

2018
BLUE EARTH
HOUSING & REDEVELOPMENT AUTHORITY (HRA)
HOUSING REHABILITATION PROGRAM
GUIDELINES

I. General Program Elements.

A. Goals and Objectives.

1. Housing rehabilitation activities shall seek to make a visible and substantial impact upon housing conditions, community appearance, property tax base, and overall quality of life in the community.
2. Rehabilitation is not remodeling. Remodeling is for convenience or cosmetic purposes. Rehabilitation deals with such considerations as: Energy conservation, and long-term preservation of the housing stock through the repair of basic features such as siding, roofs, electrical, plumbing, foundations, etc.

B. Targeting Criteria, Building Eligibility, Occupancy Status.

1. Any house participating in the Rehabilitation Program must be located within the City Limits of Blue Earth.
2. An Applicant for housing rehabilitation assistance must be the owner of a single-family dwelling exclusively used for residential purposes.
3. An Applicant must possess at least a one-third mortgageable interest in the property to be rehabilitated, either through a fee title, life estate, or contract for deed.
4. The dwelling which receives rehabilitation must be the principal place of residence of the Applicant. "Principal Place of Residence" means a dwelling which is occupied as one's home for at least nine months of the calendar year and in which the occupant resides at the time of application for housing rehabilitation assistance.
5. Vacant Dwellings.
 - a. Generally, vacant dwellings shall not be eligible for rehabilitation.
 - b. Applicants who are seeking to purchase, have purchased, or are in the process of purchasing a dwelling, but have not yet closed on the purchase or moved in, shall be able to apply for the Program and have their eligibility determined. However, no contracts for rehabilitation work will be executed until the Applicants shall have closed and established the property as their principal place of residence.

- c. Exceptions may be granted only if repairs are necessary to allow the dwelling to become a full-time residence within three months of the date of completing the repairs. In such cases, this three-month provision shall be condition of securing financial assistance from the Program. Violation of, or failure to fulfill, this condition shall make all Program financing immediately due and payable.
6. Not Suitable for Rehabilitation.
 - a. Some dwellings may be in good condition and will not need rehabilitation assistance. Although an Applicant may be otherwise eligible, the Program will not assist any dwellings which are not in need of significant repairs and do not have defects or deficiencies.
 - b. Some dwellings may have deteriorated to a point where rehabilitation is structurally not feasible. If a dwelling is found by the HRA and/or its agent to be in condition not suitable for repair, it shall be excluded from the Program.
 - c. Other Ineligible Buildings. Only permanent structures shall be assisted. The following are not eligible for assistance: Temporary structures, movable structures, out-buildings, or buildings used primarily for storage; detached garages; and other structures which do not meet the test of a principal place of residence.
- C. Income Eligibility. Eligibility for housing rehabilitation is based on the City of Blue Earth Housing & Redevelopment Authority income guidelines, which are subject to periodic revision and are based on household size and gross annual income.
 1. Household Size Calculation. "Household Size" means the sum total of the following persons who are residing in the house: Married couples, cohabiting partners, common law spouses, natural born children, adopted or foster children, and any other related or unrelated persons sharing the dwelling as their principal place of residence.
 2. Gross Annual Income Calculation. "Gross Annual Income" is defined in Appendix 1.

II. Program Alternatives.

- A. Financing Assistance. The Blue Earth Housing Rehabilitation Program serves a broad range of qualified Applicants. While the Deferred Loan and Repayable Loan segments of the Program address the needs of one category of Applicants, the Loan Guarantee segment addresses the needs of households that may not qualify for many other types of assistance.
 1. Loan Guarantees. The Loan Guarantee program is designed to facilitate financing for households in the upper range of eligibility. In simple terms, the Applicant obtains a loan from a Lender which is backed by a guarantee from the HRA.

Applicants will first need to visit with a Lender (bank, mortgage company, savings and loan, etc.) to determine if the Lender is willing to work with them to participate in the program. The Lender and the HRA will then work cooperatively to determine the Applicant's eligibility for a Loan Guarantee.

Specific details concerning an Applicant's eligibility for the Loan Guarantee program and its terms are found in Appendix 2.

2. **Deferred Loans.** A "Deferred Loan" carries no interest and no periodic payments, but is secured by a lien against the property. A Deferred Loan must be repaid in full in the event the property which is rehabilitated is sold, transferred, conveyed, or ceases to be the Applicant's principal place of residence within fifteen (15) years from the date of the Repayment Agreement. The terms of the Deferred Loan will match the Repayable Loan amortization schedule or the Deferred Loan will be forgiven when the Repayable Loan is paid in full, whichever comes first.
 3. **Repayable Loan.** A "Repayable Loan" is repayable financing with interest based on the published Ten Year U.S. Treasury rate at the time of closing, not to be less than 2.0%. Minimum monthly payments are required on this portion of the financing and shall not be less than \$50 per month or amortized for a term not longer than 15 years. Repayable Loans must be repaid in full, and shall be secured by a mortgage guaranteeing repayment of said loan. Repayment shall begin as of the first day of the month following the scheduled date for completion of the rehabilitation project, as evidenced by the completion date specified in the contract(s) for the project. There is no penalty for early pay off of this loan. A Repayable Loan must be repaid in full, less the amount of payments, in the event the property which is rehabilitated is sold, transferred, conveyed, or ceases to be the Applicant's principal place of residence within fifteen (15) years from the date of the Repayment Agreement or prior to completion payments to the City of Blue Earth.
 4. The maximum amount of Deferred Loan, or Deferred Loan plus Repayable Loan, is: \$25,000. A cap of \$25,000 lifetime per homeowner.
- B. **Determination of Assistance.** The determination of the type of assistance for which an Applicant may be eligible shall be determined according to household size and gross annual income, as found in Appendix 3.

III. Program Operation.

A. Eligible Improvements.

1. Each improvement must be physically attached to the dwelling and must be a permanent general improvement. Such improvements shall include alterations, renovations, or repairs which correct defects and deficiencies that directly affect the health and safety, habitability, energy consumption, or appearance of the dwelling.

2. The following types of improvements are considered eligible: Improvements which relate to health and safety concerns; any improvement resulting in a substantial weatherization and increased energy-efficiency of the unit; exterior painting and/or residing, as needed; structural and physical improvements to and the necessary replacement of roofs, roof drainage, floors, exterior walls, interior walls, stairs, foundations, supports, windows (including egress), doors, and other basic housing systems; and functional improvements to and the necessary replacement of electrical systems, plumbing fixtures, heating units (central air conditioning units), etc.

B. Ineligible Improvements. The following improvements are not eligible:

1. Detached garages, garage door openers, or any out-buildings; fireplaces, water softeners, or wood stoves; decks, patios, fencing, flagstones, gazebos, or landscaping beyond that which is necessary in connection with foundation and basement work; driveways and sidewalks, unless significant safety dangers are present; kitchen appliances, furnishings, carpeting/flooring (unless to return to start of work condition), decorative work, or other such improvements; room additions; or the payment, in whole or in part, of assessments for public improvements.
2. The Applicant may use bank loans, his/her own funds on hand, and other leveraged funds in order to undertake improvements which are not otherwise eligible for financing with Program funds.

C. Mobile Homes. Mobile homes shall not be eligible for rehabilitation with Program funds.

D. Lead-Base Paint. The use of lead-based paint in any aspect or portion of the construction process covered by this Program, or by any separate contracts or agreements entered into by the Owner and the Contractor, is prohibited. All contracts for rehabilitation work shall contain language incorporating this prohibition.

E. Building Owner's Insurance. Prior to placing a rehabilitation project under contract, the Applicant shall comply with the following insurance requirements pertaining to the house:

1. The Applicant shall keep the improvements now existing or hereafter built on the rehabilitated property insured as follows: Against loss by fire, hazards included within the term "extended coverage," and any other hazards for which the HRA requires insurance.
2. All insurance policies and renewals shall be acceptable to the HRA and shall include a standard "mortgage clause" and a "lender loss payee clause."
3. The insurance will be maintained until all Program financing obligations have been satisfied and in an amount sufficient to cover any and all outstanding indebtedness of the Applicant and of other creditors using the Applicant's property as security.
4. If the Applicant fails to maintain the coverage described above, the HRA may, at their option, obtain coverage to protect the HRA's rights in the mortgaged property according to the terms of the mortgage.

5. In the event of damage to, or the destruction or loss of, any portion of the mortgaged property, unless the HRA shall otherwise agree, the Applicant shall replace or restore such damaged, destroyed, or lost portion so that the mortgaged property shall be in substantially the same condition as it was in prior to such damage, destruction, and/or loss.
- F. Contractor's Insurance. The contractor(s) performing rehabilitation work shall provide the HRA with documentation of appropriate liability insurance and other coverage which indemnifies the HRA and holds the HRA harmless in the carrying out of the project. This documentation will be provided before any work begins.
- G. Contractor's Warranties.
1. The Contractor shall defend, indemnify, and hold harmless the Applicant, the HRA and its officers, staff, and agents, and the officers and staff of any other financing source, from all liability and claims for damages arising from bodily injury, death, property damage, sickness, disease, or other loss and expense resulting from or alleged to result from a Contractor's operations under this Program.
 2. The Contractor shall warrant to the Applicant and subsequent owners of the property that: All materials, hardware, and fixtures used in making repairs are of good quality and free from defects in workmanship or material, and the Contractor shall repair, correct, or replace at no cost to the Applicant or subsequent owners any defective workmanship or materials or deficiencies subject to warranty, upon written notice within two years from the date of completion and acceptance of work.
- H. Security Position. The Program will require a valid lien on the property for a Deferred Loan and/or Repayable Loan financing. The City Administrator will be able to approve a loan subordination when the request is for refinancing a first mortgage to lower the interest rate or shorten the length of the loan. The Program will allow the inclusion of reasonable closing costs in the new first mortgage.
- I. Tax, Utility, and Ordinance Compliance. No dwelling shall receive assistance if any property taxes are delinquent and unpaid, nor shall it receive rehabilitation assistance if the Applicant is not current with all City utility payments (water, sewer, garbage, etc.). Applicants may apply for the program and have their eligibility determined, but no rehabilitation work shall be placed under contract unless property taxes are paid in full as of the most recent tax period and City utilities are fully paid. No dwelling shall receive assistance if the Applicant is in violation of any existing City, County, State, or Federal property-related law or ordinance.
- J. Default, Bankruptcy, Judgments. No building shall receive assistance if the owner is in default of a mortgage, contract for deed, or comparable obligation, or, the owner is currently engaged in bankruptcy proceedings, or there are unpaid court judgments filed against the property or the owner.

- K. Refinancing, Work in Progress, Previous Improvements. No funds from the Program shall be used to refinance existing debt of any form. No funds shall be used in full or in part to pay for any repairs or improvements which may be in progress or which may have begun prior to the Applicant's application for assistance.
- L. Applicant's Own Labor. An Applicant will be allowed to provide the labor for their own rehabilitation project and do the repair work on their own, provided that: A minimum of two bids are obtained on the materials to be used; the Applicant will not be paid for his/her own labor; donated labor reduces the total cost of a project, with the value of donated being subtracted from the cost of a project; the HRA or its agent agrees that the Applicant demonstrates sufficient skill and ability to perform the rehab work; and the Applicant agrees to close monitoring of the work by the HRA or its agent.

IV. Program Administration.

- A. The primary contact person for Program information, record-keeping, and administrative tasks shall be the HRA Executive Director.
- B. The HRA may retain such assistance as may be necessary to accomplish the goals and objectives of the Program. Costs associated with such services are eligible for payment by the Program.
- C. Application for Assistance. Applicants shall complete an "Application for Rehabilitation Assistance" form.
- D. Verification. All applicable information which is relevant to the Applicant's eligibility and concerning income, assets, and other facts reported to, or brought to the attention of, the HRA shall be independently verified. The HRA shall, with written permission of the Applicant, obtain third party verifications from the appropriate sources and shall use the verified information to determine eligibility for rehabilitation assistance.
- E. Inspections, Work Scope, Bid Specifications. Following initial submittal of Applicant's project scope report, a written review shall be prepared. This will ensure itemized repairs are delineated and shall be prepared in sufficient detail so as to allow contractors to base their bids upon. HRA staff shall coordinate with homeowner to complete this review. The homeowner will authorize the project and no additions will be accepted. Only deletions to the project scope report will be allowed. When the project is completed the homeowner will schedule all required inspections with the City Building Inspector in accordance with City Ordinance.
- F. Contracting.
 - 1. Cost Quotes. After receiving the work write-up, the Applicant shall solicit written cost quotes from contractors, using the work write-up described above. A minimum of two quotes per trade shall be required. Quotes from general contractors who are responsible for all aspects of the project are preferred. Quotes must be returned from the contractor in a sealed envelope. Quotes must be on Bid/Contract form.

2. Contracts will be prepared by the Program staff, will be a contract between the Applicant and the contractor(s), and will be awarded to the lowest qualified contractor unless one of the following occurs:
 - a. The cost quote is found to be unrealistically low and the contractor agrees to withdraw the quote in question.
 - b. The Applicant does not want the lowest-priced contractor to do the work. In that case the Applicant must pay the difference between the lowest cost quote and the preferred contractor's quote.
 - c. There appears to have been collusion between two or more contractors and/or the Applicant. Collusion among contractors will result in their being barred from further participation in the Program. Collusion involving the Applicant will result in the rehabilitation project being canceled and the Applicant being barred from the Program. Parties engaged in such practices shall be subject to legal action.
 - d. The contractor fails to quote according to specifications provided in the work write-up and it is impossible to compare that contractor's cost quote with those of other contractors.
3. Completion.
 - a. A maximum of 90 calendar days will be allowed for completion of contracted work on a house, beginning as of the date of the contract for the repairs. Failure to begin work by the completion date shall be grounds for termination of the contract.
 - b. This time period shall not be exceeded except by a written Change Order, which shall outline the circumstances which require an extension of time and shall specify a revised completion date. In the absence of such a Change Order, failure to complete work on time shall be grounds for termination of the contract.
 - c. A waiver of this time period may be granted upon the Applicant's request to the HRA.
4. Change Orders. Work which is not specified in the Work Write-Up will not be paid for by the Program without a written change order approved by the Program. Change Orders which increase costs of a project beyond the Program's maximum amounts of assistance shall be paid by the Applicant or by another financing source. The Applicant/homeowner MUST sign the change order.

5. Closing Costs. Closing costs will be paid by the homeowner. Such costs may include, but are not limited to, the following: Attorney fees; appraisal and/or inspection fees; title opinions, abstracts, and/or title insurances; mortgage registration tax and document recording fees. This amount may be paid by the Applicant at closing or can be added to the loan portion of rehabilitation assistance. If the Applicant wishes, the closing cost will be applied to Repayable and/or Deferred Loan based on the level the Applicant qualified for under the program.
6. Payment to Contractor(s). Interim and final inspections of work performed shall be conducted before partial or final payment to the contractor(s) in order to determine the completeness and quality of repairs. Substandard or incomplete work will not be paid for by the Program or the Applicant. Applicant/homeowner MUST sign all payment requests.
7. Checks & Lien Waivers. Program funds shall be disbursed by checks issued the contractor. Appropriate lien waivers must be provided by the contractor prior to the release of checks.

G. Other.

1. The setting of policies, priorities, and decision-making concerning the Program shall rest with the HRA.
2. All parties shall have full right to appeal any decision or action relating to the administration of the Program. Such appeals may be made in writing or in person to the HRA. In the event that the HRA is unable to resolve the dispute, an appeal may be filed with the City Council in accordance with the Council's existing appeals procedures.
3. Subordinations of the HRA's interest in the rehabilitated property may be granted on a case-by-case basis at the HRA's discretion.

Appendix 1 Gross Annual Income Calculation

Gross Annual Income Calculation. “Annual Income” means the household’s total income before taxes and withholdings, from any and all sources, received by all members of the household age 18 and older for the 12 month period following the application for housing repair assistance. Income that is temporary, nonrecurring, or sporadic is excluded. Annual Income is further defined as including:

1. The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
2. The annual income from operation of a business or profession. (Annual income realized from self-employment, business or farm operations, or other sources which is subject to significant fluctuation from year to year shall be calculated as the average gross profit from the previous two years as declared by the Applicant in Schedule C, F, E, or other forms, of the U.S. Internal Revenue Service Form 1040.) Schedule C, Part 1, Line 5.
3. Interest, dividends, and other income of any kind from real or personal property, or other asset.
4. The full amount of periodic payments received from Social Security net of Medicare premium deduction, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts.
5. Payments in lieu of earnings, such as unemployment and disability compensation, worker’s compensation, and severance pay.
6. Welfare assistance.
7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling.
8. Payments received for the care of foster children.
9. Any earned income tax credit to the extent it exceeds income tax liability.
10. Any other apparent and evident source of income which shall come to the attention of the Program.
11. Annual Income does not include: Casual, occasional, or irregular gifts; Amounts that are specifically for, or are in reimbursement of, the cost of medical expenses; Lump-sum additions to household assets, such as inheritances, insurance payments, and settlement for personal or property losses; Educational scholarships paid to the student or to the educational institution, and amounts paid by the Government to a veteran, for use in meeting the costs of tuition, fees, books, and equipment; Military pay to a household member in the Armed Forces while away from home; Income from employment of children under the age of 18 years; and Benefits such as Section 8 housing certificates or other public housing assistance.

Appendix 2 Loan Guarantee Eligibility Guidelines

See Appendix 3 for income eligibility criteria.

In addition, the Lender and HRA may set forth other criteria for determining eligibility for the Loan Guarantee Program. Such criteria may include, but are not limited to the following:

1. The maximum term on the loan guarantee is 15 years.
2. The maximum guarantee amount is 90% of the total housing rehabilitation loan, up to a maximum guarantee amount of \$35,000.
3. The Applicant shall have had no judgments within the previous four years, no bankruptcies within the previous four years, and no foreclosures within the previous five years.
4. The rehabilitation loan shall not cause the Applicant to have a post-loan debt-to-income ratio higher than 43%.
5. The loan guarantee will be provided on first and/or second mortgages only.
6. Applicants will be required to have a title search performed prior to loan closing.
7. Interest charged on the loan shall be the standard rate charged by the lender.
8. Loans must be closed within 6 months of the guarantee's approval by the HRA.



2018 Blue Earth Housing Rehabilitation Program Income Eligibility Guidelines

Applicant's Gross Annual Income													
		Level 1			Level 2			Level 3			Level 4		
Household Size		50% by a Repayable Loan + 50% of the Cost of Rehab to be Financed by a Deferred Loan			70% of the Cost of Rehab to be Financed by a Repayable Loan + 30% by a Deferred Loan			100% by a Repayable Loan			100% of the Cost of Rehab to be Financed Through the Loan Guarantee Program		
	1	\$24,700	or less		\$24,701	to	\$31,700	\$31,701	to	\$38,700	\$38,701	and	up
	2	\$27,200	or less		\$27,201	to	\$34,200	\$34,201	to	\$41,200	\$41,201	and	up
	3	\$29,700	or less		\$29,701	to	\$36,700	\$36,701	to	\$43,700	\$43,701	and	up
	4	\$32,200	or less		\$32,201	to	\$39,200	\$39,201	to	\$46,200	\$46,201	and	up
	5	\$34,700	or less		\$34,701	to	\$41,700	\$41,701	to	\$48,700	\$48,701	and	up
	6	\$37,200	or less		\$37,201	to	\$44,200	\$44,201	to	\$51,200	\$51,201	and	up
	7	\$39,700	or less		\$39,701	to	\$46,700	\$46,701	to	\$53,700	\$53,701	and	up
8+	\$42,200	or less		\$42,201	to	\$49,200	\$49,201	to	\$56,200	\$56,201	and	up	