof of income for the most recent twelve (12) months
- (2) Most recent federal and state income tax returns (two [2] years if self-employed)

- (3) Evidence of paid property taxes for the last three (3) years
- (4) Proof of ownership showing applicants ownership of the property or recorded memorandum of a land contract showing the applicant's interest in the property
- (5) Mortgage or land contract agreement and payment history
- (6) Signed "Land Contract Holder's Pre-Consent Form" (if the applicant is purchasing the property on a land contract)
- (7) Proof of existing homeowner's insurance and proof of payment
- (8) List of bank accounts which include bank addresses, phone numbers, and account numbers
- (9) Birth dates and Social Security Account Numbers for all members of the household
- (10) Proof of one year paid city water and sewer bills.

Additional documents will be filled out during the intake interview:

- (1) Application Form
- (2) Data Privacy Statement
- (3) Authority to Release Information
- (4) Multi-Agency Release Form
- (5) Lead-Based Paint Statement
- (6) Photo release
- (7) Family Composition
- (8) Checklist
- (9) Any other documents required by the Federal Programs Division in order to secure matching funds from other agencies.

D. Receipt of Application

An application shall be considered complete, "received" only after all required documentation and forms have been completed. Once complete the application will be assigned a project number, entered on the Project Log Sheet, and given a permanent file.

4. APPLICANT SELECTION

A. Selection Process

Completed applications will be processed and approved based on their chronological order; however, applications of an emergency nature or dealing with the health, safety, and welfare of household residents will receive priority. The determination of whether an application falls into this category will be determined by program staff.

B. Inspections

Once an application has been "received", a qualified individual with the Program, will inspect the property. In order to be qualified an individual must have received training in HUD Residential Rehabilitation. A thorough inspection of the property will be conducted and the inspector will follow the Residential Rehab Priorities as outlined in the Rehabilitation Standards. The inspector will note any other repairs needed to include those related to

improving energy efficiency. The completed inspection form will be placed in the applicant's file. Program funds may be used to pay inspectors that are not employees of the Program.

C. Checklists and Certifications

In addition to the HUD Residential Rehab Inspection Guide, the Program will prepare the following documents and place in the applicant's file:

- (1) Environmental Checklist
- (2) Historical Significance Response Sheet; if the property is fifty (50) years old or older
- (3) Lead-Based Paint Certification Form
- (4) Noise Attenuation Checklist
- (5) Any other checklists required by the HUD and the Program.

D. Photographs

The Program, or designated inspector, will take color photographs of the major deficiencies noted in the inspection report. The photographs will be placed into the applicant's file.

E. Scope of Work and Cost Estimates

Based on the full-house inspection, program staff will prepare a detailed Scope of Work List (SOW) and cost estimate. The SOW will be reviewed with the applicant and revised if necessary.

F. Determination

At this point the program staff will determine if rehabilitation is or is not feasible. If it is not feasible the applicant will be referred to possible other options. If it is feasible the program may use other sources of funds in conjunction with CDBG or HOME funds in order to increase the number of houses that can be rehabbed under the grant program or to fund any amounts that may exceed the CDBG or HOME limits.

G. Bid Proposals

The program staff will be responsible for providing the applicant with a list of contractors who are eligible to bid on the project. The program staff will prepare the Bid Proposal in accordance with the SOW and distribute to the contractors selected by the applicant. Efforts will be made to secure at least three (3) bids; however, a contract may be awarded to a sole source if available contractors decline to participate, or are unable to assume additional projects. Contracts awarded to a sole source must be within ten percent (10%) of the project estimate that was made by the program inspector.

H. Bid Review

The program staff will open and review all project bids in an open public bid process consisting of the invited contractors and the homeowner. The program administrator will be

responsible for reviewing all bids received to determine if the bids are in accordance with the SOW and in compliance with the Program.

I. Contract Award

After the bid review, the contract for the proposed work will be awarded by the applicant, subject to final approval from the program staff. The proposed work will be awarded to the lowest bidder that will comply with all Program requirements, provided the bid is reasonable and in the best interest of the applicant. If the applicant desires to accept a bid that is not the lowest, the applicant will pay the difference between the lowest bid and the accepted bid. The amount will be placed into escrow and deposited into the appropriate Program account.

J. Contractor Notification

The program will notify all bidders of the results of the bid by letter. The letter will indicate whether their bid was or was not accepted.

K. Approval

The program staff will notify the City of the amount of the bid accepted. The City will approve or deny all bids.

L. Discrimination

Applicants will not be approved or denied based on race, color, creed, religion, national origin, sex, marital status, reliance on public assistance, age, or disability. A person claiming discrimination may file a complaint with the Isabella County Fair Housing Representative, the Michigan Civil Rights Commission, or the Equal Opportunity Office of the Michigan Department of Consumer and Industry Services. The City of Pontiac Fair Housing Representative will maintain the phone numbers and addresses for each of these agencies. The City of Pontiac Fair Housing Representative will also ensure that the complainant understands his or her right to file a complaint and provide the addresses and phone numbers of the previously mentioned agencies.

M. Application Holdovers

Twenty-five percent (25%) of the CDBG or HOME funds will be used for applications for which no funds were available from the previous grant period. All remaining applicants will be notified they must reapply in order to be eligible for CDBG or HOME funds from the new grant. These applicants will have no priority over other applicants.

5. REHABILITATION PROCEDURES

A. Verifications

The program staff will check with the Michigan Department of Consumer and Industry Services to verify that the contractor's license is current and there are no unresolved complaints against the contractor.

B. Pre-Construction Meeting

A pre-construction meeting will be held between the contractor, applicant, and program staff prior to the commencement of construction. The meeting will take place at the project site. At this meeting, the parties shall review the SOW, construction procedures to be used, expected construction standards and outcomes, and the concerns of any party.

C. Construction Contract

The applicant and contractor will execute a “Homeowner/Contractor Contract” which is furnished by the Program. CDBG or HOME funds will not be expended on a project until the contract has been properly executed and placed in the applicant’s file.

D. Program Note & Mortgage

The applicant and the City of Pontiac Federal Programs Division will execute a “Program Note and Program Mortgage” for the amount of the Construction Contract. The program will record the mortgage within seven (7) working days after the three (3) day “Right of Rescission.”

E. Right of Rescission

The program staff will explain “Right of Rescission” to the applicant and provide the appropriate form for the applicant’s use.

F. Notice to Proceed

Work on the project will not begin until a “Notice to Proceed” has been issued. The Notice to Proceed will contain a required start date (usually within thirty [30] days of contract signing) and a required completion date (usually sixty [60] days from commencement). The program administrator will issue the Notice to Proceed to the contractor once the following terms have been met:

- (1) All necessary documentation has been completed,
- (2) All construction issues have been addressed,
- (3) All necessary funds to complete the project have been committed or put in escrow, and
- (4) The three (3) day “Right of Rescission” has expired.

G. Construction and Contractor Payment (The contractor shall be responsible to refer to the Program Rehab Standards)

(1) Permits and Inspections: The contractor or his or her subcontractors will be responsible for obtaining all permits for the project and obtaining required inspections. Permit and inspection fees are the contractor’s responsibility and should be included in the bid. The contractor will furnish a copy of all required permits to the program administrator

prior to beginning work on the project.

(2) Property Owner Labor: Labor performed by the property owner or any party other than the chosen contractor or subcontractors of the contractor shall not be permitted.

(3) Contractor Performance: The contractor shall complete the project strictly in accordance with generally accepted construction standards, the project SOW, and the contract. The contractor and applicant will resolve issues that may arise that do not affect the SOW, the contract, or project cost. The contractor shall not deviate from the SOW without following the proper procedure for "Change Orders" (see next paragraph).

(4) Change Orders: If a change in the SOW is necessary due to the detection of unforeseen work, or it is determined a specification is not adequate or required, the contractor, applicant, and program administrator shall discuss and resolve the issue. A written Change Order will be prepared and signed by the contractor and applicant. Once signed, the Change Order must be approved by the program administrator. The Change Order will become an addendum to the contract. Change orders will not be permitted to correct contractor errors in the bid process.

(5) Inspections: The program staff will perform random interim inspections once construction of a project has begun. The final inspection shall take place with the applicant and contractor present.

(6) Payments: All requests for payment will be submitted on the proper form provided by the program staff. All payments to the contractor shall be paid from a Program account, except for non-CDBG funds. Funds paid to the contractor from non-CDBG sources will be in accordance with that City's accounting procedures. The program staff will inform the contractor of the dates that payment requests are due and when checks will be available.

Advance payments will not be made.

The contractor may request project payments as the project progresses. Progress payments will be paid to the contractor only after the program staff has performed an interim inspection and applicant approval is obtained. Progress payments and any payment made will not equal more than eighty percent (80%) of the total project cost.

The final payment is authorized only after all work is satisfactorily completed, a final inspection is made, and the applicant has signed a final payment approval. Prior to issuing the final payment, the contractor will furnish to the program staff full "Waivers of Lien" from all materials suppliers and subcontractors, and a "Sworn Construction Statement" certifying that the contractor has paid all labor, suppliers, and subcontractors in full.

(7) Contract Extension: If unforeseen circumstances require an extension of the project completion date, the program staff may authorize, in writing, an extension to the completion date. Any extension must be agreed upon by the program staff, the contractor, and applicant. A signed copy of the extension agreement will be placed in the project folder.

(8) Damages: The contractor will be responsible for all damage to persons or property that occurs as a result of his or her work. The contractor will furnish evidence of satisfactory insurance as required in a previous section. The Program, the City of Pontiac, or any employee of the Program, shall not be responsible for any damages, omissions, or loss as a result of the contractor's performance or applicant's neglect.

(9) Recognized Participants: Only those adult household members who have signed the application, the Contractor/Homeowner Contract, the mortgage, and the program note will have the right to agree or object to, or engage in discussions or negotiations of any manner pertaining to the approved project and its attendant documents. All other members of the household have no recognized standing with regard to the project and must refrain from interfering with the contractor or subcontractors and the progress of the work, both physically and verbally. Any household member causing such interference will provide grounds for the program staff to issue a "Stop Work Order" on the project. Work on the project will not proceed until the interference has been eliminated. The applicant to the program will be responsible for removing any interference on the part of other household members.

6. REPAYMENT

Assistance of the CDBG Homeowner Rehabilitation Program and the HOME Homeowner Rehabilitation Program will be provided in the form of either a secured, deferred loan, or a monthly, low-interest installment loan. Both loans will be secured by the placement of a lien on the subject property in the amount of the rehabilitation work. The City will assume a second position to a primary fixed-rate conventional mortgage only. The City will not take lower than second position on a title behind a sub-prime, adjustable rate mortgage.

City staff/ Program staff will make a determination based on an applicant's income level and ability to repay the housing rehabilitation assistance amount on whether the loan will be in the form of a deferred loan or a monthly installment loan.

Please see Attachment A as updated yearly for household income chart.

A. Deferred Loans

For those incomes at 50% of the Area Median Income or below, the City will provide a deferred loan. The deferred loan will be structured as a zero (0) percent interest loan. No deferred loan are met during the occupancy of the owner. The full amount of the deferred loan will be due and payable at the time of the transfer of ownership of the property. There is no penalty for early repayment of deferred loans.

B. Installment Loans (CDBG funded only)

For those households with incomes at 51% to 80% of the Area Median Income, the City will provide low-interest installment loans with the interest rate to be determined by income level. For those households at 51% to 60% of the Area Median Income, the interest rate will be one percent (1%). For those households at 61% to 70% of the Area Median Income, the interest rate will be two percent (2%). For those households at 71% to 80% of the Area Median Income, the interest rate will be three percent (3%). The period of the loan will be

determined by the amount of the loan and the ability of the homeowner to pay to make the loan affordable. After the completion of the rehabilitation work, the homeowner will be required to make monthly installment payments to the City of Pontiac with terms as determined by the lien document. Those funds repaid to the City will be used to provide additional housing rehabilitation assistance to other eligible households in the community.

C. Agreement

Throughout the life of either loan program, the participating homeowner agrees to maintain the property as their principal residence, maintain adequate property insurance, and keep the property taxes current. If the property ownership is transferred, the balance remaining on the loan will be immediately due and payable. In addition, the lien will require that the homeowner maintain the property and all improvements in good condition. The homeowner agrees to properly maintain the home from time of the loan closing until such time that the loan is paid in full or that the property title is transferred. If at any time during the rehabilitation, Program staff determines that the owner-occupant is not properly maintaining the improvements or is willfully destroying the work completed, the Program can immediately stop the rehabilitation work. Program staff will determine if the rehabilitation work can continue or if all documented rehabilitation expenses must be immediately repaid in full to the City of Pontiac Federal Grants Program.

D. Loan Recording

If the loan amount exceeds \$2,500 a mortgage is recorded and the program note is included by reference.

E. Death

The death of a recipient of a CDBG funded loan or a HOME funded loan shall not forgive repayment of the loan. The individual(s) assuming ownership of the property shall have the same responsibility for repayment as the original recipient

F. Loan Assumption

An heir or immediate family member may make application to the Program for continuance of the loan. If the program staff determines the applicant meets the Program eligibility requirements in effect at the time of the request the applicant may assume the loan. A written agreement will be signed by the program staff and the new owner as evidence of approval of the loan payoff requirements. A joint recipient or surviving spouse shall automatically receive a continuance of the loan until the survivor dies, sells the property, or no longer occupies the property as their primary residence.

G. Lien Execution

All rehabilitation projects using more than \$2,500 of CDBG or HOME funds shall have a lien executed against the property by all owners of record. The program staff will have the lien recorded with the Register of Deeds once the final construction contracts are signed and the three (3) day "Right of Rescission" period has passed.

H. Subordination

The City of Pontiac will only subordinate its lien position to a new first mortgage if the borrower is refinancing to improve loan terms; i.e. interest rate or amortization period. If proceeds of the new first mortgage are used to pay cash equity to the owner or debts other than the existing first mortgage, the County shall declare the loan due and full payment to the Program shall be required within thirty (30) days of close of the new first mortgage.

I. Grants

A loan will be considered forgivable if the total use of CDBG or HOME funds does not exceed \$2,500. These loans are secured by a promissory note and are not recorded. Loans will be forgiven based on the dollar amount and time period:

- (1) Twelve (12) months for \$1000 or less.
- (2) Thirty-six (36) months for \$1001 to \$1,500.
- (3) Sixty (60) months for \$1,501 to \$2,500.

The majority of grant funds used in this manner will be used for emergency situations when health, safety, and welfare are at risk. When used in this manner the house may not necessarily be brought to code. If the balance of the home is rehabbed to code the original loan will be added to the second and be under the terms of the second rehab with a \$35,000 maximum deferred loan for CDBG and for HOME funded loans.

7. COMPLAINT RESOLUTION

All rehabilitation projects are handled by the program staff assigned to address based on these program guidelines and federal regulations including the Residential Lead-based Paint Hazard Reduction Act of 1992. The determination of the scope of work is the responsibility of the Federal Programs Division staff and is based on the home inspection and the lead risk assessment of the home, and these program guidelines. The homeowner, by signing the specifications agrees to the scope of work to be performed.

If during the rehabilitation and issue of concern to the homeowner arises, the homeowner must notify program staff of their concern in writing. If the homeowner does not agree with the determination of the program staff, then the homeowner must make their complaint in writing to the Federal Programs Division Director. The Federal Programs Division Director will speak with the homeowner, the program staff and the contractor, if necessary to make a determination on the complaint. The Federal Programs Division Director will provide a determination to the homeowner in writing. If this issue is still not resolved, the Chief of Staff for the City of Pontiac will make the final decision regarding this complaint.

8. PROGRAM ADMINISTRATION

A. Confidentiality

The Program will comply with HUD confidentiality requirements.

B. Files

The Federal Programs Division shall be responsible for establishing a permanent file for all approved applications and insuring that all necessary documents are included in each applicant's permanent file.

C. File Retention

A permanent file may be destroyed five (5) years after the loan is paid in full. Applications which are declined or cancelled shall be destroyed after five (5) years.

D. Approval Authority

Sole approval or disapproval of a project using CDBG funds or HOME funds rests with the City of Pontiac. The City may consult with the program staff and HUD, as needed, before determining approval or denial.

E. Grant Agreement & Program Compliance

The Program shall comply with all requirements contained in the following documents:

- a. *CDBG Grant Agreement, Between HUD and The City of Pontiac..*

The program staff will immediately notify the City if it becomes aware of a violation of the Agreement. The City will immediately notify the HUD if it becomes aware of a violation.

- b. HUD guidelines as established in the grant agreement.