

HOUSING REHABILITATION LOAN PROGRAM

POLICIES AND PROCEDURES MANUAL



ADOPTED JULY , 2022

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Home is more than a house. Home is where a lifetime of memories are made. Home is also an asset... an asset with value, which the homeowner wants to protect. The City of Sheboygan is committed to building a better quality of life for its residents, including ensuring the City's homes remain safe and decent. Working through the Department of City Development, the City works to protect what is often a resident's most valuable tangible asset: their home.

As a house ages, it can develop aches and pains, which, if allowed to continue untreated, may cause it to become unsafe. If homeowners and their property qualify, the Housing Rehabilitation Program can help to return their home to a safe, sanitary, and decent condition.

This manual explains the policies and procedures governing the City of Sheboygan's Housing Rehabilitation Program. Anyone who has questions, or wants more information about the Program should contact:

Department of City Development

City of Sheboygan

By phone: 920-459-3377

By email: development@sheboyganwi.gov

In person: City Hall

828 Center Avenue
Second Floor - Suite 208
Sheboygan, WI 53081



**EQUAL HOUSING
OPPORTUNITY**



**EQUAL HOUSING
LENDER**

CHAPTER 1: INTRODUCTION

This document was created to describe the policies, guidelines, and procedures employed by the City of Sheboygan (the City) in the administration of its Housing Rehabilitation Loan Program (the Program.)

Subject to fund availability, assistance will be extended to eligible low- to moderate-income homeowners and eligible landlords who own units which are occupied by low- to moderate-income tenants throughout the City of Sheboygan.

The overall intent of the program is to rehabilitate, maintain and expand the supply of decent, safe and sanitary housing within the City of Sheboygan.

Funding for this program has been provided by the federal Community Development Block Grant Program (CDBG) which is administered by the Department of Housing and Urban Development (HUD).

The Department of City Development exercises administrative control of the Housing Rehabilitation Loan Program within federally-established parameters. Final policy-making and loan approval authority rests with the members of the Housing Rehabilitation Committee (the Committee).

CHAPTER 2: THE HOUSING REHAB COMMITTEE

I. MEMBERSHIP

The Housing Rehabilitation Committee shall consist of the following members, as appointed by the Mayor and approved by the Common Council:

- A. One member of the Common Council appointed for a one-year term.
- B. Four citizen members appointed for one-year terms with varied backgrounds in areas such as finance, housing, construction, and programs for low- to moderate-income persons.
- C. The Grant Coordinator, and on occasion, the Director of Planning and Development, shall be non-voting ex-officio members of the Housing Rehabilitation Committee.

II. PROCEDURES

At its organizational meeting, and annually thereafter, the Housing Rehabilitation Committee shall select a Chairperson. The Grant Coordinator, as assignee of the Director of Planning and Development, shall serve as Secretary to the Committee and may participate in the deliberations of the Committee.

CHAPTER 3: ELIGIBILITY REQUIREMENTS

I. PROPERTY REQUIREMENTS

- A. In order to be eligible for rehabilitation loan assistance, a residential property must:
1. be located in the corporate limits of the City of Sheboygan;
 2. require at least \$2,500 of rehabilitation work to meet the Housing Code and/or other appropriate City and State codes and rehabilitation standards;
 3. be structurally able to be placed in a sound and readily maintainable condition
 4. if located within Zone "A" as shown on the latest edition of FEMA's Flood Insurance Rate Map, have flood insurance coverage in an amount equal to at least the total after-rehabilitation debt against the property;

II. APPLICANT REQUIREMENTS

A. Owner-Occupied Residential Structures

In order to be eligible for a loan, an applicant must:

1. meet current HUD income eligibility requirements
2. be the year-round owner-occupant of a one (1) to four (4) unit structure used exclusively for residential purposes;
3. provide all financial data and other relevant information necessary to document the applicant's eligibility and give City Development staff permission to obtain verification of such information from appropriate sources;
4. at all times during the application process and the term of the loan, have all real estate taxes and special assessments paid or under a City-approved payment schedule;
5. be current on mortgage payments, if any, and free of all judgments and liens which may adversely affect the City's collateral position;
6. at all times during the term of the loan, have a hazard insurance policy with coverage equal to the total debt against the property or the full replacement value, whichever is less.
7. agree to permit all property inspections by City Development staff, City inspectors (and State, Federal officials when requested); and
8. be the fee simple owner of the property or have title to a property subject to a mortgage(s).

B. Renter-Occupied Residential Structures

In order to be eligible for a loan, an applicant must:

1. demonstrate both the willingness and financial ability to repay the rehabilitation loan and meet any outstanding or likely future obligations related to the property;
2. provide all financial data and relevant information necessary to document the applicant's eligibility and give City Development staff permission to obtain verification of such information from appropriate sources;
3. if located within Zone "A" as shown on the latest edition of FEMA's Flood Insurance Rate Map, have flood insurance coverage in an amount equal to at least the total after-rehabilitation debt against the property;
4. be current on mortgage, if any, and free of all judgments and liens which may adversely affect the City's collateral position;
5. at all times during the term of the loan, have a hazard insurance policy with coverage equal to the total debt against the property or the full replacement value, whichever is less.
6. agree to permit all property inspections by City Development staff, City inspectors (and State, Federal officials when requested); and
7. be the fee simple owner of the property or have title to a property subject to a mortgage(s).

CHAPTER 4: LOAN, DEBT & OTHER UNDERWRITING STANDARDS

I. LOAN LIMITS:

- A. The minimum loan that will be made under this program is \$2,500
- B. The maximum loan for a single-family or multi-family dwelling is \$24,999.99
- C. Loan limits are subject to the debt limit constraints described in Section II below.

II. DEBT LIMITS

The maximum ratio of total debt encumbering the property (including the rehabilitation loan) to the property's after-rehabilitation value is 90%.

III. TYPES OF LOANS

A. Owner-Occupied

- 1. Qualification for the program is based on total household income for the applicable number of residents and must fall within HUD's low- to moderate-income (LMI) limits.
- 2. All eligible owners occupying a residence shall repay the loan as outlined in the Repayment Schedule (Attachment A)
- 3. For applicants whose income is below 50% of the median income, the loan is deferred (no monthly payments) with no interest charges. The loan is repaid when the owner sells or moves out of the property.
- 4. For applicants whose income is above 50% but below 80% of the median income, monthly payments of principal and interest are required. The interest rate will vary from 0% to 4% depending on income.

B. Renter-Occupied

- 1. Qualification for the Program is based on tenant income which must be below HUD's limits (see Attachment A).
- 2. At the time of closing, the landlord will be required to deposit 25% of the project cost into the City's escrow account. The City will loan the remaining 75% of the project cost at 4% interest for a term not to exceed fifteen years.

CHAPTER 5: ALLOWABLE REHAB COSTS

I. ELIGIBLE COSTS

A. Code-Related

1. *Existing code violations*

- a. Program funds may be used to correct existing violations of the City Housing Standards Code (CHSC).
- b. Generally, needed rehabilitation work will be based on methods and materials of "least cost" which are available to bring the property into compliance with applicable property rehabilitation standards (CHSC, and where applicable, various State and local building, zoning, plumbing, and energy codes.) However, when the use of such work methods and materials would likely result in a **recurrence of the violation(s) within a five-year period and/or** require an unreasonable level of maintenance to avoid such recurrence, the cost of such work may be based on more expensive work methods and materials, or on the replacement of the structure's element;

2. *Incipient violations*

Program funds may be used to correct "incipient violations" of the City Housing Standards Code and other applicable property rehabilitation standards. An incipient violation exists if, at the time of inspection, there is an element in the dwelling which, due to age, deterioration, wear, or normal usage will deteriorate within the life of the grant period and become a code violation.

3. *Conversion of properties with a zoning designation of non-conforming use*

Program funds may be used to convert a residential unit currently classified a non-conforming use to a become a conforming use;

4. *Energy conservation*

Program funds may be used to improve energy efficiency through various means including, but not limited to, insulation, caulking, weather stripping, storm windows and doors, etc.

B. Other Eligible Costs

1. *Building permits*

Program funds may be used to cover the cost to obtain building permits as required to carry out the proposed rehabilitation work. Contractors are required to pay permitting fees so these costs should be considered when bidding and be included in the approved contract amount.

2. *Achieving sound and readily maintainable condition*

Program funds may be used for work that results in the property being structurally sound and in a condition the owner can reasonably maintain. Such costs may include, but are not necessarily limited to:

- a. The rehabilitation, removal, or replacement of existing elements of the structure, including the basic equipment (furnaces, water heaters, siding, roofing, flooring, plumbing, etc.);
- b. The construction, reconstruction, or removal of other improvements such as fences, porches, walkways, and driveways done in conjunction with improvements to the residence;

3. *Sewer and water laterals*

Program funds may be used to repair or replace infrastructure necessary to achieve the safe and consistent inflow of water and outflow of sewage.

4. *Architectural barriers and ADA compliance*

Program funds may be used to make modifications to existing structures to remove barriers that restrict the mobility and accessibility of the elderly and disabled. All work performed in these units must comply with applicable codes as well as federal and state regulations.

5. *Lead-based paint*

Program funds may be used to remove or control lead-based paint hazards in compliance with 24 CFR 92.355.

6. *Administrative costs*

Program funds may be used to cover costs incurred during the underwriting process and provision of loans such as title reports, recording fees, lead assessment and testing, etc.

II. INELIGIBLE COSTS

Except as otherwise provided for previously in this chapter, the Program does not provide funding for the following:

A. *New construction or additions*

Program funds may not be used to construct, substantially reconstruct, or expand a structure, or to remodel unfinished spaces such as attics and basements.

(EXCEPTION: Costs may be allowable if the expansion or remodeling is intended to relieve overcrowded conditions.)

B. *Excessive Quality*

Program funds may not be used to cover the costs of materials, fixtures, equipment, or landscaping of a type or quality which exceeds that which is customarily used for properties of the same general type or which are not readily available from local suppliers;

C. Luxury and non-built in items

Program funds may not be used for non-essential items (swimming pools, patios, landscaping upgrades, hot tubs, custom cabinets, etc.) or to purchase, install or repair furnishings, appliances and other moveable items

D. Central Air Conditioning

Program funds may not be used to install or repair central air conditioning units

(EXCEPTION: Costs may be allowable provided the loan applicant can provide proof of need from a licensed medical professional.)

E. Maintenance

Program funds may not be used to purchase or repair items used in the regular upkeep of the property such as housecleaning, lawn care and snow removal.

F. Homeowner labor

Program funds may not be used to compensate the owner for work performed on their property.

CHAPTER 6: LOAN ADMINISTRATION

I. OUTREACH AND PUBLIC INFORMATION

- A. The City of Sheboygan will continue its efforts to market the Housing Rehabilitation Loan Program in a manner that reaches all community members.
- B. Marketing materials related to the Housing Rehabilitation Loan Program are available in English, Spanish and Hmong.
- C. Marketing materials include information identifying the City's commitment to fair housing laws and affirmative marketing policy. Equal opportunity is emphasized in written materials and oral presentations.
- D. Forms of marketing may include fliers, brochures, newspaper ads, articles, and public service announcements. Fliers and brochures are distributed at local government buildings, other public buildings, and to businesses that assist those not likely to apply without special outreach. Advertisements and articles are published in newspapers that are widely circulated within the community.
- E. The Grant Coordinator and other City Development staff are available to meet with potential applicants to provide program information and technical assistance. Translation services are available to ensure potential applicants understand the information provided.
- F. Data on applicant characteristics is collected and compared with the City's demographics. Should this reveal segments of the population which are underserved in the Housing Rehabilitation Loan Program, a plan to better reach them and connect them with the Program will be developed and implemented.
- G. The City of Sheboygan will work to ensure that all persons have access to the Program. No person shall, on the grounds of age, ancestry, color, creed, mental or physical disability or handicap, marital or familial status, medical condition, national origin, race, religion, gender, or sexual orientation, be excluded, denied benefits, or subjected to discrimination under the Program. All outreach efforts will be done in accordance with federal fair lending regulations to ensure nondiscriminatory treatment, outreach, and access to the Program.
- H. The Director of Planning and Development and the Grant Coordinator, as their designee, are responsible for providing public information regarding the City's housing programs.

II. PRE-SCREENING

All persons who contact the Department of City Development for rehabilitation assistance will be provided an overview of the Program. If interested in moving forward, they will then be asked if they have a computer or other device with which to access the internet.

- A. Potential applicants with internet access will be directed to the City's application portal

(<https://portal.neighborlysoftware.com/SHEBOYGANWI/Participant>).

After registering for an account using their email address, they will complete a short questionnaire to determine preliminary eligibility for the Program. Information about the applicant's household size, and income, property location, and ownership information will be requested.

Once completed, the Grant Coordinator will review submitted responses to establish initial eligibility.

1. If the Program's pre-qualification parameters are met:
 - a. The Grant Coordinator will open the full application and notify the individual that they may now complete their request for assistance by logging back into the portal and submitting the required information and documentation.
 - b. After opening the full application within Neighborly, staff will configure a task which will be visible to both the applicant, and the Grant Coordinator or other assigned staff.
 - c. After 45 days, a reminder of the upcoming due date will be sent.
 - d. If the application has not been submitted, a final notice will be sent to potential applicants on the day that it is due. The notice will inform the applicant that their file is due to be closed in five days unless they either log into the portal or contact the Grant Coordinator for an extension.
 - e. If there has been no contact from the applicant or activity within the portal, the Grant Coordinator will close the file at the conclusion of the five days.
 - f. The applicant will be notified that their file has been closed and informed that they may re-apply in the future but will need to begin the process again to do.
2. If the pre-screen indicates the potential applicant does not meet the Program's requirements, the applicant will be notified that they do not currently qualify for the Program and will be provided with:
 - a. the reason(s) for non-eligibility;
 - b. possible corrective actions, if applicable;
 - c. the process for appeal should they disagree with the determination.
- B. Potential applicants without internet access will be asked a series of pre-screening questions to determine initial eligibility. Information about the applicant's household size, and income, property location, and ownership will be requested.
3. If Program parameters are met:
 - a. the Grant Coordinator will inform the applicant caller of their preliminary eligibility and ask to schedule a time to meet with them to complete the application.

- b. the caller will be provided with the list of required documentation and asked to bring all items to their appointment.
 - c. if unable to complete the application at City Hall, the Grant Coordinator will explore alternative options with the caller and make arrangements accordingly.
- 4. If the potential applicant does not meet the Program requirements
 - a. they will be notified that they do not currently qualify for the Program and provided with:
 - i. the reason(s) for non-eligibility;
 - ii. possible corrective actions, if applicable;
 - iii. the process for appeal should they disagree with the determination.

III. PROCESS TO APPLY

The applicant will provide detailed information and applicable supporting documentation* for all residents, regardless of whether the property is Owner-Occupied or Renter-Occupied.

- A. Information and supporting documentation* will be entered or uploaded into Neighborly, either remotely by the applicant or in conjunction with the Grant Coordinator, including:
 - 1. Information about each household member
 - a. Name
 - b. Date of Birth
 - c. Social Security Number
 - d. Employer
 - e. Contact information
 - f. Demographics
 - 2. Assets
 - a. Checking and Savings Accounts (*bank statement)
 - b. Investments (*brokerage statement, certificate of investment)
 - c. Real Estate (*deed, mortgage statement, property tax bill)
 - 3. Income
 - a. Wages (*paystubs)
 - b. Pension or Retirement benefits (*401k statement, IRA Form 5498, Retiree Account Statement, Statement of Benefits, etc.)
 - c. Social Security or Disability benefits (*benefit statement, check stub, bank statement showing SSA deposit)
 - d. Unemployment benefits (*benefit statement, check stub, bank statement showing deposit from DWD)

- e. Investment Income (*Form 1099)
 - f. Child support or Alimony (*payment history from Child Support Agency, court order of support, bank statement showing direct deposit)
 - g. No income (*Certification of Zero Income form)
4. The Property
- a. Property location (*property tax statement and proof of payment)
 - b. Mortgage status (*mortgage statement showing remaining principle balance)
 - c. Insurance status (*policy declaration and proof of payment)
 - d. Rehabilitation work requested
5. Other required documents
- a. Tax documents for all residents 18 and older (*most recent federal income tax return or non-filer statement)
 - b. Permission to verify application information (*Release of Information form signed by all residents 18 and older)
6. Additional information required for Renter-Occupied properties only (in addition to above)
- a. Number of dwelling units
 - b. Rents before and after rehabilitation
 - c. General tenant information (*completed Tenant Data Form for each unit)

IV. APPLICATION PROCESSING

In order to determine Program eligibility, after receiving the completed application and release forms, staff will:

- A. verify the accuracy of submitted applicant information by comparison with supporting documentation or via third-party verification
- B. complete the Income-Mortgage Worksheet to determine current debt-to-value ratio, potential funding amount, and loan terms
- C. request a title search report to confirm that there are no liens and/or judgments on the property

V. DENIAL OF SERVICES

- A. Household income over limit
- B. Debt-to-Value Ratio exceeds 90%
- C. Liens or judgements against the property
- D. Unresponsive to requests from staff for information, to schedule inspections, etc.
- E. Providing False Information

(PLEASE NOTE: If an applicant falsifies or provides misleading information in an application, the applicant may be *permanently disqualified* from participation in the Program and will be required to *repay any Program assistance* already expended. Examples of this may include failure to report income from employment, or failing to report an accurate account of residents in the household.)

F. Health and Safety Concerns

(In some circumstances, assistance may be denied due to the magnitude of health and safety issues. It is the policy of the City of Sheboygan and HUD to correct all code violations during the rehabilitation of the unit. Refusal by the homeowner to correct code violations or to abide by any other applicable program policy such as those listed above may result in denial of assistance.

Sheboygan staff and contractors must be able to perform rehab measures without threats to their health or safety and in a non-hostile work environment. perform rehab measures without threats to their health or safety and in a non-hostile work environment. Work will not be performed in homes that are structurally unsound and should be condemned, substantially infested with vermin, or homes with electrical or plumbing hazards that cannot be resolved prior to or during the rehab.)

In all cases of denial, the applicant will be informed in writing when services are denied or withdrawn. The denial notice will include instructions for appeal of the denial or steps that can be taken to allow for rehabilitation services to proceed, if applicable.

VI. ARCHITECTURAL AND ENVIRONMENTAL REVIEW

Following a determination of Program eligibility, staff will complete required reviews:

A. Section 106 Architectural Review

1. Staff will use a survey of significant properties located within the City of Sheboygan. The survey was completed by Legacy Architecture, an architectural firm specializing in historic properties, and received approval by the Wisconsin Historical Society to use for this purpose
2. If a property is found to be of historical significance, all procedures necessary to complete the work will be followed per the Secretary of Interior's Rehabilitation Standards.

B. Environmental Review

1. Using the HUD Environmental Review Online System (HEROS), staff will complete the required review and submit the necessary documentation.
2. If a concern is uncovered by the review process, the homeowner will be notified of the issue and any applicable course of action available.

VII. INSPECTIONS

The designated Building Inspector and the Grant Coordinator will perform an Initial Inspection of the property to

1. verify the presence of operational smoke and CO2 detectors on each floor
2. identify safety hazards and code violations requiring attention
3. determine the scope of Program eligible rehabilitation work
4. If the requested rehabilitation work includes electrical or plumbing work, the appropriate inspector(s) will also attend the initial inspection.

VIII. LEAD-BASED PAINT PROCEDURES

If the property was built prior to 1978, City staff will complete the Lead-Safe Housing Rule-Applicability Form (Attachment R) as part of the initial inspection. If the rehab work requested might potentially disturb lead-painted surfaces, if present, a certified Lead Inspector will also attend the Initial Inspection and will:

1. perform a visual assessment if the presence of lead-based paint is suspected, collect wipe samples and submit to an approved lab for analysis, in a timely manner
2. share results of analysis with the Grant Coordinator
3. If lead is present:
 - a. the project will require interim hazard control measures to ensure the property is lead-safe at project completion.
 - b. the selected contractor must be a certified Lead-Safe Renovator
 - c. Lead-safe practices must be observed
 - d. Satisfactory clearance results are required at the completion of work.
 - e. The contractor is responsible for ensuring the cleanliness of cleaning the unit so that it will pass clearance.
 - f. The CDBG program will pay for costs associated with the final lead clearance test.
 - g. All notices of final clearance testing shall be provided to the owner/occupants within 15 days of completion of the project.
 - h. If the clearance test fails, the contractor is responsible for the cost of any subsequent cleaning and clearance testing. Final payment will not be issued to the contractor until the lead clearance test has been passed.

IX. SPECIFICATIONS

- A. After the reviews and Initial Inspection are completed, the Grant Coordinator will prepare proposed specifications. These specifications will be based upon the information in transaction of the property, as well as the items that the homeowner requested to be rehabilitated.
- B. Once in draft form, the Building Inspector will look at the specifications to identify any glaring errors and to ensure congruent with the City's building codes and the International Property Maintenance Code (IPMC).
- C. After internal review, the Grant Coordinator will verify the project specifications with the applicant and select a date and time for the required Contractor's Bid Meeting.
- D. Finally, the Grant Coordinator will put together the Bid Package with the Request for Bids, specifications, and special conditions and will email this to all applicable contractors licensed or registered in the City.

X. BIDDING

- A. The Contractor's Bid Meeting takes place on-site on the date specified in the Bid Package.
- B. Contractors must attend if they want the option to bid.
- C. Contractors are encouraged to ask questions.
- D. After the bid due date, the City will tally up the bids and schedule an appointment with the homeowner to review the bids and select the contractor(s) to perform the work, typically the low bidder.

XI. COMMITTEE APPROVAL

- A. The Grant Coordinator will call a meeting of the Housing Rehabilitation Loan Committee at a time when a quorum is confirmed to be present.
- B. Prior to the meeting, the Grant Coordinator or assigned staff will prepare the following documents for the committee:
 - 1. Memo
 - 2. Info Sheet
- C. The Committee convenes and votes to approve or deny the application(s) before them.
- D. If denied, the applicant will be notified including
 - 1. the reason for the denial;
 - 2. corrective actions which may enable their project to move forward, if any
 - 3. the process to appeal the decision
- E. If approved the applicant may move forward with the final steps of the Loan process

XII. FORMAL CONTRACT AND CLOSING

- A. Following the Committee's approval, Grant Coordinator as designee of the Director of Planning and Development, will schedule a time for the applicant(s) to close on the loan.
- B. Closing documents are prepared including the following:
 - 1. The construction contract(s) (3 copies - Attachment F)
 - a. Contractor and Owner Agreement
 - b. the list of specifications
 - c. a copy of the lead-based paint risk assessment
 - d. the any other relevant attachments
 - 2. The mortgage note/contract (2 copies- Attachment G)
 - 3. The mortgage (2 copies- Attachment H);
 - 4. Truth in Lending Disclosure Statement (2 copies - Attach I)
 - 5. Lead-Based Paint Notice (2 copies- Attachment J)
 - 6. Borrower's Right to Rescind (3 copies - Attachment K)
 - 7. Proceed Order signed by Owner (2 copies- Attachment L)
 - 8. Agreement to deposit loan proceeds in an escrow account (2 copies - Attachment M)
- C. At the closing, the Owner will be given a copy of each loan document (two copies of the borrower's right of rescission.)
- D. If the property is a rental unit, the Landlord will be required to deposit 25% of the project costs in the City's escrow account.
- E. After the three days have expired for the borrower's right to recession, staff will register the mortgage with the Sheboygan County Register of Deeds.
- F. Copies of the construction contracts are then be sent to the contractor for signing.
- G. After returning the contracts, a copy of it and the Notice to Proceed is sent to the contractor.

XIII. CONSTRUCTION AND INSPECTIONS

- A. After obtaining and providing proof of the building permit, contractors may request up to 50% of the approved project total to order materials
- B. The remaining 50% is not payable until a satisfactory inspection is completed and the final inspection form is signed by the owner and the Building Inspector
- C. A copy of the original invoice from the Contractor shall be processed to City Finance for preparation of the check for the work.
 - 1. Partial waivers of lien (Attachment O) shall be obtained for all work that has been given partial payment.

- D. In rental loan cases involving private funds, payouts will normally be made first from the private loan upon inspection and authorization by the support staff.
- E. Final payments are made only after the job is completely finished, inspected, and final lien waivers (see Attachment O) granted.
- F. The Disposition of Rehabilitation Funds (summary of the projects and payments) shall be completed and signed by the Owner. (Attachment P)
- G. Any monies remaining the contingency fund must be applied to additional rehab work or used to reduce the outstanding balance of the loan

XIV. CHANGES TO WORK

- A. During construction, if the Owner requests changes to the scope of work, the Grant Coordinator will meet with the Owner to determine the extent of work needed.
- B. The City will obtain estimates, including one from the contractor working on the project.
- C. The City will review the estimates with the Owner and allow the Owner to determine who they would like to complete the work.
- D. The Owner will have three options to pay for the work:
 - 1. Either the Owner covers the expenses out of personal funds,
 - 2. If there is a contingency fund in the project, the work change can be covered under this.
 - 3. If neither of these two options works, the City shall secure another mortgage as a lien and allow the funds to be put into an escrow account to complete the work.

XV. DISPUTES

- A. Between the Applicant and the City

If a dispute arises between the loan applicant and any City personnel involved in the matter, an informal appeal can be made to the Department of City Development. If the complaint cannot be resolved at that level, a formal written complaint can be filed with the HRC and reviewed by the body.

- B. Between the Applicant and the Contractor

If a dispute arises between the applicant and a contractor, the matter is to be settled by those two parties. Staff may attempt to mediate the matter, but the responsibility for resolving it rests with the contracting parties.

XVI. SPECIAL PROCEDURES

- A. Repayment of Owner-Occupied Deferred Loans

All loans shall be repaid when the title of the property is transferred or it ceases to be the owner's principal place of residence.

B. Repayment of Landlord-Owned Rental Residential Loans

If the owner transfers title to the property during the term of the loan; the remaining balance of the loan shall be payable upon sale; otherwise, payments are due in accord with provisions of the promissory note.

C. Possible Need for Other Funding Sources

If the rehabilitation project involves work beyond the loan limits or within portions of structures occupied by non-LMI tenants, funds from private sources must be provided and placed into escrow account.

D. Emergency Projects

If a situation exists (i.e. inoperable heating system or defective roof) which the Project Manager determines to be of an immediate threat to the occupants of the property, the City of Sheboygan will handle this on an emergency basis provided that the owner(s) qualify for assistance. Only the improvements necessary to address the emergency situation will be treated at this time. Other non-emergency improvements will be addressed as described earlier in the Application Process section.

E. Subordination of Mortgage

If at a future date, the applicant wishes to refinance the first mortgage or place additional debt on the property , the City will not subordinate its mortgage unless:

1. The applicant meet current guidelines;
2. The applicant follows the approved policy (see Attachment Q) and submits all the required paperwork.
3. The Housing Rehabilitation Committee approves the subordination.

HOUSING REHABILITATION LOAN PROGRAM

REFINANCING POLICY

The Housing Rehabilitation Committee (HRC) will, on a case-by-case basis, review and approve or deny requests for a change in repayment of loans dependent upon a change in the applicant's financial status. The HRC will only consider changes in the payment terms of Owner-Occupied Housing Rehabilitation Loans.

To be reconsidered for a change in repayment terms of a Housing Rehabilitation payback loan, the homeowner shall provide the following items to the City of Sheboygan, Department of Planning and Development for review:

- A. Completed Owner-Occupied Refinancing Loan Application for revised payment terms.
- B. Copy of most recent Federal Income Tax Return.
- C. Current Financing Information

The reduced interest rate or deferred payment mortgage will be based on the most recent Federal Income Limits. Depending on the household size and the total income of all dependents over the age of 18 years, the repayment terms or deferred loan status will be determined based on the repayment schedule provided in the Owner-Occupied CDBG Rehabilitation Loan application.

Once the Department of Planning and Development has determined the borrower meets the requirements for a change in payment terms, the HRC will review each case and make the final approval. After the HRC has approved the revised terms, a memorandum will be sent to the City Finance Department outlining the changes. This policy was adopted by the Housing Rehabilitation Committee by a unanimous vote on November 4, 2021.

CHAPTER 7: DEFINITIONS

A. **Assets**

For the purpose of this program and the application of the asset limits, assets shall include all liquid assets such as cash, monies on deposit, stock, bonds, and other securities and any equity in non-homestead property. For purpose of this program, the owner's residence is not considered part of his assets.

B. **Basic Equipment**

Includes such facilities as a heating furnace, hot water tank, electrical and sanitary fixtures and garbage disposal equipment.

C. **Emergency of Hazardous Condition**

Includes unsafe condition caused by natural disasters, malfunction of heating equipment, sudden structural collapse, plumbing freeze-up, or similar conditions.

D. **Incipient Violation**

An existing condition of a structural element that is not in violation of an applicable property rehabilitation standard at the time of inspection, but which will likely deteriorate into an actual code violation within a one- or two-year period.

E. **Income**

Total household income shall include income from all sources of the family head and spouse, and each additional member of the family sharing the family household, who is at least 18 years of age. Annual family income includes, but is not limited to:

1. The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commission, fees, tips and bonuses;
2. The net income from the operation of a business or profession, or from rental of real or personal property;
3. Interest and dividends'
4. The full amount of regular, long-term periodic payments received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, or other similar types of periodic receipts;
5. Payments in lieu of earnings, such as unemployment and disability compensation, workmen's compensation and severance pay;
6. Public Assistance. If the public assistance payment includes an amount specifically designated for shelter and utilities, which is subject to adjustment by the public assistance agency, in accordance with the

actual cost of shelter and utilities, the amount to be included as income consist of:

- a. The amount of the allowance or grant exclusive of the amount specifically designated for shelter and utilities, plus
 - b. The maximum amount which the public assistance agency could in fact allow for the family for shelter and utilities;
7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not sharing the family household; and
 8. All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the household) who is the head of the family or spouse of the family head.
 9. Excluded in determining the annual family income is the income of any family member (other than the family head or spouse) who is under 18 years of age, or is a full-time student, and any nonrecurring temporary income such as inheritances, insurance payments (including payments under health and accident insurance, and workmen's compensation), capital gains settlement for personal or property losses, and foster child care.

C. **Low- and Moderate-Income Household**

A household having an income equal to or less than the lower income limits as determined by the U.S. Department of Housing and Urban Development (HUD) or the Wisconsin Department of Development (DOD)

D. **Housing Standards Code**

Chapter 21 of the Sheboygan Municipal Code is considered to be the Housing Standards Code.