

Homeowner Rehabilitation Deferred Loan Program

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Program Benefits

- Improve your home
- 0% interest
- Deferred payments



Homeowner Rehabilitation Deferred Loan Program

Owner Handbook



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

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

For More Information

For more information on the HOME Consortium's Homeowner Rehabilitation Deferred Loan Program, visit our website at: www.homeconsortium.com

General questions about the program can also be directed to Waukesha County Community Development at 262-896-8170 or at dnarus@waukeshacounty.gov.

Fees and Other Costs

Application fee – An application fee of \$75 will be collected at time of application. This fee covers the title search The title search fee is \$75.

Closing – At closing, a fee of \$30 will be collected and made payable to the Register of Deeds for purposes of recording the mortgage.

Inspection fees – After all the work on your project has been completed, the home inspector will conduct a final inspection. If you are working with a number of contractors and some complete their jobs before others, additional inspections may be required. Our program absorbs the costs of these inspections. The need for additional inspections will be determined by the Project Manager and the home owner prior to the closing.



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Basic Program Qualifications

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

- You must own and live in a single-family house or duplex (owner-occupied housing unit) within the four-county HOME Consortium service area (Jefferson, Ozaukee, Washington or Waukesha County).
- Your household income cannot exceed the income limits, based on family size, that have been established by the Department of Housing and Urban Development (HUD). For more information on these income limits, visit our website: www.homeconsortium.com
- The Fair Market Value of your home cannot exceed the Maximum House Value by County, as determined by HUD. For more information on these limits, visit our website: www.homeconsortium.com

Post-Closing Process

After the closing, conference calls including the contractor, homeowner and Project Manager will be conducted for each job. After each call is completed and the Project Manager has received all necessary information from the contractor, the rehab work can begin.

As the property owner, you will be asked to sign off on all payment requests once work is completed. By signing the Payment Request Form, you are stating that the work is complete and acceptable to you. Do not sign any Payment Request Form for work that you feel is incomplete or unacceptable.

If you are unhappy with a contractor, the materials or the work being done, you should first contact the contractor in an effort to resolve the problem. Most contractors take pride in their work and will be more than happy to correct problems to ensure that you have a positive experience.

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

Loan Closing

After the inspection is completed and the bids are accepted, a closing will be scheduled. At the closing, the following documents will be signed:

Mortgage – This document is filed at the Register of Deeds, showing that Waukesha County has a lien on the property. The mortgage states the loan amount, gives a detailed description of the property and explains how the loan will be repaid. It also states that the home must be insured at a minimal level (an amount that will cover all liens on the property).

Mortgage Note – This document shows the total loan amount and the manner in which the loan will be paid. It also states that there is no interest on the loan until you sell, transfer, lease or vacate the property.

Federal Truth In Lending Disclosure Statement (TIL) – This form shows the total loan amount and how the loan will be repaid. The TIL also states that there is no interest and that Waukesha County has a security interest in your property. It also lists all fees and charges associated with the loan.

Right to Cancel – This form states that you have 3 business days to cancel the loan if you wish to do so.

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

Additional Considerations

If you have received this handbook, you have most likely met all of the basic qualifications. However, meeting those requirements does not guarantee that your household will receive a loan through our program. The Project Manager who oversees the program will also consider the factors listed below in determining whether your rehabilitation work can be carried out under the rules of our program.

- **Credit history.** Although we do not review applicant credit scores, you must have a record of no late mortgage payments in the last 12 months. Your property taxes must be current as well. If you have filed bankruptcy within the last three years, you are not eligible for the program.
- **Homeowners Insurance.** The home must be properly and adequately insured. Proof of insurance will be required.
- **Equity.** The equity in the home is the difference between the home's value and what you owe on it. The actual loan amount you can receive through our program will be based on your equity in the property. Our program allows a loan-to-value ratio of up to 110%, and you must have enough equity in the home to allow for a loan in the amount of necessary rehabilitation work (see example under "Loan Amount" on page 3).
- **Judgments.** A title search will be done to determine current liens and judgments on the property. You must pay any judgments against the property prior to proceeding with a rehabilitation loan.
- **Repairs requested.** Sometimes a homeowner requests repairs that are primarily cosmetic in nature, or repairs that would not make the most efficient use of our funds. These types of repairs will not be approved for financing through our program (see "Eligible Activities" on page 5 for more information).
- **Cooperation of homeowner.** If at any time your actions will delay, increase the cost of the project, or in any way prohibit the Project Manager from fulfilling their duties, funding for the housing rehabilitation will be denied or cancelled. If you have applied for or gone through the program in the past, your cooperation during that time will also be considered.

Loan Terms

The Homeowner Rehabilitation Deferred Loan Program is a deferred-repayment loan program. Waukesha County (the lead agent) will place a lien on your property for the amount of the loan. The loan bears no payments and no interest as long as you continue to own and live in the home. The loan may be repaid at any time. However, the loan must be repaid in full when you no longer own and reside in the home (upon sale, lease, death, or transfer except to a surviving spouse).

Loan Amount

Loan proceeds may be used only to pay for the actual cost of services and materials necessary to carry out the rehabilitation work for which the loan is approved. The proceeds are paid directly to the contractors by the Wisconsin Partnership for Housing Development, Inc., the Program Administrator.

The loan amount you receive will be based on the home's value, your equity in the home and outstanding debt on it. The value of the property, the "Fair Market Value," is listed on your property tax bill. The amount you owe on the property includes the outstanding principal on any and all mortgages and liens on the property. Home equity lines of credit are considered at their full (maximum) value, because—as with credit cards—you can continue to borrow on the loan up to the maximum amount.

Consider the following example:

- The Fair Market Value of the home is \$105,000
- The principal balance on the first mortgage is \$85,000
- The principal balance on a home equity line of credit is \$5,000, with a maximum credit limit of 10,000

Contract Bids

You must then obtain contractor bids—3 for each job—for all the work necessary. (If it is not possible to obtain 3 bids, you have the option of signing a form acknowledging this.) After all bids have been received and you have selected the contractor for each job, you must forward all the accepted bids to the Project Manager. A loan closing for the total loan amount will then be scheduled.

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

Property Review

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

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

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

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

The total outstanding mortgages equal \$95,000. Dividing that by the Fair Market Value of \$105,000 yields a loan-to-value ratio of 90%. Under program guidelines, you may borrow additional funds up to a loan-to-value ratio of 110%.

Adding the maximum \$15,000 available to you through our program would bring your total outstanding mortgages to \$110,000, yielding a loan-to-value ratio of 105%. In this example, you should be eligible to borrow the maximum of \$15,000 from our program, assuming you have eligible repairs in that amount.

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

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

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

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

Eligible Activities

Allowable rehabilitation activities include those that will aid in increasing the supply of decent, safe and sanitary housing, as well as those that will contribute to more habitable housing conditions by promoting energy conservation and heating efficiency. Priority will be given to projects designed to eliminate situations that present an immediate threat to the health or safety of the occupants or the structural integrity of the owner-occupied housing unit.

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

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

Ineligible Activities

The following are not eligible for funding through our program:

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

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