



Program Guidelines

Revised 1/31 /2018

Table of Contents

Page

Page | 1

1)	Mission & History	5
2)	Governance & Responsibilities	6
	I. Governance	
	II. Membership	
	III. Loan Committee	
	IV. Program Administration	
3)	General Program Guidelines	8
	I. Program Funding	
	II. Affirmative Marketing Plan	
	III. Conflict of Interest	
4)	Application	10
	I. Income	
	II. Calculation of Income	
	III. Verifying Income	
	IV. Verifying Household & Assets	
	V. Lawful Presence	
5)	Qualifying Properties	12
	I. The Service Area	
	II. Occupancy Requirements	
	III. Housing Types	
	IV. Taxes & Insurance	
	V. HQS Requirements	
	VI. Loan to Value	
	VII. Loan Amounts	
	VIII. Second or Supplemental Loans	
4)	Loan Policies & Procedures	14
	I. Application	
	II. Loan Committee Business	
	III. Loan terms	
	IV. Acceptable Title Position	
	V. Required Disclosures & Loan Terms	
	VI. Equal Credit Opportunity Act	
	VII. Ownership & Encumbrance Report	
	VIII. Fees	
	IX. Security & Insurance	

Page

5)	Rehab Process & Procedure	18
	I. Contractor Selection	
	II. Construction Contract	
	III. Labor, Construction & procurement Policies	
	IV. Contractors	
	V. Lead-based Paint Testing	
	VI. Verification of Contractor Status & Insurance	
	VII. Statement of Work & Cost Estimates	
	VIII. Rehabilitation Contract	
	IX. Progress Payments	
	X. Change Orders	
6)	Final Inspection, Lien Waiver & Payments	20
	I. Section 3	
	II. Final Inspection	
	III. Request for Final Payment	
	IV. Payment to Contractor(s)	
7)	Grievance Procedure	20
	I. Complaints & Appeals	
	II. Grievances Concerning Contractor	
	III. Grievances Concerning Staff	
	IV. Defective Materials	
	V. Legal Remedies	
	VI. Homeowners Rights	
	VII. Program Rights	
8)	Loan Servicing	22
	I. Payments	
	II. Accounting for Payments	
	III. Loan Payment Due Dates	
	IV. Pre-Payment	
	V. Loan Re-payment Procedures	
	VI. Loan Servicing Fee	
	VII. Program & Misc. Income	
9)	Delinquency, Collection & Foreclosure Procedures	24
	I. Delinquent Loans	
	II. Collections Procedures	
	III. Foreclosures	
10)	Accounting & Record Keeping	25
	I. General Ledger	
	II. Keeping Accounts Separate	

III. Reporting
IV. Audit Requirements

11)	Safe Act Exemption	26
12)	CDBG-DR	26

The Larimer Home Improvement Program

Program Mission

The purpose of the Larimer Home Improvement Program (the Program) is to assist residents in our service area, who fall at or below 80% of median income as updated by HUD each year to rehabilitate and/or improve their homes. The underlying purpose of the Program is to be in compliance with and respond to the Consolidated Plan of all the participating jurisdictions and to preserve the existing housing stock for low and moderate income families in the Program's service area. In addition, the rehabilitation encourages residents to maintain their homes in a safe, healthy condition that encourages pride of ownership and pride in their neighborhood and communities.

History of the Larimer Home Improvement Program

The Program began as a coordinated effort between three jurisdictions—the City of Fort Collins, the City of Loveland and Larimer County. Members of each jurisdiction's Housing Authority, CDBG offices, Larimer County and City Planning officials formed a Task Force in the fall of 1993 to apply to the State of Colorado's Division of Housing to establish the Program by requesting the State's help in obtaining U.S. Department of Housing and Urban Development (HUD) funding. The Program was funded and utilized HUD's HOME and CDBG Program funds and, as such, complied with all the regulations and ordinances as set forth in HUD's HOME & CDBG Program regulations. Outside those regulations, the Task Force determined the local guidelines for the Program. The purpose of this document is to outline those specific guidelines.

The title of the Task Force was changed in 2001 to the Board of Directors. In June 2011, the Milliken Housing Authority requested inclusion into the Program and the Board of Directors of the Program approved that inclusion. Effective July 1, 2011 the Board of Directors added a fourth jurisdiction to include the Milliken Housing Authority and added their representative to the Board of Directors.

Governance & Responsibilities

➤ **Governance**

The Program shall contain a Board of Directors whose primary responsibilities shall be to establish the policies and guidelines governing the activities of the Program and to determine which member agency would be responsible to administer and manage the Program on a daily basis. The Board shall provide guidance and direction to the Program Manager and shall mediate any issues that come about in the process of administering the Program.

The Board of Directors shall be apprised of all the activities of the Program including its financials through an annual meeting scheduled Board of Director's meetings and bi-annual reports. Special meetings maybe called at any time to address issues, new programs or changes to existing program. The board may conduct votes via email if necessary. Attendance in person at scheduled meetings is preferred by all members. However, Board members who have a scheduling conflict may participate telephonically in the Board meeting so long as they can hear the entire proceedings of the meeting. The Board may call whatever special meetings it determines are required at any time and members may participate telephonically in those meetings so long as they can hear all conversations during the meeting. The Board of Directors may vote on any required business of the Program by being present at the meeting or by telephonic or electronic vote so long as all members of the Board have access to the same information and can witness the votes being cast.

➤ **Membership**

The voting members of the Board of Directors shall consist of representatives from each of the governmental jurisdictions within the Program's service area. The voting members include a representative from:

- a. The City of Fort Collins
- b. The City of Loveland
- c. Larimer County
- d. The Housing Authority of the City of Loveland
- e. The Fort Collins Housing Authority
- f. The Milliken Housing Authority

Ex-officio members of the Board of Directors shall be appointed by the Board of Directors to act in a support or advisory role to the Board and the operations of the Program. Ex-officio members of the Board shall have the same rights as regular members of the Board, except ex-officio members shall not have voting rights concerning Program policies and guidelines. Ex-officio members shall include:

- a. Director of Development, Housing Authority City of Loveland
- b. Director of Operations, Housing Authority City of Loveland
- c. Program Manager, The Larimer Home Improvement Program

➤ **Loan Committee**

The Program shall have a Loan Committee. The Loan Committee shall be appointed by the Board of Directors and shall have the authority, within these guidelines, to approve or deny all applications for loans and to recommend policy regarding the Program. The Loan Committee should have experience related to affordable housing and should have some knowledge of lending, banking, and real estate practices. The committee shall consist of Program Manager, Director of Development and Director of Operations.

Loan Committee responsibilities include:

- a. Review, approval or denial of all loan applications
- b. Determination of loan terms
- c. Development and implementation of loan policy
- d. Development and implementation of loan default policy

Some of the functions of the Loan Committee may be delegated to the Program's staff. The loan committee at any time may review the staff decisions made regarding applicant selection, loan terms, problem loans and foreclosures.

➤ **Program Administration & Staff**

The Housing Authority of the City of Loveland (HACOL) through its subsidiary 501(c)3 corporation, the Loveland Housing Development Corporation (LHDC) shall act on behalf of the jurisdictions to administer the day-to-day operations of the Program including loan processing and approval, financial management and reporting, and marketing activities. As the Program's Manager, HACOL/LHDC shall be responsible to the Board of Directors and provide quarterly financials and reports.

The Program Manager shall be an employee or a member of the staff of HACOL/LHDC who has been approved by the Program's Board of Directors.

HACOL/LHDC shall provide as part of its administrative function, individual(s) to serve as Loan Processor(s), Loan Servicing Agent(s), and Fiscal Manager(s). HACOL/LHDC shall be responsible for (1) preparing reports required by the Colorado Division of Housing and/or the Board of Directors, (2) qualifying applicants; (3) closing the rehabilitation loans, (4) managing and monitoring the construction rehabilitation process, (5) handling loan servicing and funding.

General Program Guidelines

➤ **Program Funding**

The main source of program funding will be a combination of State CDBG, HOME and affordable housing funds. The Program is divided into jurisdictions, Loveland, Fort Collins, Milliken and Larimer County. Each jurisdiction must contribute a monetary value to the Program in order to qualify for State funding. That value may be in the form of a cash contribution to the Program, or "in-kind" services such as permit fee waivers or personnel time dedicated to the Program. The funds for each jurisdiction will be tracked as separate pots of money to be used within their jurisdiction. In the event no homes can be found for rehabilitation within a jurisdiction, the Board of Directors

may allow the excess state funds to be transferred to another jurisdiction taking into consideration the recommendation of that jurisdiction's voting member. All match money from a jurisdiction will remain and be used only in that jurisdiction.

➤ **Affirmative Marketing Plan**

All persons will be treated fairly and equally without regard to race, color, religion, sex, familial status, handicap or national origin in compliance with the Fair Housing Act and Section 504 of the Rehabilitation Act of 1973. The Program does not discriminate on the basis of handicapped status in the admission or access to its facilities, or treatment of or employment in its federally assisted Programs. The Director of Housing for HACOL/LHDC has been designated to coordinate compliance with the non-discrimination requirements contained in the Department of Housing and Urban Development (HUD) regulations and the implementation of the Section 504 (24 CFR Part 8, dated June 2, 1978) standards.

➤ **Conflict of Interest**

No person who is an employee, agent, consultant, officer, elected official or appointed official of the Program or its members or any person who has exercised any functions or responsibilities with respect to Colorado State Division of Housing (DOH)/other participating jurisdiction assisted activities, or who is in a position to participate in a decision making process or who shall gain inside information with regard to such activities, may obtain a financial interest or benefit from a DOH/other participating jurisdiction-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter.

If the Program staff believes a conflict of interest may, or has occurred, the Program Manager must send written notification to Colorado Division of Housing (DOH) and/or other participating jurisdictions the following information:

- Disclosure of the nature of the conflict.
- Name of the person that wishes to receive funds from the program,
- Is recipient an employee, agent, consultant, officer, elected official or appointed official of the recipient, or of any designated public agencies, or of sub recipient that have received funds from DOH/Other participating jurisdictions.
- Have participated in any functions or responsibilities with respect to the housing activities,
- Is in a position to participate in a decision making process or gain inside information with regard to such activities,
- May obtain a financial interest or benefit from an assisted activity,
- May have a financial interest in any contract, subcontract, or agreement with respect to an assisted activity, or with respect to the proceeds of the assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter.

Upon receiving the written notification, DOH/other participating jurisdictions will consider the following factors when determining whether or not to issue an exception:

- a. Whether the exception would provide a significant cost benefit or an essential degree of expertise to the Program or project that would otherwise not be available;
- b. Whether an opportunity was provided for open competitive bidding or negotiation;
- c. Whether the person affected is a member of a group or class of lower moderate-income persons intended to be the beneficiaries of the assisted activity, and the exception will permit such person to receive generally the same interests or benefits as are being made available or provided to the group or class;
- d. Whether the affected person has withdrawn from his or her functions or responsibilities, or the decision making process with respect to the specific assisted activity in question;
- e. Whether the interest or benefit was present before the affected person was in a position as described above;
- f. Whether undue hardship will result either to the recipient or the person affected when weighed against the public interest served by avoiding the prohibited conflict; and any other relevant considerations

After completing its review process, should DOH/other participating jurisdictions issue an exemption to this conflict of interest, they would require that (1) employees of the Program, whom this affects, are not permitted to perform eligibility or certification, recertification, HQS inspections or any other function concerning the family member's file or their own; and (2) an outside agency must perform the above listed functions for the family or the employee and inform DOH/ other participating jurisdictions of who will be the responsible party; and (3) the Program must provide written documentation to DOH/other participating jurisdictions that the nature of the conflict of interest and relevant information has been disclosed to the Program's Board of Directors accompanied by an assurance there has been public disclosure of the conflict and a description of how the public disclosure was made.

DOH Asset Manager and/or other participating jurisdictions assigned staff will respond in writing that the *conflict of interest prohibition has been be waived for good cause or has been denied for good cause* and provide a waiver to the situation citing the factor(s) that were taken into consideration in making the determination.

Application

A preliminary application must be completed by all person(s) who hold title to the property. This includes listing all household members, their income and asset information, and household bills including mortgage and utility payments.

HUD requires that all agencies receiving federal funds collect applicant demographics. Applicants will be requested to identify race and ethnicity at the time of application. It should be explained to the applicant that this is to meet federal reporting requirements and is not considered a part of the application review.

➤ **Income**

The State requires that all households participating in the Single Family Owner-Occupied Rehabilitation Program (SFOO) meet specific income limits as determined by HUD, based upon household size.

To be eligible to participate in the Program, household income must not exceed 80 percent (80%) of the median income for the County of residence, which is adjusted for family size.

➤ **Calculating Income**

Annual income is the gross amount of income that is anticipated to be received by all members of the household during the twelve months following the effective date of determination. Income includes all wages, financial assistance from Social Security, Veterans Administration, alimony, child support, unemployment, earning on all assets over 5K and any other income from any other sources shall be considered as household income.

To determine a household's income a "snapshot" of the household's current circumstances is used to project future income. In general, the Program should assume that today's circumstances will continue for the next 12 months, unless there is verifiable evidence of the contrary. For example, if a head of household is currently working for \$10.00 per hour, 40 hours per week, the Program should assume that this family member will continue to do so for the next year. Thus, estimated earnings will be \$10.00 per hour multiplied by 2,080 hours or \$20,800 per year.

This method should be used even when it is not clear that the type of income received currently will continue in the coming year. For example, assume a family member has been receiving unemployment benefits of \$100 per month for 16 weeks at the time of income certification. It is unlikely that the family member will continue on unemployment for another 52 weeks. However, because it is not known whether or when the family member will find employment, the Program should use the current circumstances to anticipate annual gross income. Income would therefore be calculated as follows: \$100 per week X 52 weeks, or \$5,200.

The exception to this rule is when documentation is provided that current circumstances are about to change. For example, an employer might report that an employee currently makes \$7.50 per hour, but it will increase to \$8.25 an hour eight weeks from the time of income certification. In such cases, income can be calculated based on the information provided. In this example, the calculation would be as follows:

- \$7.50/hour X 40 hours/week X 8 weeks = \$2,400
- \$8.25/hour X 40 hours/week X 44 weeks = \$14,520

· \$2,400 + \$14,520 = \$16,920

➤ **Verifying Income**

The Program is responsible for the collection of income and asset verification documentation and such evidence must be retained in each participant's file.

Proof of income and assets include but are not limited to the following:

- a. Most recent pay stubs
- b. Retirement, disability or social security award letters
- c. Most recent federal income tax return
- d. Last three months of all bank statements-checking, savings and any other accounts
- e. Child support order

Income shall be verified utilizing third party verification format and other such procedures as necessary. Under this form of verification, a third party (employer, Social Security Administration or public assistance agency) is contacted to provide information to verify income. Although written requests and responses are generally preferred, conversations with a third party are acceptable if documented through a memorandum to the file that notes the contact person, information conveyed, and date of call. In addition the Program may obtain third party written verification by fax, email or internet. The Program must make adequate effort to ensure the sender is a valid third-party source. Documents provided by the applicant (pay stubs, tax returns, etc.) can be used as an alternative to third party verifications. Although easier to obtain than third-party verifications, a review of documents provided by the applicant often does not provide all necessary information. For instance, an employed applicant's pay stubs may not provide sufficient information about the average number of hours worked, overtime, tips and bonuses. In this case, the Program may also need to contact the employer to accurately project annual income. To conduct third-party verifications, the Program must obtain a written release from each household member that authorizes the third party to release required information.

➤ **Verifying Household Members and Assets**

Assets shall be verified utilizing third party verification format and other such procedures as necessary.

Proof of family size shall include but are not limited to the following:

- a. Birth certificates for minors
- b. Income Taxes Returns
- c. Driver's license or state issued identification for adults
- d. Custody orders for minors or disabled adults
- e. School records for minors

For all households applying for the Program all persons on title are considered household members and all persons in residence are considered household members for the purpose of determining eligibility.

➤ **Lawful Presence**

The Program must confirm that any individual natural person eighteen years of age or older is lawfully present in the United States pursuant to CRS 24-76.5.101 et seq., when such individual applies for public benefits provided with federal funds.

All household members 18 years and older must produce:

- a. A valid Colorado driver's license or Colorado identification card; or
- b. A United States military card or a military dependent's card; or
- c. A United States Coast Guard Merchant Mariner card; or
- d. A Native American tribal document

Qualifying Properties

➤ **The Service Area**

All homes must be located within Larimer County, or the town of Milliken.

➤ **Occupancy Requirements**

The home must be a single-family owner-occupied unit and must be the household's principle place of residence. If borrower ceases to occupy the property as his/her legal residence, repayment of the loan balance shall be due and payable immediately. If the owner dies, the surviving spouse may assume the loan under the same conditions of the original contract. If there is no surviving spouse, the loan balance is due upon estate settlement or sale of home. Borrower is required at closing to certify in writing the home will be owner occupied for the duration of the loan. Annually the borrower must sign a statement they are still living in the home as their primary residence and provide a copy of a utility billing statement. A verification of ownership such as a warranty deed, 99 year lease or O & E report will be requested.

➤ **Housing Types**

The following is a list of housing stock that is eligible for rehabilitation through the SFOO Housing Rehabilitation Program:

- a. Single Family residential properties
- b. Site built single-family homes.
- c. Duplexes
- d. Town homes
- e. Condominiums
- f. Manufactured homes on permanent foundations (or properly tied-down) on land owned by the homeowner.
- g. Manufactured homes on rental lots maybe eligible up to a maximum of \$5,000 for emergency repairs only.

The following is a list of housing stock that is ineligible for rehabilitation through the SFOO Housing Rehabilitation Program:

- a. Manufactured homes on land not owned by the homeowner (rented lot).
- b. Rental Property

➤ **Taxes and Insurance**

The property must be current on property taxes and proof in the form of a property tax receipt must be retained by the Program in each participant's file. The property must have hazard insurance and maintain hazard insurance through the term of the loan and proof of insurance must be provided and retained in the participant's file. Insurance must be adequate to all loans on the property and both the Larimer Home Improvement Program is required to be listed as loss payees. Residential areas that are designated by FEMA as flood-prone are required to maintain flood insurance in an amount adequate to all loans on the property. If property insurance and property taxes are not kept current on the home during the term of the loan the loan can be made payable in full.

➤ **HQS Requirements**

In order to qualify for a rehabilitation loan, the property must have a minimum of one Housing Quality Standard (HQS) deficiency or building code violation. If HOME or CDBG funds are used, all HQS or building code deficiencies identified must be corrected during the rehabilitation process and home must be brought up to current building codes.

➤ **Property Value**

The property value after completion of the rehabilitation assistance shall not exceed ninety-five percent (95%) of the median purchase price of the County. And total indebtedness shall not exceed 95% of its value.

Two (2) options are available to determine the median purchase prices for the County:

- a. HUD/FHA Mortgage limits
- b. Perform a local market survey to determine the median purchase price for the county.

The current value of the home shall be verified using one of the following methods and the documentation shall remain in the participant's file:

- a. Assessor records
- b. Appraisal (no older than 6 months)
- c. Comparable sales (no older than 6 months)
- d. Sale price of home, if purchased within the past 6 months.

Loan Policies & Procedures

THE PROGRAM IS AN EQUAL OPPORTUNITY LENDER. IT DOES NOT DISCRIMINATE AGAINST ANY PERSON IN ITS LENDING PRACTICES BECAUSE OF RACE, COLOR, RELIGION, SEX, HANDICAP, FAMILIAL STATUS, OR NATIONAL ORIGIN.

➤ **Loan Amounts**

Loans for rehabilitation generally cannot exceed \$24,999 nor can they be for less than \$3,000. The cost of any lead base paint mitigation or related inspection costs can be added to the maximum amount.

Loan applications where the total rehabilitation costs would exceed \$24,999 may be referred to the Board of Directors for special considerations. Such loans would require approval by a majority of the Board of Directors and the Colorado Division of Housing.

The Program's rehab loan may be made in combination with other rehabilitation funding options as long as the total after rehab property value does not exceed 95% of the area's median purchase price and the total loans do not exceed 95% loan to value.

➤ **Second or Supplemental Loans**

The Colorado Division of Housing (DOH) strongly recommends that as much rehab work as possible be done on each home under one loan request. A homeowner may not have two active Program loans on the same property at the same time unless an emergency health or safety situation has occurred and it has been more than 120 days from the date of the original loan application. Should an emergency health or safety situation occur within the first 120 days of the original loan application, those costs will be added to the existing loan and new terms will be created. This loan modification will require the re-recording of the loan documents to reflect the change in the Promissory Note and the Deed of Trust.

Should an emergency health or safety situation occur after the first 120 days of the original loan application date, the homeowner must file a new application and be approved for a second loan. Before the second loan can be granted to perform the emergency repairs the new application must be approved by both the Board of Directors and DOH.

If a down payment assistance client needs a rehab loan, the client must complete a separate application. The Program will treat the rehab request separately and if approved set up a separate loan.

Former clients, who have paid off their rehab loan, may apply for another loan for additional rehab on the same property. The homeowner would be required to submit a new application for the new loan and would have to re-qualify.

➤ **Application Evaluation**

Loan applications are received and evaluated by the Program Staff (Program Manager) and/or the Loan Committee.

➤ **Loan Committee Business via Phone Ballot**

A telephonic or electronic discussion and vote may be used to conduct Loan Committee business in situations when it is not possible to schedule a Committee meeting.

➤ **Loan Terms**

Simple Interest Loans--Interest Rate & Duration (Fully Amortized)

All loans are computed on a simple interest rate basis. Percentage rates on all loans range from 0% to 2% based upon income. 0-30%=0%, 31%-50%=1%, 51%-80%=2%

Loan terms (from 1 to 30 years) will be determined on a case by case situation, looking not only at the borrower's gross yearly income but looking at monthly debt and capacity for repayment. (For example, the borrower a senior on a fixed income that is not likely to increase, or is the borrower currently working with their earning potential likely to grow.) With a standard back end ratio target of no more than 43% debt to income, with consideration of mitigating factors allowing up to 55% debt to income. This will help determine what loan terms best fit their situation. Once the Program Manager has reviewed the borrower's financial situation, the monthly payment and loan term will be determined and discussed with applicant. If the applicant feels the payment and term are not doable with in their budget they can decline the loan and an alternate applicant will be selected. The Program is designed to have flexibility. It is not a one size fits all loan. Each borrower will be looked at on an individual case.

The Loan Committee may at any point in the life of the loan or at initial granting of the loan consider a deferred loan where no payment is due until a specific date, or when the property is sold or changes ownership. At that time, the loan will be paid in full. Generally these loans are made to families with incomes at or below 50% AMI or high debt to income ratios.

Deferred loans cannot exceed 25% of Program's portfolio. If deferred loans in the portfolio exceed 25% of the portfolio value, DOH must be notified and must approve any additional deferred loans until the portfolio ratio falls back under the 25% threshold.

Loans made outside the published guidelines of the Program require a recommendation of the Loan Committee to the Board of Directors. A majority of the Board of Directors must approve the Loan Committee's recommendation and must forward its action to DOH who shall have final determination concerning any loan which does not conform to the published guidelines.

➤ **Acceptable Title Position**

After the title work is deemed acceptable, the Program may take a first or second position on the title, as long as the value of the house is not mortgaged beyond 95% of current market value. In unusual situations, the Program may assume third position on the title under the following conditions:

- a. the equity requirement is met,
- b. the applicant has a reasonable credit rating (no active collections, current judgments, tax liens or bankruptcy within the last year) and
- c. The applicant demonstrates the ability to repay the loan.

➤ **Required Disclosures and Loan Documents**

All paperwork must be fully and clearly explained to the applicant. This is accomplished at an Initial Loan Closing which establishes the method of repayment, the interest rate, the loan terms, and creates a Deed of Trust and Promissory Note. The borrower(s) also receive a Federal Truth In Lending Disclosure Statement explaining the loan terms. The Deed of Trust, the Promissory Note, and the Truth In Lending Disclosure must be signed by the borrower(s). Additional documentation signed at initial closing would include a Hold Harmless form, an owner occupied affidavit, a tax lien affidavit, and a lawful presence statement with proper ID attached. The Program Manager ensures that each Deed of Trust is recorded with the Clerk of Court. Federal law requires the borrower(s) be given an additional 3 working days from the date of closing to rescind or terminate the loan. The borrower(s) must sign and return to the Program Manager a Statement of Non-Rescission within the 3 working days before the loan can become effective.

Once the rehab has been totally completed and all of the invoices have been paid, there will be a Final Loan Closing which represents any changes that occurred during the rehabilitation period. The Final Loan Closing contains the same information as the Initial Loan Closing with modifications to the Deed of Trust, Promissory Note, and the Federal Truth In Lending Statement. Should the loan amount or the terms of the loan be different, those modifications must be signed by the borrower(s) and the Program Manager will file the new documents with the Clerk of the Court.

After the Final Loan Closing the borrower(s) is mailed loan payment coupons and a loan amortization schedule within 2 weeks of closing.

➤ **Equal Credit Opportunity Act Disclosure**

In accordance with provisions of the Equal Credit Opportunity Act, there shall be no discrimination against the applicant on the basis of age, source of income, sex, race, marital status, national origin, religion or handicap. Information obtained by the staff and used by the Loan Committee to evaluate a loan application is kept confidential.

➤ **Ownership & Encumbrance Report**

An Ownership and Encumbrance (O & E) Report on the applicant's property will be obtained from a local title company. A full title policy will not be required unless irregularities are found in the O & E. Title insurance is desirable in such cases.

➤ **Fees to the Borrower**

Loan origination fees are not allowed. The only fees that may be charged to the client are the cost of the credit report, title fees and other fees for necessary information to provide the loan. These fees will be included in the loan unless the client wants to pay for those costs upfront.

➤ **Security & Insurance**

All loans must be secured by Deed of Trust with a due on sale clause, a Resident Homeowner Contract & Promissory Note. If the original Deed of Trust amount changes within the contract period, a Deed of Trust Modification Agreement is also required. After all papers are signed, the borrower is given copies of each document presented at the loan closing.

Rehab Process & Procedure

➤ **Contractor selection**

Once the initial loan documents have been completed, the process of securing project estimates from qualified contractors can begin. The home owner will be responsible for selecting the contractor. The Program's staff will assist the home owner in the "best practices" methods for making that selection and shall require that every attempt be made to ensure that women and minority contractors have an opportunity to submit estimates for the jobs. And ensure HUD's section 3 LMI employment opportunities are provide when feasible.

- **Construction Contract**

Once a contractor has been selected, the Construction Contract Closing meeting may take place providing the 3-day Right of Rescission has occurred and the Borrower's Statement of Non-Rescission has been signed.
- **Labor, Construction and Procurement Policies**

Labor and construction must conform to the specifications and provisions of the Federal Labor and Construction Standards. This ensures compliance with the Copeland Anti-kickback Act, the Contract Work Hours and Safety Standards Act, the Fair Labor Standards Act, Review Process for Water Works and Wastewater Projects, Minimum Wage Standards, Discrimination and Affirmative Action, Colorado Labor Preference Guidelines, and Federal and State procurement standards.
- **Contractors**

The construction contract is between the home owner and the contractor. The Program Manager and/or the appointed staff person acts as technical assistant and advisor for the property owner in dealing with the contractor during the rehab process. The Program inspector will do project inspections to insure all work is done according to local building code and program rehab standards (see rehab standards guide). Before and after pictures will be taken on all rehab projects. On small projects it may only require an initial inspection and a final inspection upon completion of the work. Larger projects where the contractor is making payment draws throughout the project will require the inspector to do progress inspections to insure work being paid for is complete at the draw request.
- **Lead-based Paint Testing**

Homes built prior to 1978 are inspected for lead-based paint to comply with The Lead-Based Paint Poisoning Prevention Act--Title IV (42 USC 4831) prohibiting the use of lead-based paint in residential structures constructed or rehabilitated with federal assistance. In addition, applicants are provided with the informational brochure, Lead-Based Paint, A Threat to Your Children (Revised: January 1993, U.S. Government Printing Office: 1993-351-568) to comply with the notification requirements of the Act. Contractors and remodelers must be certified in lead paint mitigation when working on homes built prior to 1978 and provide Program with certification.
- **Contractor Verifications**

Before contractor selection takes place, the Program staff person checks with the website www.sam.gov to insure the contractor is not on the debarred list. Contractor must carry a minimum liability insurance of \$1,000,000 and provide a certificate of insurance to the program. Contractor must provide a copy of his license and proof of Worker's Compensation Insurance when applicable. The program will make every effort to work with minority and women owned businesses in compliance with (section 3 MEBWE)
- **Statement of Work & Estimated Costs**

It is required that the property have a minimum of one building code or HQS deficiency to be eligible for rehab. If the property does, an HQS report and a preliminary project report is prepared from by Rehab Inspector. A listing the deficiencies, repair, rehab, or modifications requested by owner will be included in report.

After HQS deficiency and repairs are corrected, elective or cosmetic improvements may be done but may not exceed 20% of the loan. Public sidewalks, driveways, roads, streets, and out buildings are not eligible. A 10% allowance is added as a contingency to cover the unknowns found in rehab work. The initial loan amount is then determined by adding the estimated cost with the contingency plus any applicable loan fees. This amount is assumed to be the amount to be financed until construction and loan costs are finalized.

Rehab standards; this program has adopted the Colorado State Division of Housing Rehab standards. See attachment (Rehab Standards)

➤ **Rehabilitation Contract Prior to Work Start**

The contractor, homeowner and the Program staff person executes the Rehabilitation Contract that outlines the responsibilities of each of the parties to the contract. All parties must sign the Agreement. Attached to the Rehabilitation Contract is the Exhibit A - Statement of Work document and the contractor's written scope of work. The Rehabilitation Contract will clarify such details as work to be done, start date, completion date, verification of liability and workers compensation insurance, liquidated damages, progress payments, final payments, warranties, and building permits. All work must be performed in accordance with Local and State building codes as referenced in the contract.

➤ **Progress Payments**

Progress payments may be made in accordance with the agreements made in the contract. To initiate a progress payment, the contractor must submit an invoice signed by the homeowner to the Program for approval. After approval is granted, and a periodic inspection made, the invoice is submitted to the accounting department for payment.

➤ **Change orders**

Change orders must be in writing and signed by all those who signed the original contract. Change orders must be pre-approved prior to additional work being done.

➤ **Section 3**

Section 3 is a provision of the Housing and Urban Development (HUD) Act of 1968 that helps foster local economic development, neighborhood economic improvement, and individual self-sufficiency. The Section 3 program requires that recipients of certain HUD financial assistance, to the greatest extent feasible, provide job training, employment, and contracting opportunities for low- or very-low income residents in the project areas.

The LHIP program to comply with the Section 3 regulations will do as follows;

- Have all contractors fill out the Section 3 Certification and keep a data base of contractors that meet the Section 3 guidelines.
- Publish in the local newspapers an open application period once a year for new contractors to apply to be on the programs recommended contractor list.
- Post a notice in area businesses of employment opportunities created from program funding.
- Provide information materials to contractors encouraging them to also provide employment opportunities when feasible to low and very low income residents in the project area.

Final Inspection, Lien Waiver & Payment to Contractor(s)

➤ **Final Inspection/Certificate of Completion**

At the completion of the contractor's work, the Program Rehab Inspector performs a final inspection of the premises. The homeowner, contractor and inspector who oversaw the construction are all present at the final walk-thru. The home owner's signing of the Certificate of Completion verifies the home owner's acceptance of the work.

In the event items are identified on a punch list, those items must be completed/repaired before the Certificate of Completion and Final Inspection are signed off by all parties. When all work is completed to the satisfaction of all parties involved, a Certificate of Completion is signed by all parties. The final inspection report should not be signed until all are satisfied that the work has been completed as required by contract.

➤ **Request for Final Payment & Lien Waiver**

The contractor must submit his invoice with the home owner's signature. Once the final inspection has taken place, the Program staff person will prepare a Request for Final Payment and the accounts payable department will prepare the check. Before the check is released to the contractor, lien waivers must be signed and submitted by all subcontractors and contractors who worked on the project.

➤ **Payment to Contractor(s)**

The final check is mailed or presented to the contractor within the normal monthly check payment cycle as specified in their contract.

Grievance Procedure

If an applicant or participant has a grievance concerning the Program (i.e., actions of the Programs staff, contractor staff, procedures of The Program, work progress, work

quality, completion, etc.), the grievance must be submitted in writing no later than 30 days following completion and certification of the rehab. A copy of all written correspondence regarding the grievance will be kept in the participant's or applicant's file. Home owners waive all rights to an informal hearing if violence, and/or threatening, aggressive or menacing behavior towards program staff, contractors or anyone affiliated with the Larimer Home Improvement Program takes place.

➤ **Complaints/Appeals Concerning Applicant Selection for the Program**

The Loan Committee may hear appeals on an application that has been denied. Applications denied a second time by the Loan Committee may be appealed to the Board of Directors. The Loan Committee may, at its discretion, call a special meeting or special voting by the Board of Directors to evaluate difficult applications or those needing concessions and/or further consideration. Potentially controversial applications will be referred to the Board of Directors for policy clarification, the discussion of possible conflicts of interest, or the resolution of differences. The Board of Directors vote is considered final.

➤ **Complaints Concerning Contractors**

Complaints dealing with homeowners and/or contractors must first be filed, in writing, with the Program Manager, complaints should be addressed to: Program Manager Larimer Home Improvement Program, 375 West 37th Street, Suite 200, Loveland, CO 80538.

The Program Manager will acknowledge receipt of the complaint within 10 working days of receiving the complaint. The Program Manager will investigate the complaint and decide what needs to be done to mitigate the complaint.

The homeowner has a right to present any or all information in regards to their position. Working with both the contractor and the homeowner, the Program Manager will decide on a plan of action and will notify the homeowner and the contractor, in writing, of this plan of action.

If the homeowner wishes to appeal any decision made by the Program Manager, he/she must submit a written request to appeal the decision within 15 days to the Board of Directors or the Executive Director of the Loveland Housing Authority. Requests for Appeals should be sent to Executive Director or Chairperson, of The Board of Directors, for The Larimer Home Improvement Program at; 375 West 37th Street, Suite 200, Loveland, CO 80538. When a request for appeal is received, a copy of the request will be mailed and/or faxed to all Board of Directors members. A phone vote on the disposition to be taken may be performed or a special meeting of the Board of Directors will be called. The Board of Directors will notify the homeowner of its decision in writing.

In some cases, it may be necessary to conduct a hearing in order to determine all the facts in the case. In that event, all parties will be asked to attend the appeals hearing to

present their case. All decisions will be deemed as final. The arbitration process shall be as defined by the American Arbitration Association. If arbitration, law suits or legal action is taken by Owner/s or Contractor the Larimer Home Improvement Program (LaHIP) and the Loveland Housing Authority and/or its affiliates will not be a party to or represent either the Owner/s or Contractor. All costs associated with such action will be the responsibility of Owner/s and/or Contractor. The construction contract is between the Home Owner/s and Contractor.

➤ **Grievances Concerning The Program Staff**

In the event that applicants or borrowers have complaints pertaining to the treatment by the Program staff, they should first make their grievances in writing to the Board, addressed to the Larimer Home Improvement Program, 375 W. 37th St. Suite 200, Loveland, CO 80538 attention Board of Directors. A phone vote on the disposition to be taken may be performed or a special meeting of the Board of Directors will be called. The Board of Directors will notify the homeowner of its decision in writing.

➤ **Defective Materials, Workmanship and/or Equipment**

All claims for defective workmanship, materials and/or equipment must be made by the homeowner during the warranty period as specified in the Rehabilitation Contract. Such claims should be made to the contractor directly. The Program requires at a minimum all contractors provide a 1 year warranty.

➤ **Legal Remedies**

All decisions of the Board of Directors are considered final. The findings of the Board of Directors will be mailed to the applicant/participant. If the applicant or participant is not satisfied with the action of the Board of Directors, the applicant may take whatever legal steps he/she deems necessary and all costs shall be the responsibility of the applicant/participant. The program does not represent either party in a legal dispute. All contracts are between home owner and contractor.

➤ **Homeowners Rights**

Homeowners have the right to an informal hearing. The homeowners have the right to examine and copy (at the homeowner's expense) all relevant documents before the Informal Hearing. Homeowners have the right to present any or all information pertinent to the issue of the Informal Hearing; they may request that the Program staff be available or present at the Informal Hearing to answer questions pertinent to the case. The homeowner has the right to be represented by legal counsel or other designated representative at his or her own expense. Home owners waive all rights to any hearing if violence, and/or threatening, aggressive or menacing behavior towards program staff, contractors or anyone affiliated with the Larimer Home Improvement Program takes place.

The Program Rights

The Program Manager, staff or board members may present evidence and all or any information pertinent to the issues of the Informal Hearing. The Program Manager,

staff and board members have the right to examine relevant homeowner documents before the Informal Hearing. The Program shall be notified if the homeowner intends to be represented by legal counsel or another party at least 5 days prior to hearing. The Program has the right to have its attorney present and have any staff person or board member familiar with the case present.

Loan Servicing

➤ **Payments**

Loan payments are made payable to the Program and are mailed to the designated bank. A loan coupon must accompany the payment. The Bank receives the payment and makes same-day deposits directly into the Program's bank account.

➤ **Accounting for Payments**

Bank provides the Housing Authority's accounting department with a report showing the loan number and date of payment for record keeping purposes. A special loan servicing software (GMS) is used to print payment coupons, track payments and calculate loan pay-off amounts. A customer may receive information on the status of their loan at any time by contacting the Housing Authority's accounting department. Their telephone number is printed on each payment coupon.

➤ **Loan Payment Due Dates**

Loan payments are due on the 15th of every month, unless otherwise specified in the contract. The first payment on a new loan is due on the 15th day of the month following the final disbursement of loan funds. A late payment fee of \$10.00 is charged if the payment is received after the 28th of the month. Borrower will receive a charge of \$25.00 for any NSF check.

➤ **Pre-Payment**

Loans may be prepaid at any time without penalty.

➤ **Loan Re-payment Procedures**

The Program's Fiscal Officer will file a Release of Lien and Original Promissory Note with the service area's County Clerk and Recorder upon receipt of the final loan payment or payoff. The Fiscal Officer has 30 days from final payment or payoff to complete release of lien documentation.

Request for payoff's from a 3rd party require a formal request for payoff document with a minimum of 3 days notice. The request must include the payoff date and borrowers release of information. The request may be faxed, mailed or email to Program Manager or accounting clerk. Payoff statements will be returned within 3 days of request.

➤ **Loan Servicing Fees**

Loan servicing fees may not be charged back to the borrower(s). DOH approved loan servicing process to fund costs associated with loan servicing and Program administration.

➤ **Program Income & Misc. Income**

Program income is defined as all revenues received by the Program or loan servicing agency which result directly from a DOH subsidized activity. Program Income and expenditures must be reported to the DOH on a quarterly basis. Program Income includes, but is not limited to:

- Principal and interest payments
- Proceeds from the sale of loans and acquired real property
- Pay offs and
- Interest earned

All Program income and/or misc. income generated by the Program will be used to provide loan funds that would be available to other homeowners wishing to rehab their primary place of residence. All funds are subject to DOH guidelines and regulations. (See DOH Program guidelines for full details.)

Delinquency, Collection & Foreclosure Procedures

➤ **Delinquent Loans**

The following steps are taken when loans become delinquent:

First Warning

After the last day of the current month if payment has not been received, the loan will be considered delinquent. Individual delinquency letters will be written and mailed by the accounting department to each homeowner encouraging them to contact the Program Manager in order to discuss their account.

After the first warning letter is sent, the borrower may inform staff that they are having financial troubles, health issues or other issues that prevent them from making their

monthly payment. The Program Manager will attempt to assist them and arrange for ways they can become current with their payments.

➤ **Collection Procedures**

Second Warning

60 days - A second letter is mailed to the borrower by the accounting department. The Program staff is then notified of the delinquency.

The Program staff makes every effort to work with the family to get their loan back on track. Short deferments are allowed in hardship situation and in some cases loan terms can be adjusted. As long as the borrower is in communications, the Program Manager or staff will try to work with them. If the terms of the loan are changed or modified, a Promissory Note and Deed Modification Agreement will be filed with the county clerk.

If the borrower does not respond and is unable to be reached by phone, a certified letter is mailed to them. If the letter is returned unopened, the account is turned over to collections. If the letter is not returned but the borrower still has not contacted the Program staff the loan is turned over to collections after an additional 30 days. Once a loan has been turned over to the collection agency, if payment is received within 30 days of turning the loan over to collections, then the Program has the option of reinstating the loan and nothing is owed to the collection agency. If the entire balance is turned over for collections, the collections agency will retain fifty percent of recovered amount.

➤ **Grounds for Foreclosure**

In the event that it is discovered the borrower falsified income verification or other records or failed to report an income source that would have invalidated him/her from receiving the loan, the loan becomes due and payable immediately. If the borrower fails to make payments and fails to communicate with Program staff to negotiate a payment arrangement, the Program may elect to foreclose on the loan or send the loan balance to a collection agency. The Program will work with legal counsel if foreclosure is necessary.

Accounting & Record Keeping

➤ **General Ledger**

The Program fund within the Loveland Housing Development Corp. (LHDC) includes a balancing general ledger and financial statements which have been set up specifically for the Program. Each loan has a unique number which identifies the borrower, source of funds and jurisdiction (where home is located).

➤ **Keeping Accounts Separate**

Within the fund, the sources (i.e., matching money, Program income, revolving loan funds, HOME or CDBG funds) and uses (loans and grants) are segregated by jurisdiction so that at any time the Board of Directors may review the status of the Program by each

jurisdiction. Separate bank accounts must be kept for any revolving loan funds including HOME and CDBG.

➤ **Reporting to the Board of Directors**

The Program Manager prepares a report for presentation at the Board of Directors meetings. The report reflects a snap shot of the current activity and balance in each fund. The Program Manager also presents a full status report on the number of homes rehabilitated and completed, the number of loans in progress and the number remaining to be rehabilitated at the Board of Directors meeting. The Board can request additional information such as balance sheets, operating statement and/or audits for the Program.

➤ **Reporting to the State of Colorado Division of Housing (DOH)**

The Housing Authority's accounting department is audited as required by the State of Colorado Division of Housing (DOH). The Program will comply with format and reporting procedures outlined by DOH in its Monitoring Manual.

DOH requires that a Fiscal and Program Report to be filed quarterly when a Contract with DOH is open. That report is completed by the Program Manager and submitted to DOH by the required deadlines provided in the agreement.

➤ **Audit by an Independent Auditing Firm**

The Program books are audited during the Loveland Housing Development Corporation regular year-end audit (June 30). That audit is performed by an independent auditing firm. A copy will be sent annually to the Colorado Division of Housing.

➤ **Audit by the State of Colorado Division of Housing (DOH)**

DOH conducts a comprehensive on-site audit of the Program books and records prior to acceptance of the Project Completion Report (*HOME/CDBG* project close-out Report). In some cases, DOH may choose to conduct additional reviews in certain performance and compliance areas more than once during the course of the project.

➤ **Safe Act**

The program is currently managed by the Loveland Housing Development Corp. a 501c3 nonprofit organization and is therefore exempt from the Safe Act. Refer to the following HUD ruling. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT 24 CFR Parts 30 and 3400 SAFE Mortgage Licensing Act: Minimum Licensing Standards as of June 29, 2011.

➤ **CDBG-DR**

The CDBG-DR funding run under the management of the Larimer Home Improvement Program has adopted as written the Colorado Division of Housing Disaster Recovery Revolving Loan Fund Program Guidelines as written (see addendum A) along with the rehab standards.

