

Minnesota Small Cities Development Program Owner-Occupied Rehabilitation Guide

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Preface

The Owner-Occupied Rehabilitation Guide was developed to assist in the implementation and management of Small Cities Development Program (SCDP) projects.

Please refer to Owner-Occupied Housing Rehabilitation Forms Folder for electronic “sample” forms and templates. Modify and customize these to better suit your project needs.

The materials are presented in a manner that will assist program administrators in understanding the process. The order of completing tasks may vary among implementing entities.

If you have questions, please contact your respective SCDP Representative.

Environmental Review

An environmental review is a mandatory procedure for SCDP programs which receive its funding through the Community Development Block Grant (CDBG) funding. The completion of an environmental review is the first step in the grant implementation process once grant funds have been awarded. All grantees must conduct an environmental review for their grants before SCDP can release funds. If a funded activity already had an environmental review completed for another funding source, or the same activity from a previous year, that information can be used in the SCDP environmental review. However, certain steps must be taken independent of the previous review, to satisfy U.S. Department of Housing and Urban Development (HUD) requirements.

The environmental review process examines the effect that a project may have on people and natural environment surrounding a specific location, and ensures compliance with the National Environmental Protection Act of 1969 (NEPA) and its related laws.

To meet these requirements, eligible communities receiving SCDP funds must complete the environmental review process and submit a comprehensive Environmental Review Record (ERR) before the Minnesota Department of Employment and Economic Development (DEED), Small Cities unit can commit any funds to a project. While some tasks can be delegated to nonprofit organizations or private entities, the grantee assumes legal responsibility for the completion, accuracy, and timeliness of the environmental review.

The process and requirements for an environmental review depends on the size, location, and activities involved in a particular project. In general, projects with greater potential for environmental impact require a higher level of review. The city or county receiving SCDP funds must determine the appropriate level of review for their programs and submit the corresponding documentation to DEED Small Cities unit for review prior to posting or publishing for public comment.

When administering a housing rehabilitation program, a community may not have specific locations selected for its SCDP funded activities. To help facilitate this type of program, HUD allows communities to conduct tiered environmental reviews. Tiered environmental reviews divide the environmental review process into two parts; Tier 1 or Broad Level Tiered Environmental review which examines the general environmental conditions and considerations within a targeted area, while a Tier 2 review provides detailed information for a specific location. A tiered environmental review is normally used for rehabilitation activities that are Categorically Excluded Subject to Section 58.5. such as owner-occupied rehabilitation.

DEED Small Cities unit uses this tiered environmental review approach to streamline the SCDP allocation process. After the environmental review has passed the objection period, DEED Small Cities unit will issue an Authority to Use Grant Funds letter, a fully executed grant contract, payment calendar and a disbursement request form. This allows the grantee to move forward with its SCDP program. After the grantee identifies specific property addresses, Tier 2 reviews will be completed for each property.

Rehabilitation projects should not proceed until the Tier 2 reviews are completed.

The following provides additional details on the process and requirements for Tier 1 or Broad-Level Tiered Environmental review and Tier 2 environmental reviews.

A Tier 1 review or Broad-Level Tiered Environmental review begins by defining the boundaries of the target area that will encompass all subsequent projects included in the review. Depending on the level of review, the grantee must then provide the following for each compliance area:

1. Broad-Level Tiered Environmental Review addressing the entire target area with written standards describing how the grantee will demonstrate compliance with requirements that cannot be resolved through the Tier 1 review.
2. Certificate of Categorically Exclusion for HUD funded projects.
3. All partner worksheets and supporting documents.

All environmental compliance requirements that are resolved through the Broad-Level Tiered Environmental review, meaning the grantee determined no further review or no impact or requirements for mitigation are needed, are excluded from the Tier 2 review process.

As mentioned, when specific sites are selected for program activities, grantees are then required to complete a Tier 2 review that addresses those compliance areas that were not resolved in the Broad-Level Tiered Environmental review. This site-specific environmental review documents if all compliance standards are met or may need mitigation measures prior to the grantee proceeding with the project.

Historical Review

- A major component of the Tier 2 process is to conduct a historical review of the properties that you will be rehabilitating.
- If a property is at least 45 years old, you will need to send the State of Historical Preservation Office (SHPO) a photograph of the property, year the property was built, any known history of the building (example: did a famous architect design the home?) or any other information pertinent to your area, and the rehabilitation activities proposed for the home.
- SHPO will perform an evaluation of the property to assess if the home has historic properties. SHPO clearance will be needed to secure a valid Tier 2 review. Please refer to the Owner-Occupied Housing Rehabilitation Forms Folder for the sample document.

Reminder

You cannot begin work on properties until you have received clearance from SHPO. If your service area is not in a historic district and properties are not historically significant, SHPO has a turn-around time of about 30 days after you send in property photographs and relevant information. If your service area is in a historic district or if a property has historic significance, SHPO review may take longer.

As mentioned above, grantees must complete the entire environmental review process and submit any additional resources or documentation DEED Small Cities unit may request before any funds can be released. For more information on the environmental review process, please review [HUD Environmental Training Webinar for New Grantees](#) on SCDP's website under the Forms tab.

Developing Policies and Procedures

Planning strategically for when an application gets approved for funding and when implementation begins is critical for a smooth start. The first step is to establish a team to create a policy and procedure manual to use as reference in the administration of your program. Typically, staff that will have a role in working with the program delivery will have a role in this process. The local policies and procedures will be used as guidance for daily decisions until close out.

Reminder

If the author of the successful SCDP application does not have a role in administering your program, read the awarded application very carefully before creating a policy and procedure manual. The policy presented in the application will be what DEED Small Cities unit expects to be in the program policy and procedure manual.

Sample Policies and Procedures are provided separately. Some elements are listed below:

Fair Housing, Equal Opportunity and Affirmative Action

Begin your policies with a clear statement of the community's position about nondiscrimination. Indicate that no one shall be denied assistance based upon race, color, creed, religion, national origin, sex, marital status, reliance on public assistance, age, disability, or familial status.

Homeowner Responsibilities and Expectations

Please refer to the "Homeowner Responsibilities and Expectations" and the "Walk Away Policy" in the Owner-Occupied Housing Rehabilitation Forms Folder as a tool to assist homeowners become familiar with their roles, responsibilities and expectations. These forms can assist when it is necessary to cease a project if the homeowner is not cooperative.

Who is eligible for assistance?

The policies and procedures should outline eligibility criteria. This includes the following:

- Targeted community or neighborhood.
- Duplexes.
 - Not eligible for owner occupied housing even if occupied by a low-and moderate- income (LMI) property owner.
 - Eligible under the rental rehabilitation project. If one of the units are occupied by the property owner, the property owner must be LMI.
- Ownership needs to be verified, applicants need to or intent to occupy the home and the home must be the applicant's primary residency.
- Homes held in trust or homes with transfer on death deeds are ineligible for SCDP grants.
- The applicant's home cannot have an existing SCDP assisted loan that has not yet expired.
- Eligible property type (e.g., single family house, double-wide manufactured on a permanent foundation).
- Financing options.
- The length and form of ownership that is acceptable.
 - Grantees may choose to allow Contract for Deed or Life Estates properties to be eligible for assistance.
 - **For Contract for Deed properties:**
 - Both Contract Vendor (Seller) and Contract Vendees (Buyer) must sign all lien documents and repayment agreements must be recorded against the property

- Only the Contract Vendees (Buyer) has to be LMI eligible and must be the resident of the property
 - There is no forgiveness of loan if Contract Vendees (Buyer) defaults on the Contract for Deed (effective 5/1/2023)
 - No assumable loan
- **For Life Estate properties:**
- Both the Life Tenant (person living in the home) and the Remainderman (person who shares ownership of the property) must sign all lien documents and repayment agreements must be recorded against the property
 - Only the Life Tenant has to be LMI eligible
 - There is no forgiveness of loan in time increments (no descending forgiveness) if the Life Tenant no longer occupies the property.
 - No assumable loan
- Minnesota Urban and Rural Homesteading Program (MURL) homes are not eligible for SCDP funds.
 - Income limits by household size (80% county median income) as annually updated by HUD.
 - Documentation and verification of household income.

The policy should also address the current condition (before rehabilitation) of the property and if there are available resources for a successful rehabilitation. All policies should contain a definition of “suitable for rehabilitation” to help make decisions about denying participation due to current property conditions, if necessary.

Reminder

DEED Small Cities unit does not allow funding for single-wide mobile homes, even on a foundation, or rehabilitation of any owner-occupied structure in a 100-year floodplain.

Eligible improvements

Policies should clearly indicate what improvements are eligible and provide examples of what improvements are not eligible. All improvements should be consistent with the community’s rehabilitation standards. Describe the specific standards that will be used in the program. At a minimum, all properties must meet HUD’s Housing Quality Standards (HQS) after rehabilitation.

Eligible improvements include, but are not limited to the following:

- Physically attached to the dwelling and be permanent in nature.
- Structural improvements including roof replacements (match existing material), exterior and interior walls, substandard floors, stairs, foundations.
- Address health and safety concerns.
- Improvements that make the home more accessible and habitable for persons with disabilities. Disabilities must be documented as permanent and affect major life functions.
- Improvements of heating, plumbing, or electrical systems.
- Weatherization and increased energy-efficiency.
- Exterior painting or siding, as necessary.

Ineligible improvements include, but are not limited to the following:

- Remodeling. The term remodeling is viewed as altering the structure of the building.
- Detached garages, garage door openers, or any out-buildings.
- Steel roof if existing roof is of non-steel (i.e., asphalt shingle) material

SCDP funds can pay up to the cost of a shingle roof with the homeowner paying the cost difference to install a steel roof.

- Installing pitched roofs over existing roofing systems is not allowed. If improvement is necessary, consult your respective SCDP Representative.
- Fireplaces, wood stoves, central air conditioning, water softeners.
- Decks or patios, unless part of dwelling entry or exit.
- Fencing or landscaping, unless it is restorative after basement foundation work.
- Driveways or sidewalks, except when addressing documented safety or accessibility issues.
- Kitchen appliances, window treatments and decorative work.
- Floor coverings, unless addressing a documented health and safety issue.
- Kitchen cabinets and countertops, unless to address inadequate or unsanitary food storage or preparation issues.
- 200-amp electric services, unless need is justified under special circumstances approved by SCDP Representative.
- Installation of air conditioning unit.
- Installation of luxury items, such as gazebo, jacuzzi tub, etc.
- Room additions.

Exceptions to this rule may be granted only under extraordinary circumstances and with approval from DEED Small Cities unit. Where such an exemption is granted, room additions shall only be allowed:

- To accommodate the installation of a bathroom or kitchen if one does not exist and current space will not allow
- Meet building code setbacks or
- Overcrowding
- Case by case basis (not increasing the footprint of the home) discussed with SCDP Representative.

Selection of Materials and Colors

The homeowner will select colors, style, types, brands, and pattern of many of the materials used in the rehabilitation that fits the colors and styles of the neighborhood. Final decisions regarding judgment calls on what fits the neighborhood will be made collectively among the community, administrator and homeowner. The policies should indicate how selections will fit into the neighborhood and material costs and types that will be deemed reasonable by the program. Product types range from “economy”, “standard” and “premium”. SCDP requires only “**standard**” items to be used in rehabilitation projects.

Rehabilitation standards

DEED requires that every CDBG funded rehabilitation program have written rehabilitation standards. Include your agency’s standards in the program’s policies and procedures. Refer to the *Rehabilitation Inspection Guide* for guidance on applicable standards. *Please note that the Guide is outdated but is available by contacting your SCDP Representative in the absence of other reference material for inspections.*

There must be a written policy regarding what is feasible and unfeasible for rehabilitation (Suitable for Rehabilitation).

Lead Hazard Reduction

Policies should indicate steps involved in complying with HUD lead hazard reduction requirements including lead hazard assessments/inspections for buildings built prior to 1978, required notifications, relocation, trained contractors, and clearances. Please refer to the SCDP A-Z guide on SCDP’s website for the most current information and forms regarding the SCDP lead policies and processes.

Documenting income

Household income verifications are crucial to meeting the federal national objective for benefit to low-and moderate-income persons. It is DEED Small Cities unit's policy that owner-occupants' incomes must be verified by disinterested third parties and that income is calculated by projecting it forward over the coming 12 months. All sources of income for those residing in the household who are over 18 years of age will be verified. You must obtain a release of information from the applicant. Refer to the samples in the Owner-Occupied Housing Rehabilitation Forms Folder.

It is extremely important to properly verify and calculate household incomes. The [Chapter 5, HUD Occupancy guide](#) provides more specific guidance on whose income to include and how to properly calculate income and assets of all household members residing at the property. More information on how to calculate incomes is presented in the "[SCDP Policies Regarding Income Verifications](#)" section.

The maximum and minimum financial assistance, as well as terms, to be provided by the SCDP funds

The financing plan should be clearly described. If the program will leverage other sources or providing deferred loans and/or installment loans, describe the type, terms and conditions.

Reminder

The SCDP owner-occupied loan requires a minimum 7-year repayment agreement. The maximum SCDP loan amount is \$25,000. Although the SCDP does not enforce a minimum dollar amount per loan/project, the SCDP does recommend an average amount be established to justify that a significant impact will be made with SCDP per-unit administrative funds.

Marketing

Describe strategies the grantee will initiate to ensure that all citizens learn about the program and have an opportunity to participate. Describe outreach efforts to engage customers and enlist contractors.

Minimum outreach efforts could include:

- Fair housing logo on all marketing materials.
- Promoting the program through various forms of media.
- Direct mailing to residents.
- Outreach to Section 3 Contractors.

Applicant Selection

Describe the applicant selection process. Examples include:

- First-come, first-serve.
- Priority based on community factors such as the need for a private sewer or water line that is associated with a concurrent public facilities project.

Contracting Procedures

Describe the method that will be used to select contractors. The executed construction contract will be between the contractors and owner. If the lowest and most responsive bid is not selected, inform the homeowner they will pay the difference between the lowest responsive bid and the contractor's bid they chose.

Make sure the construction contract has a termination clause. The factors that would be a basis for stopping work and payments needs to be outlined in a written policy so there is a standard method to refer to if or when things go bad.

Establish timelines for specific activities to occur with the homeowner and contractor, which should include the schedule for interim inspections, construction payments, and required contractor documentation.

Change work order procedures need to be addressed. You need to describe the criteria justifying and approving the change work order. A change order is valid only if it is an unforeseen condition or an unforeseen repair.

When conflicts arise between the contractor and owner (a fact of life in the rehabilitation business), describe the procedures you will follow to resolve the conflict. This can be described in a dispute process outlined in the policy and procedure manual.

File documentation

Describe what you intend to track and refer to the documents by the name you have given them. At a minimum, you will need to track all applicants and property eligibility determinations, the property inspections, applicant approval, the renovation work write-up, solicitation of bids, selection of construction bids, construction management, contractor invoices, payments, and close out.

Conditions of assistance

Describe the process for recapturing funds when an owner transfers or sells the property. For installment loans, describe the consequences of missing or late payments. This information should be included in the note and mortgage. Explain the subordination terms. Assumable loans are not allowed for any SCDP projects.

Project approval

If the household is eligible and funds are available, there is no reason for approval by a city body or any type of loan committee as this could only slow the process down and/or allow politics to enter the process.

Appeal and complaint procedures

There must be a formalized appeal and complaint procedures process for citizens to follow if they have concerns about decisions made or complaints about the quality of work, contractor actions or other issues. The process should include timelines for responses to move the process along and resolve any outstanding issues.

Amending Policies and Procedures

There must be a method for amending the policies, if necessary, include process, approving entity, etc.

Marketing Your Program

Marketing to Homeowners

When you think of successful marketing campaigns, there are three things in common:

- They target the audience most likely to buy their product, and
- They make it easy for the customer to buy the product, and
- They present their product in the most favorable light.

SCDP housing rehabilitation funds are also a product to be marketed. You want to reach the right audience, make the process as painless as possible for all involved, and present the program as a benefit to the community.

So how do you attract the right audience? Focus your efforts on marketing your program through several mediums to reach the widest variety of households.

Be Realistic When Construction Can Begin

Given the timing of the SCDP announcements from DEED, the length of time for Environmental Review clearances and program preparation, applicants may have to wait until the following construction season for work to begin on their properties.

Use Multiple Marketing Methods

The following marketing tips are taken from other successful programs:

- **Prepare a one-page description of your program in laymen's terms.** Just give the basics that will help eligible applicants realize that this is an opportunity for them and will weed out those clearly ineligible.
- **Contact those who provided interest statements during application process or are on a previous waiting list.**
- **Make it easy for the customer to "buy" your product.** Have the email addresses or phone numbers for staff contacts available and respond to requests quickly.
- **Explore inexpensive methods to directly reach the service area customers.** Some agencies have used "door knockers" or application packets to hang on the doors in target areas.
- **Place posters where eligible applicants congregate,** laundromats, stores, churches, diners, clinics, banks, day care centers, and social service offices.
- **Ask for time on local radio stations and cable channels** to talk about the program, who you are trying to reach and what you are trying to accomplish.
- **Consider a Housing Fair.** This is a great way to get local developers, contractors, and other housing advocates and organizations together to disseminate information out to the community.
- **Include information in utility billing.**

Capitalize On Indirect Marketing

- **Rehab is contagious.** There's no advertisement like the sight of roofs being fixed, unsightly siding being repaired, and deteriorated windows being replaced.
- **Word-of-mouth is the best advertising.** Encourage satisfied property owners and contractors to spread the word that this is a program that works well. If you treat the applicants and contractors with respect and deliver what you promised, you will have pleased customers, a happy local council, and the support you need to operate your program.

Consider Equal Opportunity and Fair Housing Issues

Marketing efforts should consider those who have visual, hearing or other disabilities. You may want to use various media, use large print, make home visits, etc. to ensure that all persons in the community are informed about the program and have an opportunity to participate. Any public meetings should be handicap accessible and, if necessary, you should provide for interpretation services for those who speak a language other than English, use sign language or have other needs.

Marketing efforts should ensure that those who are eligible to participate are not excluded because they did not or could not receive information about the program.

Recruiting Contractors

You need contractors to participate in the program, but you will need to sell your program before you will get the best contractors to work with you. The SCDP requires contractors to be licensed if their trade requires them to be licensed. Refer to the Contractor Application Sample in the Owner-Occupied Housing Rehabilitation Forms Folder. Remember to maintain documentation of contractor's current licenses in project files.

Here are some ideas for recruiting contractors and things to keep in mind:

- **Directly contact licensed area contractors or advertise, such as posting a flyer at the local lumber yards.**
- **Invite contractors to an early-morning coffee and rolls meeting.** Describe your program as it relates to their interest: the rehabilitation standards and specifications to be used, the role of the owner, pay-out procedures, the need for in-progress inspections, and how you will close projects. Be honest about what you expect from them and how long it will take to get paid.
- **Create a list of eligible contractors, identify contractors by location and trade so only contractors are contacted for jobs they are likely to bid.** If the list is sorted by location and trade, owners will not be wasting their time wading through pages of names of contractors who never would consider bidding their job. Make sure to check contractor references and update the list annually.
- **Check out [HUD Section 3 Opportunity Portal](#)** for Section 3 contractors in the area.
- **Make your bidding, award, and payment procedures as “user friendly” as possible.** Evaluate every procedure and form with an eye toward streamlining it to make it easy for busy contractors to use. Remember that you must keep adequate safeguards and records to support payments and actions.
- **Consider using a “customer satisfaction” survey.** Some agencies send owners a survey after work is complete to identify problems with the program or certain contractors. These surveys are useful, but not required, in determining who should not be continuing to work with your program.
- **Above all, write clear specifications and pay bills on time.** These two actions will do more than anything else to attract and keep good contractors.
- **Consider sending notices to local, minority-owned newspapers, unions, technical and trade schools.**
- **Conflicts of Interest.** Elected officials who are professional contractors, or have any ownership in a construction company, are not allowed to bid on projects within their community. DEED SCDP unit could make an exception for specialty work if no other contractor is available to complete the work. Please consult your SCDP Representative.

Application Process

DEED Small Cities Unit suggest that administrators create their own application form. This allows for customized creation to best suit the grant and provides flexibility to collect information within one application that could be used for other funding sources as well.

Listed below are suggested items to be included in the application. These items will assist with the implementation and reporting requirements for the SCDP program:

- Name and address of homeowner(s).
- Names and ages of those living in the house.
- Best phone number(s).
- Email address.
- Household Race/Ethnicity (if multiple, assign to “other multi racial” category)
 - Specific racial categories: White, Black/African American, Asian; American Indian/Alaskan Native; Native Hawaiian/Other Pacific Islander; American Indian/Alaskan Native & White; Asian & White; Black/African American & White; American Indian/Alaskan Native & Black/African American; Other-multi racial.
 - Is household Hispanic? HUD views ‘Hispanic’ as an ethnic category separate from race which is why this information should be collected separately for each household.

Note: Reporting of Household Race and whether the household is Hispanic or not Hispanic is required for SCDP reporting.

- Is the household headed by a female? (Includes household with 1 occupant)
- Are there accessibility issues in the home? For example, entry steps, grab bars, etc.
- Income sources for all those 18 and over living in the household.
- Income for full time students 18 and over is capped at \$480 a year for income determination, unless they are the spouse or head of household. Refer to [SCDP Policies Regarding Income Verifications](#).
- Proof of ownership. For example, a Warranty Deed, Quit Claim Deed, etc.
- Are property taxes and any city-owned utility payments current?
- Does the homeowner(s) know when their home was built? If so, what year?
- Current market value from property tax statement.
- Are the homeowner(s) maintaining current homeowner insurance?
- Has the home received previous assistance from a SCDP program, weatherization program, or another program?
 - If so, what improvements were done under any of those programs and are there any limitations from past programs?

Applicants who are clearly **ineligible** should be informed quickly, so their time and the staff’s time are not wasted.

- Have a system for letting those receiving calls know who is available to handle inquiries every day
- You must also plan for reaching those with disabilities. How will you enable those with hearing or sight impairments to apply? Be sure to contact advocacy agencies for assistance.
- Try to find access to a nearby TTY machine for those with hearing impairments so you can identify this telephone number in your literature, or become familiar with the use of the Minnesota Relay System at The Minnesota Department of Commerce.
- Have another staff person, read over all your marketing materials ensuring it is clear,

easily understood and in plain language.

- Are your offices accessible for those with limited mobility? Plan for rehabilitation staff to make in-home interviews under special circumstances.

When inquiries begin to come in, it is important that accurate information is provided and that those making inquiries are treated courteously.

You will need to verify information stated in the application and document that information in the project file. Refer to the Owner-Occupied Housing Rehabilitation Forms Folder for a sample form to customize to suit your needs.

Tips from Veterans of Rehab Operations

Be aware that if you have leveraged other funding sources besides SCDP funds, each lender (MHFA, for example) will have their own application forms that must be used. The other lender will also want your tracking process to identify the work done with their funds.

It will be easier for you and the applicant if all your forms are similar especially when you are combining multiple sources of funds.

Shortly after an application comes in and if time and traveling permits, staff may want to make efforts to screen the property. The evaluation should focus on any issues that may cause the property to be designated as unsuitable for rehabilitation or would compromise eligibility, such as the home being a mobile home or duplex (only can be rehabbed under the rental rehab activity) or in the floodplain, junk in the yard, outside of the target area, etc.

Processing Applications

Activities to complete after the application is received:

- Verify that the property is within the borders of the community and/or target area, if applicable. If a target area is in effect, indicate location of the house within the target area map and include in the project file.
- Determine that the applicant owns the property, that their local taxes are current, they have no past due assessments or judgments on their property and that they have homeowner's insurance that will equal or exceed the amount of the SCDP loan.
- Screen for conflicts of interest. If a conflict exists, consult SCDP Representative.
- Obtain signed release form to allow income verifications to proceed and for photos to be taken. Photos can be necessary for SHPO clearance, useful when creating the specifications, or in resolution of disputes.
- Verify when the home was built for lead hazard (built prior to 1978) and historic (45 years or older) purposes. County assessor should have these records.
- Obtain signature(s) that "Renovate Right" pamphlet was received.
- Obtain signature(s) on "Important Privacy Notice" form
- If home was built prior to 1978, provide "Homeowner Risk Assessment Notice" statement to applicant.
- Verify income per household. Collect verification forms.

Refer to the Owner-Occupied Housing Rehabilitation Forms Folder for sample forms.

SCDP Policies Regarding Income Verifications

SCDP has adopted a policy that income, for purposes of eligibility determinations, will be projected ahead over the next 12 months. While it is useful to look at income for the past 12 months as an indicator of what the applicant will probably receive, your verification process must ask about anticipated changes to the applicant's income.

Furthermore, no deductions are taken from the anticipated gross income for the eligibility determination. It includes gross income from all members of the household over the age of 18.

For income verification, SCDP requires an independent third party written statement sent to your agency, not to the applicant. If the employer is unwilling or unable to produce this statement, document in the project file. You will then request and review copies of the last two consecutive pay checks or paystubs from the applicant to explain why the next twelve months will be the same or different. The last resort is obtaining copies of the last two years' tax returns. This method would also be used for self-employed individuals as well.

Social Security income should be verified through the award letter to the individual. Copies of the award letter can be obtained without a great deal of effort or wait time.

It is important to make the verification process move as quickly as possible while also assuring that it is as "businesslike" as possible.

Annual income (*Per 24 CFR, Part 5.609 as amended*) means all amounts, monetary or not, which:

- (1) Go to, or on behalf of, the family head or spouse (even if temporarily absent) or to any other family member; or
- (2) Are anticipated to be received from a source outside the family during the 12-month period following application date.
- (3) Which are not specifically excluded in paragraph (c) of this section.
- (4) Annual income also means amounts derived (during the 12-month period) from assets to which any member of the family has access.

(b) **Annual income** includes, but is not limited to:

- (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 net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family;
- (3) Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (b)(2) of this section. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family.
- (4) The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump sum amount or prospective monthly amounts for the delayed start of a periodic amount (except as provided in paragraph (c)(14) of this section);
- (5) Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (except as provided in paragraph (c)(3) of this section);
- (6) Welfare assistance. If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:
 - (i) The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus
 - (ii) The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph (b)(6)(ii) shall be the amount resulting from one application of the percentage;
- (7) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling; Child support calculation should be based on what the applicant is actually receiving versus what the court has judged.

(8) All regular pay, special pay and allowances of a member of the Armed Forces (except as provided in paragraph (c)(7) of this section).

(c) **Annual income** does not include the following:

- (1) Income from employment of children (including foster children) under the age of 18 years;
- (2) Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone);
- (3) Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (except as provided in paragraph (b)(5) of this section);
- (4) Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;
- (5) Income of a live-in aide, as defined in Sec. 5.403;
- (6) The full amount of student financial assistance paid directly to the student or to the educational institution;
- (7) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire;
- (8)
 - (i) Amounts received under training programs funded by HUD;
 - (ii) Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS);
 - (iii) Amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;
 - (iv) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time;
 - (v) Incremental earnings and benefits resulting to any family member from participation in qualifying State or local employment training programs (including training programs not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program;
- (9) Temporary, nonrecurring or sporadic income (including gifts);
- (10) Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era;
- (11) Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household and spouse);
- (12) Adoption assistance payments in excess of \$480 per adopted child;
- (13) [Reserved]

- (14) Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts.
- (15) Amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling unit;
- (16) Amounts paid by a State agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home; or
- (17) Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Register and distributed to PHAs and housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary.

Activities

Confirm Eligibility/Approve and Execute Loan

- If income eligible, place a copy of the income eligibility calculation and the income verification form(s) in the project file to aid with documentation and SCDP monitoring.
- Ensure ownership documentation is in the project file.
- Ensure conflict screening form is in the project file.
- Ensure applicant's home is in city limits and/or target area. Provide a map of the home in the target area/city limits boundary.
- Notify applicant of status:
 - If eligible, provide letter and copy for the project file.
 - If ineligible, provide letter with reason(s) why and copy for the administration file.
- Prepare a file for the person conducting the property inspection.
- Complete Tier Two Environmental Review to address compliances that were not met during the Broad-Level Tiered Environmental review.

Administrative Tasks for Activities:

- Check file for completeness and consistency with application.
- Notify applicant of outcome either approved or denied and place a copy of the letter in the file for documentation. Please refer to the Owner-Occupied Housing Rehabilitation Forms Folder for sample letters.
- Assign rehab work items to funding sources.
- Prepare Loan Repayment Agreement(s). Have property owner sign "Repayment Agreement".
- Have separate agreements if project contains installment and deferred loans.
- SCDP funds may cover only one recording fee.
- You may choose to wait to file as change orders may occur prior to end of process.

It is very important that the rehabilitation program have built-in "checks and balances" to catch procedural or factual errors. When possible, the review should be completed by a different person.

The first activity in this step, "review file," should include a system to review the following:

- Is all the necessary paperwork present and complete?
- Does the file clearly demonstrate the eligibility of the applicant, given the program guidelines?
- Does the file have all the pieces in place on the eligibility of the property and the improvements?
- If other funding sources will be included, is there evidence of commitments that these funds will be available when needed?

When there has been a thorough review of the file and staff are comfortable with the results, the closing can be scheduled.

Hold loan closing. Homeowner will be provided the Notice of Right of Rescission (for signatures) and the "Truth in Lending Statement" (if applicable) to comply with lending requirements. Please refer to the Owner-Occupied Housing Rehabilitation Forms Folder for sample documents.

The contractor should wait to begin ordering materials and/or perform any work until after the three-

day rescission period has passed and the issuance of the Notice to Proceed.

Inspecting the Property

Septics and Wells

If the home does not have municipal sewer and/or water, a visual assessment of the area where the septic or drain field is located will be performed for any obvious problems – puddling, odor, etc. A discussion with the homeowner about any other problems that they are aware of should be held as well. If issues are known at this point, discuss remedies with homeowner. SCDP asks for no further action from the field inspector regarding septic or drain fields, with any such action being optional and project specific.

At a minimum, you must conduct a visual inspection of the drinking water by running the kitchen faucet, pouring a glass, and examining the water for discoloration and odor. Again, you should have a discussion with the homeowner about any other problems they are aware of with their well.

Use your best judgment to determine if the homeowners want to take any water inspection further. More testing would be optional and/or project specific. Some counties may assist in testing drinking water and testing kits are available for purchase. Finally, the Minnesota Department of Health has a list of certified firms that conduct testing.

If corrections are needed for septic or wells, SCDP is comfortable with licensed, reputable contractors determining the scope of work needed to correct the problem, rather than the field inspector. Obtaining more than one opinion is preferred as much as possible. Remember that corrections to problems with septic and wells could put the property in the category of not suitable for rehabilitation.

If the program includes septic and/or wells, the policies and procedures must outline what inspections will entail.

Administrative Tasks and Activities

1. Identify property deficiencies in walk through and discussions with the applicant.
2. If applicable, conduct inspection(s) of drinking water and septic or drain field.
3. Verify property is not a duplex or single-wide mobile home.
4. Verify that property is not in a floodplain.
5. Assess any nuisance issues with property, if applicable to policies. If issues exist, re-inspect after issues are addressed.
6. Document the date of initial inspection.
7. Have owner sign permission statement to take photographs of property, if not yet obtained.
8. Take exterior and interior pictures of property as they are needed for SHPO (historic) review if 45 years old or older and are essential for recalling “before” and “after” conditions.

Conduct On-Site Inspection

- Use inspection report form appropriate for type of property and standards.
- Make sure the form is signed, dated and has a cover sheet.
- **Room by room report** is the best way for an owner to understand the project. It also is handy for the HQS and rehabilitation staff to use when inspecting for work completion and payments.
- During the initial inspection, the rehabilitation staff should “read the client”. Then, plan the number of interim inspections based upon that reading. There are essentially three factors to consider in deciding how often to inspect:

- The complexity of the job.
- The capability of the owner.
- The knowledge and experience of the contractor.

Order or conduct a Lead Risk Assessment

- If the house was built before 1978, a Lead Risk Assessment must be conducted on the property by a certified lead licensed inspector/lead risk assessor.
- Provide a notification to the applicant indicating when a lead risk assessment will occur.
- The Lead Paint Risk Assessment report must be sent or given to the property owner along with the “Summary Notice of Lead-based Paint Risk Assessment and Reduction” form. A letter with the homeowner’s signature acknowledging receipt of the lead risk assessment report and copy of the notice must be placed in the file for future SCDP monitoring. If the documents are emailed, this email and/or the response should be retained in the project file.
- The Lead Risk Assessment report should be included in the rehabilitation file.
- The results of the report, including recommendations for corrections, should be incorporated into the work write-up.
- The scope of work can be separated out to allow the lead work to be done separately from other items such as roofs or replacing siding where lead hazards were not identified. In these cases, the lead work would be completed first and then cleared before the other work commences.
- Lead hazards can add costs to projects and these costs often are the result of limited contractors in the area being able to work on houses with identified lead hazards.
- You may want to consider having discussions with the risk assessor that you employ on how out-buildings and unattached garages will be treated in their risk assessments.
- The lead risk assessment and clearance costs must be part of the repayment agreement unless the costs are covered by other funding sources.
- The grantee should be creative in finding ways to protect the city from bearing the cost of a lead risk assessment should the applicant decide not to participate in the program after the assessment is completed.

Prepare Work Write-up

Prepare Work Write-Up/Spec and be sure to incorporate findings from the Lead Risk Assessment report. Again, work items where lead hazards exist must be called out in the specs.

Calculate the rehab assistance available if the homeowner qualifies for multiple services. If only one bid is received, DEED Small Cities unit will look for documentation to assess “cost reasonableness” of the project.

What is needed for a good cost estimate?

- Current information.
- Accurate information about customary mark-ups and profit margins.
- An experienced staff person (or access to someone) who is familiar with local practices and prices.
- Line-item estimates.

What should a Work Write-up include?

The Work Write-up should include a detailed description of the installation and workmanship standards and

forms the basis for contractors' bids. In other words, it tells the owner and contractors who are bidding the job exactly what will be fixed or replaced, how it will be done, and what materials will be used. If a risk assessment was required (houses built prior to 1978), the findings and recommendations from that assessment must be incorporated into the work write-up.

It should answer the following questions:

1. What work will be done?
2. How will it be done?
3. Where will it be installed?
4. What material will be used?
5. How much material will be installed?
6. What standards of workmanship will be used?
7. The materials and products used be of a standard quality and not of a premium quality.

Use “and” or “or” but never together.

Good: Repair sashes on two north windows of front bedroom and replace two east windows with double pane vinyl windows.

Bad: Repair and/or replace defective windows

Avoid using:

“etc.,” “standard size,” “approximately,” “as needed,” “all missing or damaged,” “any.”

Reminder

Work Write-ups prepared for bidding should incorporate findings from Lead Risk Assessments, if findings exist. Work items with lead hazards should be clearly labeled and indicate that only lead-certified contractors can conduct the work. Refer to the SCDP A-Z guide for current contractor lead licensing requirements. Some contractors may request for a copy of the lead risk assessment with their bid packets.

Review Work Write-Up with Homeowner

Owners need to understand the relationship between deficiencies they have identified and code deficiencies that the program can correct with SCDP funds.

This is a critical step in the rehab process because owners will become upset if they feel they are not getting what they really want and yet be financially responsible for the work being completed. Lack of proper communication may result in the applicant dropping out of the project or the project being very challenging to complete.

Once the owner signs off on the Work Write-Up, the project bidding can proceed.

Preparing the Bid Package and Provide to Bidders

1. Create a detailed Work Write-up (or specs), and arrange for a Lead Risk Assessment (if building is built prior to 1978).
 - Meet with the Owner(s) to review Work Write-up.
2. Prepare bid package.
 - Review bid package with homeowner.
 - Enter the date when owner approved Work Write-up and date when bids are due.
 - Review contracting procedures with homeowner.

Work Write-up Cover Sheet for Contractor to use when submitting the bid. It identifies the owner's name and the project number.

Instructions to Bidders

These should include a review of requirements to participate in your program:

- Adequate insurance, current licenses, appropriate training, and a completed Contractor Application form (if not previously submitted) on file with the agency.
- Instructions should provide information on:
 - Deadline for receipt of bids and where bids should be sent.
 - How long bids are considered valid.
 - How bids will be awarded — who selects and on what basis?
 - Who will be executing the contract for work?
 - The necessity for a Pre-construction Conference.
 - The requirement for a Proceed to Work Order before beginning work.
- General conditions may be attached to the Work Write-up to provide owners specific guidance about such matters as:
 - Who is responsible for securing permits?
 - How to handle change orders?
 - Who removes debris?

Contractor-Owner Contract

The contract will include the Conditions of Project and Work Write-up or Scope of Work. Some agencies make this a separate document but by including it in this package makes expectations known ahead of time.

Ensure the Contractor-Owner Contract addresses Equal Employment Opportunity, Affirmative Action and Section 3 requirements.

Contractor/Owner Warranty

The Contractor/Owner warranty will provide an understanding to everyone concerned what is being guaranteed and for how long.

Selecting the Contractor and Financing

1. Recruit available contractors.
2. Open sealed bids with homeowner, if possible.
3. Rehabilitation staff should always create a cost estimate prior to the bid opening.
4. Evaluate responses for accuracy, and cost reasonableness. If one bid is received, make a note in the file that the bid was reasonable based on the cost estimate, or try to re-bid project.
5. Owner selects contractor. If the selected contractor is not the lowest, responsible bidder, the owner will need to pay for the difference and deposits funds in an escrow account.
6. A bid summary spreadsheet should be completed for documentation and SCDP monitoring.
7. Owner signs Contractor-Owner contract.
8. Confirm and identify all sources of funds and assign improvements to each funding source. Many projects need funds other than those from the SCDP to be viable. If necessary, obtain any escrow funds needed from homeowner and deposit.

Tips from Veterans of Rehab Operations

While a preconstruction conference for the homeowner rehabilitation program is not required, veterans of past programs routinely hold them. An hour or two spent on the front end with the contractor and owner will definitely save hours of work and hard feelings later.

Consider how many rehabilitation projects that a contractor can handle at one time. Beware that some contractors might be working on houses with an active SCDP grant(s) in other communities as well.

Managing Construction

Preconstruction Conferences and Proceed to Work

- It is important to hold a Preconstruction Conference with the Contractor and Homeowner.
- If lead hazards were identified, complete the “Relocation Screening Sheet for Occupant Protection from Lead Hazard Reduction Activities” form and place a copy in the project file for documentation and SCDP monitoring.
- If lead hazard reduction activities are proposed, household members should not be present at the work site but may remain in the home if all lead safety precautions are met.
- Elderly waiver form must be completed for any elderly person who wishes to remain in the home during rehabilitation.
- Make sure that the repayment agreement is signed.
- Release the Notice to Proceed Work Order only after the Right of Rescission period has pass. Place a copy of the forms in the project file for documentation and SCDP monitoring.

Refer to the Owner-Occupied Housing Rehabilitation Forms Folder for sample forms

Tips from Veterans of Past Rehab Programs:

- If possible, hold the preconstruction conference on-site at the owner’s property, after the three-day rescission period has passed. This allows all parties to conduct a walkthrough of the property and review the Rehab Work Write-up, item by item, and discuss what will and will not be done with a proposed timeline.
 - Some agencies hold separate meetings with the owner(s) and the contractor so they can cover, in detail, what owner(s) can expect during construction without wasting the contractor’s time.
 - Issue a Notice to Proceed Work Order after the preconstruction conference.
- Have a written agenda so you are certain to cover all relevant points.
- Take notes and place them in the project file. This may be very important later.
- Discuss the owner’s role in monitoring progress and the contractor’s obligation to let rehabilitation staff know when he/she has reached critical stages in the construction process and an interim inspection is necessary.
- Discuss occupant protection and relocation issues or elderly waiver with the owners and contractors. Document that appropriate steps were taken.
- Explain to the owner and the contractor that any work items that are not indicated on the approved Rehabilitation Work Write-up, will not be paid with program funds. Discuss with the contractor what they need to do, if a change order is needed, what funds will be used to pay for the change order and how to proceed documenting the needed change order. The rehabilitation staff needs to inform the owner of the change order and how this will be paid for and most importantly discouraging “side deals.”
- Remind everyone that interpretation questions of the Rehabilitation Work Write-up should be directed to the rehabilitation staff; the owner should not try to interpret.
- Discuss payment requests and leave a supply of forms with the contractor.
- Discuss how disputes will be resolved. The rehabilitation staff should be included in any dispute discussion and will attempt to mediate the conflict.
- Cover the close-out procedures. Explain each document and what they mean.
- Finally, review the work schedule. Everyone should understand when work is expected

to begin, how it will proceed, and when it is expected to be completed.

Change Orders

Experienced administrators do everything possible to write the Scope of Work so that a change order would unlikely occur, but when a call comes from an owner or a contractor, you need to have a policy to address it. This should be covered in your policy and procedure manual.

- Change work orders are only allowed if a project is on-going and if an unforeseen event occurs. For example, a collapsed wall, wood that appeared to be sound was rotten, materials became unavailable due to events beyond any reasonable person's control.
- Contractor error in estimating the project or doing the work is not allowed as a change order for increasing the cost of the job.
- Have a process for reviewing each Change Order by the rehabilitation staff so they are not perceived as "routine" by contractors.
- Change Orders must be agreed to by all parties in writing.
- Change Orders must be reviewed for cost additions or deductions, materials to be used, etc., and marked as such.
- Other records affected by the Change Orders that may need to be adjusted are construction contract and/or owner's repayment agreements or mortgages.
- If a Change Order occurs, place a copy in the file for documentation and SCDP monitoring.
- Once a project has been completed and closed, it should not be reopened to be bid out for additional work. If there is a clear code violation that was not addressed during the original inspection and was discovered within a relatively short period of time after closing, please contact your SCDP Representative for consideration on a case-by-case basis.

Paying Contractors and Inspections

DEED Small Cities Unit requires a minimum of one inspection. Interim inspections may be held, as needed. On-site inspections should be completed before any contractor payments are made – either interim or final.

There is more than one acceptable way to document inspections.

- Using the actual Work Write-up or specs and dating and initialing each item as it is completed and inspected.
- Some agencies use a Field Inspection Report as another way to document what the rehabilitation inspector found, which can serve as a “punch list” if items need to be corrected before completion.

There are certain documents that must support draws on the account.

- Lien waivers from the contractor and subcontractors for all work covered by the payment request. This should be collected for both interim and final payment requests.
- A Completion, or Partial Completion Certificate signed by the parties involved (the contractor, owner and rehabilitation staff) that documents the payments to date and the balance on the contract. If the owner will not sign, but the rehabilitation staff believes that payment is justified, the contractor may be paid without the owner’s signature. Best practice would be to bring in another inspector for affirmation, or for a second opinion for situations with gray areas.
- If payment is requested for completed lead hazard work, a lead clearance must be obtained.
- Sworn Construction statement must be obtained for final payment.
- Copies of the above-mentioned documents must be placed in the file for documentation and SCDP monitoring. Refer to the Owner-Occupied Housing Rehabilitation Form Folder for sample forms.
- Pay contractor from appropriate sources. Place supporting docs such as lien waivers, certificate of completion, invoices and summary of payments with the associated DEED Small Cities payment request form.
 - If an invoice will be covered by two different funding sources, note either on a disbursement summary page or on the invoice the amount of each funding source that will be used to cover the cost.
- Make certain you have held back a percentage of the total contract amount due to the contractor as the final payment until owner/rehabilitation staff are completely satisfied that the work is finished and up to the program specifications. Traditionally, implementing agencies withhold a portion of the final payment until the Completion Certificate is signed and all work items are resolved.

Remember, payments should only be made for work that has been completed and inspected.

Tips from Veterans of Rehab Programs

Create a separate “field file” that the rehabilitation staff can use during on-site inspections. It should contain a copy of the Work Write-up and the Owner Contractor Contract. This will assist when disputes arise, and work can be accurately evaluated.

Rehabilitation staff should keep their active “field files” with them when they are out of the office. It can be time consuming to have to trek back to the office if a call comes in for an unexpected inspection.

Rehabilitation staff should make their notes as soon as they get back to their vehicle. It is amazing how quickly cases can blur together if rehabilitation staff must rely on memory of what they saw and what had transpired on-site.

File a lien on the property by recording repayment agreement with the county. Place a copy in the project file to aid with documentation and SCDP monitoring.

Send the owner(s) a Close-out Package which consist of a closeout letter and an optional customer satisfaction survey.

After the Loan Possibilities

- **Reverse Mortgage:** If a past SCDP recipient wishes to apply for a reverse mortgage, DEED Small Cities Unit will require repayment of the deferred loan before a reverse mortgage can be closed.
- **Subordination Request:** DEED Small Cities unit do not process subordination requests. A subordination plan should in your policy and procedural manual. It is the Grantee's responsibility to process subordination request, either to approve or deny requests. DEED Small Cities Unit's policy allows homeowners to refinance to secure a better interest rate and/or shorter term during the term of the loan and/or obtain a construction loan to rehab the home, but will not allow homeowners to take out any cash.

Income From Loans Repaid

Definition of Program Income

If any combination of repayments received by the grantee within a federal fiscal year (October 1 to September 30) reaches or exceeds \$35,000, the entirety of those funds will be Program Income and be treated as federal funds. SCDP requirements will apply to their re-use. Reporting to the Small Cities Unit is required until all funds have been expended.

Definition of Local Funds

If the combination of the repayments falls below the \$35,000 during the federal fiscal year (October 1 to September 30), those funds are considered Local Funds. These funds should be used to further rehabilitation in the community similar to how the original funds were utilized. Reporting to the Small Cities unit is not required.

A repayment will be triggered if participants sell or transfer their home prior to the deferred loan expiring. Any money paid back to program is treated either as Program Income or Local Funds. Under either scenario, the SCDP expects the repaid funds to be used to further rehabilitation in the community.

The grantee may need to wait until September 30 of any given year until a determination can be made if the funds received during that period will have a Program Income or Local Income label. DEED Small Cities unit expects that SCDP requirements will be applied to the re-use of these funds.

Please consult the SCDP A to Z Guide for further information on program income and local income.