SINGLE FAMILY
Rehabilitation and Reconstruction Program
Rules & Guidelines 2021

State of Utah
Division of Housing and Community Development

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The Utah Division of Housing and Community Development (HCD) may update this guidebook from time to time in consultation with partner agencies. For questions and comments, please contact the HCD office at 385-535-7952.
INTRODUCTION

Olene Walker Housing Loan Fund

To help meet Utah’s housing needs, in 1997, the Utah Legislature created the Olene Walker Housing Loan Fund (OWHLF) under Utah Code 9-4-701 to 708. The Division of Housing and Community Development (HCD) as well as the statutory OWHLF Board (Board) implement the intent of Utah Code. Funding for the OWHLF is derived from legislatively appropriated State of Utah funds. Under this program and with all other OWHLF programs, monies loaned for eligible projects including any interest and associated fees are repaid with a goal of “growing” the OWHLF Fund.

Policies and Procedures Adoption Process

The Board approved HCD to develop a policies and procedures for the Single Family Rehabilitation and Reconstruction Program (SFRRP) to serve rural Utah. These policies and procedures strictly define program scope for local administering agencies including:

- Application processes and eligibility
- Adherence to state and federal requirements
- Monitoring and quality control.

Single Family Rehabilitation and Reconstruction Program (SFRRP)

The SFRRP rehabilitates and reconstructs single-family owner-occupied units. The selected Rural Provider Agencies (RPAs) are empowered to boost production with production-based allocations of administrative and project funding.

The SFRRP focuses funding to those areas of the state not otherwise served including the Utah’s rural counties, whereas the urban areas of Utah are usually entitlement areas and receive direct HUD funding.

The SFRRP empowers each RPA to meet the rural housing needs in accordance with state law. The RPAs serve the following rural counties: Beaver, Box Elder, Cache, Daggett, Carbon, Duchesne, Emery, Garfield, Grand, Iron, Juab, Kane, Millard, Morgan, Piute, Rich, San Juan, Sanpete, Sevier, Summit, Tooele, Uintah, Wasatch, and Wayne.
CHAPTER 1 REQUEST OF QUALIFICATION

The Utah Division of Housing and Community Development (HCD) requests qualifications from non-profit agencies to provide single family HOME services to eligible applicants under the Utah Single Family Rehabilitation and Reconstruction Program.

Under this approach, local agencies are empowered to administer the Utah Single Family Rehabilitation and Reconstruction Program Guidelines with local application approval authority. Agencies must submit project specific information to HCD once projects are completed. After loan closing, loans will be serviced by HCD.

The Division of Housing and Community Development and the Board has chosen to permanently establish a Single Family Rehabilitation and Reconstruction Program to serve rural Utah and has initiated contracts with Southeastern Utah Association of Local Governments (SEUALG) in Price, Uintah Basin Association of Governments (UBAG) in Vernal, Five County Association of Governments in Richfield, and Neighborhood Housing Solutions in Logan.

SCOPE OF WORK:

1. Coordinate with other area and local housing resources and agencies to establish common goals and delineate responsibilities between agencies to meet the needs outlined within HCD Consolidated Plan.
2. Initiate strategies and processes to achieve high production in rehabilitated and reconstructed units.
3. Provide outreach to citizens and solicit applications within rural Utah for rehabilitation and reconstruction/replacement projects.
4. Process, review, and approve applications in accordance with the Single Family Rehabilitation and Reconstruction Program Guidelines.
5. Complete site inspections, develop individual project specifications, leverage OWHLF participation with other local and area resources, assemble project bids, identify and manage contractors, ensure a high level of workmanship for individual projects, finalize closing documents, close loans, and work with HCD staff to add loans to the OWHLF portfolio.
6. Develop and implement strategies with contractors to assure highest quality and lowest cost for units completed in remote areas.
7. Provide quarterly reports to HCD and the OWHLF Board on project deliverables including applications received, applications processed and approved, projects in construction, and loans closed.
8. In conjunction with the HCD portfolio manager, provide client interface on portfolio management issues.

EVALUATION OF AGENCY QUALIFICATIONS:
An analysis and evaluation of all proposing agencies’ qualifications will determine the best-qualified agencies. The following criteria will be used to evaluate agency responses:

1. **Response by proposing agency to each Scope of Work item listed above** – Proposing agencies must respond to each Scope of Work item above by describing organizational structure, specific abilities and staff capacities, approach, related experience, and expected outcomes (Points Possible = 30).
Points shall be scored as follows:
   a) Superior Ability to Complete Scope of Work = 30 Points
   b) Above Average Ability = 20 Points
   c) Average Ability = 10 Points
   d) Below Average Ability = 5 Points
   e) Minimal Ability to Complete Scope of Work = 0 Points

2. **Proposed areas to be served and deliverables** - Proposing agencies must serve multiple rural counties. Under 9-4-701, these rural counties include: Beaver, Box Elder, Cache, Daggett, Carbon, Duchesne, Emery, Garfield, Grand, Iron, Juab, Kane, Millard, Morgan, Piute, Rich, San Juan, Sanpete, Sevier, Summit, Tooele, Uintah, Wasatch, Washington, and Wayne. Proposing agencies should forecast the rehabilitated and reconstructed units to be delivered for each proposed county during the almost 2-year contract period along with a time line for delivering those units. Quality and timeliness in meeting previous contract deliverables to HCD (as measured by the units proposed verses those completed within past contract periods) will be considered in judging an agency’s ability to deliver housing units (Points Possible = 20).

Points shall be scored as follows:
   a) Superior Experience Delivering Rural Housing Units = 20 Points
   b) Above Average Experience = 15 Points
   c) Average Experience = 10 Points
   d) Below Average Experience = 5 Points
   e) Minimal Experience Delivering Rural Housing Units = 0 Points

3. **Coordination with other area agencies and funding sources** – Proposing agencies should describe processes and partnerships that best coordinate housing efforts and financial resources within the proposed geographic area being served. Where multiple agencies currently serve populations within the same service area, the response must detail efforts to organize proposed scope of work activities between agencies to avoid unnecessary duplication of service between agencies; to reduce client confusion through a shared client referral process; and to leverage financial resources between agencies, programs, and other partners (Points possible = 15).

Points shall be scored as follows:
   a) Very Advantageous Coordination = 15 Points
   b) Advantageous = 10 Points
   c) Somewhat Advantageous = 5 Points
   d) Below Average Advantage Coordination = 0 Points

4. **Specialized experience in the required work** - Include in the proposal the resumes for staff responsible for accomplishing the Scope of Work items listed above. Include staff with experience in meeting HUD HOME rules, construction management, codes and standards, etc. Agencies must possess the ability to track and monitor expenses associated to each project. (Points Possible = 25).

Points shall be scored as follows:
   a) Extensive Experience = 25 Points
   b) Above Average Experience = 20 Points
c) Average Experience = 15 Points  
d) Below Average Experience = 10 Points  
e) No Experience = 0 Points

5. Location of agency  
a) An office of the agency is within 125 mile radius of proposed project counties  
(Points Possible = 10)
CHAPTER 2 LOCAL RURAL PROVIDER AGENCIES

Rural Provider Agency (RPA) Responsibilities

Rural Provider Agencies (RPAs) are expected to provide leadership to support affordable housing initiatives for their service area. RPA staff has an opportunity to engage other housing providers, service organizations, elected officials, client groups, and citizen housing activists to make a difference for people in need. In a technical assistance role, HCD staff will support capacity building of local agencies and will monitor the achievements of the statewide program.

Although the SFRRP guidelines strictly define the service provided for rehabilitation and reconstruction to the exclusion of some applicants, the needs of those “outside of the box” cannot be ignored. For this reason, projects that do not fall within the SFRRP guidelines can be submitted as single-family proposals through HCD to the Board for review and funding approval. Each RPA shall:

1. Contract with HCD to administer the SFRRP and comply with the Request for Qualification (RFQ).
2. Partner and/or coordinate with other agencies in the same geographical area to avoid unnecessary duplication of housing rehabilitation programs. This coordination can occur as agencies jointly establish goals and responsibilities to meet the needs of the area’s Consolidated Plan.
3. Comply with the funding, administrative costs, provisions against fee payments, and conflict of interest.
4. Take part in all State sponsored Housing Rehabilitation training programs and Technical Assistance programs.
5. Develop a marketing and advertising plan in conjunction with other local agencies to meet citizen needs per the area’s Consolidated Plan.
6. Initiate strategies and processes to meet production goals, including outreach and marketing.
7. Leverage funding including housing and community development organizations, financial institutions, CDBG, U.S. Department of Agriculture - Rural Development (Section 502 and 504 monies), Weatherization program, and other housing programs operating in the same area, as possible.
8. Have the necessary background and experience on the part of its staff and loan committee with proven ability to perform responsibly in the field of rehabilitation, including business management and administrative experience.
9. Implement a local application review process, complete site inspections, environmental reviews, develop individual project specifications, assemble bids, and insure reasonable and high quality workmanship for each project.
10. Identify licensed and insured contractors and subcontractors with proven commitments to quality workmanship and cost containment.
11. Provide conflict resolution between homeowner’s and contractors.
12. Promote client education (i.e.: USU extensions services), and counseling (i.e.: regulated and licensed businesses) to better enable clients to make informed financial decisions relative to debt, predatory lending, refinancing, etc.
13. Process, review, and approve applications in accordance with the State of Utah’s Olene Walker Housing Loan Fund Allocation Plan, SFRRP, Consolidated Plan, Application, HUD regulations, and State Statue.
15. Because HCD will service SFRRP loans, the RPA will provide client interface with HCD on LOAN portfolio management issues; inspections, information, pictures, etc.
16. Comply with monitoring requirements. Provide accounting of the expenditures of funds in compliance with the terms of federal regulations and the State contract. All SFRRP records will be audited annually or when deemed necessary with detailed review of contract and project accounting.
17. Submit quarterly project reports.

Agencies can contact HCD for additional clarification and technical assistance on responsibilities and program guidelines. The RPA may submit a written request to HCD staff on any issues the RPA would like to be more restrictive than any of the HOME regulations, State statute, or Board’s intent.

**Outreach and Program Marketing**

Each RPA will provide aggressive outreach to citizens and openly solicit applications. Each agency should develop a written outreach and marketing plan to provide equal citizen access to the SFRRP. The plan could include outreach and marketing through:

- Newspaper notices
- Written communication to civic leaders and the community
- Signs on rehab properties
- Published flyers
- Notices both verbal and written to organizations representing minority groups
- Utility bill stuffers
- Local Housing Fairs
- Presentations to senior citizen organizations, veterans, churches, and other groups
- Food Pantry
- Weatherization Program, CDBG, etc.
- Schools

**Funding and Administrative Costs**

A contract between HCD and the RPA will be entered into before any funds are committed or released. This document provides detail on the contract purpose, scope of work, total funding allocation, budget, and reporting process. The funding allocation to each agency provides housing rehabilitation funds for eligible agencies to administer the SFRRP and improve the RPA neighborhoods.

The RPA can incur administrative and planning costs directly associated with deliverables accomplished under the SFRRP unless those costs have been charged to another program. For the purposes of this program, staff costs charged to each contract is determined by the:

- Pro rata share of salary, wages and related costs of each person whose job includes any program administration assignments
- Actual hours for any agency-based construction laborers at given rate of pay and benefits. This includes weatherization crews temporarily assisting with non-weatherization rehabilitation

Other direct costs that can be charged to administration include:

- Goods and services necessary for SFRRP administration (e.g., utilities, offices supplies)
- Administrative services under third party agreement (e.g., legal services)
- Providing public information on SFRRP (marketing brochures, advertising, presentations.
- Fair housing activities
- Complying with other federal requirements
- Preparation of work specifications
• Loan processing and underwriting
• Construction inspections and oversight
• Lead base paint inspections
• Project specific environmental reviews
• Budget counseling for clients
• Program coordination and fund leveraging
• Portfolio management issues
• Travel to HCD and other in-state SFRRP-related housing events, training, and conferences. Out of state travel must be approved in advance by HCD.

Exceptions are project-related indirect costs incurred by the RPA that may not be paid out of SFRRP administration funds. RPA’s are advised to request approval in advance for anticipated indirect costs

**Provisions Against Fee Payment**

The client loans shall not include any bonus, commission or fee, to the RPA for the customary processing of a loan, including the preparation of work write-ups and cost estimates, construction oversight, project management, facilitating loan approval, or any concurrence required to complete the rehabilitation and replacement work.

**Conflict of Interest Provisions**

The conflict of interest provisions cover employees, agents, contractor, consultants, officers, and elected or appointed officials of the RPA. This applies to persons during their tenure and for one year after leaving the RPA.

There are two sets of conflict of interest provisions applicable to activities

1. **Procurement of Goods and Services:** by HOME Participating Jurisdiction (PJ), State recipients and sub-recipients is the procurement regulations located at 24 CFR parts 84 and 85. Part 84 is applicable to procurement actions undertaken by nonprofit organizations acting as sub-recipients. Part 85 is applicable to procurement actions undertaken by State and local PJs and State recipients. There are no exceptions may be made to the provisions of parts 84 and 85. Local Governments (PJs, State recipients and consortia members) - When procuring property or services with HOME funds, local governments must use their own procurement procedures that reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in 85.36(b).

Procurement of Property and Services by PJs, State Recipients and Sub-recipients States – When procuring property or services with HOME funds, a State must follow the same policies and procedures that it uses for procurements from non-Federal funds. The State must ensure that every purchase order or other contract for property or services includes any clauses required by Federal statutes and executive orders and their implementing regulations.

2. **Financial Interest or Benefits:** Provisions prohibit employees and other representatives of PJs, State recipients and sub-recipients from obtaining a financial interest or benefit from any HOME assisted activity. Under certain conditions, exceptions can be made to these provisions.
Local governments or sub-recipients administering HCD funds are required to maintain a written code of standards governing the performance of their employees engaged in the award and administration of contracts. At a minimum, these standards must:

- Require that no employee, officer or agent of the PJ or sub-recipient may participate in the selection, award or administration of a contract supported by HCD if a conflict of interest, real or apparent, would be involved. Such a conflict would arise when any of the following parties has a financial or other interest in the firm selected for award:
  1. Employee, agent or officer of the PJ or sub-recipient
  2. Any member of an employee's, agent's or officer's immediate family of the PJ or sub-recipient
  3. An employee's, agent's or officer's partner
  4. An organization that employs or is about to employ any of the above

- Require that the employees, agents and officers of the PJ or sub-recipient not solicit or accept gratuities, favors or anything of monetary value from contractors, potential contractors or parties to sub-agreements. However, the local government/sub-recipient may set minimum rules and standards where the financial interest is not substantial or the gift is an unsolicited item of nominal intrinsic value; and

- Stipulate provisions for penalties, sanctions or other disciplinary actions for violations of such standards, to the extent permitted by State or local law. Provide for disciplinary actions to be applied for any violations of such standards by employees, agents or officers of the sub-recipient.

Scenario: A PJ wants to contract with a real estate appraisal firm to provide qualified appraisals of properties to be acquired with HCD funds. The selection will be made through a competitive bidding process. A local appraisal firm that plans to bid on the contract employs the PJ Housing Division Manager’s husband. Can the Housing Division Manager participate in this procurement? Would the selection of this firm constitute a conflict of interest?

The Housing Division Manager may not participate in the procurement of a contract upon which her husband's firm plans to bid. However, selection of the husband's firm is permitted, if made in accordance with the requirements of 24 CFR Part 85 and the local government's procurement procedures.

3. Financial Interest or Benefit from a HCD-Assisted Activity

Persons covered: Any person who is an employee, agent, consultant, officer or elected or appointed official of the PJ, State recipient or sub-recipient which is receiving HCD funds.

Prohibited Conflict: No covered person who exercises or has exercised any functions or responsibilities with respect to activities assisted with HCD funds or who is in a position to participate in a decision making process or gain inside information with regard to these activities, may obtain a financial interest or benefit from a HCD-assisted activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds there under, either for themselves or those with whom they have family ties, during their tenure and for one year thereafter. Occupancy of a HCD-assisted unit by a covered person constitutes a financial interest or benefit and is a prohibited conflict.

Exceptions: A request to HCD in writing must include:

- A disclosure of the nature of the conflict, accompanied by an assurance that there has been public disclosure of the conflict and a description of how the public disclosure was made;
• An opinion of the PJ's or State recipient's or sub-recipient’s attorney that the interest for which the exception is sought would not violate State or local law.

The HCD Program Manager may grant an exception to the provisions on a case-by-case basis when it determines that the exception will serve to further:

• The purposes of the HCD Program; and
• The effective and efficient administration of the program or project.

Request for exception should be submitted to HCD. In determining whether to grant a requested exception after the participating jurisdiction has satisfactorily met these criteria, the Program Manager will consider the cumulative effect of the following factors, where applicable whether:

• The exception would provide a significant cost benefit or an essential degree of expertise to the program which would otherwise not be available;
• The person affected is a member of a group or class of low-income persons intended to be the beneficiaries of the assisted activity, and the exception will permit such person to receive generally the same interest or benefits as are being made available or provided to the group or class;
• The affected person has withdrawn from his or her function or responsibilities, or the decision making process with respect to the specific assisted activity in question;
• The interest or benefit was present before the affected person was in a position constituting the conflict of interest.
• Undue hardship will result either to the PJ or State recipients or sub-recipients or the person affected when weighed against the public interest served by avoiding the prohibited conflict.
• Any other relevant considerations.

Training for RPA Staff

HCD expects RPA staff to participate in various single-family training workshops. These workshops will enable RPA staff to meet state policy guidelines; contract terms, conditions, assurances, and other provisions; the intent of the Board; and HUD program requirements.

The yearly training workshop topics are identified below. As necessary, HCD staff will also meet one-on-one with RPA staff to provide customized training and technical assistance. The training builds local program capacity for the RPA and can raise the levels of productivity and efficiency in meeting local affordable housing needs.

Agencies should insure that there is at least one staff person qualified for each area of training:

a. Outreach and marketing
b. Application process and eligibility
c. Contract process between RPA and HCD
d. Contract between owner and contractors
e. Field inspections and write-ups
f. Cost estimating
g. Competitive procurements
h. Energy Star Compliance
i. Project fund leveraging
j. Working with the local Rural Development office
k. Inspections and quality assurance
l. Loan closings
m. Debt and credit counseling for homeowners
n. Conflict resolution and problem-solving between contractors and homeowners
o. Home maintenance by homeowners
p. Record keeping
q. Preparing for a HCD audit and monitoring
CHAPTER 3 PROGRAM MANAGEMENT

Introduction

The SFRRP will fund rehabilitation and reconstruction according to HCD’s definitions. Due to the limited state set-aside funding for the SFRRP, local agencies should direct outreach to increasing the number of rehabilitated units completed compared to reconstruction units. This allows the fund to serve the greater number of citizens while addressing the overall opportunity to maintain older units in Utah’s housing base as affordable and habitable.

Partnerships such as USDA Rural Development will allow the program to assist more families in rehabilitation and reconstruction as recognized all project types.

RPA Staff Roles

There are a number of strategic decisions, administrative and key construction management functions that will be undertaken by the RPA. Staff should be able to perform the following:

Rehabilitation or Construction Specialist:

- Under-takes construction-related activities, manages and coordinates all aspects of the project from conception to completion with the owners and contractors
- Oversees various construction items and reviews the work of contractors to manage changes and evaluate costs
- Monitors work to ensure that it is accomplished within the specified scope of work and in accordance with state and any local codes
- Fosters good working relationship with the planning and zoning department, fire marshal, city and county code inspectors, public work departments, utility companies, and city council members
- Implements construction practices for quality, safe, healthy, and efficient housing units
- Improves the inspection process, maintains credibility, and meets the demands of the lower income community
- Uses analytical skills to predict and solve problems that might be presented by the job
- Maintains interpersonal and conflict resolution skills to communicate knowledge and concerns to owners and contractors
- Secures other services and other agencies to assist with rehabilitation or replacement of units including the weatherization assistance program, CDBG, Rural Development, etc.
- Insures that units follow the rating process for Energy Star
- Be knowledgeable of construction practices
- Have technical skills and constant study to improve the inspection process, maintain credibility, and meet the demands of the industry

Loan Approver and Underwriter:

- Reviews and approves application and construction documents
- Works with HCD staff to workup loan closing documents. Templates are provided from HCD. HCD will review loan documents for purposes of accuracy within 48 hours of receipt of completed application and all supporting documentation
- Schedules loan closings and manages closing details

Procurement specialist:

- Involves procuring contractors for projects
Identification of cost saving opportunities for construction labor, materials, and contractors

**Eligible Property Types**

To be eligible for assistance, an income-eligible owner must occupy a property and be the owner’s principle residence where the owner meets one or more of the following HUD criteria:

1. Has fee simple title to the property
2. Maintains a 99-year leasehold interest in the property (50-year leasehold on trust or restricted Indian lands)
3. Has property under purchase contracts if: (1) the purchase contract has been in place for one full year, (2) the contract holder will be the fee simple title owner, and (3) the contract holder will sign a statement that they agree to the lien on the property and agree to a 90 day default provision, with notice to HCD on any default by the contract purchaser
4. Has a Trust where the land and home are in a trust
5. Maintains an equivalent form of ownership approved by HUD
6. Owner’s unit in a two-four unit property
7. Lives in a condominium unit
8. A manufactured home/mobile home built after 1976 and is compliant with the Manufactured Home Construction and Safety Standards and is located on occupant owned land
9. Cooperative unit or mutual housing project

Although the SFRRP guidelines strictly define the service provided for rehabilitation and reconstruction to the exclusion of some applicants, the needs of those “out-of-the-box” cannot be ignored. For this reason, OWHLF has set aside additional funds for single-family projects that do not fall within the SFRRP guidelines. These single-family “out-of-the-box” project proposals can be submitted to HCD staff for OWHLF Board review and funding approval.

**Eligible Units**

Funds will be used to assist existing owner-occupants with the rehabilitation or reconstruction of their homes.

**Rehabilitation** is the improvement or repair of an existing structure to provide decent, safe and sanitary dwelling units. This must include the provision of such sanitary or other facilities as are required by HUD Property Standards and SFRRP Rehabilitation Standards. Rehabilitation requiring work so excessive as to be equivalent to new construction or reconstruction of the property may be demolished and rebuilt under the Home Program Reconstruction Guidelines.

**Reconstruction** refers to rebuilding a structure on the same lot where housing is standing. Funds may be used to build a new foundation or repair an existing foundation. During the reconstruction, the number of rooms may change per unit, but the number of units may not.

Reconstruction may be eligible if the existing home is not economically feasible to rehabilitate due to the current value in relation to the work and the need of the occupants. Units being replaced must be permanently removed from the housing stock through salvage and will not be sold as a home under any circumstances.

Replacing a manufactured housing unit with a stick-built unit is considered a homebuyer activity even if the applicant/beneficiary owns the lot and existing manufactured unit (refer to Building Home, February 2006, Chapter 5, pg 2-5).
Reconstruction units should be site-built to provide the highest long-term value to homeowners and as best security against OWHLF loans. Under special circumstances where contractors or materials are not available due the remoteness of sites or where the costs for site built housing are cost prohibitive, off-site construction units may be provided. Site built units are deemed cost prohibitive when the cost for the site built unit is approximately 18% or higher than an off-site built unit. All offsite and on-site construction units must meet the agencies specifications for quality workmanship and long-term value of the property. These units must have an estimated useful life of at least 30+ years.

Site improvements must be modest and in keeping with improvements made to typical surrounding properties such as sidewalks, utility connections, sewer and water lines that are essential to the repair of existing units. Off-site infrastructure is not eligible.

HCD funds may be used for demolition and acquisition of vacant land if construction begins within 12 months of purchase date. Acquisition of land for new construction is not allowed under the SFRRP without the approval of HCD. However, acquisition of land for new construction is considered to be an “out-of-the-box” project and may be funded by the OWHLF with HCD staff recommendation and OWHLF Board approval.

**Off-site Construction: Manufactured Housing, Mobile Home, and Modular Homes**

The Manufactured Home Construction and Safety Standards (MHCSS) established by HCD define a manufactured home in to be "a structure, transportable in one or more sections, when erected on site, is three hundred twenty or more square feet, is built on a permanent chassis and designed to be used as a dwelling with/without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air-conditioning, and electrical systems contained therein".

The HCD regulations require the manufactured home to be located on land that is owned by the homeowner. Necessary repairs to manufactured homes or mobile homes may be eligible if the recipient owns the home and site on which the home is situated; and the manufactured home or mobile home is on a permanent foundation or will be put on a permanent foundation and the home is manufactured after June 15, 1976. If the homeowners qualifies and receives the rehabilitation loan, the homeowner is required to surrender the title on a manufactured home to the county assessor to be converted to real property.

Mobile homes: Homes built pre-1976 are not eligible for rehabilitation loans. Due to depreciation and durability issues, mobile homes are not considered long-term affordable housing solutions. Agencies should consider repairs to existing mobile homes using the Weatherization Assistance Program resources and other emergency and critical needs funds.

Utility hook-ups are on-site, permanent, public or private utility sources (for example, electric, water, sewer/septic, natural gas) for use by individual manufactured home units. The HCD regulation require manufactured homes assisted with HCD funds (except for existing, owner-occupied manufactured homes that are rehabilitated with HCD funds) to be connected to permanent utility hookups.

Manufactured Home: "Mobile home" and "trailer" were commonly used terms before 1976 when Congress adopted legislation using the term "manufactured home" to take their place. The term manufactured home refers to all types of non-motorized manufactured housing units (thus excluding recreational vehicles) that meet the definition in 24 CFR 3280.2.

A manufactured home is built in sections in a factory, possesses a permanent chassis (defined at 24 CFR 3280.902 (a)), and must be designed and manufactured in compliance with the MHCSS. This modular home is built in sections in a factory to meet state, local or regional building codes. Once assembled, the modular unit
becomes permanently fixed to one site.

HCD funds: The eligible activities applicable to manufactured homes are set forth in the HCD regulations at 24 CFR 92.205(a)(4) and 92.2 (definition of “reconstruction”). HCD funds can be used to:

- Acquire manufactured housing
- Acquire land for a home site for manufactured housing
- Rehabilitate manufactured housing
- Replace an existing substandard manufactured home with a new or standard manufactured home

For reporting purposes, because manufactured homes are constructed at the factory and transported to the site, the activity falls under acquisition not new construction.

Manufactured homes built to HUD standards: Funds can only be expended for repairs to manufactured homes where the RPA verifies the capacity of the pre-rehabilitated unit to safely provide housing to residents for at least ten additional years or useful life. Loans cannot exceed the useful life of the rehabilitated unit. If manufactured home units are seriously dilapidated and unserviceable, the RPA should assist residents in finding other long-term housing opportunities.

**HCD Property Standards**

Property Standards are the housing quality standards used to determine whether a housing unit is decent, safe and sanitary. They are the standards against which the actual physical condition of a property is judged in the *inspection process*.

Using the property standard as a baseline, a housing inspector determines the scope of rehabilitation necessary to address the *physical deficiencies* of a unit.

**SFRRP Rehabilitation Standards and Specifications**

These establish the standards for the rehabilitation work that will bring substandard housing into compliance with the SFRRP Rehabilitation Standards for Single Family Housing. Work items undertaken during a rehabilitation project must meet, at a minimum, this standard in terms of the scope of work. If proposed improvements meet a lesser standard (e.g. emergency repairs, weatherization or “staged” improvements), they will conform to standards for that program or standards negotiated on a case-by-case basis by the sub-recipients and local code authorities.

Specifications, sometimes referred to as "specs" include details such as the grade of lumber to be used, the number of nails per square foot, the type of material that can or cannot be used for doors serving as fire exits, the distribution pattern and material of roofing tiles, etc.

The “Work Description”, sometimes referred to as “Scope of Work” describes the extent of the work to be undertaken.

Together, the Work Description, SFRRP Rehabilitation Standards and SFRRP Specifications provide a common basis for contractor bids. This will ensure that all contractors are bidding work using identical methods and materials. It also enables the RPA to make an accurate determination of the cost reasonableness of bids and hold all contractors to consistent, high quality rehabilitation work.

**Building Codes**
Building codes are the legal regulations that each city and state enacts and enforces for all new and old buildings, including homes. Building codes often include property standards, new construction specifications, and rehabilitation standards.

The "rehabilitation" of "existing building" chapters of local building codes indicate which parts of the rest of the code (the new construction specifications) you must follow in order to meet the "property standards."

Most model building codes already include some rehabilitation codes/"existing building" codes: (See Existing Residential Housing Code, Chapter 18.50 of the Salt Lake City Code). The three model building codes as well as HUD’s Nationally Applicable Recommended Rehabilitation Provision (NARRP) are helpful guides.

Housing that is constructed or rehabilitated with HCD funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion.

**Overview of Codes and Standards**

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<th>Type of Code/Standard</th>
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| Minimum Property Standards               | A series of standards that specify the basic living and structural conditions required for an existing property to be considered decent, safe and sanitary.  
Used for monitoring and inspecting the condition of existing properties prior to rehabilitation. |
| Building Codes                           | Provide guidance on how new construction or rehabilitation are to be carried out.  
Building codes inform contractors about how to carry out the work and are used to inspect new work. It requires a building permit and that contractors and subcontractors hold a particular license.  
Code inspections are concerned mostly with the safety and structural integrity of work, and are not sufficient to assure aesthetic appearance or compliance with more stringent local guidelines for quality and performance. |
| SFRRP Rehabilitation Standards for Single Family Housing | Defines the degree/level of rehabilitation that is required to meet the minimum property standards required by the SFRRP. |
| Rehabilitation Specifications            | Specifies the quality of materials and methods on a particular repair with specific guidance on the end product. |
| Construction Standards                   | It is used to inspect the completed work. |

HUD standards guide the rehabilitation and construction of decent, safe, and sanitary housing. In addition, housing that is constructed or rehabilitated with HOME funds must meet all applicable local codes and rehabilitation standards, ordinances, and specifications. Depending on the type of project, funded properties will meet the applicable property standards comprised of the:
• International Building Code as adopted by the State of Utah
• State and local ordinances including zoning ordinances such as minimum lot size and dimension
• “Existing Residential Housing Code, Chapter 18.50 of the Salt Lake City Code: is a series of standards that specify the basic living and structural conditions of existing properties. Housing Code is used to inspect the homes
• Rehabilitation Standards/Specifications: defines the quality of materials that will be used for a particular repair is made and to the quality of the end product that are not covered in building codes. It provides detailed information about the quality of materials to be used and methods of installation for each item in each particular project
• Model Energy Code + 15% (Energy Star level of efficiency) when applicable
• Manufactured Home Construction and Safety HUD Standards (24CFR Part 3280)
• Historic preservation requirements - if the property is on the National Register of Historic Places or eligible for inclusion on the National Register of Historic Places the work will be done in accordance with standards set by the U.S. Secretary of the Interior
• Environmental requirements: - any Environmental requirements under the HOME Regulations
• Lead-based paint remedying - the property owner and tenants will be informed of lead-based paint hazards and the cost of remedying identified lead-based paint hazards for the property
• Termite remediation - there will be an inspection by a termite inspector to confirm infestation or to eliminate the infestation
• Physically handicapped accessibility - rehabilitating the property so it is accessible to the physically handicapped owner and family

Eligible Costs

Other improvements and project consideration that can be included under this program:
• Correcting incipient deficiencies - borrowers should be encouraged to include correcting incipient problems. Incipient deficiencies are items that are still functioning as designed but have a life expectancy of 2 years or less
• Both the actual hard cost of rehabilitating the home and related soft costs is eligible
• Alteration, improvement or modification of an existing structure to improve occupant health and safety
• Contribute to a unit’s long-term affordability and livability
• Moving an existing structure to a new foundation constructed with funds
• Additions to dwellings only when it is clearly necessary to alleviate overcrowding. This would include, but not be limited to, the number and size of existing bedrooms in relation to the number of long-term household members that are for adult children or relatives if they are not an owner of record and, in the RPA opinion, will not be long-term occupants.
• Relocating an owner to a home in a different location when it is not feasible to rehab or replace a dwelling on the existing site. Any equity will be used to reduce the request of the OWHLF. Relocation funds are not an eligible with HCD funds
• General property improvements - General property improvements (GPI’s) must be reasonable and customary for the area and will be used in conjunction with correcting a deficiency. The total cost of GPI’s for Owner Occupied properties will not exceed twenty percent (20%) of the total amount of the Loan and will:

1. Extend useful life of a component in the home that results in reduced maintenance and/or will extend the useful life of a part of the property.
2. Work to expand livable space and eliminate inefficient design and to prevent overcrowding
3. To purchase a parcel of adjacent land, if the property is required to bring the Rehabilitation property into conformance with code requirements for minimum lot size and dimensions
4. Reconstructing a kitchen, bathroom or currently under-utilized space to improve efficiency

- Professional Services - the reasonable costs of architectural, engineering and related professional services required in the preparation of plans, drawings, write-ups, or specifications of work, if those services are beyond those normally provided by the provider RPA
- Contingency Reserve - a contingency reserve fund to cover unanticipated construction costs or to cover increases of other eligible loan costs up to 10% can be included.
- Flood proofing requirements - the cost of flood proofing required by Executive Order 11988 and the National Flood Insurance Program can be included in projects
- Historic Preservation Standards: If the property is on the National Register of Historic Places or eligible for inclusion on the National Register of Historic Places the work will be done in accordance with standards set by the U.S. Secretary of the Interior
- Environmental Requirements: Any Environmental requirements under the HOME Regulations
- Lead Based Paint Remedy: The property owner will be informed the cost of remedying identified lead-based paint hazards for the property
- Termite Elimination: There will be an inspection by a termite inspector to confirm infestation of the elimination of the infestation
- Physically Handicapped Accessibility: Rehabilitating the property so it is accessible to the physically handicapped owner and family
- Land Acquisition: To purchasing a parcel of adjacent land, if the property is required to bring the Rehabilitation property into conformance with code requirements for minimum lot size and dimension
- Energy Costs: Including Energy Star-rated and other energy saving items can reduce energy costs

* Optional Relocation Assistance is available for HOME-assisted projects if the federally assisted project caused the relocation. Relocation expenses would be available per the Uniform Relocation Act.

Where HCD funds are used to remedy a situation that caused the home to be uninhabitable, such as mold, unsafe or unhealthy conditions, relocation expenses are not eligible.

Emergency Housing Situations – As an option of last resort after all other funding sources are exhausted and within the limits, agencies may submit a request to HCD staff for assistance with special emergency housing situations. Emergency housing situations are defined as immediate health and safety problems affecting the ability of a homeowner to remain in a home, conditions that threaten the long-term integrity of a home, or special emergency financial situations that threaten the ability of homeowners to maintain ownership.

SFRRP Funds can be used to assume the mortgage of an applicant under the following conditions:
1. Assuming the mortgage will result in substantial savings on the part of the home-owner
2. The mortgage cannot be more than 33% of the total loan made by HCD.

**Amenities**

The RPA should consider which amenities are provided in similar unassisted housing for low-income families in the market area when making determinations about the amenities to be included in the assisted projects.

While projects should be attractive and desirable places to live, funds are not intended to support luxury housing. Homes must be modest in design and provide decent, safe and sanitary housing.

Suitable amenities may include items such as washer/dryer, dishwasher, and air conditioner. Other amenities such as icemakers, Jacuzzis and saunas are **not** eligible.
**Ineligible Costs**

- Luxury items - fixtures, equipment, or landscaping of a type or quality that substantially exceeds that customarily used in the locality for properties of the same general type. This includes construction of saunas, hot tubs, tennis courts, swimming pools, or other recreational facilities (but not the cost to fill in or eliminate a pool from the property)
- Personal Property - the purchase, installation, or repair of furnishings or personal property that is not a part of the property
- Labor - funds to pay the Borrower or immediate family members who live in the home for their labor
- Delinquent property taxes, construction liens and similar encumbrances are ineligible costs because they are obligations incurred by the property owner prior to the rehabilitation of the property with HOME funds, rather than costs associated with the acquisition or rehabilitation of the property
- Relocation Expenses * (refer to Eligible Costs pg 29 for Optional Relocation Assistance)

**Cost and Long-Term Quality**

In developing codes and standards or specifications, the program will strike a balance between the desire to ensure a good quality of construction and the desire to keep project costs reasonable.

The RPA must develop a cost estimate before bidding and compare bids with their estimate. The RPA must verify and certify that construction costs are reasonable. The reasonableness factor can be determined by pricing comparable work completed by other agencies statewide, through cost estimating software, and from agency records of recently completed projects. In addition, bids must be obtained from an adequate number of sources in accordance with RPA procurement standards. If only one bidder has responded, and the bid is within the RPA cost estimate the RPA may accept that bid. When bids are deemed unreasonable, agencies should contact UDHC for assistance locating lesser cost contractors and suppliers.

For quality control and costing issues, agencies can also rely on in-house labor. Agencies hosting the Weatherization Assistance Program (WX) could utilize WX labor when demand for WX work allows and with hours paid under the SFRRP.

**Fund Leveraging**

Where multiple housing agencies currently serve populations within the same service area, agencies are expected to coordinate their housing efforts within the proposed geographic area in order to:

- Avoid unnecessary duplication
- Develop funding partnerships for each unit such as loans and grants from CDBG, Weatherization, USDA Rural Development Section 504 and 502 grants and loans, financial institutions, charitable institutions
- Jointly achieve the goals of an area’s current Consolidated Plan
- Protect and spend the funds in a responsible manner
- Insure the future of the program for generations to come

In an effort to concentrate OWHLF monies on those households with the greatest financial need, higher levels of leveraging are especially appropriate as households approach 80% AMI.

Many homeowners prefer taking available CDBG and other grant funding rather than loan funds for housing
improvements. However, with grant thresholds often in place, those grant funds alone are unable to fully rehabilitate a unit to HUD standards, leaving an opportunity to “cap” the grant funding with loan funds. RPAs are advised to market OWHLF loan funds as part of an overall funding package that includes a loan with a buy-down grant.

Rural Development (RD) provides 504 and 502 loans and grant programs to eligible households. Whenever possible, the RPA should tap the RD funding as a leveraging partner. For smaller rehabilitation projects, the RPA should consider using the RD funds at 100% – this limits the overall number of small loans serviced long-term by HCD. Each RD local office will rely on the RPA to provide outreach, complete project write-ups, initiate contracts for services, and complete inspections. RD officials will approve and issue RD loans and participate in final inspections for completed homes.

Whenever possible coordinate rehabilitation with Weatherization whether they can be done at the same time or not. Weatherization can do just about all of the work required to meet ENERGY STAR qualifications at their cost if the project’s scope of the work allows for it:

- Fill wall cavities with insulation
- Seal ductwork
- Provide insulated exterior doors
- Seal air leaks
- Replace broken light fixtures with ENERGY STAR fixtures
- Seal ductwork
- Provide high efficiency furnaces with set back thermostats, etc.

Consider adding the incremental cost of energy efficiency measures not covered by Weatherization to the project cost. The utility cost savings to the homeowner will continue long after the initial energy efficiency upgrades are made.

**Maximum Loan Amount Limit**

SFRRP loans will not exceed $50,000.

**Site and Property Inspections and Decisions**

There are three major types of inspections for construction management.

- The initial property inspection that determines and identifies a unit’s needs, and the work required for those needs, and the cost feasibility
- Progress inspections to ensure that construction complies with the plans, building codes, performance standards, and done in a timely manner
- Final inspections that are carried out prior to final payment. A 10% retainage will be held from progress payments to contractors until the final inspection verifies that all work is satisfactorily completed

**Developing Plans, Specifications and Budget**

In order to perform construction, contractors and subcontractors need to know the scope of work envisioned. Work write-ups and plans and specifications provide this vision to contractors and subcontractors by providing a detailed, accurate description of exact work to be performed. To prepare quality work write-ups the RPA will need:
• Preparation - a good inspection checklist, a cost database, and understanding of local codes and standards, and the SFRRP program requirements
• Budget to indicate the amount of loan and what decisions can be made to the work write-up while still correcting deficiencies according to the program
• Property Inspection - note all defects; investigate the cause of the defects and prepare drawings with measurements; prepare a list of defects in a standardized format noting all deficiencies, incipient violations, and items that meet the program requirements
• Initial Cost Estimate - complete the initial cost estimate, feasibility assessment taking into account the project budget. The cost estimate is the detailed summary of the expected costs of providing materials, labor, equipment, and contractor markup and profit margins.
• Write Specifications - Each work item should be described in sufficient detail so that the work will be performed exactly as desired to comply with the write-up
• Design Approval Process – If the scope of work warrants, prepare drawings for the work to be completed. There should be sufficient detail for contractors to bid on a project and for contractors to accurately build to the scope of work. RPA’s should review the work write-up, specifications, and plans with the local building inspector for comments and suggestions

**Contractor Selection and Bids**

Good contractors are crucial to the success of any rehabilitation project. Licensed and insured contractors must be retained to oversee all work performed under the SFRRP. The agencies ability to recruit good contractors will depend on local economic conditions, the presence of good contractors in the area, including competing housing developments, and the management of your construction program. Quality workmanship and competitive pricing are also functions of an RPA’s ability to manage and oversee projects.

In some cases, an RPA could work with other housing agencies for jointly selecting area-wide contractors. Much like a bulk purchase of commodities, these contractors may be more interested in remote projects if other projects are guaranteed in the overall package of work from the same RPA and its partner agencies.

Here are some key elements in selecting and retaining quality contractors:

- Must be licensed and insured
- Maintain a list of active contractors who participate regularly in the program. Expand the list by contacting city and county building officials
- Advertise and hold open informational meetings to build interest in the SFRRP
- Establish and follow a written procurement process for contractors with step-by-step description of the process and policy addressing relevant bid issues
- Have periodic meetings with updates to the program and discussion of the projects to bid
- Adhere to HUD’s enforcement policies and procedures for action in cases of suspension and debarment
- Establish and follow procedures for handling disputes, client complaints, and change orders
- Develop inspection schedules with homeowner and contractor to assess the work being done
- Where state contracts provide materials (least costly source), and then use contractors and sub-contractors for installation only
- Select contractors who are open to new ideas including Energy Star

Good contractors for affordable housing projects are more likely to participate if:

- The procurement methods are fair and they have a reasonable chance of winning
- Change order procedures are efficient and result in fair reimbursement of costs
• They are competing against other quality contractors
• They are dealing with a competent construction manager who is responsive to them, executes well the written specifications and work write-ups, and who requires all contractors to provide the same level of quality
• They are paid promptly for their work
• The contractors understand how their involvement helps people in need

All contractors that bid for projects funded must complete a contractor questionnaire form. The RPA will run the contractors name through the HUD debarred listing (the U.S. General Services Administrations list of Parties Excluded from Federal Procurement). Owners and contractors are prohibited from employing, awarding contracts, or funding any contractors or subcontractors that have been debarred, suspended, proposed for debarment, or placed non ineligibility status by HUD.

**RPA Construction Oversight**

The RPA will keep a written policy and effective oversight of the project to keep costs reasonable and reduce unnecessary change orders, code and other violations, contractor/owner disputes, and delays in the payment process. Each RPA:

• Must develop and follow a schedule for project monitoring
• Review the work description with the contractor and homeowner at proceed before a contract is executed
• Include draw schedules and payment processes that are tied to scope of work completions and inspections
• Will have a statement on the contract that 10% of each contract will be retained until work is satisfactorily completed
• Will have change orders completed and signed before change order work is started

**Managing Disputes**

Part of dispute resolution is proactively preventing situations from arising. RPAs can be proactive by ensuring that property owners and contractors know their roles and responsibilities, by getting a preconstruction agreement from owners and contractors on the work description, and clearly articulating workmanship requirements in the work write-up and specifications. In addition, the contracts with contractors will specify the process for resolving disputes

When disputes arise, the RPA will facilitate resolution of disputes between contractors and the homeowners including:

• Getting property owners and contractors to make a good faith effort to resolve the dispute between themselves
• Getting property owners and contractors to use arbitration from an RPA official, a professional arbitration association, and the RPA board

**Maintaining Good Relationships**

The RPA will:

• Ensure property owners and contractors know their roles and responsibilities
• Clearly articulate workmanship requirements in the work write-up and specifications
• Obtain feedback and discuss any problems that owners or contractors are having with program requirements or processes

Other Provisions and Regulations

Contractors under the SFRRP must meet other provisions and regulations including:
• Equal Opportunity Employment
• Employment and Contracting
• Contracting and Procurement Practices
• Conflict of Interest
• Debarred Contractors
• Minority/Women Employment
• Lead-based Paint for pre 1978 units
• Asbestos

Debarred Contractors:

All contractors that bid for projects funded will complete a Contractor Questionnaire form. The RPA will run the contractors name through the HUD debarred listing: the U.S. General Services Administrations list of Parties Excluded from Federal Procurement.

Debarred and Suspension - owners and contractors are prohibited from employing, awarding contracts, or funding any contractors or subcontractors that have been debarred, suspended, proposed for debarment, or placed non ineligibility status by HUD.

Asbestos

Regulations apply to all private sector work places where there is an employee/employer relationship (for example, between a contractor and his workers), where asbestos is present and is to be removed. Demolition is defined as “the wrecking or taking out of any load supporting structural member of a facility together with any related handling operations.” In such cases removal regulations apply.

Where asbestos materials are identified or the RPA suspects the presence of asbestos materials, they should so notify the owner of the hazards. Only qualified contractors experienced in asbestos removal will be allowed to work on the project.

CHAPTER 4 PROJECT UNDRWRITING, SCREENING and APPLICATION

Application Priority Ranking Criteria

Applications may be submitted year round for funding consideration through the RPA Loan Review Committee.

Individual projects may be selected on a “first-come, basis.”
Priority is given to extraordinary circumstances if the home is in a substandard condition. If items are not repaired, they could:

- Threaten the health and safety of the occupants
- Deteriorate the dwelling
- Cause the structure to become condemned and the occupants to become homeless.

**Preliminary Screening**

The screening is required to make a preliminary determination if the prospective Borrower appears to qualify for the program. This essential screening will minimize the staff time spent on ineligible applicants or projects.

Application processing is labor intensive, thus early screening for eligibility can eliminate excessive work in processing an applicant and keep administrative costs down.

Screening is done by verbal intake on the phone or an office interview. The applicant supplies information for an indication of income qualification, debt, and what deficiencies are present in the home and on the property.

Information at this point is usually not verified nor does the RPA know what work has to be corrected. Even though assumptions are made the information can give you insight as to whether or not to proceed.

Upon proceeding the RPA will get income verifications and a credit report. It is advisable to conduct an inspection and a rough estimate of cost even though the income and debt may not be favorable. The RPA will want to know the condition the applicant is living in, be able to provide some type of assistance, or a referral to another agency.

A loan request submitted for consideration must include a completed Single Family Application and the items outlined on the application file checklist.

**Comparing Annual Income to Most Recent Published HUD Income Limits**

HOME Income Limits will be sent to the RPAs when made available by HUD. The RPA will use HUD Income Limits by the family size and by geographic area (county or metropolitan area) to determine income eligibility.

Applicants must be at or below eighty percent (80%) of Area Median Income as defined by HUD for their family size, and the county they reside in.

On the Income Guideline chart:

1. Find the geographical area in which the household is located on the chart
2. Find the column that corresponds to the number of persons in the household
3. Compare the verified income of the household with the income limit for that household size using the low-income line

To determine household size for income purposes, do not count the following: (see IRS website)

1. Foster children, unless they live with you the entire year and are cared for like your own children
2. Live-in aides and children of live-in aides
3. Unborn children
4. Children being pursued for legal custody or adoption who are not currently living in the household
A child who is subject to a shared-custody agreement in which the child resides with the household at least 50% of the time can be counted as a dependent.

**Application**

The SFRRP application is designed to assist in strategic project decisions. The RPA will submit to HCDD staff a hard copy of the application at the end of the project for retention and monitoring purposes. The project file should contain all of the necessary items and be organized as indicated in the checklist.

Applicants will receive copies of Application Part 1, the Eligibility Release Form, and any other verification with their signature. All information will be collected from the homeowners and from verifications. The RPA will input all the information for the application.

**Applicant Eligibility**

To receive HOME assistance, households must have an Annual Household Income (AHI) at or below 80 percent of the area median household income (AMI), adjusted for household size, and determined annually by HUD.

Annual Household Income is based on the IRS FORM 1040 Adjusted Gross Income with adjustment to income as defined in the HUD rules at 24 CFR 5.611. The Annual Household Income (AHI) should be calculated as the anticipated income during the next 12 months.

Verifications cannot be dated earlier than six months prior to eligibility. Households must qualify as low income at the time of loan approval.

An initial determination of eligibility for a particular Loan is based but not limited on the following criteria:

- Location of the property is in rural counties of Utah
- Property will be an eligible Owner Occupied Single Dwelling
- Borrower owns and occupies the property as a principal residence
- Improvements will address deficiencies that are in need of correction
- Value of the property will support the Loan and be adequate to extend the useful life of the property

**Repeat Borrowers or Applications for the Same Property**

Homeowners requiring additional rehabilitation may apply for additional loan funds if the property has major items that need rehabilitation, and HUD’s maximum per-unit subsidy has not been reached. This is a local policy to assist a homeowner with rehab funds a second time with HOME funds.

The maximum per unit subsidy limit for a single family, owner-occupied unit is 100 percent of the dollar limits for a Section 221(d)(3) nonprofit sponsor, elevator-type unit, indexed for the high cost multiplier in Zones I, II, and III and the number of bedrooms.

**Eligibility Release Form**

In order to obtain income verifications a signed Eligibility Release form is required. The RPA will need to identify the types of income the applicant's have by marking the appropriate boxes at the IRS 1040 section of the Application Part II and the types of income will transfer to the Eligibility Release page automatically. The
applicant(s) read and sign where applicable and receive a copy of the signed form. Third party verifications are required on all income items marked on the Eligibility Release form.

**Application Part 1 and Debt**

It is extremely important that all debt that has a term of 6 months or longer for payments be inserted here. The debt of the clients will be a part of the criteria for the decision making of a loan payment. Do not include a medical deduction on the worksheet unless you have verified over 7% of their gross income in medical costs in excess of insurance covered expenses. Include copies of the medical bills and documentation. If medical expenses are ongoing for more than a year, include a letter from a physician as to the disability.

If a client has budget and debt problems you may provide client education (USU extension) and counseling (licensed business) to better enable clients to make informed financial decisions relative to debt, predatory lending, refinancing, etc.

After filling out the necessary information this form is read and signed by the client and RPA.

**Underwriting Part II**

Annual income of the applicant and any family members working over the age of 18 must be counted. All household members 18 years and older not working or providing income to the household shall complete and sign a zero income affidavit.

Once the underwriter has an idea of what types of income the applicant has, estimates may be entered in the 1040 IRS format section for the purpose of underwriting the loan.

The loan cannot exceed the smaller of the 30/40 % ratio unless agreed upon by the applicant and you have determined it will not be a financial hardship.

**Calculating Household Income**

Based on the IRS form1040 Adjusted Gross Income the following inclusions and exclusions apply:

**INCLUSIONS**

- All earnings, including salary and wages, tips, overtime, and bonuses, of the prospective Borrowers, and of his or her spouse and of all adults (18 year or older living in the property). Must also include the income of all persons on the title. This includes payments for foster care when paid by the placement agency or state, or county
- Taxable interest and dividends
- Taxable refunds, credits or offsets of State and local income taxes. There are some exceptions – refer to form 1040 instructions
- Alimony (or separate maintenance payments received)
- Business Income (or loss)
- Capital Gain (or loss)
- Other Gains (or losses) (i.e., assets used in a trade or business that were exchanged or sold)
- Taxable amount of individual retirement account (IRA) distributions. (Include simplified employee pension (SEP) and savings incentive match plan for employees (SIMPLE) (IRE)
- Taxable amount of pension and annuity payments
• Rental real estate, royalties, partnerships, S corporations, trusts, etc.
• Farm Income (or loss)
• Unemployment compensation payments
• Taxable amount of Social Security benefits
• Other Income. (Includes: prizes and awards; gambling, lottery or raffle winnings; jury duty fees; reimbursements for amounts deducted in previous years; income from the rental of property if not in the business of renting such property; income from an activity not engaged in for profit.)

EXCLUSIONS

• Child Support
• Alimony payments

Assets and how to treat these

• Money or property that was inherited, willed or given as a gift
• Life insurance proceeds received as a result of someone’s death

DEDUCTIONS FROM THE IRS 1040 SERIES ADJUSTED GROSS INCOME

• IRA deduction
• Medical savings account deduction
• Moving expenses
• One-half of self-employment tax
• Self-employed health insurance deduction
• Keogh and self-employed SEP and SIMPLE plan
• Penalty on early withdrawal of savings.
• Paid alimony

Refer to the IRS publications and website for greater detail for determining income and deductions as it pertains to each individual case.

Applicants Ability to Repay Loan

The final step in the underwriting process involves making an initial calculation of how much money the applicant can afford to borrow for Rehabilitation. It is critical that the property can support the loan to minimize losses and to protect the applicant’s interests in the property.

If Borrower(s) show sufficient income to meet all obligations with the qualified interest rate, the term of the loan may be shortened to allow for a larger payment and stay within the 30% housing expense ratio.

The minimum monthly principal payment is $25 on amortized loans.

If a borrower is very low income and cannot meet the criteria of the front and back end ratios, they could be considered for a lower payment adjusted for the income situation.
The underwriting front-end ratio can be up to thirty percent (30% of P.I.T.I.) and the back-end ratio should not exceed thirty-eight percent (38% of total monthly debt and P.I.T.I.) of gross monthly income. Total monthly debt includes the following payments:

- Monthly principal and interest payments for all current and proposed debt secured by the property, including debt on the rehabilitation loan
- Monthly payments for real estate taxes and hazard insurance
- Payments on installment loans and monthly payment on revolving charge account debts with at least six (6) remaining payments
- Health insurance payments not paid through employer
- Alimony, or maintenance payments paid
- Non-reimbursable extraordinary medical costs that reliable medical opinion indicates are likely to continue for more than one (1) year

Applicants who exceed these thresholds should be referred for consumer debt counseling, allowing the applicant to better restructure their financial situation and afford SFRRP loan payments. Other options for applicants exceeding the debt-to-income ratios include loan deferrals until a client can make payments.

**Agency Project Review**

Once the actual income verifications have been received, bids have come in, total construction costs have been determined, and underwriting has been finalized, agency staff to input the necessary information into the application and print the Agency Project Review sheet, or equivalent form, and present it to the RPA Board/Loan Review Committee for approval.

Submit documentation with the date of the RPA Board/Loan Review Committee approval (or denial) to the State SFRRP Program Manager. This commitment date is important to state and federal reporting.

If the amount of the Loan will not cover the total cost of Rehabilitation, the Borrower will have to be able to obtain sufficient funds to complete the Rehabilitation without over-extending his or her ability to repay the debt. The Borrower may use RPA funds for grants to lower the amount of OWHLF and USDA-RD loans as a last resort when all other avenues have been expended.

If there are some funds the borrower(s) obtains through additional loans, the RPA will verify that these funds are indeed available to the Borrower, and the RPA will add these funds to the calculations to determine if the Borrower can afford to take on an additional loan.

If the funds are to be provided from cash reserves or cash equivalents by the Borrower, the sources, availability and liquidity of the additional funds will be verified.

These additional cash reserves or cash equivalents may be cash on deposit, cash on hand, cash surrender value of life insurance, proceeds from the sale of marketable securities or other assets, gifts of cash, or cash equivalents. All must be deposited in borrower(s) escrow.

**Title**

An Abstract of Title from the county can be obtained and reviewed before incurring cost of a preliminary title report during the prescreening process.
Title will be cleared of all extraordinary liens and encumbrances including:

- Judgments
- Past due property tax liens
- Past due special assessment liens
- Mechanics liens
- Real estate contracts not between title owner and Borrower
- Paid off mortgages not released
- Law Suits
- Life Estates (will be reviewed and determined that residency is granted only to persons applying for loan)
- As to child support judgments the Office of Recovery Services and the parent will come into agreement of payments until the judgment is cleared

Determining After-Rehabilitation Value

To establish project eligibility, after-rehabilitation value must be established prior to any work being performed. Maintain documentation of the after-rehabilitation calculations for each project. One or more of the following methods may establish the after-rehabilitation value:

- Estimates of value: Estimates of value by the RPA may be used. Project files must contain the estimate of value and document the basis for the value estimates
- Appraisals: whether prepared by a licensed fee appraiser or by a staff appraiser of the RPA may be used. Project files must document the appraised value and the appraisal approach used
- Tax assessment: for a comparable property located in the same neighborhood may be used to establish the after-rehabilitation value if the assessment is current and accurately reflects market value after rehabilitation

Maximum Property Value, FHA 203 (b) Mortgage Limits

Housing that is currently owned by a family qualifies as affordable housing only if the value of the property, after rehabilitation does not exceed 95% of the median purchase price as stated in the FHA Mortgage Limits as in the 203(b) program.

There is no standard timeframe for updating 203(b) limits. National limits are updated when Fannie Mae and Freddie Mac adjust their own limits (about once a year). The latest FHA maximum mortgage limits are available from the HUD web site and are linked to the HOME web page.

Total debt secured by the property includes the full amount of:

- Liens superior to the Loan (principal only) secured by the property
- Amount of the principal of the Rehab Loan

Subsidy Layering-Mortgage Limits 221 (d)(3)

Final Rule, Sec. 92.250 Maximum per-unit subsidy amount and subsidy layering:

The amount of HOME funds that a participating jurisdiction may invest on a per-unit basis in affordable housing may not exceed the per-unit dollar limits established under section 221(d)(3)(ii) of the National Housing Act (12 U.S.C. 17151(d)(3)(ii)) for elevator-type projects that apply to the area where housing is located.
Subsidy layering. Before committing funds to a project, the participating jurisdiction must evaluate the project in accordance with guidelines that it has adopted for this purpose and will not invest any more HOME funds, in combination with other governmental assistance, than is necessary to provide affordable housing.
CHAPTER 5 VERIFYING INFORMATION ON FINANCES AND PROPERTY

Verifying Income:

See PART 5 HUD Definition, Treatment of Assets, difference between three methods

Income eligibility is determined by examining source documents to evidence annual income with third party verifications dated no earlier than six months prior to eligibility.

The RPA must obtain a written release from the household that authorizes the third party to release required information. If a written request and/or response cannot be secured, then a conversation with the third party is acceptable if documented through a memorandum to the file that notes the contact person information conveyed and date of call.

The RPA is to use a “snapshot” of the household’s current circumstances to project future income. The RPA will assume that today’s circumstances would continue for the next 12 months, unless there is verifiable evidence to the contrary. This method will be used even when it is not clear that the type of income received currently will continue in the coming year.

The exception to this rule is when documentation is provided that current circumstances are about to change.

Some third party providers (such as banks) may charge a fee to provide information. In such cases the RPA can use suitable documentation, for example, bank statements or a savings passbook. Costs associated with third-party verifications are considered eligible expenses.

Third party verifications will be included as part of the loan file, including written verifications and/or copies of documentation, such as IRS Forms, insurance certificates, and divorce decrees.

The IRS and State tax returns should be signed by the homeowner to prevent any generated tax returns that are not original.

The fees associated with verifying credit, income, employment, appraisals and title evidence from outside companies are eligible loan costs so long as the fees are reasonable and customary.

Inconsistencies observed at initial interview or obtained by verifications will require additional investigation by the RPA.

Use the following means of verifying the prospective Borrowers current income.

- IRS Form 4506 “Request for Copy of Tax Form” must be completed and signed for a copy of household’s tax return Form 1040. The 1040EZ IRS form may not be used to determine income
- The federal Income Tax 1040 Form and all schedules signed by the Borrower and filed with the IRS

Request for Verification of Employment Form

The Verification of Employment form will be mailed by the RPA to the employer and by the employer back to the RPA. These forms may not be hand-carried by prospective Borrowers. The form will also show:

- Overtime, Bonuses or Commissions
• The Borrowers employment record for at least the previous six (6) month period. If the Borrower has been employed for less than six months, or if prospects for continued employment with the current employer may be questionable, the RPA will attempt to verify the Borrowers prospects for continued employment.

If Self Employed, two years of IRS Tax forms will be averaged to determine income. The RPA will be careful to not include business deductions related to the dwelling unit being rehabilitated. Income should be adjusted to exclude one-time losses, windfalls, and paper losses. If self-employed a K-1 or a schedule C (revenue and expense) should be attachment to the tax return.

If two years of tax forms are not available, where the principal source of income is from the Borrowers business, whether owned individually or by a Corporation or Partnership, a copy of audited financial statements for the entity prepared by an accountant, including a currently dated balance sheet and statement of operations, or a signed copy of the legal entities current tax return filed with the IRS will be obtained for partnerships, this same information will be obtained from all general partners.

Income from Rental Units in two to four unit Owner Occupied properties will be included.

Separation or Divorce Settlement Statement: A separation or divorce settlement statement for alimony and will be supplemented by some evidence of regular payment of the alimony payments.

Regular Contributions or Payments from Others: including funds contributed by other family members regardless of whether they live in the same dwelling as the prospective Borrower will be included in income verified with canceled checks written by the payer, bank statements showing deposits in the prospective Borrowers account, or a written agreement concerning the contribution or payment.

Unemployment or Temporary Disabilities: When calculating income for applicants who are unemployed or temporarily disabled, use six (6) months unemployment or disability compensation plus six (6) months of income from last job for a yearly income. If these have been periods of unemployment over the previous two years, the prospective Borrower will explain the reasons in writing.

Food Stamps, Welfare, Pension, Disability, Social Security or Social Service Benefits: Acceptable methods of verifying such income include any one or more of the following, which are listed in order of preference:

• An original benefits form obtained 3rd party or
• A copy of the award letter or benefit check (marked void) with a bank statement showing same dollar amounts

The “WORK NUMBER”

The following is the method to sign up for employment verifications thru "The Work Number".

1. Go to "The Work Number" web site = www.theworknumber.com
2. Go to products and services
3. Go to "about social services"
4. Click on "sign up"

You can sign up as a “social service agency” and receive VOE's using standard service (3-5 business days) at no charge.
When you complete the application, enclosed a copy of your AOG annual report showing the services you offered.

**Underwriting Loans Requiring Monthly Payments**

Likelihood of Continuation: Primary employment base income and secondary income will be included unless continuation is not likely based on foreseeable economic circumstances. For instance, an individual who has performed satisfactorily for his or her employer or a considerable time is unlikely to be fired or laid off. On the other hand, a Borrower who is approaching a mandatory retirement age or in poor health may not reasonably be expected to continue to obtain employment income, and the RPA will look at the potential for pension or Social Security income.

Consistent and Verifiable Income From Other Individuals to which the Borrower is Entitled: If a Borrower receives income from alimony or maintenance payments, or public assistance payments, or has contributions from family members or other closely related to the family life (particularly those who also occupy the property), the RPA will consider them if they are verifiable and are likely to be consistently made. Factors that will be considered in determining the likelihood of consistent payments include the following:

- The payments are received pursuant to a written agreement or court decree
- The length of time the payments have been received
- The full or partial payments have been made

**Verifying Mortgage and Lien Status**

Acceptable mortgage verification is:

- A letter from the mortgagee or a completed or the HUD 3rd party Mortgage Verification Form

The mortgage verification will also determine the terms of any future payments that may vary, such as

- Adjustable Rate Mortgages
- Balloon payment notes
- Open-ended mortgages

Balloon Note: A Loan may be made to a Borrower who has a Balloon Note secured by the property if one of the following conditions is met.

- The balloon will be junior to the Loan and is scheduled to come due after the completion of construction on the project, OR
- The balloon will be senior to the Loan, if it was closed at least one year prior to the submission of the preliminary application, and the balloon payment is scheduled to come due at least five years after the expected date of settlement of the Loan, and the loan to value ratio on all debt, including the Loan, does not exceed 80 percent of the As-Is-Value

Equity Loan/Open-Ended Mortgage: An open-ended mortgage permits the Borrower to add new advances to the lien. For open-ended mortgages prior to (i.e., more senior than) a Rehab Loan, the RPA will consider the amount of the lien to be the full amount that could be advanced (even if not yet advanced), unless the open-ended mortgage lender agrees in a recorded instrument to subordinate any future advances to the Loan.
**Verifying Title**

The RPA will obtain a title report showing all mortgages and liens on the property and verify the current status of all mortgages and liens.

The RPA is responsible for reviewing a preliminary title report prior to loan closing. The preliminary title report will show:

- The Borrower has good and marketable title to the property being used for security
- The title is only subject to such liens and encumbrances as are approved by the RPA as part of the determination of acceptable risk

All encumbrances on the title will be specifically listed in the Single Family application.

Whenever Loans under consideration are to be made to land sales contract purchasers and not fee simple, the RPA will:

- Obtain a copy of the contract
- Verify the title as to the seller under the contract
- Obtain opinion as to legality of the purchase contract from an attorney
- Verify that the contract or notice of contract is recorded
- Obtain a supplemental agreement from the seller
- Record a notice of interest

**Verifying Hazard Insurance**

The insurance policy will have the OWHTF has “Mortgagee”.

Insurance coverage will be in an amount equal to or greater than existing and proposed debt minus an amount equal to the land value and is required to be in place at the time each Loan is closed.

Division is to be shown as a co-insured on the Notice provided by the Insurance Company. Initial Notice will be placed in the file. A Notice of Renewal will be sent to HCD annually from the owner's Insurance Company.

**Verifying Credit History - The Credit Report**

The Borrowers will have a credit history that demonstrates a consistent ability to meet financial obligations when due. The RPA determination about the Borrower's credit history will be based upon a credit report.

- It reviews how much is owed, when the account was opened, and the payment history
- Determines the level of future risk in paying back loans
- Reveals if bills are paid regularly and on time
- Details relationships with banks, credit card companies, and student loan lenders

The RPA may not expect the applicants to have perfect credit, but expect owner to have a responsible attitude toward financial obligations. Any applicant showing a blatant disregard for their financial responsibilities may be declared ineligible for a loan. Credit scores in the range of 620-650 indicate basically good credit, above 680
are better. A good credit report indicates a responsible and honest effort to meet financial obligations. Outstanding debt gives insight as to whether the Borrower is over extended.

All accounts listed in the credit report will be accounted for on the loan application, except installment loans with less than ten payments remaining. These loans will be, in all probability, paid off before the new rehabilitation/replacement loan will start.

An explanation in writing from the RPA is required to explain reasons for past credit problems appearing on the credit report and will be maintained in the file.

The following will be evaluated on the credit report and compared to the application:

- Payment history of revolving or installment debts that are more than 90 days late.
- Ratings on the outstanding debts
- Debts with the balances due or paid in full
- Data from a search of public and/or court records for liens, suites, foreclosures, bankruptcies and judgments

Legal actions, including liens, judgments, garnishments, suits, and foreclosures will be satisfied in full or with terms arranged for payment. The credit history after the legal action will be current.

A borrower(s) having judgments and collection accounts should not be considered for a loan unless the following items are met and deemed acceptable: (1) a letter explaining reasons for slow payments; and (2) a good credit report for approximately one year from the date of satisfaction of payment or resolution of the above.

A borrower(s) having had a bankruptcy should not be considered for a loan unless the following items are met and deemed acceptable: (1) a letter explaining reasons for bankruptcy; and (2) a good credit report for approximately one year after discharge on a Chapter 7 bankruptcy to show credibility in making payments or saving money. A Chapter 11 bankruptcy will show current payments for approximately one year from the filing date under the credit plan.

**Research the Report**

A credit report will be obtained from TRW or a reputable, independent, credit reporting agency on each Borrower signing the note and security instrument, whether as Borrower, guarantor, co-signer, or surety.

A single agency credit report does information on judgments, public records, and an overall indication of how they pay their bills. The 40 point difference indicated by each credit reporting agency will probably not impact the approval or disapproval of a loan.

Check the credit history at one of the three major credit bureaus, Experian, Equifax and TransUnion. You can find them all on the web and or call the toll free numbers:

- Experian's is [www.experian.com](http://www.experian.com) or 1-888-397-3742
- Equifax is [www.equifax.com](http://www.equifax.com) or 1-800-685-1111
- TransUnion is [www.transunion.com](http://www.transunion.com) or call 1-800-888-4213

TrueCredit is a division of the credit-reporting agency, TransUnion, [www.TrueCredit.com](http://www.TrueCredit.com).

All three agencies offer a chance to get the 3-in-1 Report, called a "Residential Mortgage Credit Report (RMCR)". This report does query all three reporting agencies. If you are partnering w/ RD on a rehab, they
pull both types of credit reports. They call the single agency report an "infile" and after preliminary approval they pull the RMCR. If you are partnering w/ RD, they will furnish you a copy.

**Be On Top of Any Errors**

New federal law is in effect, the Fair and Accurate Credit Transactions Act. It allows consumers to get one free report from each credit agency each year.

Borrowers have a right under the Fair Credit Reporting Act to dispute information they feel is inaccurate.

If there is a mistake, the borrower may write to the lending agency immediately detailing how the report is wrong and provide information, receipts and cancelled checks to back up the claim.

The Fair Credit Reporting Act mandates that negative information on the report be removed after a certain period of time. For example, declaring bankruptcy is supposed to be removed from the report after 10 years.

If the borrower is a victim of identity theft and it is hurting the credit report, they can log onto [www.idtheftcenter.org](http://www.idtheftcenter.org). This is the Web site for the Identity Theft Resource Center, a non-profit organization. There is a section that addresses collection agencies and identity theft. They can letters to the collection agencies and send along any documentation for proof.

**Maintenance is Key**

If the borrower is using credit heavily, they should consider checking their report about every 90 days. There are several steps to prevent any further damage to a score and even improve it. The RPA may want to provide the following information:

- Be as punctual as possible on paying your bills. Late payments tend to have negative effects on a score. Paying bills on time is the best way to maintain a clean credit report and respectable score.
- Watch the debt and keep the balances 50 percent below the available credit. With a $1,000 limit, keep it below $500.
- Don’t jump from card to card. If the borrower is in the habit of switching to another credit card, just because they are running out of room on another, stop now. Every time the borrower applies for new credit, an inquiry is noted on the report. This can weigh down the score.
- If the borrower shares a card or cosign any loan, they are liable for each other's debts. It is important for each of them to have at least one card or loan in their own name. It will be important to have a separate credit history in the unfortunate event of divorce or death.
CHAPTER 6 LOAN UNDERWRITING GUIDELINES

Security and Defaults

Loans are made when the borrower is likely to repay and/or when there is adequate security in case the Borrower defaults. The RPA staff is required to evaluate the financial risks involved in each individual case and reject those applications deemed unacceptable. RPA staff will provide the applicant with a verbal or written explanation of rejection.

Eligible loan costs can be covered with the loan and amortized over the loan term. A Borrower may provide personal funds to cover any eligible and/or ineligible project costs.

There are six key variables that the RPA will evaluate when underwriting loans to determine if the potential Borrower is an acceptable risk and the RPA must use sound judgment in applying the principles established below:

- Affordability of the loan
- The Borrowers income
- Long-term credit history
- Borrowers financial interest and motivation to retain the property
- The value of the security/property capable of supporting the loan
- The scope of the proposed Rehabilitation /construction work

After all the Underwriting factors have been considered, the data has been processed and the potential Borrower is an acceptable risk, the RPA staff can recommend approval of the Loan to the RPA Board/Loan Review Committee.

Documentation For Making Underwriting Decisions

The RPA will obtain and use the following documentation to make underwriting decisions:

- A completed and signed Single Family Application and all documentation listed in the “File Check List” including verifications and information on the work description, cost estimate and bids
- Verification of the Borrowers ability to provide additional funds for any items included in the loan
- Environmental assessment information. It is important to identify any compliance actions or other items that could affect the cost of feasibility as early in the process as possible. For instance, an early determination will be made as to whether the property is located in a Federally designated special flood hazard area, in which case the potential Borrower must possess flood insurance premiums and the property may require flood-proofing an/or elevation changes

Types of Loans

There is a range of financing options that have been created to meet the variety of homeowner needs depending on the owner’s income to repay a loan on a monthly basis as stated in the Allocation Plan:

- Repayment loans maximum term of up to 40 years
- Deferred loans with a maximum up to 30 years
The term of a Loan will be determined by:
- Borrower’s monthly income-to-debt ratio
- Lifespan of the rehabilitation/repairs (loan term should not exceed the life of the repairs)

**Interest Rate**
The interest rate in the Allocation Plan/SF Application is dependent on the Borrowers income in regards to the Area Median Income of the residing county. Interest rates may change with each years allocation plan. The interest rate is calculated for affordability to the homeowner and does not guarantee the applicant the interest rate listed below:

- Special Cases may be 0% deferred or with an interest payment only.
- Below 50% AMI is 2%
- 51-60% of AMI is 2.5%
- 61%-100% of AMI is 3% (AMI can go above 80% since this is for payment purposes only)

Interest bearing loans are non-recourse amortizing loans having a recorded Trust Deed and recorded Deed Restrictions and a Trust Deed Note. All Trust Deeds will include a “First Right of Refusal” for the OWHLF.

**Determining The Loan Amount**

Before the Loan is underwritten, the RPA will calculate the exact amount of the Loan. The Loan amount is determined by adding all the following:
- The cost of the proposed Rehabilitation or new construction work
- Contingency reserve
- Closing Costs

**Determining First Payment Due Date**

When establishing the first payment due date of a project loan (with or without the refinance of an existing mortgage), allow 6 months after the estimated completion date of project before the first payment is due. Schedule interest on loan to begin 30 days prior to the first payment due date. Calculate escrow of property taxes and insurance accordingly.

**Type and Condition of Financial Assistance**

If PITI payments for housing exceeds the 30% maximum portion for housing, the RPA would first have the interest reduced; then if necessary, all or a portion of the principal deferred until the combined payments for housing should be no more than 30% of their income.

Grants may be given to homeowners whose home is on reservation land or land trust where adequate security may not be available to protect a loan.

**Refinance**

Refinancing the unit’s existing secured debt may be an eligible cost only to the extent that the homeowner is otherwise unable to afford payments for the rehabilitation and reconstruction financing. Under this circumstance, HCD must approve the loan.

Refinancing unsecured debt may be eligible if it is necessary to reduce the owner’s overall housing costs, make
the housing more affordable, and continue long-term affordability. Refinancing for the purpose of taking out equity is not permitted.

Note: the amount of a refinance is NOT included in the total project cost for calculating administrative funds earned.

**Relocation Costs**

In the SFRRP relocation may be an eligible expense if the project is HOME assisted. PJs are permitted (but not required) to relocate households temporarily while work is complete. (For example, if rehabilitation work requires shutting off heat or plumbing.) In these cases, the PJs must meet several requirements:

- PJs must define a clear policy on eligibility for relocation benefits so that benefits are distributed in a fair, nondiscriminatory manner.
- Residents who are relocated temporarily must be offered a dwelling that is suitable, safe and sanitary – but not necessarily comparable. All other conditions of the move must be reasonable.
- Residents must receive reimbursement for all reasonable out-of-pocket expenses incurred in connection with the temporary move including any increase in monthly rent/utility costs.

Temporary relocation may be required by lead hazard regulations if lead hazard reduction work is performed. Although the PJ is not obligated to provide financial assistance, they must ensure the family is relocated to a suitable, decent, safe and similarly accessible dwelling unit that does not have lead-based paint hazards. See 24 CRF 35.1345 for more information.

The Uniform Relocation Act and Section 104(d) (also known as the Barney Frank Amendments) apply to all HCD-assisted properties. Both permanent and temporary relocation assistance are eligible costs.

If the project is not funded by HCD funds and the RPA has non-federal funds, the RPA may use those funds for relocation due to hardship as a direct result of Rehabilitation.

If low-income families relocate, relocation assistance will be made available for:

- Physically displaced Households
- Payment burdened Households
- Households too large for existing dwelling units

**Exceptions for Extraordinary Circumstances**

The monthly housing expense-to-income and monthly debt payment-to-income ratios (30/38%) will not be exceeded except in extraordinary circumstances in which case approval will be obtained from the RPA Approval Committee. If such an approval is needed, the RPA will include a written justification in the case file. These exceptions may only be granted on a case-by-case basis. Examples of conditions that could justify higher ratios include but are not limited to the following:

- The demonstrated ability of the Borrower to successfully devote a greater portion of income to housing expenses
- The demonstrated ability of the Borrower to maintain an excellent credit history, to accumulate savings, and to maintain a debt-free position
- The substantial probability that the Borrower's income will increase, based on his or her education, job training, or time employed or practiced in a profession within the next 12 months
• The Borrower's net worth being substantial enough to evidence an ability to repay the loan regardless of income

If the PITI payment falls in between the front and back end ratios, the 30% for housing could increase as long as the back end ratio does not exceed approximately 38%.

**Financial Interest in the Property**

When the Borrower resides permanently in and has significant equity in the property to be rehabilitated, his or her motivation to repay the loan is assumed to be very strong.

Assuming that the Borrower has sufficient income to repay the loan, the Borrower may be a good credit risk even if he or she has a borderline credit history, because the Borrower's substantial equity in the property will strongly motivate him or her to take whatever steps are necessary to protect the Investment and make the loan payments.

**Recapture and Resale**

The HOME program has NO recapture on any rehab or replacement project loans that are paid in full.

On the Rural Development 504 rehab loans there is NO recapture regulations.

On the Rural Development 502 loans there is a recapture for 1) first time homebuyers and 2) Replacement homes for your clients when you use RD funds.

Consult with your RD office on program income eligibility. They may not use the same types of income in their calculations as the HOME program.

**RPA Loan Review Committee Process**

The RPA will review each OWHLF-funded individual loan application and make a decision based on the information provided for each application individually. The loan committee has a right to deny any application that does not meet the criteria set forth in this document and accomplish the long-term goals of the program.

Committee process:
- Approve the proposed rehabilitation loan subject to satisfactory documentation and underwriting or
- Reject the proposed rehabilitation loan with a reason in writing to the applicant and inform the applicant of the appeal process or
- Require further information from the agency before a decision is made.

**Making a Final Decision on the Loan**

After all the Underwriting factors have been considered, the data has been processed and the potential Borrower is an acceptable risk, the RPA can recommend approval of the Loan.

If approved, RPA staff will notify the Applicant of the RPA Board/Loan Review Committee’s final decision in writing.

The RPA staff will provide Borrower with a letter stating the loan amount approved and the anticipated project
start date. Forward a copy of that letter to the State Program Manager.

If rejected, the RPA staff will provide the applicant with a letter stating the reason for rejection and forward a copy of that letter to the State Program Manager.

If further information is required from the RPA, the applicant is notified and RPA will work with applicant to obtain information and resubmit application at next RPA Board/Loan Review Committee meeting.

After RPA Board/Loan Review Committee Approval:
- Complete appropriate environmental and historical reviews
- Order the clearance of unsightly and/or unsafe outbuildings, trash or vehicles on site and require owner to sign an agreement to maintain the property in a decent, safe and sanitary manner
- As a condition of the loan approval the client may be asked to attend a credit management course based on the clients currently poor credit history
- Meet any other conditions required by the Loan Review Committee

**Client Appeal and Fair Hearing Process**

If the Applicant’s loan is denied they may petition to have their case heard with the RPA Board/Loan Review Committee and any one else the RPA deems to have participated at the hearing. The Applicant will submit in writing the concerns. The RPA will make an appointment with the RPA Board/Loan Review Committee as soon as possible within one month from receiving the written concerns from the Applicant.

The hearing process will be determined by the RPA Director and the RPA Board/Loan Review Committee and a determination will be made within 60 days of receipt of Applicant’s letter of concerns.

The RPA staff will provide documentation of the RPA Board/Loan Review Committee determination within 10 days of hearing.
CHAPTER 7 LOAN CLOSING

Closing Costs

The closing costs may be refundable if the Borrower cancels the loan in accordance with the Truth-in-Lending Act. These costs can include, but are not limited to:

- Credit reports
- Preliminary commitment for title insurance
- Title report
- Fees for recording and filing legal documents related to the Loan
- Attorney fees
- Appraisal fees
- Energy Audit or Rating
- Other fees

When requesting the documents that come with fees, have the homeowners sign a document that states if they do not proceed with the loan they are responsible for the costs.

Preparation And Execution Of Settlement Documents

Title insurance is required on project loans greater than $5,000.00

The RPA will attend the loan closing conducted by a title company. The title company is responsible to assure the validity and priority of lien in accordance with the approved loan applications, and compliance with all other settlement-related requirements, all applicable laws and regulations.

The amount of funds collected in escrow for taxes and insurance will be determined prior to loan closing as per industry standards.

The Settlement agent (title company or escrow company assigned, or RPA), will have the required loan documents signed by the borrower. The required loan documents will be in a standardized form approved by the OWHLF.

The following loan documents will be prepared and executed:

- Truth-in-Lending Disclosure Statement will be prepared for the Borrower by the title company or RPA for all loans
- Right of recession (72 hour notice)
- Promissory Note is the legal instrument that establishes the legal and financial obligations of the Borrower with respect to repayment of the loan. Repayment terms are related to principal amount borrowed, interest rate, term of the loan, the amount of the payment and the date the first payment and each payment thereafter is due
- Security Instrument aka Trust Deed will be the program's standard form of Trust Deed, and will secure the Promissory Note approved by Legal Counsel and will provide the lender with an interest in, or a claim to, the mortgaged property as security for the loan.
• Escrow Worksheet showing amounts to be collected for insurance, taxes and special assessments (if applicable). Homeowner insurance and property taxes should be escrowed into a rehab or reconstruction loan unless already escrowed by the first lien-holder.
• A Request for Notice must be completed, signed and recorded in the appropriate County Recorder’s Office if the OWHLF loan is subordinate to any other liens.
• If the home has been rated for Energy Star, the RPA will record the Energy Star Certificate (ESC) in the appropriate County Recorder’s Office. The Energy Star rater will provide the ESC. A copy of the recorded ESC will be part of the RPA original file. The cost of the recording can be a part of the loan costs

**Supplemental Financing in Escrow**

The borrower can supply supplemental financing and will be placed at settlement into an escrow account that is controlled by the RPA. Supplemental financing being supplied will be set aside for the rehabilitation through a legally binding commitment provided at loan settlement.

**Truth-in-Lending and Real Estate Settlement Procedures**

The settlement agent for all loans will prepare the Truth-in-Lending Disclosure Statement for the Borrower to Owner Occupants. It includes the amount borrowed, the interest rate, the total finance charges, term of the loan, payment due date, the loan closing costs, and a description of the security for the loan.

Right to Cancel: The settlement agent will inform each Borrower who is entitled to cancel the loan transaction of his or her rights in accordance with this paragraph, and will provide such Borrowers with a written Notice of Right to Rescission (NRR). If the loan is a second mortgage there is a 3-day recession period. First mortgage loans have no recession period.

The text will consist of the exact language (with blanks completed to show the loan settlement date, deadline for cancellation, and HCD name and mailing address

The settlement agent will give each Borrower two properly completed copies of the Notice (NRR) at loan settlement before the note and deed of trust are executed

To compute the running of the three-day (3) cancellation period for entry on the Notice, treat the date of loan settlement as Day Zero, and the next business day as Day 1, and so forth. The right of cancellation expires on midnight of Day 3. A business day is any calendar day except Sunday and a legal, Federal holiday (pursuant to 5 USC 6103 (a)), including the following holidays: Presidents Day, Independence Day, Labor Day, Columbus Day, Veteran’s Day, Thanksgiving Day, Christmas Day, Martin Luther King Day, Memorial Day and New Years Day.

The Borrower may exercise the right of cancellation by giving written notice within the cancellation period. One means, but not the only means, of giving notice is to sign and date the appropriate space on a copy of the Notice provided at settlement, and return it. If there is more than one Borrower with the right to cancel a particular loan, any Borrower may cancel the entire transaction. In order to be effective, the Borrower’s notice will be given in writing within the three-day cancellation period.

The Notice is considered “given” when it is mailed or filed for transmission by telegraph, or, if sent by other means, when it is received. It is, therefore, quite possible that the HCD will not receive the Notice until sometime after the Notice has taken effect and the transaction has been canceled. For this reason, the settlement
agent, at settlement, should inform the Borrower that he or she should telephone the HCD if he or she decides within the cancellation period to cancel the transaction.

Upon receiving a Borrower’s timely Notice under the Truth-in-Lending procedures, HCD will promptly take action necessary to release the Borrower from the transaction.

No disbursements can be made until the cancellation period has expired and the Trust Deed has been properly recorded in the appropriate County Recorder’s office.

**Insurance, Taxes and Special Assessments**

The settlement agent will ensure that required insurance policies including hazard or property insurance and flood insurance, if required, are adequate and in force. The Borrower may be responsible to pay the cost of the first year of fire/homeowner insurance.

- **Level of Coverage.** Hazard and flood insurance policies will cover existing secured debt, if any, plus the amount of the Loan. If the property is vacant and is not readily insurable, it will be covered by a builder’s risk policy
- **Mortgagee Clause.** All insurance policies will include a mortgagee clause, respective to lien order on the property, designating the Olene Walker Housing Loan Fund, as beneficiary
- **Required Documentation.** A copy of the insurance policy or a binder is sufficient to support the insurance requirement, together with evidence of premium being paid

Closing Costs: will be collected in either of the following two ways.

- The Closing Costs may be paid at Loan settlement with the Borrower’s own funds, or
- The Closing Costs may be paid out of Loan funds

**Rehabilitation Construction Contract and Self-Help Agreement**

The RPA will assure that a Rehabilitation or Reconstruction Contract, and/or a Self-Help Agreement have been executed by the parties thereto either before or at loan settlement. These Contract(s) and Agreement(s) will cover all work to be performed on the property under the approved loan application.

While execution of these Contract(s) or Agreement(s) may be delayed past the completion of loan settlement, the Contract(s) or Agreement(s) will be drafted so that no contractor is permitted to begin work, and materials are not delivered to the property, until the loan security instrument is recorded and, in the event that a Truth-in-Lending rescission period applies to the loan, until such rescission period has run.

**Additional Documents That May Be Required At Closing**

- Request For Funds
- Order To Proceed
- Scope of Services
- Compilation of Bids
- Amendment Authorization/ Change Order
- Verification of Hazard and Flood Insurance
- Relocation release form if any tenant is to be relocated as a result of the Rehabilitation
Involvement of HCD Legal Counsel

HCD legal counsel will participate as necessary to assure the legal enforceability of the loan documents, and the priority of the lien of the loan security instrument in accordance with the approved loan application, and that all the documents are legally enforceable.

Providing Supplemental Financing at Settlement

If the cost of rehabilitation work exceeds the amount of the approved loan, the borrower or another lender or guarantor can supply supplemental financing. Supplemental financing from the borrower will be placed at settlement in an RPA escrow account that is controlled by the RPA. Supplemental financing being supplied from the borrower will be set aside for the rehabilitation through a legally binding commitment provided at loan settlement. If these supplemental funds are needed to complete any portion of approved rehabilitation work but are not available at settlement, the loan will not be closed.

Post Settlement

Following the completion of the loan closing, the settlement agent or title company will immediately record the documents requiring recordation for all Loans with the appropriate county recorder. Prompt recording is necessary to ensure the legal enforceability and the approved priority of the lien position.

When the settlement is complete, the RPA will hold a Proceed meeting with the homeowner and contractor. After reviewing the work to be done and agreed by all parties, a proceed order can be signed and the contractor may begin work

Due on Sale Clause

The total unpaid principal balance, plus accrued interest and late charges is due and payable in full if the property is sold, conveyed, disposed, assigned or transferred or the owner ceases to make the property their primary residence.

Truth-In-Lending


Real Estate Settlement


Flood Insurance
**Underwriting Loans In Special Flood Hazard Areas**

The amount of flood insurance coverage will be for at least the outstanding principal balance of the Loan and will be continued for the term of the Loan. The Loan file will include evidence that the OWHLF has been added as a lien-holder on an existing flood insurance policy and that the insurance is written in an amount sufficient to protect HCD interest.

The Borrower will document prior to loan settlement that he/she has all required flood insurance. Proof of insurance will be documented with a fully executed copy of the flood insurance policy or binder issued by the insurance agent as a paid receipt.

Should the State lose its eligibility for participation in the National Flood Insurance Program (NFIP), flood insurance would no longer be available to program participants and the assisted owner’s responsibility to renew an existing flood insurance policy would automatically be terminate.

Elevating the basement of building or otherwise flood proofing a building (in accord with NFIP standards or in compliance with Executive Order 11988) does not remove the legal obligation to purchase and maintain flood insurance for the life of the Loan, so long as the building remains located in the designated special flood hazard area; such precautions are generally designed to reduce the potential of flooding damage to buildings, but do not eliminate potential flooding or financial loss caused by flooding. To obtain information about the insurability of any particular property, the Borrower should contact his/her insurance agent or the NFIP’s servicing contractor.

**Freedom of Information and Privacy Acts**


Records and Information in HCD Custody: the State and local law govern the request from the public for records or information in HCD Custody.

Privacy Act: Records and Information in HCD Custody: HCD officials will not permit the release of any records or information concerning any applicant or Borrower that would constitute a “clearly unwarranted invasion of personal privacy” within the meaning of 5 U.S.C 552 (b) (6) unless required under local or state law. In applying this standard, HCD officials may release:

- The name of the Borrower or applicant
- The address of the property
- The proposed or actual amount of the loan

**Right to Financial Privacy Act**

Any person or organization acting for HCD, will comply with the Right to Financial Privacy Act (12 U.S.C. 3401) in obtaining financial records or information from any financial institution, concerning any individual or any Partnership or five or fewer individuals in connection with any loan.

Financial records and information may be used only for the purposes for which they were originally obtained.

**Fair Housing and Equal Opportunity**

In addition to the foregoing: (a) mailings will be sent out periodically to specific neighborhood target areas, (b) frequent staff visits will be made to neighborhood Council meetings to cultivate personal contact with residents and community leaders.

**Title VI of the Civil Rights Act of 1964**

Requires that no person be subjected to discrimination under this Loan Program on the basis of race, color, or national origin.

**Executive Order 11063**

As amended, prohibits discrimination on the basis of color, religion, sex or national origin in the sale of housing improved under the Program.

**Executive Order 11246**

Requires that no person shall be discriminated against during the performance of non-exempt construction contracts under the Loan Program, based on race, color, religion, sex, or national origin.

**The Equal Credit Opportunity Act of 1976**

Require that no person be denied credit based on race, color, religion, national origin, sex, marital status, age (as long as it is legal to enter into a contract), public assistance as an income source, or the exercise of any right under the Consumer Credit Protection Act of 1976.

RPA will pay particular attention to the Equal Credit and Opportunity Act of 1976 when underwriting loans, including but not limited to the following requirements:

1. **Borrower’s Age.** Loan assistance will not be denied solely and exclusively because of a Borrower’s age (providing the Borrower can legally enter into a binding contract). However, age may be considered for the purpose of determining a pertinent element of credit worthiness. Thus, if a Borrower’s age indicates that he or she is nearing retirement, the RPA may consider whether the Borrower’s retirement income will support the extension of credit until the maturity of the loan.

2. **Intentions Relative to Bearing and Rearing Children.** Assumptions that any group of persons will bear or rear children and/or, for that reason, will receive diminished or interrupted income in the future will not be used in evaluating the credit worthiness of a Borrower. Information about intentions concerning the bearing or rearing of children may not be requested. This does not preclude inquiries about the number and ages of a Borrower’s dependents or about dependent-related financial obligations or
expenditures provided such information is requested without regard to sex or marital status.

3. *Part-Time Employment, Annuity or Pension.* The income of either a Borrower or the spouse of a Borrower will not be discounted or excluded from consideration because the income is derived from part-time employment, or from an annuity, pension, or other retirement benefit. However, the amount and probable continuance of such income may be considered in evaluating the Borrower’s Stable Monthly income.

4. *Alimony or Separation Maintenance.* Where the Borrower receives alimony, or separation maintenance payments, such payments will be likely to be consistently received by the Borrower to be considered Stable Monthly income. Supportive documentation to this effect may include, but not be limited to, a written agreement or court order, length of time and regularity of receipt, availability of procedures to compel payment. This income will be counted for the purpose of underwriting the loan, and for determining eligibility.

5. *The Borrower’s Spouse.* The RPA will request information concerning the Borrower’s spouse. The credit history of accounts that the Borrower and a spouse are permitted to use or for which both are contractually liable may be considered in evaluating the credit worthiness of an applicant, as well as any information that the Borrower may present tending to indicate that the credit history being considered does not accurately reflect the Borrower’s credit worthiness.

6. *Sex of Borrower.* The RPA will not ask the sex of a Borrower. The Borrower may be requested to designate a title, such as Ms., Miss., Mrs., or Mr. if the form appropriately discloses that the title is option.

7. *The Age Discrimination Act of 1975* as amended prohibits discrimination based on age in programs or activities receiving federal financial assistance.

*Executive Orders 11625, 12432 and 12138* require that efforts be made to encourage the use of minority and women’s business enterprises in connection with federally funded programs.
CHAPTER 8 PORTFOLIO MANAGEMENT

Loan Serving Issues

Portfolio management is the responsibility of HCD. However, HCD may call upon RPA as needed, to assist in minor loan servicing issues, this may include but is not limited to, driving by a property for inspection, pick up a payment, meet with contractors to secure an asset after foreclosure.

Hazard and Flood Insurance Follow-Up

All properties require adequate insurance coverage throughout the term of the Loan. The following steps will be taken when a notice of cancellation is received.

- If a Notice of Cancellation is received a reminder to renew insurance will be sent out within 10 days
- If a second Notice of Cancellation is received a second notice will be sent with a statement that HCD has the legal right to start foreclosure proceedings. Borrower should be encouraged to contact HCD immediately if insurance cannot be obtained
- A final notice will be sent indicating HCD intent to pursue foreclosure.

Subordinations

OWHLF is not obligated to subordinate its interest in their loan for any reason, but may consider requests for a loan subordination that strictly meet criteria set by HCD, as identified in HCD loan subordination policy as follows:

- All requests for subordinations must be submitted to the Division of Housing and Community Development, attention HCD staff, in writing from the borrower accompanied by requested documentation (by HCD staff) for the reason thereof. All subordination requests, after receipt of requested documentation, will require two weeks for staff to review.
- Must be submitted in writing within the first 5 years from the date of the Note to the HCD from the borrower, otherwise the loan should be paid off
- For an FHA streamline refinance of the 1st mortgage, must be for the purpose of lowering a fixed interest rate by one full basis point (1%) or greater; and no cash out to the borrower
  The new loan amount to the 1st mortgage cannot exceed 95% combined LTV
- The Homeowner gives consent for the new lender to release their application with all verifications for review. The verifications would include, but no limited to: 3rd party employment verifications, good faith estimate, title report, appraisal and a copy of the signed closing statement if subordination is approved
- The Title Company will prepare the subordination agreement to be signed by the HCD stipulating the maximum amount of new loan that the State has agreed to subordinate to
- All costs associated with the recording, etc. will be included in costs to the borrower at the time of closing

Loan Assumptions and Restructuring

HCD policy is not to permit assumptions of Loans, however, assumptions will be considered on a case-by-case basis, unless the note is identified as a non-assumable note. In order to be considered, the client should meet the following criteria:
- The new owner can assume all loans superior to the HCD with no increase in principal.
- The new owner will meet the eligibility requirements for the particular Loan type and
- The HCD will rewrite the Interest Rate, payment, and term of its original note to meet the new Borrower’s financial ability

**Collections**

The RPA will assist HCD with updated information on the loan portfolio database including up to date contract information on borrower including verification of residence.

When loans become past due the method for collecting these amounts is outlined below:

- Foreclosure Procedures: HCD will pursue foreclosure only when all attempts of negotiating to cure any and all loan defaults, monetary and non-monetary. Defaults may require the sale of the property in order to recover the outstanding loan balance and other expenses permitted by the instrument and law
- Existing Deferred Loans: 1) HCD will send out an annual mailing to verify the Borrower(s) is still living in the property, 2) Existing Deferred Payment Loans with 5 and 10 year call requires income be verified and new loan prepared, if necessary and, 3) If no response or letter returned by the post office, HCD will pursue collection.

**Extended Payment Agreements**

Only if methods for collection will not work and at the request of the Borrower will the Finance Committee and/ or the Housing Programs Manager considers extended payment agreements. Agreements will be offered only if two or more of the following conditions exist.

- Loan is delinquent
- Household Income has significantly decreased; short or long term and/or
- Borrower has experienced a significant unexpected increase in housing or medical expenses

**Write Offs**

Loans will be written off only after all collection attempts have failed, including possible purchase for the land and the property is sold and the sale and write-off was recommended the OWHLF Board Working Committee and approved by the OWHLF Board.

**Increased Loan Amount**

Unforeseen work during construction required to bring the property into conformance with the Local Rehabilitation Standards and Housing Code may make it necessary to increase an already closed loan.

If the loan contingency or eliminating planned General Property Improvement (GPI) is not available, the RPA may increase the loan amount if all loan limits established in the Policy are met. If the original loan is increased the approval must be in place before the new loan is closed. The new loan will require a Modification Agreement, a Modified Escrow Agreement and additional escrow deposit (if applicable) and another loan closing.

**Loan Payoffs and Reconveyance**
When loans become paid in full HCD will reconvey the trust deed associated with that loan to the property owner. When a loan payoff or final payment is received the following steps will be completed to assure the reconveyance is properly executed.

- A zero balance on the loan will be verified on the Loan history
- A review of the loan history is done to determine that there is zero balance and signs a Request for Reconveyance
- The Request for Reconveyance is prepared and given to the Trustee along with the original Note and Trust Deed. The Trustee will then prepare a Deed of Reconveyance and record the reconveyance, or mail to HCD
- When recorded the Deed of Reconveyance is returned to HCD and a copy of the Deed of Reconveyance is placed in the Loan file. The original is sent to the property owner.
CHAPTER 9 STATE CONTRACTS and PAYMENTS

Authorized Funding for Projects

State contracts provide authorized funding levels to RPA for completion of specific scope of work items. The contracts require the state and agencies to abide by the various federal and state statutes and regulations incorporated as attachments to the contract.

Each agency under the SFRRP will receive an overall contract from HCD that includes an allocation for single-family unit production within the RPA service area, an allotment for performance-based administrative funds, a performance target, and a fixed performance period.

The contract’s set-aside for agency administration is based upon unit production within the RPA service area. Contract terms and provisions such as the contract end date can only be revised by formal amendment to the original contract document.

Contract Period

The contract period begins no earlier than the OWHLF Board’s approval of the annual allocation plan. The beginning and ending date of the state fiscal year may limit the contract period for state-funded contracts (contracts funded with state general funds). Whereas, HUD HOME funds along with program income funds (state and federal) allow for flexibility in the contract period. HCD intends to allocate State funds for the SFRRP.

Contract end dates dictate when project reports are due to HCD. Due to certain HUD-imposed reporting requirements on HCD, project final reports must be submitted to HCD within 60 days of the project end date. Agencies delinquent in submitting reports to DCHD are not considered for further contracts until the report requirements are fulfilled. This includes project details submitted by local agencies to HCD for GMIS and IDIS data entry. HCD enters each specific unit’s data in IDIS when federally funded.

Agencies should plan ahead to complete the scope of work and necessary reporting within the allotted contract period. Although contract periods can be extended through amendment, extensions should be an exception rather than the rule. Requests for extensions should be submitted to HCD at least 30 days prior to a contract end date.

Each agency is required to keep track of their contract balances and administrative funds earned. HCD staff will provide the balance of RPA contracts and admin. earned at the 1/4ly meetings for comparison. Any discrepancies will be resolved by the agency and HCD on an individual basis.

Contract Procedures

Once contracts are returned by agencies to HCD for signature, contracts are routed within HCD for signature and submitted to the Utah Division of Finance for final signature and numbering. Copies of completely executed contracts are sent to each agency with a copy held at HCD.

Payment Requests

Agencies are encouraged to submit claims for reimbursement via Webgrants. Attach a summary of
expenditures that includes the homeowner’s name and corresponding HCD loan number; date, name of payee, and amount of payment of each expense specific to that rehabilitation or reconstruction project, and the total amount claimed. The total amount of the claim shown on the Summary of Expenditures must match the amount requested in the corresponding Webgrants budget category to be processed for payment. In the event of discrepancy or questions of eligibility of expense, State Program Manager will notify the Agency and put the claim in “Correcting” mode for the Agency to reconcile the claim and re-submit for payment.

Agencies may submit an Attachment I - Request for Funds (RFF), and the contractors billing invoice to each contract on the items requesting payment. All RFFs submitted for payment must contain the original signature of the RPA’s authorized official. Copies of signed RFFs are not acceptable. Send all RFFs to the SFRR Program Manager, Jess Peterson for review. Jess will serve as a primary point of contact and see that the RFFs get paid in a timely manner.

Multiple projects costs assigned to the same contract can be submitted on a single RFF. Please be sure to identify the costs associated with each project submitted.

On a final payment, the Statement of Completion will be submitted with the above forms. This is a part of desk monitoring and will ease the time we will do site monitoring.

Payments for project costs are payable jointly to contractors or subcontractors (if separate contract) and homeowners. In lieu of two party checks, the check can be made to the contractor when the homeowner has signed and dated the progress or final payment request form. RPAs may opt to pay the project costs directly and submit RFFs to HCD for reimbursement with appropriate documentation of billing invoices and records of payment.

**Contract Provisions**

Except for contract Attachment C (contract budget) and Attachment D (scope of work), all other contract provisions are nonnegotiable. Attachment A (standard terms and conditions) governs all contracts; Attachment B (special provisions) conforms to HUD HOME requirements, and is applicable to all housing projects; and Attachment E (federal assurances) meets other HUD and federal requirements. Although some provisions may not apply to a SFRRP contract, agencies should verify applicability for any particular items by contacting HCD. Agency compliance to applicable contract provisions will be checked during HCD audits and the agency’s required Single Audit. Single Audits are required when an agency’s funding exceeds the threshold set forth under OMB Circular A-133.

**Important Contract-related Issues**

Among the applicable contract provisions, HCD draws agency attention to several issues of recent concern to HUD.

Conflicts of Interest – Agencies must ensure that conflicts of interest provisions govern the actions of local staff as well as local board. The intent of these provisions must be incorporated into a local board’s bylaws and agency employee guidelines. The language must adhere to 24 CFR 92.356, 24 CFR 84, 24 CFR 85. On a project-by-project basis, exceptions can be granted where a request for exception is formally submitted to HUD through HCD. (See Chapter 2)

Local Records – For each project’s closeout, agencies should insure that files include the application, credit and title reports, income verification and calculation (to verify compliance to HUD affordability requirements), copy of the 1040, project description, copy of insurance policy, tax notices, pre and post inspections, contractor
questionnaire (debarment), local board recommendation, environmental certification, lead based paint
certification, before and after property valuation, and payment terms (see File Check List in the Single Family
Application).

Webgrants claims or RFFs to HCD must include a detailed breakout and listing based upon documentation on
file with the agency. A copy of the unit’s ENERGY STAR certificate must accompany the HUD Set Up and
Completion Form (to include notation, “Final Draw” to indicate that no further draws will be drawn for the
specific project. Agency shall provide HCD with directions for use of any balance of funds allocated to the
project. requests for funds.

Fair Housing and Equal Opportunity – Agencies must meet all HUD requirements for fair housing and equal
opportunity including an affirmative marketing policy governing outreach to potential single family program
applicants.

Title VI of the Civil Rights Act of 1964 – Agencies must not subject clients to discrimination under this Loan
Program on the basis of race, color, or national origin.

Codes and standards – all HOME- assisted housing must meet all applicable state and local housing quality
standards and code requirement. Certificates from local building departments granting permission for projects
to proceed must specify the scope of review and that the unit is in compliance.

Signatures – agency applications, review forms, contracts, certificates, and other legal documents must be
signed and dated.

Procurement – agency records should document competitive procurement processes and results for retaining
contractors, laborers, material suppliers, and etc. in accordance with the local agencies policies and procedures
in accordance with OMB Circular A-102.

**Administrative and Cost Principles** (Management Concepts Incorporated)

The RPA will assure and certify that it will comply with the regulations, policies, guidelines, and requirements
as stated in Attachment B, Special Provisions in the Contract.

Flow thru requirements that apply to federal awards, such as the HOME program, and that flow through to sub-
awards are listed in order of precedence:

- LAW OF THE LAND
- HUD PROGRAM REGULATIONS
- PUBLIC POLICIES
- ADMINISTRATIVE REGULATIONS

**Order of Precedence:**

1. Federal Legislation (Statutes)
2. Program Regulations (Federal Registers, HOME 24CFR92)
3. Administrative Regulations (Issued by HUD)
4. Grant Agreement Terms and Conditions (Attached to the award by the awarding agency)*
5. Recipient Agency Policies or Guidelines (Established by the Division and/or Board

* Legal authority and body of responsibility is the “Recipient Agency” or “Awardee” is the State of Utah.
CHAPTER 10 MONITORING OF RPAs

Ensuring Compliance

Active and ongoing monitoring is critical to ensuring compliance by the RPA in implementing its funded activities (as defined in the Contract, Attachment B, Special Provisions).

Effective monitoring is not a one-time event, but an ongoing process of planning, implementation, communication, and follow-up. As a result, monitoring activities will be scheduled throughout the program years.

The annual monitoring plan will address:

- Reviews to be conducted, establishing the frequency and timing of such reviews
- Procedures for communicating the results of reviews with HCD and RPA staff
- Methods for obtaining and incorporating RPA feedback on the monitoring review
- Identifying technical assistance needs of the RPA

Experience of the Organization: When scheduling on-site reviews of a new sub recipient, the monitoring visit will allow the organization time to get their program/project up and running, but not be so late as to allow serious problems to develop.

Staff Relationships: The Monitor is assigned based on the organizations, projects, or programs in which they have experience and technical knowledge. In cases where a new perspective is warranted, an experienced staff person with no previous relationship to the organization or program may add value to the monitoring process.

RPA Quarterly Demographics Reports

Using the Intake page (page 1) of the Demographic Report and the SFRRP Quarterly Report Summary the RPA will submit Quarterly Reports to HCD Single Family Project Team Coordinator for OWHLF Board review. The reports will include:

- Reports about its activities including deadlines and eligible costs for work being completed
- Progress in designating HOME funds to eligible projects
- Number of units developed or families assisted and the on-going expenditure of HOME funds
- The amount of funds for administration of each completed project
- The city and county the project is located, % of AMI, and number of family members for each project
- Total cost of each home's rehabilitation or reconstruction
- Amount financed by OWHLF and financed from other sources
- Projects that were denied funding or owner declined assistance and the reasons
- A comparison of actual accomplishments to the HCD contract scope of work and showing number of families assisted
- A list of projects in progress at the end of the reporting period

Resources for Monitoring:

To be effective in program compliance, the RPA must have a thorough knowledge of program and other Federal rules and have access to thorough source materials such as:
Conducting a Risk Assessment

The risk assessment is a qualitative analysis of certain risk factors that assist to determine the relative compliance and performance of the RPA for:

- Program capacity
- Project complexity
- Level of funding
- Recipient capacity
- Staff capacity
- Quality of reporting and documentation
- Past compliance problems

The assessment may focus on sub-activities that:

- Carry performance risk, such as poor housing unit production; a low number of residents assisted, or slow expenditures, and/or
- The likelihood that a project, program or entity has violated regulations, failed to comply with program requirements, or is open to fraud and abuse.
- Agencies new to the program and undertaking funding activities for the first time
- Experiencing turnover in key staff positions
- Past compliance or performance problems
- Not submitting timely reports
- Not achieving performance targets per HCD contract
- Number of available contractors to perform the work, experienced or inexperienced
- Number of projects
- Multiple transactions and parties
- Staff turnover

Types of Monitoring

HOME regulations require the performance of the RPA must be reviewed at least annually. Reviews may include:

a. Administrative and Financial Audit – this audit ensures the RPA is administering the program properly by using funds from authorized sources, tracking funds, using proper methods of recordkeeping, and managing finances. Auditing pertains to the review of the following:

- Consolidated Plan requirements
• Financial management system that comply with funds, property, and other assets, to the Cost Principals/ Cost Allowability/ Cost Allocations under the OMB Circulars
• Budget control procedures to compare and control expenditures with obligations
• Accounting records to identify the source and application of funds provided
• Cash management procedures to minimize the amount of time of actual disbursement of funds
• Written agreements with the State or other partners and applicable amendments
• Program Records, reports, and award letters
• Record retention and access to records requirements
• Commitment and expenditure of funds in a timely manner
• Administrative and planning costs for expenditures for salaries, wages and related costs that determine the amount of staff costs charged to the program. If a project does not go forward, project soft costs must be charged as administrative costs
• Costs for goods and services necessary for administration such as office supplies and public information costs
• Major milestones (performance standards) for producing projects
• Conflict of interest provisions and actions to ensure provisions are adhered to
• Non-compliance procedures and consequences and in cases of fraud, negligence, or other serious breeches of agreement
• Federal and State requirements are in compliance

b. Program Monitoring - This monitoring ensures that the SFRRP is being administered per the Rural Utah Single Family Rehabilitation and Reconstruction Guidelines and the OWHLF Allocation Plan. Property is rehabilitated in compliance with applicable standards, approved plans, and environmental protection, etc.

Monitoring pertains to the review of the following:

• Compliance with Fair Housing Act
• Public Outreach is being conducted throughout the RPA’s region
• Review of proposed projects to assure future compliance
• Income Eligibility
• Ownership requirements and Eligible property types
• Property Value and Median Purchase Price Limit - FHA 203(b)
• Subsidy Limits 221 (d) (3)
• Property Standards: Building Codes, Housing Code (for inspections) Rehabilitation Standards (construction methods/quality standards), SFRRP Rehabilitation Specifications (methods and materials), and other Federal and State regulations and requirements, such as lead base paint, HUD manufactured home code, etc.
• Eligible hard and soft costs - Documenting individual rehabilitation project costs. Source documentation includes, but not limited to vendor invoices, purchase orders, canceled checks, and subsequent change orders
• Document review for compliance with the terms of agreements and contracts
• Maintainance of copies of contract between homeowner and contractors, project budgets, site inspection sheets, contractor and supplier bid tabulations, code inspector signoffs, and agency records for any in-house labor
• Records of in-progress construction inspections
• Reconciliation of costs with work completed
• Forms of finance or labor assistance used
• Identification of all sources and applications of funds for the project
c. Desk Reviews - Desk Reviews examine information and materials submitted by the RPA that can be used as a means to track performance and identify potential problem areas. The desk review examines:

- Request For Qualification and executed Contract and/or Agreements
- Financial information
- Recent status reports
- Any previous correspondence
- Reports from past on-site monitoring reviews
- Applications and file documentation
- Progress reports
- Compliance reports
- Requests for Funds
- Demographic Reports

The desk review may determine:

- Overall performance compliance with program requirements
- Aspects of the program or project that is contributing to a problematic situation
- Aspects of the program or project where the organization is performing well or poorly
- Whether record keeping is adequate
- Assess progress
- Examine changes in activities

The monitor then can:
- Prepare a report summarizing the results of the review; and/or
- Describe any required follow-up activity as an on-site monitoring or further documentation

d. On-Site Monitoring - In-depth reviews include all the activities of a desk review, but add an on-site visit to the program or project to gather specific information and observe actual program elements. Two (2) on-site monitoring visits to each Agency is recommended by HCD to ensure quality construction, provide technical assistance, and to address problems specific to the Agency. Additional visits may be appropriate if there is:

- A strong likelihood of problems,
- If a lengthy time period has elapsed since the last visit

Project Record Keeping

The RPA must abide by the following where applicable. The following is an excerpt for Single Family Rehabilitation and Reconstruction Program and does not supercede the HOME Final Rule.

HOME FINAL RULE

Sec. 92.508 Recordkeeping

(a) General. Each participating jurisdiction must establish and maintain sufficient records to enable HUD to determine whether the participating jurisdiction has met the requirements of this part. At a minimum, the following records are needed:

(1) Records concerning designation as a participating jurisdiction.
(2) Program records. (i) Records of the efforts to maximize participation by the private sector as required by Sec. 92.200.

(ii) The forms of HOME assistance used in the program, including any forms of investment described in the Consolidated Plan under 24 CFR part 91 which are not identified in Sec. 92.205(b).

(iii) The subsidy layering guidelines adopted in accordance with Sec. 92.250 that support the participating jurisdiction's Consolidated Plan certification.

(3) Project records. (i) A full description of each project assisted with HOME funds, including the location, form of HOME assistance, and the units tenants assisted with HOME funds.

(ii) The source and application of funds for each project, including supporting documentation in accordance with 24 CFR 85.20.

(iii) Records demonstrating that each rental housing or homeownership (includes rehab/reconstruction) project meets the minimum per-unit subsidy amount of Sec. 92.205(c), the maximum per-unit subsidy amount of Sec. 92.250(a) and the subsidy layering guidelines adopted in accordance with Sec. 92.250(b).

(iv) Records demonstrating that each project meets the property standards of Sec. 92.251 and the lead based paint requirements of Sec. 92.355.

(v) Records demonstrating that each family is income eligible in accordance with Sec. 92.203.

(x) Records demonstrating that the purchase price or estimated value after rehabilitation for each homeownership housing project does not exceed 95 percent of the median purchase price for the area in accordance with Sec. 92.254(a)(2). The records must demonstrate how the estimated value was determined.

(xii) Records demonstrating that any pre-award costs charged to the HOME allocation meet the requirements of Sec. 92.212.

(5) Financial records. (i) Records identifying the source and application of funds for each fiscal year, including the formula allocation, any reallocation (identified by federal fiscal year appropriation), and any State or local funds provided under Sec. 92.102(b).

(ii) Records concerning the HOME Investment Trust Fund Treasury account and local account required to be established and maintained by Sec. 92.500, including deposits, disbursements, balances, supporting documentation and any other information required by the program disbursement and information system established by HUD.

(iii) Records identifying the source and application of program income, repayments and recaptured funds.

(iv) Records demonstrating adequate budget control, in accordance with 24 CFR 85.20, including evidence of periodic account reconciliations.

(6) Program administration records. (i) Records demonstrating compliance with the written agreements required by Sec. 92.504.

(ii) Records demonstrating compliance with the applicable uniform administrative requirements required by Sec. 92.505.

(iii) Records documenting required inspections, monitoring reviews and audits, and the resolution of any findings or concerns.

(7) Records concerning other Federal requirements--(i) Equal opportunity and fair housing records. (A) Data on the extent to which each racial and ethnic group and single-headed households (by gender of household head) have applied for, participated in, or benefited from, any program or activity funded in whole or in part with HOME funds.

(B) Documentation of actions undertaken to meet the requirements of 24 CFR part 135 which implements section 3 of the Housing Development Act of 1968, as amended (12 U.S.C. 1701u).

(C) Documentation of the actions the participating jurisdiction has taken to affirmatively further fair housing.

(B) Documentation and data on the steps taken to implement the jurisdiction's outreach programs to minority-owned (MBE) and female-owned (WBE) businesses including data indicating the racial/ethnic or gender character of each business entity receiving a contract or subcontract of $25,000 or more paid, or to be paid, with HOME funds; the amount of the contract or subcontract, and documentation of participating jurisdiction's affirmative steps to assure that minority business and women's business enterprises have an equal opportunity to obtain or compete for contracts and subcontracts as sources of supplies, equipment, construction, and services.
(iii) Records demonstrating compliance with the environmental review requirements of Sec. 92.352 and 24 CFR part 58, including flood insurance requirements.

(vi) Records demonstrating compliance with the lead-based paint requirements of part 35, subparts A, B, J, K, M and R of this title.

(vii) Records supporting exceptions to the conflict of interest prohibition pursuant to Sec. 92.356.

(viii) Debarment and suspension certifications required by 24 CFR parts 24 and 91.

(ix) Records concerning intergovernmental review, as required by Sec. 92.357.

(b) States with State Recipients. A State that distributes HOME funds to State recipients must require State recipients to keep the records required by paragraphs (a)(2), (a)(3), (a)(5), (a)(6) and (a)(7) of this section, and such other records as the State determines to be necessary to enable the State to carry out its responsibilities under this part. The State need not duplicate the records kept by the State recipients. The State must keep records concerning its review of State recipients required under Sec. 92.201(b)(3).

(c) Period of record retention. All records pertaining to each fiscal year of HOME funds must be retained for the most recent fiveyear period, except as provided below.

(2) For homeownership housing projects, records may be retained for five years after the project completion date, except for documents imposing recapture/resale restrictions that must be retained for five years after the affordability period terminates.

(4) Written agreements must be retained for five years after the agreement terminates.

(6) If any litigation, claim, negotiation, audit, monitoring, inspection or other action has been started before the expiration of the required record retention period records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the required period, whichever is later.

(d) Access to records. (1) The participating jurisdiction must provide citizens, public agencies, and other interested parties with reasonable access to records, consistent with applicable state and local laws regarding privacy and obligations of confidentiality.

(2) HUD and the Comptroller General of the United States, any of their representatives, have the right of access to any pertinent books, documents, papers or other records of the participating jurisdiction, state recipients, and sub-recipients, in order to make audits, examinations, excerpts, and transcripts.

Individual project files with the specific project information will be maintained at each RPA during the project process.

The RPA will release the Project files at end of project completion for monitoring and retention. The RPA will notify HCD staff when project is competed and set a date for monitoring the file and for a site visit.

Each RPA will determine what financials and copies of other project documents that want to keep for their auditing purposes in their files.

Records must be maintained for a period of 5 years after completion of project and the Completion Report is signed and dated. The RPA will establish and maintain records to document that the program requirements are met.

The Project Summary sheet will accompany the quarterly report submitted and presented to the Board. All project files will be completed with all items listed in the application file checklist along with:

• Document local code or model code used
• Written rehabilitation standards
• Inspection Reports
• Project log with dates and events

**Scheduling and Notification**
The Monitor will contact the RPA at least two weeks prior to the planned date of the on-site visit in order to schedule the monitoring review. Once the RPA has been contacted and the actual dates are scheduled, the monitor will send a letter to the entity that confirms the:

- Date and time of the visit;
- Names of the PJ staff conducting the site visit;
- Elements of the program or project that will be monitored;
- The files and records that will be reviewed; and
- The members of the organization who should be available for interviews.

**Site Visit**

The Monitor will gather information from a variety of sources and complete the following steps during the on-site review.

1. Conduct an initial meeting with the executive director, program director, or other official to explain the purpose and schedule for the review;

2. Interview members of the organization's staff to gather information about activities and performance;

3. Review additional materials provided by the entity to obtain more detailed information about the program or project;

4. Examine a sampling of files to verify the existence of required documentation and the accuracy of reports being sent to the PJ;

5. Visit a sampling of program sites (or the project itself) to confirm information contained in program files; this may also include interviewing residents;

6. Meet with local lending or other partners (if applicable); and

7. Conduct an exit conference with appropriate senior staff to discuss the preliminary conclusions of the review and identify any follow-up actions necessary.

**Completion of the Site Visit**

After visiting the project site the Monitoring will complete the following steps:

1. Properly record the results of the review.

2. Fill out all applicable checklists and document with clear notes.

3. Attach to the checklists all documentation required to support conclusions from the review.

4. Place the checklists and documentation in the HOME monitoring file for that organization.
5. Meet with PJ program staff to review the findings of the monitoring visit and agree on a course of action.

Depending on the nature of the finding, responsibility can then be assigned for following up on the review.

The Monitoring Report

After completion of the Site Visit and an in-depth review, the Monitor will prepare and send to the RPA a report describing the results of the review. It is important that the monitoring report include the reasons underlying all conclusions.

A comprehensive follow-up report should include the following elements:

- The organization's identification or contract number;
- Names of the PJ staff person(s) who performed the review;
- Elements of the program or project examined during the monitoring review;
- Conclusions for each element that was monitored and the facts supporting each conclusion;
- A description of areas showing strong performance and areas in need of improvement;
- Specific actions that the organization must take to correct non-compliance or weaknesses, and the deadlines for completing these corrective actions;
- The method for communicating the results of the corrective actions; and
- Recommended actions the entity could take to improve overall performance;
- Identify aspects of the program or project where the organization is performing well and poorly;
- Assess compliance with program requirements;
- Determine whether record keeping is adequate; Prepare a report summarizing the results of the review; and
- Describe any required follow-up activity.

Corrective Action and Intervention

Written agreements will be used for the primary mechanism for enforcement in situations of non-compliance.

There are three stages of intervention, low-level-, moderate-level, and high-level, each with starting with planning strategies or technical assistance for problems, moving to imposing probationary statues and to the most serious to terminate and initiate legal action.

Intervention will range from administering technical assistance to terminating the RPA funding.

HCD will develop a plan for correction of deficiencies with each RPA and will establish corrective actions should agencies fail to resolve deficiencies in a timely manner.

Concerns or Findings

A Concern is a deficiency in program performance that is not based on a statutory or regulation requirement and that HCD feels should be corrected to ensure program compliance. HCD will recommend actions to address the concern and provide technical assistance.

A concern, if not properly addressed, could become a finding.
A Finding is a deficiency based on a statutory or regulatory requirement that HCD is authorized to apply sanctions or other corrective actions.

**Planning for the Future**

HCD will assist or provide:

- Networking with other RPAs to share ideas and provide collaboration between each other in order to advise and guide proper administration of the program
- Enhance the RPA knowledge of effective program administration with a) orientation sessions, b) workshops, c) technical assistance
The following are definitions of various terms used for this program.

1. **Adjusted Gross Income** is used for determining income as defined for purposes of reporting under the Internal Revenue Services (IRS) Form 1040 series for individual federal annual income tax purposes.

2. **After Rehab Value or Maximum Mortgage Limits**: HOME maximum purchase price or after-rehab value limits are based on the Section 203(b) Single Family Mortgage Limits.

3. **Affordability**: refers to the requirements that relate to the cost of housing both at initial occupancy and over established timeframes.

4. **Anticipated Income**: Income eligibility is based on anticipated income. When collecting income verification documentation, also consider any likely changes income. Last year’s tax return does not establish income; nor does it adequate source documentation. But is a source for comparison.

5. **Area Median Income (AMI) For The Area**: the median income of the Metropolitan Statistical Area established. When comparing the income of the prospective Borrower to the Median Income For The Area, the median income for a family of corresponding size will be utilized. Income statistics meeting this definition are published by HUD pursuant to Section 3(B)(2) of the National Housing Act of 1937.

6. **Building Code**: Building codes are the legal regulations that each city and state enacts and enforces for all new and old buildings, including homes. Building codes often include property standards, new construction specifications, and rehabilitation standards. The "rehabilitation" of "existing building" chapters of local building codes indicate which parts of the rest of the code (the new construction specifications) you must follow in order to meet the "property standards." Most model building codes already include some rehabilitation codes (sometimes called "existing building" codes). If your local code does not have "rehabilitation" or "existing building" chapters, the three model building codes as well as HUD’s Nationally Applicable Recommended Rehabilitation Provision (NARRP) are helpful guides.

7. **Borrower**: one or more individuals, who receive approval of a Loan. The Borrower(s) will (collectively) own the property to be rehabilitated, and all owners will execute the legal documents evidencing and securing the loan.

8. **Community Housing Development Organization (CHDO)**: are specific non-profit organizations that have been certified by HOME participating jurisdictions. The CHDO develops affordable housing and receive 15% of HOME set-a-side funds. These sub-recipients are entities that operate independently of the participating jurisdiction. They differ from other non-profits as they have different administrative requirements.

9. **Consolidated Plan**: a plan of up to five years in length that describes a community’s need, resources, priorities and proposed activities to be undertaken with certain HUD funding, including funding under the HOME Program. It is updated annually.

10. **Corporation**: a legal entity duly organized as a for-profit or not-for-profit Corporation with, appropriate documentation on file with the state regulatory agencies, and which has fulfilled all legal requirements for engaging in the business of owning and renting real property.
11. **Deferred Loan (soft seconds):** these loans are not fully amortized. Some or all principal and interest payments are deferred at the time of a sale or transfer of the property or at the end of a fixed time. These loans can accrue interest or be non-bearing. The property is the collateral.

12. **HCD:** Division of Housing and Community Development within the Department of Community and Culture that administers the Olene Walker Housing Trust Fund and manages the loan funded.

13. **Dwelling Unit:** a residential space which, after Rehabilitation, will qualify under the laws of the state and locality as a place of permanent habitation or abode for a Household of one or more individuals.

14. **Eligible Activities:** are for homeowners to assist them with the repair, rehabilitation or reconstruction of the owner-occupied unit.

15. **ENERGY STAR** is a program provided by the U.S. Environmental Protection Agency for certifying housing units at energy efficiency level 15 percent more efficient than the International Energy Conservation Code (IECC).

16. **Final Rule:** was published at 24 CFR Part 92 on September 16, 1996 and became affective on October 16, 1996. It was amended December 2004.

17. **FHA Mortgage Limits** are HUD Mortgage Maximums set in the Counties for the current year.

18. **General Property Improvements (GPI):** Rehabilitation that does not correct a deficiency, but may be needed to complete a correction of a deficiency and to maintain quality and investment standards.

19. **Graduated Payment Mortgage or "GPM":** an instrument that secures a note in which the Interest Rate and/or monthly payment increases at pre-determined times during the term of the loan rather than remaining fixed.

20. **HOME:** the HUD administered affordable housing program.

21. **HOME Funds:** are funds for the “HOME investment partnership”, a federal housing block grant program administered by the Department of Housing and Urban Development and granted to participating jurisdictions. It is all appropriations for the HOME Program, plus all repayments and interest or other returns on the investment of these funds.

22. **Homeownership** is in fee simple title or a 99-year lease.

23. **Household:** the person or group of persons permanently residing in a single Dwelling Unit in either a family or non-family relationship.

24. **Household Income:** is monthly income of all persons 18 years of age or older living in the property, or who have an ownership interest in the property. One type of income will be calculated using HUD adjusted gross income as defined for purposes of reporting under Internal Revenue Service (IRS) Form 1040 series for individual federal annual income tax purposes. Other income may be based on Section 8 guidelines.

25. **HUD:** the U.S. Department of Housing and Urban Development

26. **Incipient Deficiencies:** problems or defects which, if not corrected, would reasonably be expected to deteriorate into actual deficiencies under the Local Rehabilitation Standards within two years.
27. **Initial Inspection** identifies property deficiencies such as violations of housing standards, incipient housing and code violations, site considerations such as surrounding properties, remains of previous structures, and buried structures such as tanks.

28. **Interest Bearing Loans**: are amortizing loans where repayment is expected on a regular basis, usually monthly, so that over a fixed period of time, all of the principal and interest is repaid. The property is used as collateral.

29. **Interest Rate**: the stated rate of interest charged to Borrowers on the outstanding principal balance on Loans.

30. **Internal Revenue Service (IRS)**: The federal department having jurisdiction over the program, as mandated by Congress. The program is administered by each states’ delegated staff, who is in turn regulated by the Internal Revenue Service.

31. **IRS Adjusted Gross Income**: the Final Rule allows the HOME participants to determine annual income by using the calculation for “adjusted gross income” outlined in the federal income tax IRS Form 1040.

32. **Local Rehabilitation/ Housing Standards**: the Housing standards adopted by the Olene Walker Housing Loan Fund Board.

33. **Low Income Family Loan**: any Loan given to a Borrower(s) whose Annual Gross Income does not exceed 80% of the median family income for the area (adjusted for family size). HUD may establish, on an exception basis, income ceilings higher or lower than 80% of median income for an area.

34. **Minority Person**: persons, including but not limited to women, Blacks, American Indians, Alaskan Natives, Hispanics, Asians, and Pacific Islanders.

35. **Multi-bank Funds (Bank Pool)**: a commitment of funds for acquisition and Rehabilitation Loans provided by a group of local banks. An agreement defining terms and interest will be negotiated each year. Funds will be used with CDBG and HOME funding to provide monies for interest bearing loans.

36. **New Construction**: The creation of new dwelling units. Any project that includes the creation of additional dwelling units outside the existing walls of a structure is also considered new construction.

37. **Non-Interest Bearing Loan**: the principal amount is paid back on a regular basis over time, but interest is charged. The property is collateral. Such loans are made when the borrower is able to make regular payments but even a small amount of interest is not affordable.

38. **Olene Walker Housing Loan Fund (OWHLF)**: A pool of funds, inclusive of state, federal and program income used exclusively to support affordable housing in the state of Utah.

39. **Owner Occupied**: one-to-four unit property owned by the Borrower(s) whose principal residence is a Dwelling Unit in that property.

40. **Property Standards**: Property Standards are the housing quality standards used to determine whether a housing unit is decent, safe and sanitary. The HOME final rule (92.251(a)(1)) requires that every unit being rehabilitated with HOME funds meet property standards.
41. **Project Completion**: All necessary title transfer requirements and construction work have been performed; a Certificate of Occupancy or equivalent has been executed, the project complies with all HOME requirements: the final drawdown has been disbursed for the project; and the project completion information has been entered in the disbursement and information system established by HUD and HCD.

42. **Reconstruction**: the rebuilding, on the same lot, of housing standing on a site at the time of project commitment. The number of housing units on the lot may not be changed as part of the reconstruction project, but the number of rooms per unit may change. Reconstruction also includes replacing an existing substandard unit of manufactured housing with new or standard unit of manufactured housing.

43. **Rehabilitation**: the improvement or repair of an existing structure to provide decent, safe and sanitary Dwelling Units. This will include the provision of such sanitary or other facilities as are required by applicable Local Rehabilitation Standards and Housing Codes. Rehabilitation requiring work so excessive as to be equivalent to new construction or reconstruction of the property may be demolished and rebuilt.

44. **Rehabilitation Escrow Account**: an account that will be established for the receipt and disbursement of Rehabilitation Loan funds on behalf of Borrowers.

45. **Rehabilitation Standards** are the standards against which the actual physical condition of the property is judged in the inspection process. Using the property standard as a baseline, a housing inspector determines the scope of rehabilitation necessary to bring substandard housing into compliance with the minimum property standard.

46. **Rehabilitation Specifications** prescribes the methods and materials to be used in rehabilitation.

47. **Request for Qualification (RFQ)**: a tool to qualify a Rural Provider Agency for the Single Family Rehabilitation and Reconstruction Program.

48. **Rural Provider Agency (RPA)**, an organization that contracts with the Division of Housing and Community Development that administers the Single Family Rehabilitation and Reconstruction Program.

49. **Single Family Rehabilitation Program** is developed to provide qualified rural homeowners an inspection service and loans to eliminate deficiencies on their property and to eliminate slum and blight from neighborhoods.

50. **Single-Family Property**: property devoted solely to residential use and having from one to four Dwelling Units after Rehabilitation.

51. **Stable Monthly Income** means the Borrower's verified gross income that is likely to continue, based on foreseeable economic circumstances.

52. **Subsidy Limits**: HOME maximum per unit subsidy limits are based on the Section 221(d)3 limits for elevator-type projects. The minimum HOME investment in rental housing or homeownership is $1,000 per HOME-assisted unit.

53. **Technical Assistance**: is provided to the property owners, Association of Governments and Housing Authorities by the HCD. This assistance includes property inspections, cost estimates, work descriptions, bidding and construction oversight.
54. **Total Debt on the Property** is any liens superior to the Loan (principal only) secured by the property and the principal of the Rehab Loan.

55. **Underwrite**: the process of assessing the financial risks of a particular Loan, based upon information gathered. This Underwriting will be based on a careful analysis of (1) whether there is a need for Rehabilitation; (2) whether the requirements detailed in these guidelines are met; (3) the likelihood that the prospective Borrower will repay the Loan, including the prospective Borrower's ability to afford the loan and the prospective Borrower's credit worthiness; (4) the security available for the loan; (5) the scope of the proposed Rehabilitation work; (6) and a certification of adherence to program requirements.

56. **U.S. Department of Agriculture Rural Development Service USRDA**, a staff of the federal government responsible for economic and housing development in rural areas. Formerly known as the Farmer’s Home Administration.

57. **Verifications**: the RPA must verify income using such sources as wage statements, interest statements, and unemployment compensation statements as well as other 3rd party verifications as listed in the file check list in the single family application. Verifications are good for six months.