

# The HOME Consortium **Homeowner Rehabilitation Deferred Loan Program**

## OWNER HANDBOOK



### Program Benefits

- Improve your home
- Increase your home value
- 0% interest
- Deferred payments



**Homeowner Rehabilitation  
Deferred Loan Program  
Owner Handbook**

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## Introduction

This Homeowner Rehabilitation Loan Program invests federal dollars in residential properties to preserve and improve existing housing, increase residential value and stimulate investment.

Homeowners receive financial assistance necessary to correct safety issues and substandard conditions in their homes.

This handbook is for applicants to the HOME Consortium Homeowner Rehabilitation Deferred Loan Program. It provides a general understanding of how the program works, but it is not an exhaustive description of all the rules and regulations that apply.

If you are interested in applying to the rehabilitation loan program, please read this handbook in its entirety, and keep it handy for reference during the course of the rehabilitation work.



## Basic Program Qualifications

To qualify for The HOME Consortium Homeowner Rehabilitation Deferred Loan Program, your household must meet all of the following requirements:

- You must own and live in a single-family house within the four-county HOME Consortium service area (Jefferson, Ozaukee, Washington or Waukesha County).
- Your household income cannot exceed the income limits, based on family size, that have been established by the Department of Housing and Urban Development (HUD).

For more information on these income limits, visit our website:

[www.waukeshacounty.gov/HomeCorePrograms](http://www.waukeshacounty.gov/HomeCorePrograms)

- The Fair Market Value of your home cannot exceed the Maximum House Value by County, as determined by HUD.

For more information on these limits, visit our website:

[www.waukeshacounty.gov/HomeCorePrograms](http://www.waukeshacounty.gov/HomeCorePrograms)

- Applications are valid for 6 months. If contracts have not been signed by that point, applicants are denied and can reapply in the following program year. Application fee is non-refundable.

If you have received this handbook, you have most likely met all of the basic qualifications. However, meeting those requirements does not guarantee that your household will receive a loan through our program.

The Housing Program Coordinator who oversees the program will also consider the factors listed below in determining whether your rehabilitation work can be carried out under the rules of our program.

- **Credit History.** Although we do not review applicant credit scores, you cannot have any late mortgage payments in the last 12 months. Your property taxes must be current as well. If you have filed a Chapter 11 bankruptcy within the last three years, you are not eligible for the program. If you filed a Chapter 13 and are making payments and your house was not included, you may still be eligible.
- **Homeowners Insurance.** The home must be properly and adequately insured. Proof of insurance will be required.
- **Equity.** The equity in the home is the difference between the home's value and what you owe on it. The actual loan amount you can receive through our program will be based on your equity in the property. Our program allows a loan-to-value ratio of up to 110%, and you must have enough equity in the home to allow for a loan in the amount of necessary rehabilitation work (see example under "Loan Amount" on page 8).
- **Judgments.** Judgments will be considered when figuring the debt- to-income ratio.
- **Trusts or Reverse Mortgages.** If your home is held in a trust or you have a reverse mortgage, you are not eligible for this program.
- **Repairs Requested.** Sometimes a homeowner requests repairs that would not make the most efficient use of our funds. These types of repairs will not be approved for financing through our program (see "Eligible Activities" on page 10 for more information).

The Homeowner Rehabilitation Deferred Loan Program is a deferred-repayment loan program. Waukesha County (the lead agent) will place a lien on your property for the amount of the loan.

The loan bears no payments and no interest as long as you continue to own and live in the home. The loan may be repaid at any time. However, the loan must be repaid in full when you no longer own and reside in the home (upon sale, lease, death, or transfer except to a surviving spouse).



## Loan Amount

Loan amounts are based on the following:

- The actual cost of the rehabilitation work up to \$24,999
- The amount, which when added to the amount you owe on the property, does not exceed 110% of the home's current value.

Example:

Estimated Fair Market Value of Property (taken from tax bill)	\$100,000
Outstanding Balance of Mortgage(s) & Liens on Property	\$85,000
Loan Amount	\$24,999

In this case, the property owner would qualify for a \$24,999 rehabilitation loan because the existing mortgage of \$85,000 plus the new rehabilitation loan of \$24,999 equal 110% loan to value. (Add both mortgages and divide by fair market value).

## Loan Amount

If the bids for the work to be done on the home are more than the available loan amount, you have several options:

1. You can pay the difference yourself, but you must provide us with proof of available funds to do so.
2. You can choose to complete only a portion of the repairs, but note that all lead hazard and building code violation work must be included in the repairs you choose to complete.
3. You can choose to defer the repairs on your home and reapply for the program when your equity position has improved.

Refinancing your mortgage after applying for our program but before the loan is closed will affect the loan amount you are eligible for through our program. If you are considering refinancing, contact the Housing Program Coordinator first to verify that the property will still be eligible to receive assistance after the refinance is completed.

If you wish to refinance your first mortgage after our program lien is placed on the property, you must file a request for Waukesha County (the lead agent) to subordinate its loan to a new lender. If the subordination is not granted, the rehabilitation loan must be paid off as part of the refinance.

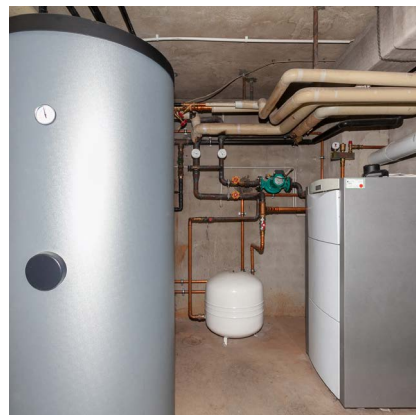
## Eligible Activities

Allowable rehabilitation activities include those that will aid in increasing the supply of decent, safe and sanitary housing, as well as those that will contribute to more habitable housing conditions by promoting energy conservation and heating efficiency.

Priority will be given to projects designed to eliminate situations that present an immediate threat to the health or safety of the occupants or the structural integrity of the owner-occupied housing unit.

Eligible activities include repairs to mechanical or structural items such as the following:

- Building code violations
- Lead-based paint hazards
- Roofs
- Foundations (structural repairs only)
- Mechanical systems (e.g., furnaces and water heaters)
- Electrical
- Plumbing
- Water/sewer laterals in disrepair
- Insulation
- Windows and doors
- Siding and trim
- Porches (structural and lead hazards only)
- Accessibility improvements
- Improvements to the interior of the home in bathrooms and kitchens
- Items that the Housing Program Coordinator determines pose or will soon pose a health or safety problem to the homeowner



## Ineligible Activities

The following are **not** eligible for funding through our program:

- Acquisition/purchase of property
- New construction
- Additions
- Building or rebuilding of garages
- Any improvements to unattached garages
- Costs of materials, fixtures, or equipment whose quality exceeds that of products customarily used in surrounding properties of the same general type
- Landscaping, unless soil is contaminated with lead or the structure of the home is affected
- Concrete work (sidewalk, driveway and garage floor replacement)
- Nonstructural foundation repairs

Improvements made solely for cosmetic reasons (remodeling rooms, etc.) may not be paid for with program funds.



After we have received your application and determined that you are eligible for a loan, you will be contacted by the HOME Consortium's contracted home inspector to arrange for a scope of work inspection to determine the following:

- Any work required to bring the home up to state and local building codes
- Any work that is requested by the applicant as specified on the application

In addition to the property review, all homes built prior to 1978 must meet certain lead-based paint requirements. A lead risk assessment will be done as part of the scope of work inspection, and all measures necessary to address lead-based paint hazards will be included in the scope of work.

Following the property review, the inspector will prepare a formal scope of work for your property, listing all of the work to be done. When that has been completed, the Project Manager will inform you of the findings of the inspector. You will also receive a copy of the inspection report in the mail.

## Contract Bids

Once you receive the scope of work, you should next contact insured contractors to bid on your project. Gather at least three (3) comparable bids based on the scope of work; then submit those bids to the Housing Program Coordinator. After all bids have been received, staff will review chosen bids to confirm that the costs are reasonable under HUD and program guidelines. A loan closing for the total loan amount will then be scheduled.

The accepted bid sets the contract price between the homeowner and the contract. The homeowner and contractor must then execute an agreement, which will be prepared by the Housing Program Coordinator. Waukesha County is not a part to this contract. Waukesha County will pay contractor for all work completed. Side contracts between the contractor and the homeowner are not allowed.

Your household income will be verified every six months until the loan closed to ensure that you still qualify for this program.

After the inspection is completed and the bids are accepted, a closing will be scheduled. **Funding is not guaranteed until loan documents are signed.**

To secure contracted rehab funds, you will sign a mortgage, note and truth in lending which will remain in place until paid in full. If the home at some point is no longer owner occupied, you will be responsible for paying back the entire mortgage immediately.

At the closing, you will sign and receive an agreement to use with each contractor you have selected, listing in detail the work to be done, the cost of the work, the contractor's responsibilities, your responsibilities, and the start and completion dates for the work. The agreement will also spell out how the contractor will be paid. The Housing Program Coordinator will mail the contractor this agreement.



## Post-Closing Process

Upon receipt of the signed agreement and other necessary information from the contractor (Certificate of Insurance and W9), the rehab work can begin.

As the property owner, you will be asked to sign off on all payment requests once work is completed. By signing the Payment Request Form, you are stating that the work is complete and acceptable to you.

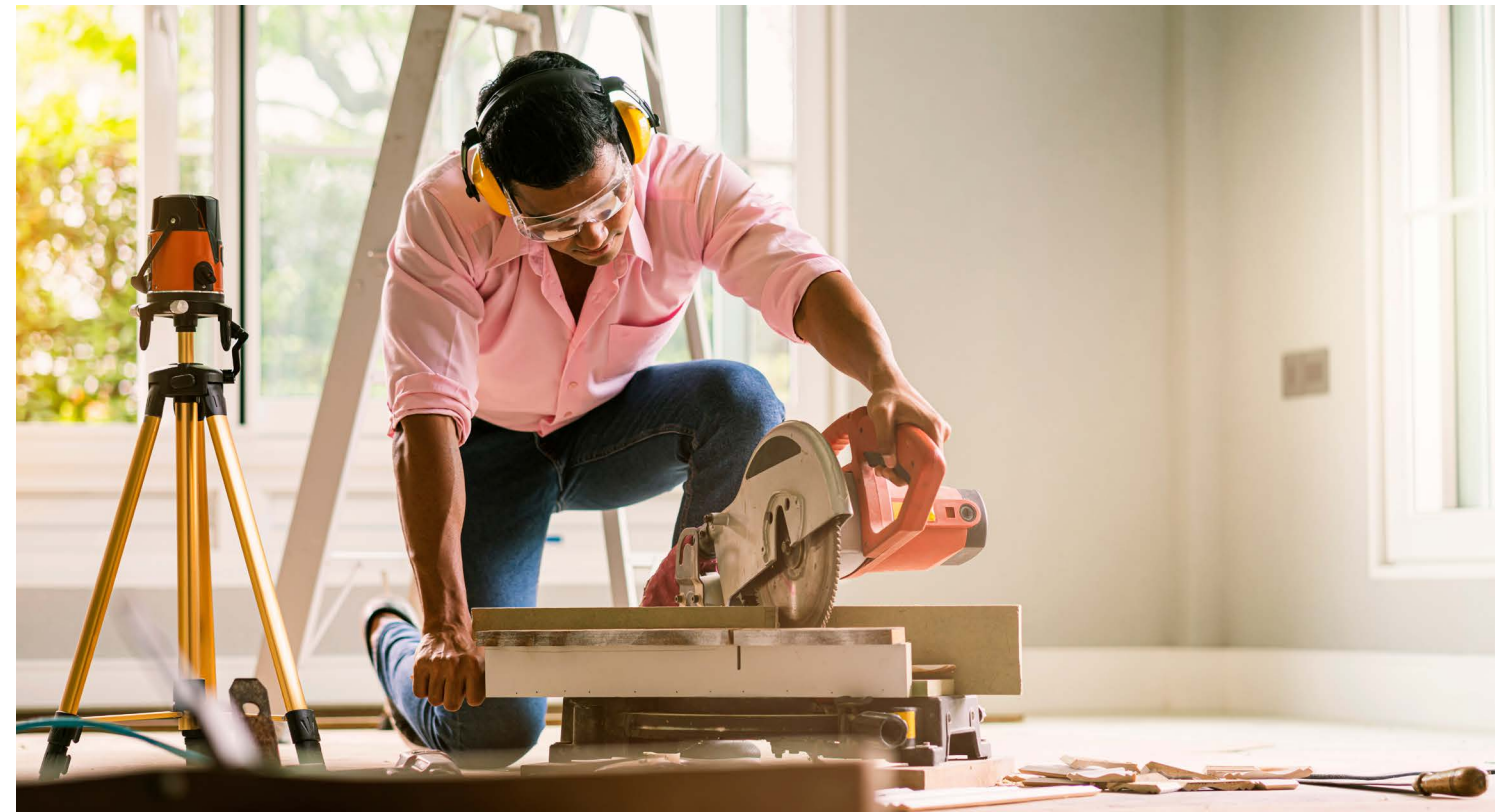
If you are unhappy with a contractor, the materials or the work being done, you should first contact the contractor in an effort to resolve the problem. Most contractors take pride in their work and will be more than happy to correct problems to ensure that you have a positive experience. If unable to come to an agreement, Waukesha County and our inspector will review and determine what steps to take to move forward.

Once the work is completed and you have signed the Payment Request Form, Waukesha County will pay each contractor directly.



## Fees and Other Costs

- **Application fee** – An application fee of \$75 will be collected at time of application. This fee covers the title search.
- **Closing** – At closing, a fee of \$30 will be collected and made payable to the Register of Deeds for purposes of recording the mortgage.
- **Inspection fees** – After all the work on your project has been completed, the home inspector will conduct a final inspection. If you are working with a number of contractors and some complete their jobs before others, additional inspections may be required. Our program absorbs the costs of these inspections. The need for additional inspections will be determined by the Housing Program Coordinator and the home owner prior to the closing.





## More Information

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For more information on the HOME Consortium's Homeowner Rehabilitation Deferred Loan Program, visit our website at [www.waukeshacounty.gov/HomeCorePrograms](http://www.waukeshacounty.gov/HomeCorePrograms).

General questions about the program can be directed to the Homeowner Rehabilitation Deferred Loan Program Administrator:



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