

**HOUSING REHABILITATION SERVICES PROGRAM  
OF  
THE CITY OF MADISON**

Community and Economic Development Unit  
Department of Planning and Development  
215 Martin Luther King, Jr. Boulevard  
Madison, Wisconsin 53701

## PREFACE

The seventh edition of the Handbook for the Housing Rehabilitation Services Program of the City of Madison includes all Program revisions approved by the Common Council through June 3, 1997. Previous editions are obsolete and should be discarded by the holder.

Additional information concerning the Program will be furnished on request by the City's Department of Planning and Development. The address, telephone number, and regular office hours of the Community and Economic Development Unit are as follows:

Address: Community and Economic Development Unit  
Madison Municipal Building, Room LL-100  
215 Martin Luther King, Jr. Boulevard  
P. O. Box 2983  
Madison, Wisconsin 53701-2983

Telephone: (608) 266-4222

Office Hours: 8:00 a.m. to 4:30 p.m.  
Monday - Friday

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# HOUSING REHABILITATION SERVICES PROGRAM OF THE CITY OF MADISON

## CHAPTER 1 - THE HOUSING REHABILITATION SERVICES PROGRAM INTRODUCTION

Continuing programs of home maintenance and improvement are recognized as being vital to the well-being of the entire Madison community. It is also recognized by the City of Madison that programs designed to conserve and upgrade existing housing on any meaningful scale can only be successful if financial and technical assistance are made available by the City to those otherwise unable to obtain needed help. The Housing Rehabilitation Services Program (HRSP) of the City of Madison is the programmatic expression of the City's commitment to the conservation of its older, basically sound residential area, and to the needed rehabilitation of existing housing.

The Housing Rehabilitation Services program is intended to be responsive to the particular needs of the Madison community. Accordingly, the content, policies, procedures, and administration of the Program will be subject to continuing review and evaluation; it should be expected, therefore, that changes will be made in the Program from time-to-time on the basis of operating experience, and as community needs change. All revisions in Program content, policies, procedures, and administration will be incorporated in revisions of this Handbook or in subsequent editions of this Handbook. This Handbook includes all Program revisions approved by the Housing Finance Committee, its successor, the Community Development Authority, and the Common Council of the City of Madison through June 3, 1997.

1. Authority and Funding for the Program. The Housing Rehabilitation Services Program was initially approved by the Common Council on February 12, 1974. Approval of the Program, and of all Program revisions made to date, was given on the basis of the Common Council's findings that: (1) there exists in the City of Madison a pressing need to make financial and technical assistance available to property owners of low and moderate income, non-profit housing corporations and non-profit housing cooperatives in order to stimulate voluntary rehabilitation and repair of deteriorating residential structures in the City's older residential neighborhoods; and (2) it is a valid public purpose for the City of Madison to provide such financial and technical assistance, in the City's best interest to do so within the framework of the policies, procedures, and regulations contained in this Handbook.

In connection with its initial approval of the Housing Rehabilitation Services Program, the Common Council authorized the establishment of a revolving fund to provide the funding source for low-interest installment loans to be made to eligible property owners under the Program.

2. Scope of the Program. The three major components of the Housing Rehabilitation Services Program are: (1) financial assistance in the form of owner-occupied housing rehabilitation loans (which may be low-interest installment loans or deferred payment loans) to be made available to eligible property owners in targeted areas of the City to assist them in financing the costs of rehabilitation work needed to bring their properties into compliance with applicable property rehabilitation standards; (2) non owner-occupied loans to small investor owners in targeted areas of the City to assist them in upgrading their rental properties; and (3) a program of technical assistance to be made available to all residential property owners within the City. Owners of properties in the Target and Rehabilitation Areas will be made aware of the various programs through an intensive information program.

1. Housing Rehabilitation Loans. Eligibility requirements for housing rehabilitation loans made under the Program are set forth in Chapter 3 of this Handbook. The types of rehabilitation costs that may be financed with a loan under the Program and the basis for determining the maximum amount of any loan are specified in Chapter 4. The basis for determining the specific type of loan for which an eligible applicant qualifies is set forth in Chapter 5. The terms and conditions to which an applicant must agree in order to obtain a housing rehabilitation loan are set forth in Chapter 6.

Housing rehabilitation loans may be made for residential properties located in targeted areas of the City of Madison.

2. Technical Services. The Housing Rehabilitation Services Program is directed not only to the rehabilitation of individual residential structures, but also to the overall improvement and preservation of the City's older residential neighborhoods. For this reason, in areas of the City designed as Rehabilitation/Target Areas, various kinds of technical assistance will be offered to all owners of residential properties, whether or not they are eligible for housing rehabilitation loans. It is anticipated that the types of technical services required by property owners will vary from owner-to-owner, depending on such factors as existing physical and financial condition of the property, the owner's willingness and ability to finance the cost of needed rehabilitation work, the specific nature of the owner's interest in the property, etc. Of necessity, therefore, the City's approach to the provision of technical services will be both comprehensive and flexible. In general, the types of technical services to be made available by the staff of the Department of Planning and Development (the ADPD Staff) will include, but not necessarily be limited to the following:

- (1) At the property owner's request, arranging for inspection to be made to determine whether or not rehabilitation work is needed to bring the property into compliance with the Minimum Housing and Property Maintenance Code and other applicable codes and ordinances.
- (2) Analyzing inspection reports and advising owners concerning the extent of needed repairs, if any, and feasible methods for making needed repairs.
- (3) Providing cost estimates of needed rehabilitation work.
- (4) Recommending available sources of labor and materials to do needed rehabilitation work.
- (5) Providing the owner with financial counseling services relative to continued homeownership and property maintenance, or making referrals to other appropriate counseling services.
- (6) Assistance in obtaining financing for needed rehabilitation work, if needed by the owner.
- (7) Providing the owner with information concerning the availability of housing rehabilitation loans under the Program and from other lending sources.

- (8) Assisting owners in preparing applications for housing rehabilitation loans, either under the HRSP or from other lending sources, as appropriate.
- (9) Providing the owner with general guidance in having plans and specifications prepared, and reviewing building improvement plans prepared by or on behalf of the owner.
- (10) Assisting the owner in obtaining bids from competent contractors for needed rehabilitation work.
- (11) Inspecting rehabilitation work being done, and upon completion.

3. Designation of Rehabilitation/Target Areas.

(See Appendix 5 and 6 of this Handbook)

4. Community Development Authority. The Housing Finance Committee (the AHFC≅) was created by the Common Council on February 26, 1974, by the adoption of Resolution No. 26,020, as thereafter amended by Substitute Resolution No. 27,979, adopted by the Common Council on July 15, 1975. The said Resolution, as amended, vested certain powers and responsibilities in the HFC, including reviewing the administration of the Housing Rehabilitation Services Program and making recommendations to the Mayor and Common Council on matters pertaining to Program policies, procedures, and administration.

On May 1, 1979, by adoption of Amended Ordinance No. 6619, File No. 225-78, the Common Council created Section 3.69 of the Madison General Ordinances entitled ACommunity Development Authority of the City of Madison.≅ The said Ordinance states in part:

- A(14). Transfer of HFC Functions to CDA. After adoption of this ordinance and upon subsequent direction of the Common Council, all functions of the HFC related to the operation and administration of the City=s Housing Rehabilitation Services Program shall be transferred to and assumed by the CDA, as agent of the City, and the HFC shall cease to exist as a committee of the City. Any procedures, hearings, actions, or approvals taken or initiated by the HFC on housing rehabilitation loans made or pending loan applications under the Housing Rehabilitation Services Program shall be deemed to have been taken or initiated by the CDA as though the CDA had originally undertaken such procedures, hearings, actions, or approvals. Such transfer shall not be effective unless specifically authorized by the duly adopted resolution of the Common Council.≅

On September 18, 1979, the Common Council adopted Resolution No. 34,931, designating the Community Development Authority as agent for the City for purposes of operating and administering the Housing Rehabilitation Services Program. By the adoption of the said Resolution, the Housing Finance Committee was dissolved.

5. Responsibilities of the Community Development Authority.

- 1. The Community Development Authority shall be responsible for reviewing the administration of the Housing Rehabilitation Services Program by the DPD Staff, and for

making recommendations to the Mayor and Common Council on matters pertaining to Program policies, procedures, and administration. The CDA is the agent of the City and may authorize execution of all necessary documents required in the administration of the Program.

2. The Authority shall be responsible for reviewing environmental impact specifically pertaining to historic preservation and sites and buildings in or eligible for the National Register of Historic Places, as required by the Housing and Community Development Act of 1974 or by any similar Federal Acts, State Statutes, and/or grants, according to an administrative procedure determined by the Authority.

6. Authority of the DPD Director.

1. The DPD Director, with the approval of the Community Development Authority, is authorized to make such rules and regulations and to issue such orders and notices, in such form or manner as may be necessary and proper to put into full force and effect any and all of the provisions of the HRSP.
2. The DPD Director, under appropriate circumstances or conditions and with the prior approval of the Community Development Authority, is authorized to waive such provisions or requirements as are promulgated in the HRSP.
3. The DPD Director is authorized on behalf of the Community Development Authority to call upon any department, board, commission, or agency of the City for assistance and cooperation in carrying out the HRSP, and all City departments, boards, commissions, and agencies are authorized and directed to cooperate with and furnish assistance to the Community Development Authority, the DPD Director and the DPD Staff in carrying out the Program.
4. The DPD Director, or designee, is authorized on behalf of the Community Development Authority to approve or reject housing rehabilitation loan applications under procedures set forth in Chapter 7 of this Handbook.
5. The DPD Director, or designee, is authorized on behalf of the Community Development Authority to accept and approve Reaffirmation Agreements submitted in connection with the filing of a Petition for Bankruptcy.

## CHAPTER 2 - DEFINITIONS

Following are definitions of various terms used in this Handbook in connection with the Housing Rehabilitation Services Program.

Annual Family Income: The anticipated total income from all sources received by the family head and spouse (even if temporarily absent), and by each additional member of the family, including all net income derived from assets, for the 12-month period following the date of loan application, exclusive of income which is temporary, non-recurring, or sporadic as defined below.

Income includes, but is not limited to the following:

- X The full amount, before any payroll deduction, of wages and salaries, overtime pay, commissions, fees, tips, bonuses, and other compensation for personal services.
- X Net income from operation of a business or profession (expenditures for business expansion or amortization of capital indebtedness and an allowance for depreciation of capital assets shall not be deducted to determine net income from business).
- X Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness and an allowance for depreciation of capital assets shall not be deducted to determine the net income from real or personal property. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all Net Family Assets or a percentage of the value of such assets based on the current passbook saving rate as determined by HUD. In deeds of trust or mortgages held by an applicant/tenant, only the interest portion of the payments received is counted as income.
- X The full amount of periodic payments 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 payment for the delayed start of a periodic payment.
- X Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay.
- X Welfare Assistance payments.
- X Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts, including amounts received from persons not residing in the dwelling.
- X All regular pay, special payments, and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the family, spouse, or other person whose dependents are residing in the unit.
- X Any earned income tax credit to the extent it exceeds income tax liability.
- X Educational grants or scholarships or Veterans Administration benefits available for subsistence after deducting expenses for tuition, fees, books, and equipment.

The following are not considered as income in determining Annual Family Income:

- X Casual, sporadic, and irregular gifts.
- X Amounts which are specifically for, or in reimbursement of, the cost of medical expense care to allow a handicapped individual to live independently.
- X 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 settlements for personal or property losses. Also, the principal portion of payments received on a mortgage or deed of trust.
- X Amounts of educational scholarships paid directly to the student or to the educational institution and amounts paid by the government to a veteran for use in meeting the cost of tuition, fees, books, and equipment to the extent that such amounts are used. Student loans are not considered income.
- X Hazardous duty pay to a family member in the Armed Forces away from home and exposed to hostile fire.
- X Income from employment of children (including foster children) under the age of 18 years.
- X Payments received for the care of foster children.
- X Relocation payments made under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970.
- X The value of the coupon allotments for the purchase of food in excess of the amount actually charged an eligible household pursuant to the Food Stamp Act of 1964.
- X Payments received by participants or volunteers in programs pursuant to the Domestic Volunteer Services Act of 1973.
- X Payments or allowances made under the Department of Health and Social Services Low-Income Home Energy Assistance Program.
- X Payments received from the Job Training Partnership Act.
- X Payments received under the Alaska Native Claims Settlement Act. Income derived from certain submarginal land in the US, but is held in trust for certain Indian tribes. Income derived from the disposition of funds of the Grand River Band of Ottawa Indians. The funds awarded by the Indian Claims Commission or the Court of Claims or from funds held in trust for an Indian Tribe by the Secretary of the Interior.

Adjusted Annual Family Income. For the purpose of calculating eligibility for owner-occupied Installment Loans under the HRSP, adjusted annual family income, on which the determination of eligibility for a housing rehabilitation loan is based, means annual family income minus the following deductions:

- X \$480 for each member of the family residing in the household (other than the head of the household or his spouse) who is under 18 years of age or who is 18 years of age or older and is disabled or handicapped or a full-time student;
- X \$400 for any elderly family;
- X Medical expenses in excess of 3 per centum of annual family income for any elderly family; and
- X Child care expenses to the extent necessary to enable another member of the family to be employed or to further his or her education.

Eligibility for Deferred Payment Loans is based upon gross annual family income.

Agent. Any person, firm, or legal entity empowered to act on behalf of the City to perform loan closing and construction account management and mortgage servicing for City rehabilitation loans.

Annual Rate of Interest. The rate of interest charged the borrower of a housing rehabilitation loan. The annual base rate of interest to be charged for installment loans made in any given year shall be established by the Board of Estimates and approved by the Common Council of the City of Madison. The base rate of interest shall not exceed the cost of borrowed funds to the City of Madison in the year, plus a service fee of one percent, rounded upward to the nearest one-quarter of one percent. For the owner-occupied loans, two and one-half percentage points shall be added to the base rate for loans made to homeowners whose incomes are between 100% and 121% of median. Five percentage points shall be added to the base rate for loans made to homeowners whose incomes are between 121% and 142% of median.

Applicant. Any person or other legal entity that applies for a housing rehabilitation loan under the Housing Rehabilitation Services Program.

Borrower. Any person or other legal entity who holds title to a property being rehabilitated with the assistance of a housing rehabilitation loan, and who is legally responsible for repayment of the loan.

Community Development Authority (Authority) (CDA). The Community Development Authority is responsible for: (1) reviewing administration of the Housing Rehabilitation Services Program by the DPD Staff and making recommendations to the Mayor and Common Council on matters pertaining to Program policies, procedures, and administration; and (2) reviewing environmental impact specifically pertaining to historic preservation and sites and buildings in or eligible for the National Register of Historic Places, as required by the Housing and Community Development Act of 1974 or by any other similar Federal Acts, State Statutes, and/or local ordinances providing monies for housing loans and/or grants, according to an administrative procedure determined by the Authority.

Department of Planning and Development (DPD). The City Department having primary responsibility for administration of the HRSP.

Dwelling Unit. One or more rooms, which are arranged, designed, or used as living quarters for one family only. Individual bathrooms and complete single kitchen facilities, permanently installed, shall always be included with each dwelling unit.

Eligible Contractor. A contractor who has been approved by the DPD Staff to perform housing rehabilitation work financed with the assistance of a housing rehabilitation loan. Approval shall be made on the basis of written, objective standards as described in Chapter 8.

Family. An individual or not more than three (3) unrelated individuals or, two or more persons related by blood, marriage, or legal adoption, including foster children and not more than two (2) unrelated individuals, living together as a single housekeeping unit in a dwelling unit. For the purposes of the HRSP, an elderly family is a family whose head, or the spouse of the family head, or whose sole member, is a person who is at least 62 years of age or is under a disability as defined in Section 223 of the Social Security Act or in Section 102(a) of the Development Disabilities Services and Facilities Construction Amendments of 1970, or is handicapped. The term Aelderly family≅ includes two or more elderly, disabled, or handicapped individuals living together, or one or more such individuals living with another person who is determined by the DPD Staff to be a person essential to their care or well-being.

Housing Rehabilitation Loan. A loan to finance, in whole or in part, the cost of rehabilitation work needed to bring a property into compliance with the Minimum Housing and Property Maintenance Code and other applicable property rehabilitation standards under the HRSP. A housing rehabilitation loan may be an owner-occupied installment loan, a non owner-occupied installment loan, or an owner-occupied deferred payment loan.

An installment loan is an interest-bearing loan; the terms of the promissory note and the mortgage, the loan and regulatory agreement, or other loan security instrument require the borrower to repay the principal loan amount and the interest due to the lender (the City of Madison) within a specified number of months from the date of loan settlement, in substantially equal monthly installments.

A deferred payment loan is a loan that does not have to be repaid in regular monthly installments for the first five years of the loan. Under the terms of the promissory note and the mortgage or other loan security instrument, monthly payments on the loan begin five years after loan closing at a rate of 10% per year over a 15-year term, unless the borrower continues to meet the income eligibility criteria. The loan principal and a one-time 10% interest charge is due upon sale, transfer, or vacation of the property by the owner (.00833% of the principal loan amount for each full month or each partial month that the loan is outstanding for the first year).

Five years after the deferred payment loan is closed, the borrower may make application, and 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.

Incidental Expenses. Those costs incurred by a borrower in the process of obtaining a housing rehabilitation loan, which are deducted from the proceeds of the loan.

Investor-Owner. One or more natural persons who hold fee simple title to the 1 to 4 unit property to be rehabilitated.

Minimum Housing and Property Maintenance Code. Chapter 27 of the Madison General Ordinances.

Non-Profit Housing Cooperative. A non-profit association duly organized and existing under Chapter 185 of the Wisconsin Statutes which either holds fee simple title to a property of low and moderate income who are also members of the association, or has purchased such property under a recorded land sales contract.

Non-Profit Housing Corporation. A non-profit corporation duly organized and existing under Chapter 181 of the Wisconsin Statutes, which either holds fee simple title to a property to be rehabilitated for occupancy or continued occupancy by families or individuals of low or moderate income, or has purchased such property under a recorded land sales contract.

Owner-Occupied Property. A property used entirely for residential purposes, occupied by the owner, and containing not more than four separate dwelling units.

Non Owner-Occupied Property. A property used entirely for residential rental purposes, and containing not more than four separate dwelling units.

Person. One or more natural persons who occupy a property to be rehabilitated, and who either hold fee simple title to such property or have purchased such property under a recorded land sales contract.

Property Rehabilitation Standards. The standards contained in the Minimum Housing and Property Maintenance Code, the HUD-Established Cost-Effective Energy Conservation Standards for Rehabilitation of Residential Properties, lead-based paint requirements, and other local codes and ordinances pertaining to housing construction, and to use, occupancy and maintenance of existing residential properties, which are applicable to the property through code enforcement action.

Rehabilitation Area. A smaller area within the Target Area which has been designated for concentrated loan activity to comprehensively address the rehabilitation needs in a particular neighborhood.

Rehabilitation Cost. The total cost of repairs and improvements and other rehabilitation costs to be incurred by the borrower that are includable in a housing rehabilitation loan, whether or not such costs are financed in part with funds from other sources.

Rehabilitation Escrow Account. A single cash account on the records of the City or its Agent used to reflect the deposit and disposition of all funds to be used in the rehabilitation of a particular property.

Right of Rescission. The borrower=s right, within a three-day period from the date of loan settlement, to rescind the entire loan transaction. The right of rescission applies to a housing rehabilitation loan secured by a mortgage on a residential property which contains not more than four dwelling units and is owned by a borrower who is a natural person.

Target Areas. The areas of the City comprised of older housing, a substantial portion of which is in a deteriorated condition.

Work Write-up. A statement itemizing all rehabilitation work needed to be done on a property to bring the property into compliance with the Minimum Housing and Property Maintenance Code and other applicable property rehabilitation standards. The work write-up is prepared by the DPD Staff on the basis of an inspection of the property.

## CHAPTER 3 - ELIGIBILITY REQUIREMENTS FOR HOUSING REHABILITATION LOANS

A housing rehabilitation loan may be made only to an applicant who meets the applicant eligibility requirements set forth in this chapter. The loan proceeds may be used only for the rehabilitation of a property that meets the property eligibility requirements set forth below. The specific type of loan for which an eligible applicant qualifies (i.e. an installment loan or a deferred payment loan), will be determined in accordance with the provisions of Chapter 5 of this Handbook.

7. Property Eligibility Requirements. To be eligible for rehabilitation financed with a housing rehabilitation loan, the property must:

1. be a residential property located in the City of Madison;
2. require at least \$1,000 of rehabilitation work in order to meet the requirements of the Minimum Housing and Property Maintenance Code, the HUD-Established Cost-Effective Energy Conservation Standards for Rehabilitation of Residential Properties, lead-based paint requirements, and other applicable property rehabilitation standards;
3. be physically and financially feasible of rehabilitation to a sound and readily maintainable condition; and
4. contain not more than four dwelling units after completion of the required rehabilitation work.

8. Applicant Eligibility Requirements.

1. Type of Applicant. The applicant must be:
  - (1) the owner-occupant of the property to be rehabilitated or the purchaser-occupant of such property under a recorded land sales contract;
  - (2) a non-profit housing corporation or non-profit housing cooperative which is either the owner of the property to be rehabilitated or the purchaser of such property under a recorded land sales contract; or
  - (3) an investor-owner who is the owner of the 1 to 4 unit property to be rehabilitated.
2. Applicant=s Willingness and Capacity to Repay Loan. The applicant must demonstrate both the willingness and adequate financial capacity to repay the principal loan amount (and also the interest due to the City) in accordance with the terms and conditions specified in the promissory note and, if applicable, the mortgage or other loan security instrument. A housing rehabilitation loan will not be approved if the applicant=s record shows a disregard for former obligations.

An installment loan will not be approved in any case where it is determined that the applicant for such type of loan is clearly unable to make the required monthly installment payments because of the applicant=s other fixed financial obligation.

3. Documentation of Applicant=s Eligibility. The applicant must provide all financial data and other relevant information required to document the applicant=s eligibility for a

housing rehabilitation loan, and must give the DPD Staff written permission to obtain verification of such information from other appropriate sources. The applicant must also agree to permit all inspections of the property to be rehabilitated, as deemed necessary by the DPD Staff.

9. Additional Requirements Applicable to Purchaser Under Land Sales Contract. For the purposes of the Housing Rehabilitation Services Program, the term Land sales contract≡ refers to any transaction, regardless of the nomenclature by which it is known, in which the purchaser obtains fee simple title to the property only by completing a series of installment payments over a period of years. In order for a purchaser under a land sale contract to be eligible for a housing rehabilitation loan, the following requirements must be met, in addition to those set forth in Section 1 and 2, above:

1. The contract must be a written, legally binding, properly recorded instrument relating to the property to be rehabilitated.
2. The seller of the property must hold fee simple title to the property and, while the contract is in good standing, must be unable to use the property for collateral or to convey the property to any other party unless such use for collateral or conveyance of fee simple title is subject to the contract.
3. Under the contract, the seller and any subsequent holder of the fee simple title to the property must be obligated, without qualification, to deliver to the purchaser fee simple title and a deed to the property upon full payment of the contract price, or some lesser amount.
4. Under the terms of the contract, the purchaser must have full use, possession and quiet enjoyment of the property; equitable title to the property; and full rights of redemption for a period of not less than 60 days.
5. The purchaser must be legally able to mortgage, pledge, or assign equitable title to the property to the City of Madison, as required by the loan security provisions set forth in Chapter 6 of this Handbook. If, under the terms of the contract, the purchaser may only make such mortgage, pledge, or assignment with the seller=s consent, the purchaser must obtain such consent from the seller prior to processing the loan application. The seller's consent must provide for the co-signing of the Note, Loan and Regulatory Agreement, and Mortgage.
6. The purchaser must have had possession and use of the property under the contract for at least 12 months prior to the date of application for a housing rehabilitation loan.

10. Income Limits for Eligibility; Priorities in Approval of Loan Applications.

1. Income Limits for Eligible Applicants. In any case where the applicant for an owner-occupied housing rehabilitation loan is an individual or a family, the DPD Staff will first determine the applicant=s annual family income and in the case of owner-occupied Installment Loans, make the appropriate deductions to determine the applicant=s adjusted annual family income. To be eligible for an owner-occupied Installment Loan, the applicant must have an adjusted annual family income that does not exceed the appropriate maximum income limit shown on Page 2 of Appendix 1 of this Handbook.

To be eligible for a Deferred Payment Housing Rehabilitation Loan, the applicant must have an annual family income that does not exceed the appropriate maximum income limit shown on Page 1 of Appendix 1 of this Handbook.

There are no specific income limits for the applicant for a non owner-occupied Installment Loan other than the capacity to repay the loan.

2. Income Limits for Eligible Non-Profit Housing Corporations and Cooperatives. For the purposes of the Housing Rehabilitation Services Program, the annual net income of an applicant non-profit housing corporation or cooperative includes the applicant=s net operating income from the property to be rehabilitated, plus the net income attributable to the applicant from any other source. The applicant=s annual net income does not include the income of any director, official, employee, officer, shareholder, or any other participant in the business.

The DPD Staff will determine the adjusted annual net income of the applicant non-profit housing corporation or cooperative by adding the amounts deducted for depreciation and property taxes to the applicant=s annual net income.

To be eligible for an Installment Loan, the applicant non-profit housing corporation or cooperative must have an adjusted annual net income that does not exceed the income limit for a single person family, as shown in Column (b) of Appendix 1.

## CHAPTER 4 - COSTS INCLUDABLE AND NOT INCLUDABLE IN A HOUSING REHABILITATION LOAN; MINIMUM AND MAXIMUM AMOUNT OF A LOAN

This chapter sets forth the various types of costs that may be included in a housing rehabilitation loan and those that are not includable, and the basis for determining both the minimum and maximum amounts of a loan.

11. Types of Costs Includable in a Loan. For the purposes of the Housing Rehabilitation Services Program, the types of costs that may be financed with a housing rehabilitation loan are as follows:

1. Eligible Costs.

- (1) The costs of rehabilitation work needed to correct existing violations of the requirements of the Minimum Housing and Property Maintenance Code, the HUD-Established Cost-Effective Energy Conservation Standards for Rehabilitation of Residential Properties, lead-based paint requirements, and other applicable property rehabilitation standards. The term Aother applicable property rehabilitation standards $\cong$  means the requirements of other local codes and ordinances pertaining to housing construction, and to use, occupancy, and maintenance of residential properties, as they specifically apply to the property to be rehabilitated with the assistance of a HRSP loan.

Generally, the costs of needed rehabilitation work will be based on the use of work methods and materials that will bring the property into compliance with the requirements of applicable property rehabilitation standards at the lowest initial cost. However, when the use of such work methods and materials would clearly result in a recurrence of the violation of such requirements within a five-year period, or would clearly require an unreasonable level of maintenance in order to avoid such recurrence, the costs of such work may be based on more expensive work methods or materials, or on the replacement of an element of the structure instead of its repair.

- (2) The costs of rehabilitation work needed to correct incipient violations of the requirements of the Minimum Housing and Property Maintenance Code and other applicable property rehabilitation standards. An Aincipient violation $\cong$  is an existing condition of an element of the structure that is not in violation of the requirements of applicable property rehabilitation standards at the time of inspection, but which will clearly deteriorate into an actual violation of such requirements within a one or two-year period if not corrected.
- (3) The costs of rehabilitation work needed to convert the property so as to change its use or to reduce the number of dwelling units.
- (4) 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.

- (5) The incidental costs incurred by the borrower in the process of obtaining a housing rehabilitation loan. Such incidental costs (which are deducted from the proceeds of the loan at the loan settlement) include the cost of any required title report or title insurance, the amount, if any, needed to 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.

2. Other Eligible Costs. Other eligible costs include the following:

- (1) The costs of rehabilitation work needed to put the property into sound and readily maintainable condition, with all necessary facilities in good working order. Such work may include, but is not necessarily limited to:

- (1) The rehabilitation, removal, or replacement of existing elements of the structure, 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 heating furnace, 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.

- (2) Expansion of the living space of the structure through construction of additional rooms, enlargement of existing rooms, or the finishing of unfinished spaces, such as attics, porches, or basements. (i.e. dormers in attic spaces to accommodate a legal bedroom if existing living space is inadequate; a limited addition to a kitchen or into an enclosed porch, shall be allowed for eating space, provided there is no dining room.)

- (3) Grading, filling, or landscaping of the grounds of the property.

- (2) The reasonable costs of necessary design services, in any case, where the applicant employs a private designer to prepare plans and/or specifications for the rehabilitation work.

- (3) Loan processing fee.

12. Costs Not Includable in a Loan. Except as otherwise provided in Section 1 above, the costs that may be financed with a housing rehabilitation loan do not include the following:

1. The costs of new construction or substantial reconstruction.
2. The costs of materials, fixtures, equipment, or landscaping of a type or quality which exceeds that customarily used in properties of the same general type as the property to be rehabilitated.
3. The costs of purchase, installation, or repair of furnishings.

13. Application of Loan Funds. On completion of the rehabilitation work, the property must comply with the requirements of the Minimum Housing and Property Maintenance Code, the HUD-Established Cost-Effective Energy Conservation Standards for Rehabilitation of Residential Properties, lead-based paint requirements, and other applicable property rehabilitation standards. If the loan funds made available to the applicant under the Program are not sufficient to cover the costs of bringing the property into compliance with applicable property rehabilitation standards, the applicant must provide the additional funds needed from another source. (See also Chapter 5, Section 4 of this Handbook.)
14. Minimum Loan Amount. No housing rehabilitation loan of any type will be made under the Program for an amount of less than \$1,000.
15. Maximum Loan Amount - How Determined. The maximum amount of any type of housing rehabilitation loan made under the Program is the lowest of the following amounts:
  1. \$16,000 for a residential property containing one dwelling unit, plus an additional \$3,000 for each additional unit, up to a maximum of \$25,000 for a residential property containing four dwelling units. In any case where the applicant is a non-profit housing corporation or cooperative, and the property has one kitchen serving the needs of many residents living in separate rooms, the applicable maximum loan amount is \$25,000.
  2. The total amount of the eligible costs of the rehabilitation work.
  3. The amount by which the estimated after-rehabilitation-value of the property exceeds 90% of the existing indebtedness on the property. In the case of a property being purchased under a land sales contract, the amount of the existing indebtedness will be determined on the basis of the portion of the purchase price not yet paid to the seller under the contract.

## CHAPTER 5 - TYPES OF LOANS FOR WHICH ELIGIBLE APPLICANTS QUALIFY

This chapter sets forth the basis for determining the specific type of housing rehabilitation loan (i.e. an owner-occupied installment loan, a non owner-occupied installment loan, or a deferred payment loan) for which each type of eligible applicant qualifies.

16. Eligible Applicant Qualifying for an Owner-Occupied Installment Loan Only. In any case, where the eligible applicant is:

1. a non-profit housing corporation or cooperative; or
2. an income-eligible individual or family; or
3. a lower-income family, and the eligible property will contain two or more dwelling units after completion of the rehabilitation work.

The only type of loan for which the applicant will qualify is an interest-bearing installment loan.

17. Eligible Applicant Qualifying for an Owner-Occupied Deferred Payment Loan. In any case where:

1. the eligible applicant is a lower-income individual or family; and
2. the eligible property will contain only one dwelling unit after completion of the rehabilitation work.

The only type of loan for which the applicant will qualify is a Deferred Payment Loan.

18. Eligible Applicant Qualifying for a Non Owner-Occupied Installment Loan. In any case where:

1. the eligible applicant is an investor-owner; and
2. the incomes of at least 75% of the tenants in each property to be rehabilitated are no more than 80% of the Dane County median income; and
3. the rents after rehabilitation do not exceed the HUD Section 8 fair market rents.

19. Applicant Providing Rehabilitation Funds From Other Sources. In some instances, the applicant for a housing rehabilitation loan may need or want to do more rehabilitation work than can be financed under the Housing Rehabilitation Services Program. In such instances, the housing rehabilitation loan may be conditionally approved subject to the condition that the applicant presents to the DPD Staff, prior to the loan settlement, a bona fide written commitment from a recognized lending institution or other funding source stating that the funds are available for the applicant's use, and deposits the additional funds needed to cover the cost of the additional rehabilitation work in the Rehabilitation Escrow Account at the time of loan settlement. The source and amount of the additional funds; the terms and conditions under which the additional funds must be repaid, if borrowed; and the applicant's demonstrated financial capacity to make all of the required monthly payments on a continuing and regular basis, shall be verified by the DPD Staff before the applicant/borrower signs a

Contract for Rehabilitation Work that includes rehabilitation work not covered by the housing rehabilitation loan.

## CHAPTER 6 - TERMS AND CONDITIONS UNDER WHICH A HOUSING REHABILITATION LOAN IS MADE

This chapter sets forth the terms and conditions to which an applicant must agree in order to obtain a housing rehabilitation loan under the Housing Rehabilitation Services Program.

20. Interest Rate - Installment Loans. The annual base rate of interest applicable to installment loans made under the Program in any year shall be established by the Board of Estimates and approved by the Common Council of the City of Madison. The base rate of interest shall not exceed the cost of borrowed funds to the City of Madison in the previous year, plus a service fee of one percent, rounded upward to the nearest one-quarter of one percent. Two and one-half percentage points shall be added to the base rate for loans made to homeowners whose incomes are between 100% and 121% of median. Five percentage points shall be added to the base rate for loans made to homeowners whose incomes are between 121% and 142% of median. The applicable annual rate of interest for the current year of Program operation is shown in Appendix 2.
21. Interest Rate - Deferred Payment Loans. The one-time finance charge for a deferred payment loan will be 10% of the loan principal (.00833% of the principal loan amount for each full month or each partial month that the loan is outstanding for the first year) and is due when the owner sells, vacates, or transfers the property. The rate applicable to Deferred Payment Loans, which are converted to Installment Loans, because the borrower no longer meets the income eligibility criteria, will be 10% annually.
22. Program Fees and Charges.
  1. Application Fee. The amount of the application fee to be charged to an applicant for a housing rehabilitation loan is \$35 for a deferred payment loan, \$50 for an owner-occupied installment loan and must be paid at the time of loan settlement. The application fee for a non owner-occupied installment loan is \$200 and must be paid at the time of application.
  2. Refund of Application Fee. A refund of the application fee will be made only to an applicant whose loan application has been rejected, or a borrower whose loan application has been approved, but who has rescinded the entire loan transaction in accordance with Truth-In-Lending procedures.
  3. Title Report or Title Insurance. The cost of any title report or title insurance policy required before final settlement of the loan is complete is an eligible cost and can be included in the loan amount. Such costs are not payable by any borrower who has rescinded the loan transaction in accordance with Truth-In-Lending procedures.
  4. Recording Fees. The cost of recording the mortgage or any other documents to be recorded in connection with the loan is an eligible cost and can be included in the loan amount.
  5. Loan Processing Fee. The amount of the loan processing fee is 1% of the loan amount which is an eligible cost and can be included in the loan amount.

6. Appraisal Fee. The applicant for a non owner-occupied installment loan will be responsible for covering the cost of an appraisal for an assisted property containing two or more units.
23. Maximum Term of Repayment of Loans. The maximum term for repayment of a loan made under the Program is determined by whichever of the following results in the shortest term:
1. three-fourths of the remaining economic life of the property;
  2. 20 years for an owner-occupied installment loan or in the case of a deferred payment loan which is converted to an installment loan because the borrower no longer meets the income eligibility criteria, 15 years;
  3. 15 years for a non owner-occupied installment loan; or
  4. the maximum term, in whole years, requiring a monthly payment of at least \$10.
24. Loan Immediately Repayable Upon Sale or Transfer of Property, etc. The promissory note and the mortgage or other loan security instrument, executed by the borrower of any housing rehabilitation loan made under the program, will provide:
- X if the loan is an installment loan - that the then outstanding balance of the principal loan amount and the unpaid interest due on such balance, if any, are immediately repayable to the City;
- X if the loan is a deferred payment loan - that the then outstanding balance of the principal loan amount and the amount of the applicable finance charge are immediately repayable to the City.
- Upon the occurrence of any of the following:
- X title to, or equitable ownership in, the property is transferred to any party other than the surviving spouse of the borrower, if any;
- X the property is no longer occupied by the borrower, or the surviving spouse of the borrower, if any, regardless of whether or not title to, or equitable ownership in, the property is transferred to any other party; or
- X the borrower, or the surviving spouse of the borrower, if any, defaults in meeting any of the terms and conditions of the loan.
25. Optional Prepayment of Loan. The borrower may repay any part or all of the then-outstanding balance of the principal of any housing rehabilitation loan at any time prior to the time that such payment would otherwise be due without incurring any prepayment penalty.
26. Loan Security.
1. Form of Loan Security Required. The borrower must provide security for a housing rehabilitation loan in the form of a mortgage. In the case of multiple ownership, the

signature of every title holder to the property will be required on each instrument that evidences or secures the loan.

2. Preservation of the Security. The borrower must agree to maintain the property in sound condition during the term of the housing rehabilitation loan.
  3. Hazard Insurance. The borrower must maintain hazard insurance on the property as required, during the term of the housing rehabilitation loan.
27. Other Loan Conditions. The specific terms and conditions for a housing rehabilitation loan are incorporated in the promissory note and the mortgage or other loan security instrument. In addition to the terms and conditions referred to in the preceding paragraphs, the applicant/borrower must agree to comply with the following terms and conditions:
1. Civil Rights. The applicant shall not discriminate upon the basis of age, sex, race, color, religion, handicap, marital status, national origin or ancestry, source of income, arrest record or conviction record, less than honorable discharge, physical appearance, sexual orientation, political beliefs or that a person is a student (as defined in the City of Madison Ordinances), in the sale, lease, rental, use, or occupancy of the property to be rehabilitated with the assistance of a housing rehabilitation loan.
  2. Affirmative Action and Equal Employment Opportunity. The applicant shall comply with all applicable provisions of the Madison General Ordinances concerning affirmative action and equal employment opportunity in respect to the rehabilitation work to be performed with the assistance of a housing rehabilitation loan, and shall assist and actively cooperate with the City of Madison in obtaining the compliance of contractors and subcontractors with such provisions of the Madison General Ordinances, and with the rules, regulations, and relevant orders issued by the City of Madison pursuant to such provisions of the Madison General Ordinances.
  3. Use of Proceeds. The borrower shall agree to use the proceeds of the housing rehabilitation loan only to pay for costs of services and materials necessary to carry out the rehabilitation work for which the loan is approved.
  4. Escrowing the Rehabilitation Funds. The borrower shall agree to permit the City of Madison, its agents or designees, to act as escrow agent of the proceeds of a housing rehabilitation loan and other funds used in combination with a housing rehabilitation loan, including the borrower's own funds, and to permit the City of Madison, its agents or designees, to disburse such funds to the borrower and the contractor in the manner set forth in the contract between the borrower and the contractor, to insure the proper disbursement of such funds.
  5. Completion of Work. The borrower shall assure that the rehabilitation work shall be carried out promptly and efficiently through written contract.
  6. Standard Rehabilitation Agreement to be Used. The standard contract form provided by the DPD Staff shall be used in rehabilitation work financed in whole or in part with a housing rehabilitation loan.

7. Competitive Bids for Construction Work. If required by the DPD Staff, the applicant shall agree to give full opportunity for competitive bidding in selection of a contractor (or in selection of subcontractors, if the applicant acts as his or her own general contractor) to perform any rehabilitation work financed in whole or in part with a housing rehabilitation loan; to give such publicity through written solicitations for bids as will produce competitive bidding; and to award each contract to the lowest responsible bidder.
8. Ineligible Contractors. The applicant shall agree not to award any contract for rehabilitation work to be paid for in whole or in part with the proceeds of a housing rehabilitation loan to any contractor who, at the time, has not been approved by the DPD Staff as an eligible contractor under the Program. If the applicant acts as his or her own general contractor, each subcontractor must be pre-qualified as an eligible contractor, and the applicant must be approved as a capable contractor by the DPD Staff.
9. Inspections. The borrower shall permit inspection by DPD Staff of the property to be rehabilitated with the assistance of a housing rehabilitation loan, for compliance with the Minimum Housing and Property Maintenance Code and other applicable local codes and ordinances. The borrower shall also permit all other inspections deemed necessary by the DPD Staff of the property, the rehabilitation work, and all contracts, materials, equipment, payrolls, and conditions of employment pertaining to the work.
10. Records. The borrower shall keep such records as may be required with respect to the rehabilitation work performed with the assistance of a housing rehabilitation loan.
11. Interest of Public Body. The borrower shall allow no member of the governing body of the City of Madison, and no official or employee of the City of Madison who exercises any functions or responsibilities in connection with the administration of the Housing Rehabilitation Services Program to have any interest, direct or indirect, in the proceeds of the housing rehabilitation loan, or in any contract entered into by the borrower for the performance of work financed in whole or in part with the proceeds of the loan.
12. Bonus, Commission, or Fee. The applicant shall not pay any bonus, commission, or fee for the purpose of obtaining approval of the loan application, or any other approval or concurrence required by the Community Development Authority or the DPD Staff to complete the rehabilitation work financed in whole or in part with the housing rehabilitation loan.
13. Loans Subject to Wisconsin Consumer Act. Each housing rehabilitation loan shall be subject to applicable provisions of the Wisconsin Consumer Act, as amended.
14. Transfer of Property. The borrower shall not sell the property, nor shall title to, or equitable ownership in, the property be transferred in any manner whatsoever to any party other than the surviving spouse of the borrower, if any, without repayment of the entire loan to the City, unless the prior written consent of the Community Development Authority is sought and obtained.

## CHAPTER 7 - PROCESSING OF A HOUSING REHABILITATION LOAN

This chapter sets forth the policies and procedures to be followed in preparing, processing, and approving an application for a housing rehabilitation loan and for canceling a loan application or approved loan under the Housing Rehabilitation Services Program.

28. Dissemination of Program Information. The DPD Staff will make information available concerning the HRSP to prospective applicants through neighborhood meetings, written informational statements, referrals from other public and private agencies involved in the provision of housing. Prospective applicants will be encouraged to contact the appropriate member of the DPD Staff to determine whether the assistance available through the Program meets their specific needs.
29. Loan Application. An appointment for an interview with DPD Staff will be made for each prospective applicant who expresses an interest in participating in the Program. The prospective applicant will be informed of the specific financial and other information needed at the initial interview. During the initial interview, the Program will be explained in detail and the prospective applicant will be furnished with a written informational statement concerning the requirements for a housing rehabilitation loan. The prospective applicant will be requested to sign a Loan Application and a Permission to Proceed.
30. Processing of Loan Application. After the initial interview has been held, the DPD Staff will verify the information provided regarding the applicant=s income, assets, housing expenses, credit history, and the nature and extent of the applicant=s ownership interest in the property for which the loan is being sought.

Based on such verified information, the DPD Staff will complete the HRSP Applicant Eligibility and Loan Qualification Worksheets to determine whether the applicant is eligible for a loan under the Program and, if so, the type of loan for which the applicant qualifies. After the completed worksheets have been reviewed, the DPD Staff will notify the applicant as to:

1. whether the applicant is eligible for a loan under the Program; and
  2. if the applicant is eligible, whether the applicant qualifies for:
    - (1) an installment loan; or
    - (2) a deferred payment loan.
31. Property Inspection: Preparation of Inspection Report and Work Write-Up. The DPD Staff will arrange with the applicant for an inspection to be made of the property for which the loan is being sought. On the basis of the inspection, made jointly by the DPD Staff and the applicant, the DPD Staff will prepare an inspection report and work write-up that identify all Minimum Housing and Property Maintenance Code deficiencies, all Energy Conservation requirement deficiencies, any immediate lead-based paint hazards, and all deficiencies in other applicable property rehabilitation standards. The Inspection Report and work write-up will also identify other deficiencies which may be corrected as part of the rehabilitation work as well as any other conditions requiring rehabilitation work that is eligible under the Program and which the applicant wishes to undertake.

If the total estimated cost of the work exceeds the amount of the loan for which the applicant qualifies, or exceeds the applicant's financial ability to do all of the work, the DPD Staff will modify or eliminate items of work as necessary to reduce the estimated costs; however, the items of work necessary to correct Minimum Housing and Property Maintenance Code deficiencies, Energy Conservation requirement deficiencies, and immediate lead-based paint hazards, shall not be eliminated.

An agreement will be reached between the DPD Staff and the applicant as to the extent of the rehabilitation work required and/or proposed to be done, subject, however, to the obtaining of a bid and proposal to perform the work that is satisfactory to both the applicant and the DPD Staff.

32. Preparation of Aas-is and Aafter-rehabilitation Appraisals. Based on standard procedures used for estimating the value of real property, the DPD Staff will order an Aas-is appraisal of the property. With the information provided in the work write-up and based on the Aas-is appraisal, the DPD Staff will also prepare an Aafter-rehabilitation estimate of value. When the Aafter-rehabilitation estimate of value has been prepared, the DPD Staff will complete the HRSP Property Eligibility and Loan Qualification Worksheet and, using the ratio of present and proposed indebtedness to the present and prospective values of the property, to determine if the property is eligible for rehabilitation under the Program.
33. Staff Review of Loan Application. The member(s) of the DPD Staff responsible for the review of loan applications, as assigned by the DPD Director, will make such review of the completed loan application file. The application will be examined for accuracy, program compliance, and technical content and assessed on the basis of general underwriting standards. A recommendation will be made for approval or rejection.
34. Action by the DPD Director: Request for Appeal. Following completion of the review, the loan application will be given to the DPD Director or designee. The action to be taken on a loan application by the DPD Director or designee will be based upon the following:
  1. The location of the property.
  2. Whether or not the applicant and the property meet applicable Program requirements relating to eligibility, qualification and priority for a housing rehabilitation loan, as set forth in this Handbook.
  3. The extent and type of the rehabilitation work to be undertaken by the applicant with the proceeds of the housing rehabilitation loan.
  4. Whether or not the applicant's income, current and projected housing expenses, credit information, and other pertinent financial data justify the making of a housing rehabilitation loan.
  5. The extent to which the estimated after-rehabilitation value of the property (minus the amount of the existing indebtedness on the property, if any) provides adequate security for the loan.

If an application is rejected by the DPD Director, or designee, the applicant will be given written notification of the rejection and the basis for the rejection. The applicant will also be

informed in writing of his or her rights established in Section 9.49(6)(a) of the Madison General Ordinances. If the applicant, within 30 days of the notification of rejection, files an appeal request with the Executive Secretary of the Community Development Authority, then the CDA and the DPD Director will schedule and hold an appeal hearing within 20 days of the filing of such a request. A written determination based upon the appeal hearing, will be prepared by the CDA and the DPD Director and be provided to the requestor within 10 days following the hearing. Written determination based upon the appeal hearing shall constitute the written determination.

35. Responsibility of the Applicant; Responsibility of the DPD Staff. In general, the applicant will be expected to assume as much responsibility as possible for determining the scope of the work to be performed, for selecting a contractor, arranging for contracts, and seeing that the work is carried out in a proper and timely manner. It is the responsibility of the DPD Staff to provide the technical assistance needed to assure that the rehabilitation work, financed with a HRSP Loan, fully meets required standards, is reasonable in cost, and is done in a readily maintainable and workmanlike manner. The amount of technical assistance required to be provided by the DPD Staff will vary from case to case; where necessary, the full range of assistance in the selection of eligible contracts will be provided.
36. Preparation of the Contract for Rehabilitation Work. After the DPD Staff has determined that the applicant is eligible and that the property is eligible, and upon agreement between the DPD Staff and the applicant on the scope of the rehabilitation work to be done, the DPD Staff will prepare the Contract for Rehabilitation Work, which will include the specifications, based on the inspection report and work write-up, and plans and sketches, if needed. Contractors will be expected to bid on the entire Contract for Rehabilitation Work, including the terms and conditions of the Contract, the dates for starting and completion of the work, and the work to be performed. Each page of the Contract for Rehabilitation Work shall be numbered sequentially. The procedures for securing bids and proposals are specified in Chapter 8 of this Handbook.
37. Loan Settlement. For loan applications that have been approved, the Agent will establish a date for loan settlement and prepare all necessary loan documents for signature by the applicant.
38. Completion of Rehabilitation Work. During the time that the rehabilitation work is being performed, compliance inspections of the property will be made, as necessary. Upon completion of the rehabilitation work, a final inspection will be made by the DPD Staff. When the rehabilitation work has been fully and satisfactorily completed, the DPD Staff will prepare a closeout report and order final payment to be made to the contractor. (See also Chapter 8, Sections 9 through 11 of this Handbook.)
39. Cancellation of a Housing Rehabilitation Loan.
  1. An application for a housing rehabilitation loan may withdraw the loan application at any time before the application has been approved. An applicant who elects to withdraw a loan application may, on request, continue to be provided with technical assistance under the Program.
  2. The DPD Staff may discontinue work on an application for a housing rehabilitation loan for any of the following reasons:

- (1) The applicant is not eligible for any type of loan available under the Program.
  - (2) The property for which the loan is sought is not eligible for rehabilitation financed with a loan under the Program.
  - (3) The applicant consistently refuses to cooperate with the DPD Staff in preparation of the application.
  - (4) The applicant does not permit the property for which the loan is sought to be inspected by the DPD Staff.
  - (5) The rehabilitation of the property is not feasible due to the poor physical condition of the structure, or the financial inability of the applicant to make required repayment of the loan.
  - (6) The applicant withdraws the application.
3. After a housing rehabilitation loan has been approved, the applicant may cancel the loan within a three day period after loan settlement by exercising the right of rescission provided in Truth-In-Lending Procedure.
  4. Cancellation and termination of a housing rehabilitation loan may be effected by the City of Madison by sending a written notice of cancellation to the borrower at his or her mailing address as set forth in the application if a prior adverse lien has been recorded against the property before the mortgage or other loan security instrument has been recorded, which would necessitate cancellation of the loan.
  5. Cancellation and termination of a housing rehabilitation loan may also be effected by the City of Madison by sending a written notice of cancellation to the borrower at his or her mailing address as set forth in the application if, for a period of 60 days from the date of execution of the loan security instrument, the borrower shall have failed or refused to cause the commencement of physical rehabilitation work on his or her property, or if the borrower shall have failed to complete such rehabilitation work in a reasonable time. Upon such termination, all funds for that particular loan will immediately be canceled and any funds expended by the borrower will be immediately due and payable to the City. The failure of the City to exercise this right shall not be deemed a waiver thereof, as long as the rehabilitation work remains incomplete.
40. Delinquent Loan Procedures. The following procedures are established to provide a systematic and fair method for dealing with delinquent loan accounts.
1. Mortgage Servicing Agent. The Mortgage Servicing Agreement between the City and the Mortgage Servicing Agent establishes the procedures to be followed by the Agent in the collection of City loans which become delinquent. The Agent is expected to use the same procedures and to exercise the same diligence in the collection of City loans as employed in the collection of its own loans, with the following exception: When the Agent determines that a City loan account is uncollectible, such determination must be reported in writing to the DPD Director. The written report will include:
    - (1) a brief description of the loan account;

- (2) the number and amount of payments past due;
- (3) late payment penalties assessed;
- (4) a brief statement concerning the borrower=s past record of making payments;
- (5) a record of collection efforts made by the Agent, such as letters, notices, telephone calls, and in-person contacts; and
- (6) any other relevant information concerning the status of the account, condition of the mortgaged premises, or special circumstances of the borrower.

NOTE: In most cases, such reports by the Mortgage Servicing Agent will concern loan accounts that are 60 days or more past due. At this stage, the loan account is returned to the City and will be transferred back to the Mortgage Servicing Agent only upon again becoming a satisfactory loan account.

2. Review by DPD Director. The report from the Mortgage Servicing Agent concerning a delinquent loan account, determined by the Agent to be uncollectible, will be reviewed by the DPD Director, or designee. The purpose of this review is to establish a basis for deciding whether to:

- (1) continue DPD Staff efforts to collect the delinquent loan amount; or
- (2) negotiate a temporary repayment agreement with the borrower; or
- (3) request approval from the CDA to refinance the loan; or
- (4) issue to the borrower a Notice of Default and Customer=s Right to Cure Default.

3. Courses of Action. In deciding which course of action to pursue, the DPD Director, or designee, will take into account the information provided by the Mortgage Servicing Agent and such other relevant information concerning the delinquent loan account as may have been obtained by the DPD Staff. Before action is taken, the DPD Staff will visit the mortgaged premises to assess their conditions and to determine if they are still occupied by the borrower.

- (1) If the DPD Director or designee, finds that there is a reasonable prospect that the borrower will resume forthwith the making of payments on the loan account, the DPD Staff will be instructed to continue efforts to collect the delinquent loan amount. In addition to resuming the making of installment payments, as originally agreed, the borrower must also bring his account current by making a payment (or payments) covering past due principal payments, accrued but unpaid interest, and any delinquency charges. If the loan continues to be delinquent for more than 120 days then the DPD Director, or designee, will issue a Notice of Default and Customer=s Right to Cure Default, as described in (d) below.
- (2) If the DPD Director or designee, finds that temporary hardship circumstances exist that prevent the borrower from making the regular monthly installment payments,

then a temporary repayment agreement may be negotiated with the borrower. Such agreement shall be in writing, shall require good faith payments of at least \$10 a month, and shall be for a maximum term of six months. The payment will be applied first to any escrow for taxes and insurance required in connection with the loan; second, to currently due or delinquent interest on the loan; and last, to repayment of currently due or delinquent principal payments on the loan. The agreement will also state that the amount deferred, that is, the sum of any deferred and unpaid principal, any deferred and unpaid interest, and any deferred charges, will be due and payable as part of the final installment payment on the loan. If there is a breach of the terms and conditions of the temporary repayment agreement then the DPD Director or designee, will issue a Notice of Default and Customer=s Right to Cure Default, as described in d. below.

- (3) If the DPD Director or designee, finds that the borrower=s circumstances have changed so as to indefinitely or permanently prevent the borrower from the agreed upon installment loan payments, the CDA may be requested to authorize the refinancing of the original loan in a manner that will meet the borrower=s current circumstances. The CDA will consider such a request as though the borrower were making a new loan application and the then prevailing eligibility requirements will apply. Upon approval by the CDA, and following a determination by report of title that there are no liens on the property subsequent to the original City mortgage, a new loan will be issued secured by a new Note and Mortgage. The original Note will be marked paid and the original Mortgage satisfied. If the CDA does not approve such request, then the procedure, described in d. below, will be followed.
- (4) If the DPD Director or designee, finds that the borrower has exhibited a clear disregard of the loan obligation, then a Notice of Default and Customer=s Right to Cure Default, as described in d. below, will be issued to the borrower.

Regardless of which of these courses of action is selected, the City Attorney must be notified by copy of the Mortgage Servicing Agent=s Report, that a City loan account has been determined by the Agent to be uncollectible. In addition, the DPD Staff will provide the City Attorney with other relevant information, such as the conditions of the mortgaged premises, whether or not the premises are occupied by the borrower, and the current status of any prior mortgage or loan security agreements.

4. Notice of Default and Customer=s Right to Cure Default. When a borrower=s account is delinquent for such a length of time that there are Aoutstanding 2 or more scheduled payments which have remained unpaid for more than 10 days after their original or deferred due dates= (Section 425.103(2), Wis. Stats.), the loan is in default. The City may notify the borrower that the loan is in default and give the borrower 15 days in which to pay the delinquent amount, to Acure the default.= The Notice of Default and Customer=s Right to Cure Default must identify the loan transaction, describe the nature of the alleged default, clearly state the total payment, including an itemization of delinquency charges, necessary to cure the default, and give the exact date by which the amount must be paid. This date must be at least 15 calendar days after the giving of the notice. The name, address, and telephone number of the person to whom payment must be made must also be listed. A model Notice is included as Exhibit A at the end of the Section.

A letter should accompany the notice explaining what the consequences are of failure to cure the default. Copies of this letter should be sent to the City Attorney and the Accounting Division. A model letter is included as Exhibit B.

The Notice of Default and the cover letter should be sent by regular first-class mail to each individual mortgagor (two notices if jointly owned by husband and wife). An affidavit of mailing (Exhibit C) must be prepared as proof of satisfying this prerequisite to acceleration of maturity.

**NOTE:** Default, as defined in the Wisconsin Statutes, may also occur if a borrower fails to observe any other covenant of the transaction, breach of which materially impairs the condition, value, or protection of or the (City=s) right in any collateral securing the transaction. Thus, if the City=s security were jeopardized by abandonment of the premises, damage to the premises, failure to maintain adequate insurance, etc., the City would proceed much in the manner herein described.

5. Notice of Election to Exercise Option to Accelerate. If, after 15 days following the issuance of the Notice of Default and Customer=s Right to Cure Default, the borrower has not cured the default by making the payment required by the Notice, then the DPD Director or designee, will take the following actions:

- (1) Issue to the borrower a Notice of Election to Exercise Option to Accelerate, using the model shown in Exhibit D. This Notice must be sent by regular first-class mail to each individual mortgagor.
- (2) Attach to the Notice copies of the note(s) and mortgage.
- (3) Send a cover letter with the Notice and its attachments, using the model in Exhibit E.
- (4) Prepare an affidavit of mailing, using Exhibit C as the model.
- (5) Forward to the City Attorney the entire loan file, including copies of the documents described in the foregoing.
- (6) Order a report of title on the mortgaged premises with instructions that this report be delivered, as soon as possible, to the City Attorney.
- (7) Prepare and issue disbursement vouchers for two checks to be drawn as follows:
  - (1) Clerk of Dane County Courts for filing fee.
  - (2) Dane County Register of Deeds.

These checks should also be delivered to the City Attorney.

**NOTE:** These checks should be charged to DPD=s SPECIAL SERVICES Account and a record of the disbursements included in the file sent to the City Attorney.

6. Action by the City Attorney. Upon receiving the loan file, the City Attorney will draft the Summons, Complaint, and Lis Pendens, file them to commence the foreclosure action, and serve them upon the mortgagor(s) and other defendants, if any.

In the event it becomes necessary, in order to protect the City=s security interest in the mortgaged premises, the City Attorney may request the CDA to authorize the advancement of sums of money from the appropriate housing rehabilitation capital account. Pursuant to Resolution No. 33,481, File No. 225-78, adopted by the Common Council on September 12, 1978, the CDA may authorize the advancement of funds for Aall necessary expenditures for insurance premiums, delinquent real property taxes, necessary repairs, and other necessary expenditures for the protection or foreclosure of the City of Madison=s security interest in any premises either preliminary to or during a real estate mortgage foreclosure action pursuant to the terms of the subject mortgage, the respective loan program policies and rules, and applicable Wisconsin law.≡

Pursuant to individual authorization by the CDA Board, the DPD Director or designee, may acquire properties which have been foreclosed, if necessary to protect the City=s security interest. Such action may be taken under the following conditions:

- (1) The offer to purchase the property shall be tendered during the public sale held pursuant to Chapter 846 of Wisconsin Statutes.
- (2) The offer to purchase the property shall only be tendered if other bids are insufficient to insure repayment in full of the CDA=s lien against the property.

## CHAPTER 8 - CONTRACTING FOR REHABILITATION WORK

This chapter sets forth the requirements and procedures of the Housing Rehabilitation Services Program pertaining to contracts for rehabilitation work financed in whole or in part with a housing rehabilitation loan.

41. General. Rehabilitation work financed with a housing rehabilitation loan shall be undertaken only through a written contract between the contractor and the recipient of the loan. The standard contract forms provided by the DPD Staff, as shown in Appendix 3 and 4, must be used in connection with rehabilitation work financed in whole or in part with a housing rehabilitation loan. The DPD Staff will assist each applicant in arranging for and obtaining an acceptable contract for rehabilitation work.

The contract will consist of a single document signed by both the contractor and the borrower of a housing rehabilitation loan. However, the borrower shall sign the contract only after the loan has been approved. The contract shall contain a bid and proposal by the contractor and the general conditions of the contract, as well as the written specifications for the rehabilitation work to be performed and plans, if any.

The contract document prepared by the DPD Staff may provide for alternates by which the bidder, as part of his bid and proposal, offers increases and decreases to the lump sum contract price to cover alternatives in the performance of the work. For example, the specifications may call for the removal of existing outside wood stairs and replacement with new wood stairs. An alternative may be provided for an additional price to make the replacement with concrete stairs. When used, alternates must be provided for specifically in the section provided for bid and proposal by adding material such as the following:

Alternate #1 \_\_\_\_\_ (Description of the Alternate)  
Add \$ \_\_\_\_\_ Deduct \$ \_\_\_\_\_  
Alternate #2 - Same as above, etc.

42. Plans and Specification. Written specifications, based on the work write-up, covering the specific rehabilitation work for the property for which the housing rehabilitation work for the property for which the housing rehabilitation loan will be made and approved by the DPD Staff. Plans will be prepared only when essential to show the scope of the work involved so that a fair bid for the work can be obtained and so that misunderstandings with the bidder will be avoided. The written specifications (and plans, if any) must be based on the final work write-up resulting from an inspection of the property and consultation, as indicted, with the owner. The written specifications shall clearly establish the nature of the work to be done, and the material and equipment to be installed. Known, acceptable brands shall be identified by reference to manufacturer=s or association specifications, and provision shall be made for acceptance of equal substitutions.

Each page of the specifications (and plans, if applicable) must be numbered in the sequence of the contract and must contain the acknowledgment and acceptance of the owner and contractor. (The initials of each and the date are construed to be acceptable.)

43. Eligible Contractors. The DPD Staff will establish and, on the basis of its experience, maintain a current listing of eligible contractors and subcontractors who are interested in doing rehabilitation work financed through a housing rehabilitation loan. The list will not be used as

a means of excluding bidders who are not on the list at the time of the submission of a bid and proposal. However, a contract will not be awarded to a contractor who, at the time of award, has not been approved by the Department of Planning and Development as an eligible contractor under the Program. In order to qualify as an eligible contractor under the HRSP, it will be necessary for the contractor to submit a completed Statement of Qualifications and Proof of Responsibility, in the form prescribed by the Department of Planning and Development.

44. Securing Bids and Proposals and Selecting Successful Bidders. The applicant will be briefed on how to obtain bids and proposals. To assist the applicant in the selection of a contractor, the DPD Staff may provide the applicant with a list of eligible contractors (see above). However, the applicant may select a contractor of his or her own choosing provided the said contractor can meet the DPD=s eligibility requirements prior to the award of contract. In order to obtain the benefits of competition, applicants will be encouraged to obtain more than one bid and proposal. At the sole discretion of the DPD Staff, an applicant may be required to obtain more than one bid and proposal as a condition of receiving a HRSP Loan. Bids and proposals received by the applicant must be fully executed by the contractor; the price for each item of work in the specifications must be shown separately, and the total amount of the proposal must be inserted at the bottom of the last page of the bid and proposal and in the space provided in the body of the contract. The applicant must not execute the contract. The completed bidding documents will be returned to the DPD Staff by the applicant,

After receiving the completed bidding documents from the applicant, the DPD Staff will first determine that the contractor is an eligible contractor and will then compare the bids with the specifications and the amounts of the bids to ensure that the proposal covers all items of rehabilitation work to be done and that the costs of the work are reasonable. If the amounts of the bids appear not to be reasonable, or if any item of work in the specification is not included in the proposal, then the DPD Staff will return the bidding documents to the applicant with instructions on how to correct any deficiencies or with a requirement that another bid and proposal be obtained for the work. Work financed with a housing rehabilitation loan will be awarded only if the costs are deemed reasonable, as proposed by an eligible contractor, or, in the event two or more bids are obtained, only the lowest eligible bidder.

45. Procedure When Owner Acts as General Contractor. If the owner of the property to be rehabilitated with a housing rehabilitation loan elects to act as his or her own general contractor, the owner must demonstrate to the satisfaction of the DPD Staff that he or she is capable of performing the work in a reasonably acceptable and expeditious manner. The owner need not be approved as an eligible contractor.

In any case where the owner acts as his or her own general contractor, the owner will complete a Contract for Rehabilitation Work and submit it to the DPD Staff. The contract must also clearly show the work to be performed by the owner and the cost of the materials to be used.

In any case where the owner is awarded the Contract for Rehabilitation Work as his or her own general contractor, the contracts of the subcontractors will be formalized using appropriate Housing Rehabilitation Services Program forms which shall be made a part of the case file to be retained by the DPD Staff.

The contract with the owner will include a payment schedule so prepared that the subcontractor can be paid. The payments will be issued in several checks, as required, with the amount due

for satisfactorily completed work being paid to each contractor. The several checks shall be made payable jointly to the owner and the appropriate contractor or supplier.

46. Award of Contract for Rehabilitation Work. The contract will be awarded by having the applicant for the loan properly execute the contract with the assistance of the Agent at loan settlement. (See Appendix 3 of this Handbook)
47. Issuance of Change Order. In accordance with the Contract for Rehabilitation Work, no changes, alterations, additions, deletions, or substitutions are to be made in the work or materials called for in the specifications which are part of the contract, except by written change order signed by the owner and contractor and approved in writing by the DPD Staff. Change orders shall be limited to covering work items, the need for which cannot be determined until sometime during the performance of the rehabilitation work, and, when issued, shall be deemed to be modifications of the contract as originally executed by the owner and the contractor. All proposed change orders shall be reviewed and approved by the DPD Staff before signed by the owner.
48. Responsibility for Inspection of Rehabilitation Work. Inspections of rehabilitation work financed in whole or in part with a housing rehabilitation loan will be made by the DPD Staff, as follows:
  1. Code Compliance. During the performance of the rehabilitation work, the DPD Staff shall make inspections of the property as necessary to assure that the rehabilitation work being performed will bring the property into compliance with the requirements of the Minimum Housing and Property Maintenance Code, Energy Conservation requirements, lead-based paint requirements, and other applicable local codes and ordinances.
  2. Contract Compliance. During the performance of the rehabilitation work, the DPD Staff shall make inspections of the property as necessary to assure that the rehabilitation work is being completed in accordance with the Contract for Rehabilitation Work.
  3. Final Inspection. Upon completion of the rehabilitation work, a final inspection of the property shall be made by the DPD Staff to assure:
    - (1) that the property has been brought into compliance with the requirements of all applicable codes and ordinances; and
    - (2) that the rehabilitation work has been completed in accordance with the Contract for Rehabilitation Work.
49. Inspections for Progress Payments and Final Payment.
  1. Progress Payments. A compliance inspection of the rehabilitation work shall be made and an inspection report prepared by the DPD Staff before a progress payment on a contractor's invoice is made. If the inspection determines that the work completed is satisfactory, the agent will draw progress payment checks on the escrow account, payable to the appropriate payee(s).

If the work completed is not satisfactory, and/or not in accordance with the requirements for a progress payment, as specified in the Contract for Rehabilitation Work, the DPD

Staff will advise the borrower of any non-compliance in the rehabilitation work, or of an incorrect invoice submitted by the contractor. The borrower will be requested to obtain, with assistance from the DPD Staff, appropriate corrective action from the contractor. No payment will be made pursuant to a Contract for Rehabilitation Work until the contractor has satisfactorily completed the necessary corrective action.

2. Final Payment. Upon completion of the rehabilitation work and receipt of the contractor's invoices containing his certificate of satisfactory completion of all work in accordance with the contract and his warranty, the DPD Staff will arrange for the final joint inspection of the completed work. When the final inspection determines that the rehabilitation work has been satisfactorily completed in accordance with the contract, and the property is in compliance with the requirements of the Minimum Housing and Property Maintenance Code and all other applicable property rehabilitation standards, the DPD Staff will obtain from the contractor a release of all liens and a copy of each warranty due the borrower for the work. After receipt of a release of all liens, including releases from all subcontractors and suppliers, and a copy of each warranty, the Agent will make final payment in accordance with Appendix 3 of this Handbook.
  
50. Certification of Final Inspection. After the DPD Staff has obtained the final inspection report and has determined that the rehabilitation work has been fully and satisfactorily completed, the DPD Staff will prepare a Certificate of Final Inspection. The Certificate of Final Inspection will be distributed by the Agent as follows:
  1. signed original to the property owner; and
  2. signed copy to be retained in the appropriate DPD file.
  
51. Supplemental Inspection. In some cases, defects and inadequacies in the rehabilitation work, not apparent at the time of final inspection, may show up after final payment for the work is made and the Certificate of Final Inspection is issued. Most of those are minor, such as doors and windows that stick after painting. However, others are serious, such as systems installed during the non-heating season that were not revealed in the limited tests after inspection, and plumbing leaks that did not show up in the final inspection.

APPENDIX 1

Current HUD Section 8 Income Limits  
for Low-Income Families, by Number of Persons  
in the Family, for Madison, Wisconsin\*

DEFERRED PAYMENT LOANS

(a) No. of Persons in Family	(b) Maximum Income Limits
1	\$30,450
2	\$34,800
3	\$39,150
4	\$43,500
5	\$47,000
6	\$50,450
7	\$53,950
8 or more	\$57,400

\* Section 8 Income Limits as shown in Column (b) are established and periodically revised by the U.S. Department of Housing and Urban Development (HUD). The income limits shown in Columns (b) will be revised by the DPD Staff whenever revised HUD Section 8 income limits for Madison are published. These income limits are revised yearly by HUD. Column (b) limits are 80% of median income limits established for Madison.

Effective 12/27/97

Maximum Adjusted Annual Incomes\*\* and  
Corresponding Interest Rate\*\*\*  
for Applicants to be Eligible for Housing Rehabilitation Loans,  
by Number of Persons in Family

INSTALLMENT LOANS

MAXIMUM INCOME BY FAMILY SIZE

<u>Persons in</u> <u>Family</u>	<u>6.00%</u>	<u>8.50%</u>	<u>11.00%</u>
1	\$38,100	\$46,100	\$ 54,100
2	43,600	52,750	61,900
3	49,000	59,300	69,600
4	54,500	65,900	77,400
5	58,900	71,300	83,600
6	63,200	76,500	89,700
7	67,600	81,800	96,000
8 or more	71,900	87,000	102,100

\*\* Adjusted annual incomes for eligible applicants, as shown in Column (d), are 100% of median income limits established for Madison by HUD; Column (e) incomes are 121% of median; and Column (f) incomes are 142% of median. The income limits shown in Columns (d-f) will be revised by the DPD Staff whenever revised HUD Section 8 income limits for Madison are published.

\*\*\* Interest rate shown in Column (d) is the cost of borrowed funds to the City of Madison in the year plus a service fee of one percent, rounded upward to the nearest one-quarter of one percent. Rate shown in Column (e) is two and one-half percentage points above Column (d); and rate in Column (f) is five points above Column (d).

Limits Effective 6/2/94  
Rate Effective 1/1/93

APPENDIX 2

APPLICABLE ANNUAL INTEREST RATE FOR CITY HOUSING REHABILITATION  
INSTALLMENT LOANS AND HOMEBUYER=S ASSISTANCE LOANS

Annual Base Interest Rate  
for Year Shown

Effective Date

1974 - 6.00%	March 12, 1974 (Resolution #26,114)
1975 - 6.50%	May 13, 1975 (Resolution #27,756)
1976 - 6.50%	February 24, 1976 (Resolution #28,742)
1977 - 6.00%	February 8, 1977 (Resolution #30,166)
1978 - 5.50%	January 24, 1978 (Resolution #32,468)
1979 - 6.25%	February 6, 1979 (Resolution #33,985)
1980 - 7.00%	January 29, 1980 (Resolution #35,401)
1980 - 8.00%	December 16, 1980 (Resolution #36,461)
1981 - 9.75%	May 12, 1981 (Resolution #36,966)
1982 - 11.5%	June 15, 1982
1982 - 10.5%	December 7, 1982 (Resolution #38,588)
1983 - 8.00%	August 2, 1973 (Resolution #39,315), Effective 9/1/83)
1984 - 9.25%	December 18, 1984 (Resolution #40,848, Effective 11/1/84)
1985 - 8.5%	November 5, 1985 (Resolution #41,800, Effective 11/1/85)
1986 - 7.25%	August 19, 1986 (Resolution #42,635, Effective 9/1/86)
1987 - 7.75%	November 17, 1987 (Resolution #44,058, Effective 12/14/87)
1989 - 7.50%	January 17, 1989 (Resolution #45,329, Effective 1/1/89)
1990 - 7.75%	February 6, 1990 (Resolution #46,413, Effective 1/1/90)
1991 - 7.75%	April 2, 1991 (Resolution #47,733, Effective 1/1/91)
1992 - 6.75%	Effective 1/1/92
1993 - 6.25%	Effective 1/1/93
1994 - 5.50%	Effective 1/1/94
1995 - 6.25%	Effective 1/1/95
1996 - 6.00%	Effective 1/1/96
1997 - 6.00%	Effective 1/1/97