



Department of Planning & Community & Economic Development

## Community Development Division

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Child Care  
 Community Resources  
 Community Development Block Grant  
 Madison Senior Center

To: CDBG Committee

From: Linette Rhodes, Interim Community Development Grants Supervisor

Date: April 27, 2018

RE: Recommended changes to Housing Rehabilitation Services Program Policies

The Housing Rehabilitation Services Program (HRSP) provides loans for the rehabilitation of single-family to eight-unit buildings. Deferred payment loans are available to single-family homeowners at or below 80% of County Median Income (CMI), and installment loans are available to property owners who own 1-16 unit building. The HRSP was established in 1974 and through August 2017 has closed 1,902 loans to assist 3,096 units for a total investment of \$33,297,980. The Community Development Division (CDD) provides loan administration for HRSP.

Attached to this memo are the current policies for HRSP. Staff recommends the following changes to improve service to residents in need of rehabilitation assistance:

Existing Policy	Proposed change to Policy
Combined loan to value ratio cannot exceed 90% of the after rehab value of the property.	Recommend changing to 100% combined loan to value.
Property value limit of \$250,000 for a Deferred Payment Loan (DPL). No property value limit for installment loan.	Recommend removing property value limit for Deferred Payment Loans.
Loan limit is \$19,000 for single family \$ 40,000 for up to 16-unit	Increase to \$25,000 for single family \$46,000 for up to 16-unit  <i>Note: The increase to \$25,000 for single family properties was already approved by CDBG Committee on March 1, 2018</i>
One DPL loan per owner/per property	Recommend allowing residents to use the program more than once, as long as there is no outstanding balance of another HRSP loan.
Funds may not be used to rehab a home in which the owner has previously received assistance through CDD funded ownership assistance program.	Recommend removing this restriction.  <i>Note: This change was already approved by CDBG Committee on March 1, 2018</i>

<p><b>Eligible costs 4.(1) A. (4)</b>          The costs of making the property accessible to and usable by a handicapped person. Such costs include, but are no limited to the expansion of the size of the structure by the addition of usable space for bedroom and bathroom facilities of the handicapped person; installation of ramps, handrails, stairway elevator, other special equipment; modification of doorways, bathrooms, kitchens, and other living space; modification of or addition to driveways, walkways; and grading of the premises.</p>	<p>Recommend adding laundry facilities as an eligible cost when rehabilitating the property for accessibility.</p>
<p><b>Eligible Costs 4.(1) A. (5)</b>          The incidental costs incurred by the borrower in the process of obtaining a housing rehabilitation loan. Such incidental costs (which are deducted from the amount, if any, needed to proceeds of the loan at the loan settlement) include the cost of any required title report or title insurance, the cover accrued expense items (taxes and insurance), and the cost of recording the loan security instrument, but do not include the cost of any application fee required under the Program.</p>	<p>Recommend adding the cost of an appraisal, if needed.</p>
<p><b>Eligible costs 4.(1) B. (1)</b>          The rehabilitation, removal, or replacement of existing elements of the structure, heating furnace, including basic equipment, and the construction or reconstruction of other improvements to the property, such as garages, fences, porches, steps, walkways, and driveways. The term basic equipment includes such facilities as; hot water tank, electrical and sanitary fixtures, kitchen stove, refrigerator, and garbage disposal (but not other appliances), and also includes the provision, expansion, and finishing of space necessary to accommodate such facilities.</p>	<p>Recommend adding central heating and air conditioning and built-in dishwasher.</p>

<p>Five years after the deferred payment loan is closed, staff will determine if the borrower's income remains below the deferred payment loan limits. If the borrower's income is below the deferred payment loan income limits, no monthly payment would be required. If the borrower's income is above the deferred payment loan income limits, the loan (the original principal loan amount plus the 10% interest charge less any payments made on the principal or interest), would be converted into an Installment Loan at 10% annual interest, payable over a 15-year term or the maximum term, in whole years, requiring a monthly payment of at least \$10.</p>	<p>Recommend removing the 10% interest charge when a Deferred Payment Loan is converted to an Installment Loan if the homeowner is over the County Median Income limit at the time of recertification.</p> <p>Recommend adding language that instead converts the loan into a 15 year installment loan at a fixed rate established when the loan originally closed.</p> <p><i>Note: This would remove negative amortization currently applied if households are over income at re-certification.</i></p>
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