

WAYNE COUNTY COMMUNITY DEVELOPMENT DIVISION

CDBG HOUSING REHABILITATION PROGRAM GUIDELINES

AS OF JANUARY 2015

I. PROGRAM OVERVIEW

The goal of the Wayne County Housing Rehabilitation Program is to improve single family owner occupied housing for low to moderate income persons and improve residential neighborhoods. The program allows for up to \$25,000 in improvement funds per household, and is an equal opportunity program in accordance with federal regulations and funded using Housing and Urban Development funds.

Home Improvement Standards

All work must be in compliance and conformance with the Michigan Residential Code, the Residential Construction Performance Guidelines published by the National Association of Home Builders, and any and all codes adopted by the governmental unit in which the property is located. The contractor shall obtain and pay for all permits and licenses and shall give all notices, pay all fees and comply with all laws, ordinances, rules and regulations in reference to the work. If the work of the contractor or the contractor's subcontractors shall be done contrary to such laws, ordinances, rules and regulations, without such notice, the contractor shall bear all costs arising from said work.

Form of Assistance to Homeowners

CDBG Home Rehabilitation Program funds pay for the cost of improvements for single family owner-occupied dwellings through a forgivable grant, installment, deferred or combination loan program.

II. APPLICATION PROCEDURE

- A. Rehabilitation applications are available on websites or at offices of local jurisdictions participating in the Wayne County CDBG program and on the Wayne County Community Development Division Website, www.waynecounty.com/edge/844.htm
- B. Applicants must submit a completed application with required documents to the local community's staff member responsible for administering housing rehabilitation programs. Applications are accepted on a "first come-first served" basis.

III. ELIGIBILITY REQUIREMENTS

A Wayne County homeowner, who lives in his/her home and resides within the boundaries of a local jurisdiction that is participating with the County in the Community Development Block Grant (CDBG) program is eligible to apply for a home improvement loan subject to the following conditions:

- A. Eligible applicants are persons owning outright or mortgaging their home and having lived in said property for at least one year prior to application.
- B. The property to be improved must be the primary residence of the applicant. Properties purchased for resale or rental purposes are not eligible, nor are properties being purchased under a land contract/lease purchase.
- C. Property taxes and mortgage payment (if applicable) must be current.
- D. An applicant may secure only one loan through this program in any five-year period.

IV. LOAN LIMITATIONS

The total property related indebtedness after improvement shall not exceed 95 percent of the median purchase price for the area, as published by HUD. This amount is updated annually and can be found at: <https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/>

Total indebtedness is determined as a sum of the existing property debt and that which is incurred by the installment and/or deferred loan.

V. ELIGIBLE IMPROVEMENTS

Examples of home improvement work that can be financed with a home improvement loan may include, but are not limited to, the following: water service, sewer repair, structural repairs, plumbing, electrical, heating, roofs, masonry, energy saving items, siding, windows, doors and barrier free access.

VI. INELIGIBLE IMPROVEMENTS

Examples of work that cannot be financed include, but are not limited to: special assessments, luxury items, patios, fencing, additions, new construction of sheds or accessory buildings, and mobile home improvements.

VII. INCOME REQUIREMENTS

The annual income is the gross amount of income of all adult (18 years of age or older) household members that is anticipated to be received during the coming 12- month period, as defined in HOME Regulation 24 CFR, Part 5 and the Technical Guide for Determining Income and Allowances for the HOME Program. Applicants must be below 80% of the Area Median Income for Wayne County in order to qualify for assistance.

- A. Income eligibility for the Housing Rehabilitation Program is determined by using the current HUD Part 5 (Section 8) income limits as reflected in Appendix I, Table 1. This table is used to determine income eligibility based on household size and gross household income.
- B. Housing Rehabilitation Program income limits will be periodically updated in accordance with HUD revisions.

VIII. LOAN TERMS AND CONDITIONS

The Housing Rehabilitation Program provides 3% interest installment loans, 0% interest deferred loans, or forgivable grants. Each participating jurisdiction must adopt written policies stating which method of repayment they will be using, and said method must be applied to all applicants. The proportion of the deferred and/or installment loan is based on household size and gross income, as indicated in Appendix I, Table 2. This table is adjusted annually in accordance with HUD Section 8 income limit revisions.

- A. **INSTALLMENT LOAN** Homeowners who qualify for an Installment Loan will pay interest at a rate of 3% per annum on the unpaid balance of the loan. Monthly payments are based on a term of a maximum of twenty (20) years, depending on the amount of the loan. Minimum monthly payments will be \$50.00 per month.
- B. **DEFERRED LOAN** The principal sum of a Deferred Loan is to be repaid at a future time and shall become due and payable when the homeowner no longer lives on the premises. There are no payments or interest charged on the principal.
- C. **DUE AND PAYABLE TERMS** The Installment and the Deferred portions shall become due and payable under the following terms and conditions.
 - 1. The Mortgagor transfers any interest in the property, except as prohibited by law.
 - 2. The Mortgagor moves, rents, or leases the property.
 - 3. Upon death of the Mortgagor/s.
 - 4. Failure of the Mortgagor to maintain adequate fire and hazard insurance and flood plain insurance, where applicable, to cover the debt incurred by the loan and any pre-existing property debt.

IX. INSPECTIONS AND SPECIFICATIONS

Staff members of each participating jurisdiction will complete comprehensive home inspections and specifications, monitor the construction through completion, recommend contractor payments and ensure that municipal, state and federal requirements are met.

X. BIDS

- A. The participating jurisdiction will be responsible for soliciting a minimum of 3 contractor bids, with a minimum of one of the bids being from a Women and Minority Owned Business (W/MBE).
- B. Bids are awarded to the lowest responsive and responsible bidder. A homeowner may select a contractor whose bid is higher providing the homeowner pays the difference between the lowest bid and selected bid.

XI. CONTRACTS

- A. Housing Rehabilitation contracts are between the homeowner and the contractor and must be signed by both parties prior to work being initiated.
- B. The contract may not exceed the maximum loan amount of \$23,000. Exceptions may be granted based on extenuating circumstances determined by Wayne County Housing Rehabilitation Program staff.
- C. A \$2,000 contingency amount is available for unforeseen problems and must be authorized by the homeowner and Wayne County Housing Rehabilitation Program staff.

XII. MORTGAGE AND NOTE

- A. Housing rehabilitation loans are secured by a mortgage. A mortgage is a lien placed on the property to guarantee repayment of the loan.
- B. The mortgage is recorded with the Wayne County Clerk/Register of Deeds.
- C. The note explains the repayment terms and conditions of the loan.

XIII. SUBMISSION TO COUNTY

- A. Each participating jurisdiction will submit a Housing Rehabilitation Checklist (attached) along with required documentation to the County for environmental and financial approval before any rehabilitation work begins. Packets not fully completed or not containing all checklist items will be returned.
- B. Once rehabilitation work is completed, the participating jurisdiction will submit the required Final Draw items to the County in order to be provided with the reimbursement of funds.

XIV. DISPUTE RESOLUTION

In the event that a dispute arises between a contractor and a homeowner, Community Development staff for the participating jurisdiction will be responsible for investigating said dispute and attempting to resolve it. If the dispute cannot be resolved, the matter will be referred to the Director of Community Development for Wayne County for further review. Each municipality administering a housing rehabilitation program will be required to draft their own policy on Contractor and Beneficiary Dispute Resolution.