

**“Downtown Neighborhoods”
Targeted Homeowner Rehabilitation Program**



**Program Guidelines in Support of the MSHDA
Community Development Block Grant Housing Program
MSC-2009-0037-HO**

The City of Owosso, Michigan

July 2010

TABLE OF CONTENTS

1. GENERAL PROVISIONS

A. Intent	1
B. Administrator	1
C. Goals	1
D. Source of Funds	1
E. Fair Housing	2
F. Acronyms & References	2

2. ELIGIBILITY REQUIREMENTS

A. Applicants	3
B. Property	4
C. Improvements	5
D. Contractors	6

3. APPLICATION PROCESS

A. Notice of Available Funds	8
B. Acceptance of Applications	8
C. Application Procedure	8
D. Receipt of Application	9

4. APPLICANT SELECTION

A. Selection Process	10
B. Inspections	10
C. Checklists and Certifications	10
D. Photographs	10

E. Scope of Work and Cost Estimates	10
F. Determination	11
G. Bid Proposals	11
H. Bid Review	11
I. Contract Award	11
J. Contractor Notification	11
K. Approval	11
L. Discrimination	12
5. REHABILITATION PROCEDURES	
A. Verifications	13
B. Pre-Construction Meeting	13
C. Construction Contract	13
D. Right of Rescission	13
E. Notice to Proceed	13
F. Construction and Contractor Payment	13
6. REPAYMENT	
A. Type of Loan	16
B. Loan Recording	16
C. Death	16
D. Loan Assumption	16
E. Lien Execution	16
F. Subordination	17
G. Prepayment	17

7. COMPLAINT RESOLUTION	
A. Review Committee	18
B. Complaint Resolution Procedures	18
C. Dispute Resolution	19
D. Final Recourse	19
8. PROGRAM ADMINISTRATION	
A. Confidentiality	20
B. Files	20
C. File Retention	20
D. Approval Authority	20
E. Grant Agreement & Program Compliance	20
9. TARGET AREA MAP	21

1. GENERAL PROVISIONS

A. Intent

The intent of these Program Guidelines is to document the policies and procedures that will be used to administer Community Development Block Grant (CDBG) MSC-2009-0037-HO that has been awarded to the City of Owosso by the Michigan State Housing Development Authority (MSHDA). The grant will be used to fund a Targeted Homeowner Rehabilitation Program in the Downtown Neighborhoods target area. (See attached map for target area boundaries.) The Owosso City Council may modify these policies and procedures; however, all modifications must be approved by MSHDA prior to being implemented.

B. Administrator

City of Owosso staff will administer the program. The City of Owosso Housing Program Manager will act as the Program Administrator and the City contact for all purposes including the general day to day administration of the Housing Program.

C. Goals

The goal of the Targeted Homeowner Rehabilitation Program is to provide housing rehabilitation assistance to City of Owosso residents that are at 80% or less of Shiawassee County's Annual Median Income (AMI). Maximum income levels are based on household size and are published in Michigan State Housing Development Authority, Policy Bulletin #16, *Requirements for Eligible Recipients/Households for Homebuyer, Homeowner, and Rental Rehabilitation Programs*.

Homeowners that receive rehabilitation assistance will have their home meet (at a minimum) both HUD Housing Quality Standards (HQS) and Energy Conservation Standards.

D. Source of Funds

The primary source of funding for the Targeted Homeowner Rehabilitation Program will be Community Development Block Grant (CDBG) funds. The City of Owosso is required to acquire matching funds equal to 25% from other sources. Potential sources include:

(1) USDA Rural Development: Loans are available to eligible very-low income and senior homeowners. Grants or loan-grant combinations are available for individuals 62 years of age and older that can not afford to repay a loan.

(2) CACS: Assistance for energy related projects is available through their Weatherization program.

(3) MSHDA Property Improvement Program (PIP) Loans: Loans are available to eligible low-income homeowners.

(4) Other Sources: Funds from other sources will be used when available.

E. Fair Housing

(1) Policy: The City of Owosso will not discriminate in their housing programs based on religion, race, color, gender, physical or mental disabilities, national origin, age, height, weight, familial status, marital status, or sexual orientation. The City of Owosso will comply with the fair housing requirements contained in Michigan State Housing Development Authority (MSHDA), Policy Bulletin #22, *Fair Housing Requirements*.

(2) Fair Housing Log: The Fair Housing Representative will maintain a log in order to record fair housing issues, complaints, and distribution of fair housing materials.

(3) Complaint Procedures: A fair housing complaint can be initiated by a program participant, prospective program participant, or contractor.

(a) The complaint will first be recorded in the fair housing log.

(b) The individual making the complaint will be informed that he or she may go directly to the Michigan Department of Civil Rights, HUD, or their local fair housing center.

(c) A copy of the complaint will be forwarded to the City of Owosso's designated MSHDA Community Development Specialist.

(d) The complaint will be investigated.

F. Acronyms & References

The acronyms and references below will be used throughout the remainder of these program guidelines:

Community Development Block Grant (CDBG)

U.S. Dept. of Housing and Urban Development (HUD)

Housing Quality Standards (HQS)

Michigan State Housing Development Authority (MSHDA)

Specific Work List (SWL)

State Historic Preservation Office (SHPO)

United States Department of Agriculture (USDA)

The term "applicant" refers to "one or more individuals".

The term "City" refers to the "City of Owosso".

The term "Program" refers to the "Targeted Homeowner Rehabilitation Program".

2. ELIGIBILITY REQUIREMENTS

A. Applicants

Applicants must meet certain eligibility requirements in order to be eligible for CDBG funds from the Program.

(1) **Ownership:** An eligible applicant is an individual or family who owns a single-family, permanent, year round, residential structure located within the “Downtown Neighborhoods” target area in the City of Owosso, Michigan. (See attached map for target area boundaries.) An applicant’s mortgage or land contract payments, including taxes, insurance and/or escrows must be paid current. All land contract agreements must be recorded. The Program will comply with MSHDA Policy Bulletin #20, *Guidance for Property Ownership Requirements*.

(2) **Occupancy:** An applicant must have resided at the property as their legal residence for a period of not less than six (6) months.

(3) **Income:** An applicant’s household income must not exceed the limits established by MSHDA. Only applicants who have a total household income of 80% or less of Shiawassee County’s Area Median Income (AMI) will be eligible to receive CDBG funds. Income limits are published in MSHDA Policy Bulletin #16, *Requirements for Eligible Recipients/Households for Homebuyer, Homeowner, and Rental Rehabilitation Programs*. The Program will comply with MSHDA Policy Bulletin #11 A & B, *Income and Asset Guidebook. (Part 5 Method)*

(4) **Asset Limitation and Homeowner Contribution:** An applicant who has liquid assets of cash, deposits, or investments in excess of \$20,000 per household must use those assets in excess of \$20,000 as matching funds for the rehabilitation project. This requirement is waived if those assets are currently being used as a source of primary retirement income. All assisted homeowners with an income of greater than 60% of Area Median Income (AMI) must finance a portion of the costs with funds from outside this grant. See table below for requirements.

% of AMI	Grant Funds for Project	Other Funds Required for Project
40	100%	0%
50	100%	0%
60	100%	0%
70	90%	10%
80	10%	20%

(5) **Conflict of Interest:** The following persons are **not** eligible to benefit from CDBG funds if they are in a position to participate in a decision-making process, gain inside information with regard to CDBG funded activities, or have been in such positions within the last year.

- (a) employees directly involved in administering the program,

- (b) elected city officials,
- (c) members of any city board,
- (d) immediate family members of those already identified.

The program will comply with MSHDA Policy Bulletin #8, *Compliance with Conflict of Interest Regulations Must be Adhered to When Awarding Contracts or Assisting Households*. Exceptions are possible. The factors considered and how to apply are listed in the Policy Bulletin.

Checking for a conflict of interest is one item reviewed by the program administrator when approving applications.

(6) Discrimination: No applicant will be denied access to the Program based upon religions, race, color, gender, physical or mental disabilities, national origin, age, height, weight, familial status, marital status, or sexual orientation.

B. Property

In order to be rehabbed with CDBG funds from the Program a property must meet certain criteria.

(1) Single Family Housing: The property must contain no more than one (1) owner occupied dwelling unit.

(2) Age of Home: Structures which are less than twenty (20) years old will not be rehabbed except for energy efficiency, health and safety, handicapped accessibility, or as the result of a declared disaster.

(3) Types of Homes: Homes that are conventional stick-built construction, modular, or manufactured single and double-wide units may be eligible. In order to be eligible, manufactured homes must be:

- (a) On a permanent foundation,
- (b) Taxed as real property, and
- (c) Not subject to a mortgage or severance agreement that treats the unit as personal property.

If there is a question as to whether a foundation is permanent, the City of Owosso Building Department will be the determining authority.

(4) Condition of Home: If the total rehabilitation costs exceed seventy-five percent (75%) of the estimated replacement value of the property after rehab, the property will **not** be eligible for rehabilitation and replacement options will be considered.

(5) Property Taxes: All property taxes, excluding assessments, which have been levied against the applicant's property shall not be delinquent unless the local taxing authority has issued a property tax deferment or exemption to the applicant.

(6) Hazard Insurance: The applicant must have a paid fire and extended coverage insurance policy on the property. Minimum fire and extended coverage must equal or exceed the debt against the property.

(7) Flood Plain: Properties in a designated one-hundred (100) year flood plain, as indicated on a Flood Hazard Boundary Map published by the Federal Insurance Administration, will not be eligible for rehabilitation.

(8) Lead-Based Paint: Pre-1978 housing units may contain lead-based paint surfaces. Rehabilitation work on these units shall be in accordance with MSHDA Policy Bulletin #26, *Implementation of the HUD Lead Based Paint Regulation for MSHDA HOME & CDBG Grantees, and Applicability to MSHDA Funded Grants and 24 CFR Part 35 for OCD CDBG and Home Recipients, and Applicability to MSHDA Funded Grants.*

(9) Asbestos: Housing units that contain friable asbestos materials shall only be eligible to receive funds after an inspection and cost estimate for abatement is performed by a licensed asbestos contractor. The cost estimate must be provided to the program administrator.

(10) Historical Property: The Michigan State Historic Preservation Office (SHPO) will be notified of all potential projects in which the structure is fifty (50) years of age or older. This is to assure compliance with all federal and state regulations concerning rehabilitation of historic properties. Structures deemed to be of historic significance will be processed on a case-by-case basis. SHPO clearance is not needed in the case of manufactured homes.

C. Improvements

In order to be rehabbed with CDBG funds from the Program improvements must meet certain criteria.

(1) Limitations: Improvements will be limited to those outlined in MSHDA Policy Bulletin #10, *Eligible Housing Rehabilitation Improvements.*

(2) Minimum and Maximum Levels of Assistance: All units assisted will receive up to \$35,000 in assistance – inclusive of all costs related to the project, including lead based paint hazard reduction or abatement costs, and all project related soft costs. There is no minimum level of assistance. The homeowner is responsible for all costs with the exception of lead-based paint hazards. The homeowner is responsible for the first \$1,000 of any lead-based paint related costs with the remaining, if any, being paid for from the grant.

(3) Minimum Property Requirements & Standards: All rehabbed homes will be brought at minimum to HUD Housing Quality Standards (HQS) and Energy Conservation Standards.

(4) Materials: Materials, equipment, and fixtures used will be new, moderately priced, and of durable quality.

(5) Permanency: With one exception, all improvements must be physically

attached to the property and be permanent in nature. A free standing kitchen range or refrigerator may be purchased if the existing unit(s) fail to meet HUD HQS. MSHDA staff will make the final determination if there is a question as to the eligibility of an improvement.

(6) Relocation: The Program will not provide funds for temporary or permanent relocation by any occupant. In the event that relocation is necessary the applicant will be responsible for all relocation expenses.

D. Contractors

The program administrator will maintain a list of qualified contractors that are eligible to participate in the Program. Contractors on HUD's debarred list are not eligible. Eligibility requirements are in accordance with MSHDA Policy Bulletin #7, *Contractor Requirements (Including Women and Minority Owned Business Outreach) and Suggestions Regarding the Use of Contractors to Complete Work Financed in Full or Part With Office of Community Development (OCD) Funds*.

(1) Contractor Solicitation: The Program will actively solicit qualified contractors to bid on projects. Solicitation efforts will include minority and female contractors. The following methods of solicitation will be used:

(a) An invitation by letter to all City of Owosso based contractors listed in the yellow pages section of the current Shiawassee County Directory and Yellow Pages.

(b) An invitation to all qualified contractors currently used by the program administrator.

(c) Possibly, a one-time announcement in the newspapers (the Argus Press, the Independent) that circulate in the City of Owosso.

(2) Required Documentation: Contractors that wish to participate in the Program must provide the following documents to the program administrator:

(a) A copy of an active Michigan Contractor's license.

(b) A copy of a valid license, as required by law, for any skilled trades in which the contractor is engaged

(c) The name, address, and telephone number of no less than three (3) principal suppliers, or subcontractors, and bank references.

(d) A Certificate of Insurance for comprehensive public liability coverage of not less than \$1,000,000 bodily injury and \$500,000 property damage and workers' compensation or sole proprietor form.

(e) Name, address, and telephone number of no less than three (3) customers for whom construction or rehabilitation work was performed within the last twelve (12) months.

(4) Contractor Performance: The program administrator may use its discretion in temporarily removing a contractor from the list of eligible contractors. The

following are examples, but not an inclusive list, of what would constitute reasons for removal: documented complaints by a homeowner or building code official, repeated delays in completing projects, unprofessional behavior, or substandard work as defined by the Contractor's Manual.

Repeated substandard performance of work by a contractor may result in the contractor's ineligibility to participate in the Program. Substandard performance needs to be documented by the program administrator, building code official, Bureau of Occupational and Professional Regulation, or the Michigan Department of Consumer and Industry Services. The program administrator will notify, in writing, any contractor that is deemed to be ineligible.

(5) Discrimination: No contractor or subcontractor will be denied access to the Program based upon race, color, creed, religion, national origin, sex, marital status, reliance on public assistance, age, or disability.

(6) Davis-Bacon Labor Standards: The rehabilitation of owner occupied homes does not require implementation of Davis-Bacon labor standards. The Program will comply with Policy Bulletin #14, *Guidance for Program Administrators of Community Development Block Grant (CDBG) and HOME-Assisted Projects That Trigger Davis-Bacon Labor Standards*.

3. APPLICATION PROCESS

A. Notice of Available Funds

The City of Owosso will notify the general public when CDBG funds are available. The general community will be informed by a one-time notice in the newspapers that circulate in the City and written notices posted at City Hall. Notifications will outline application procedures.

B. Acceptance of Applications

Applications will not be accepted prior to MSHDA's notification to the City of Owosso of the grant award or a legislator's news release, whichever occurs first.

C. Application Procedure

Homeowners desiring to apply for the Program must contact the program administrator either in person or by phone. At that time the homeowner will be provided with, or mailed, a list of required documentation and be scheduled for an intake interview. The applicant shall bring all required documentation to the intake interview. The interview will be terminated if the applicant does not have all required information. The following are required documents:

- (1) Proof of income for the most recent twelve (12) months
- (2) Most recent federal and state income tax returns (two [2] years if self-employed)
- (3) Evidence of paid property taxes for the last three (3) years
- (4) Proof of ownership showing applicants ownership of the property or recorded memorandum of a land contract showing the applicant's interest in the property
- (5) Mortgage or land contract agreement and payment history
- (6) Signed "Land Contract Holder's Pre-Consent Form" (if the applicant is purchasing the property on a land contract)
- (7) Proof of existing homeowner's insurance and proof of payment
- (8) List of bank accounts which include bank addresses, phone numbers, and account numbers
- (9) Birth dates and Social Security Account Numbers for all members of the household
- (10) Current one (1) year heating costs, heating supplier, and account number

Additional documents will be filled out during the intake interview and may include:

- (1) Data Privacy Statement
- (3) Authority to Release Information
- (4) Multi-Agency Release Form
- (5) Lead-Based Paint Statement
- (6) Photo release
- (7) MSHDA Family Composition
- (8) MSHDA Checklist
- (9) Any other documents required by the program administrator in order to secure matching funds from other agencies.

D. Receipt of Application

An application shall be considered complete, “received”, only after all required documentation and forms have been completed. Once complete the application will be assigned a project number, entered on the Project Log Sheet, and given a permanent file.

4. APPLICANT SELECTION

A. Selection Process

Completed applications will be processed and approved based on their chronological order; however, applications of an emergency nature or dealing with the health, safety, and welfare of household residents will receive priority. The determination of whether an application falls into this category will be determined by the program administrator. The program administrator will maintain a log of completed applications received and pending applications at all times.

B. Inspections

Once an application has been “received”, the program administrator, or a qualified individual, will inspect the property. In order to be qualified an individual must have received training in HUD HQS. A thorough inspection of the property will be conducted and, at a minimum, a HUD “Section 8 Existing Housing Program Inspection Form” will be completed. On the form every applicable item will be marked, “Pass”, “Fail”, or “Inconclusive”. If an item is marked as “Fail” or “Inconclusive”, the inspector will state the minimum repairs that will correct the deficiency. The inspector will note any other repairs needed to include those related to improving energy efficiency. The completed inspection form will be placed in the applicant’s file.

C. Checklists and Certifications

In addition to the HUD HQS Existing Housing Program Inspection Form the program administrator will prepare the following documents and place in the applicant’s file:

- (1) Environmental Checklist
- (2) Historical Significance Response Sheet; if the property is fifty (50) years old or older
- (3) Lead-Based Paint Certification Form
- (4) Noise Attenuation Checklist
- (5) Any other checklists required by the MSHDA

D. Photographs

The program administrator, or designated inspector, will take color photographs of the major deficiencies noted in the HUD HQS inspection report. The photographs will be placed into the applicant’s file.

E. Scope of Work and Cost Estimates

Based on the full-house HQS inspection, the program administrator will prepare a detailed Specific Work List (SWL) and cost estimate. The SWL will be reviewed with the applicant and revised if necessary.

F. Determination

At this point the program administrator will determine if rehabilitation is or is not feasible. If it is not feasible the applicant will be referred to the United States Department of Agriculture (USDA), Rural Development for replacement options. If it is feasible the program administrator may use other sources of funds in conjunction with CDBG funds in order to increase the number of houses that can be rehabbed under the grant program or to fund any amounts that may exceed the CDBG limits.

G. Bid Proposals

The program administrator will be responsible for providing the applicant with a list of contractors who are eligible to bid on the project. The program administrator will prepare the Bid Proposal in accordance with the SWL and distribute to the contractors selected by the applicant. Efforts will be made to secure at least three (3) bids; however, a contract may be awarded to a sole source if available contractors decline to participate, or are unable to assume additional projects. Contracts awarded to a sole source must be within ten percent (10%) of the project estimate that was made by the program administrator.

H. Bid Review

The program administrator will open and review all project bids. The program administrator will be responsible for reviewing all bids received to determine if the bids are in accordance with the SWL and in compliance with the Program.

I. Contract Award

After the bid review, the contract for the proposed work will be awarded by the applicant, subject to final approval from the program administrator. The proposed work will be awarded to the lowest bidder that will comply with all Program requirements, provided the bid is reasonable and in the best interest of the applicant. If the applicant desires to accept a bid that is not the lowest, the applicant will pay the difference between the lowest bid and the accepted bid. The amount will be placed into escrow and deposited into the appropriate Program account.

J. Contractor Notification

The program administrator will notify all bidders of the results of the bid by letter. The letter will indicate whether their bid was or was not accepted.

K. Approval

The program administrator will notify the Owosso City Council of the amount of the bid accepted. The Owosso City Council will approve or deny all bids.

L. Discrimination

Applicants will not be approved or denied based on religion, race, color, gender, physical or mental disabilities, national origin, age, height, weight, familial status, marital status, or sexual orientation. A person claiming discrimination may file a complaint with the City of Owosso Fair Housing Representative, the Michigan Civil Rights Commission, or the Equal Opportunity Office of the Michigan Department of Consumer and Industry Services. The City of Owosso Fair Housing Representative will maintain the phone numbers and addresses for each of these agencies. The City of Owosso Fair Housing Representative will also ensure that the complainant understands his or her right to file a complaint and provide the addresses and phone numbers of the previously mentioned agencies.

5. REHABILITATION PROCEDURES

A. Verifications

The program administrator will check with the Michigan Department of Consumer and Industry Services to verify that the contractor's license is current and there are no unresolved complaints against the contractor.

B. Pre-Construction Meeting

A pre-construction meeting will be held between the contractor, applicant, and program administrator prior to the commencement of construction. The meeting will take place at the project site. At this meeting, the parties shall review the SWL, construction procedures to be used, expected construction standards and outcomes, and the concerns of any party.

C. Construction Contract

The applicant and contractor will execute a "Homeowner/Contractor Contract" which is furnished by the program administrator. CDBG funds will not be expended on a project until the contract has been properly executed and placed in the applicant's file.

D. Right of Rescission

The program administrator will explain "Right of Rescission" to the applicant and provide the appropriate form for the applicant's use.

E. Notice to Proceed

Work on the project will not begin until a "Notice to Proceed" has been issued. The Notice to Proceed will contain a required start date (usually within thirty [30] days of contract signing) and a required completion date (usually sixty [60] days from commencement). The program administrator will issue the Notice to Proceed to the contractor once the following terms have been met:

- (1) All necessary documentation has been completed,
- (2) All construction issues have been addressed,
- (3) All necessary funds to complete the project have been committed or put in escrow, and
- (4) The three (3) day "Right of Rescission" has expired.

F. Construction and Contractor Payment

(1) Permits and Inspections: The contractor or his or her subcontractors will be responsible for obtaining all permits for the project and obtaining required inspections. Permit and inspection fees are the contractor's responsibility and should be included in the bid. The contractor will furnish a copy of all required permits to the program administrator prior to beginning work on the project.

(2) Property Owner Labor: Labor performed by the property owner or any party other than the chosen contractor or subcontractors of the contractor shall not be permitted.

(3) Contractor Performance: The contractor shall complete the project strictly in accordance with generally accepted construction standards, the project SWL, and the contract. The contractor and applicant will resolve issues that may arise that do not affect the SWL, the contract, or project cost. The contractor shall not deviate from the SWL without following the proper procedure for “Change Orders” (see next paragraph).

(4) Change Orders: If a change in the SWL is necessary due to the detection of unforeseen work, or it is determined a specification is not adequate or required, the contractor, applicant, and program administrator shall discuss and resolve the issue. A written Change Order will be prepared and signed by the contractor and applicant. Once signed the Change Order must be approved by the program administrator. The Change Order will become an addendum to the contract. Change orders will not be permitted to correct contractor errors in the bid process.

(5) Inspections: The program administrator will perform random interim inspections once construction of a project has begun. The final inspection shall take place with the applicant and contractor present.

(6) Payments: All requests for payment will be submitted on the proper form provided by the program administrator. All payments to the contractor shall be paid from a Program account, except for non-CDBG funds. Funds paid to the contractor from non-CDBG sources will be in accordance with that agency’s accounting procedures. The program administrator will inform the contractor of the dates that payment requests are due and when checks will be available.

Advance payments will not be made, however payments for the cost of materials on-site can be released.

The contractor may request project payments as the project progresses. Progress payments will be paid to the contractor only after the program administrator has performed an interim inspection and applicant approval is obtained. Progress payments and any payment made for materials on-site will not equal more than eighty percent (80%) of the total project cost.

The final payment is authorized only after all work is satisfactorily completed, a final inspection is made, and the applicant has signed a final payment approval. Prior to issuing the final payment, the contractor will furnish to the program administrator full “Waivers of Lien” from all materials suppliers and subcontractors, and a “Sworn Construction Statement” certifying that the contractor has paid all labor, suppliers, and subcontractors in full.

(7) Contract Extension: If unforeseen circumstances require an extension of the project completion date, the program administrator may authorize, in writing, an extension to the completion date. Any extension must be agreed upon by the program administrator, the contractor, and applicant. A signed copy of the extension agreement will be placed in the project folder.

(8) Damages: The contractor will be responsible for all damage to persons or property that occurs as a result of his or her work. The contractor will furnish evidence of satisfactory insurance as required in a previous section. The Program, the City of Owosso, the program administrator or any employee of the Program, the City of Owosso, or the program administrator shall not be responsible for any damages, omissions, or loss as a result of the contractor's performance or applicant's neglect.

(9) Recognized Participants: Only those adult household members who have signed the application, the Contractor/Homeowner Contract, the mortgage, and the program note will have the right to agree or object to, or engage in discussions or negotiations of any manner pertaining to the approved project and its attendant documents. All other members of the household have no recognized standing with regard to the project and must refrain from interfering with the contractor or subcontractors and the progress of the work, both physically and verbally. Any household member causing such interference will provide grounds for the program administrator to issue a "Stop Work Order" on the project. Work on the project will not proceed until the interference has been eliminated. The applicant to the program will be responsible for removing any interference on the part of other household members.

6. REPAYMENT

The program shall comply with MSHDA Policy Bulletin #9, *Financial Assistance and Lien Requirements for Homeowner, Homebuyer, Rental Rehabilitation, Rental Development, and Homeless Assistance Projects*. Situations not addressed in this section may be specifically addressed in the Policy Bulletin.

A. Type of Loan

The Program is a zero percent (0%) deferred loan. Normally a deferred loan will be secured by a mortgage lien on the property, signed by the applicant. A deferred loan at zero percent (0%) interest will have no payments during the term of the loan as long as the applicant continues to own and occupy the property as their primary residence. At the time the property is sold, title is transferred, or the applicant no longer occupies the property as their primary residence, the entire balance of the loan shall be paid in full within thirty (30) days of the sale, transfer, or departure from the property.

B. Loan Recording

If the loan amount exceeds \$2,500 a mortgage is recorded and the program note is included by reference.

C. Death

The death of a recipient of a CDBG loan shall not forgive repayment of the loan. The individual(s) assuming ownership of the property shall have the same responsibility for repayment as the original recipient (See Paragraph A, Types of Loans and Paragraph D, Loan Assumption).

D. Loan Assumption

An heir or immediate family member may make application to the Program for continuance of the loan. If the program administrator determines the applicant meets the Program eligibility requirements in effect at the time of the request the applicant may assume the loan. A written agreement will be signed by the program administrator and the new owner as evidence of approval of the loan payoff requirements. A joint recipient or surviving spouse shall automatically receive a continuance of the loan until the survivor dies, sells the property, or no longer occupies the property as their primary residence.

E. Lien Execution

All rehabilitation projects using more than \$2,500 of CDBG funds shall have a lien executed between MSHDA and homeowner. The lien shall be placed against the property and must be signed by all owners of record, including land contract sellers and purchasers. The program administrator will have the lien recorded with the Register of Deeds once the final construction contracts are signed and the three (3) day "Right of Rescission" period has passed. A land contract seller may execute a "Land Contract Subordination Agreement" in lieu of signing the lien. If the land contract has a balloon payment the land contract seller's

signature shall not be permitted.

F. Subordination

MSHDA will only subordinate its lien position to a new first mortgage if the borrower is refinancing to improve loan terms; i.e. interest rate or amortization period when the refinancing is needed in conjunction with the homeowner rehabilitation project. Closing and related costs needed to refinance the first mortgage financing as an eligible CDBG project cost can be allowed up to a maximum of \$3,500. These costs must be included as part of the maximum \$35,000 allowable in a homeowner rehabilitation project (see MSHDA policy bulletin #9). The details of the eligible closing costs and related costs are outlined in Attachment F of this policy. If proceeds of the new first mortgage are used to pay cash equity to the owner or debts other than the existing first mortgage, MSHDA shall declare the loan due and full payment shall be required within thirty (30) days of close of the new first mortgage.

G. Prepayment

A recipient may prepay all or part of the loan at any time without penalty.

7. COMPLAINT RESOLUTION

The Program will comply with MSHDA Policy Bulletin #3, *Complaint Procedure, Conflict Resolution, and Mediation Procedures for Applicants, Recipients, and Contractors of OCD Grantees*.

The term “program administrator” is defined on Page 1, Paragraph 1B.

A. Review Committee

If a complaint is received a Review Committee will be formed within fifteen days (15) of receipt. The Review Committee will consist of no less than three (3) members.

(1) One member should have building/construction experience; ideally, but not necessarily, the City Building Inspector.

(2) One member must be a local community representative.

(3) One member must be a representative of the City, ideally a City Councilmember.

Committee members will be appointed by the Owosso City Council and will not receive compensation for serving on the committee.

B. Complaint Resolution Procedures

(1) Filing Complaints: The program administrator will ensure the applicant and contractor are aware of their right to file a complaint. Any party applying for or participating in the Program may file a complaint with the program administrator. Complaints must be filed, in writing, within fifteen (15) days of the incident that caused the complaint and should contain a detailed description of the complaint. The program administrator will provide a copy of the complaint to the party whom the complaint is written.

(2) Response: All complaints will be handled in the following manner:

(a) The program administrator will notify the Mayor of the City of Owosso within one work day in which the complaint is received. The Mayor will be asked to establish the Review Committee in the event that it is needed. The Mayor Pro-Tem will be contacted in the event the Mayor can not be reached.

(b) The program administrator will investigate the complaint and respond, in writing, within fifteen (15) days to both parties. The response will include a recommended resolution to the problem.

(c) Each party will review the recommendation and respond, in writing, within fifteen (15) days after receiving the program administrator’s recommendation. The response will include a decision as to whether to accept or reject the recommended resolution. The failure of a party to respond will indicate their acceptance of all recommendations. The program administrator will attempt to resolve any unresolved issues

between the two parties.

(d) If the complaint is still not resolved the program administrator will ask the Mayor of the City of Owosso to convene a meeting of the Review Committee at the earliest possible date that is convenient to both parties. If the Mayor is not available the program administrator will ask the Mayor Pro-Tem.

(e) The Review Committee will review all written documents and verbal arguments made by all involved. The Committee will make a decision during the meeting on the resolution of the complaint unless it is determined that additional information is required. If so, the Committee will be reconvened once the required information is available. A final decision will be made at the reconvened meeting.

(f) The program administrator will place a copy of the Committee's final decision in the project file.

C. Dispute Resolution

If either party does not accept the decision of the Review Committee, the program administrator will advise both parties, in writing, that they will be required to participate in a Dispute Resolution Program. Both parties will share in the cost of the mediation.

D. Final Recourse

If mediation is unsuccessful and all of the proper procedures have been adhered to and documented, the issue may be referred to the MSHDA Office of Community Development for a final decision.

8. PROGRAM ADMINISTRATION

A. Confidentiality

The Program will comply with MSHDA Policy Bulletin #12, *Confidentiality Requirements As It Relates to Grantees, Administrators, and Recipients* in its transactions with all CDBG applicants.

B. Files

The program administrator shall be responsible for establishing a permanent file for all approved applications and insuring that all necessary documents are included in each applicant's permanent file.

C. File Retention

A permanent file may be destroyed five (5) years after the loan is paid in full. Applications which are declined or cancelled shall be destroyed after five (5) years.

D. Approval Authority

Sole approval or disapproval of a project using CDBG funds rests with the City of Owosso. The City may consult with MSHDA, as needed, before determining approval or denial.

E. Grant Agreement & Program Compliance

The Program shall comply with all requirements contained in the following documents:

a. *CDBG Grant Agreement, MSC-2009-0037-HO, between the Michigan State Housing Development Authority and the City of Owosso.* The program administrator will immediately notify the City if it becomes aware of a violation of the Agreement. The City will immediately notify the MSHDA Office of Community Development if it becomes aware of a violation.

b. MSHDA Policy Bulletins #1 through #29 and any subsequent bulletins that are published during the term of the grant agreement.

c. Any additional MSHDA guidance that is published during the term of the agreement.