

Appendix A. HOME and CDBG Activity/Program Documents

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A. Rental Housing Rehabilitation Program

SUMMARY

Intent: The Rental Housing Rehabilitation Program is intended to encourage the renovation of dwellings with two or more units located in Urban Lake County that are, or will be, rented to lower income tenants.

Activity Description: The program provides 3 percent simple interest loans for the purpose of renovation to bring properties that are occupied by, or to be occupied by, low-income tenants in Urban Lake County up to the standards of safe living conditions that meet building codes. The maximum public loan per rental unit is \$30,000, the minimum public loan per rental unit is \$1,000, and the term of the loan is 20 years. The total of loans against the property may amount to no more than 90 percent of the after-rehabilitation appraisal value of the property.

Eligibility: To be eligible for the program, an applicant must be the legal owner of the rental property that is completely residential (two or more units) and located in an area under LCCEDD jurisdiction; must be able to demonstrate the ability to finance any costs of renovation in excess of the program maximum with personal or private monies and have the ability to repay the public loan on a month-to-month basis; and must plan to rehabilitate a substandard property that has at least one code violation. The tenants must earn no more than 80 percent of median income for Lake County.

Funding Source: HOME

See Appendix B for Contractor Policy.

PROGRAM ACTIVITY DETAILS

Funds available to accomplish these purposes are limited, and to ensure that they provide maximum benefits to residents of Lake County, the LCCEDD has established conditions that must be met prior to release of community monies. These are explained as below:

I. ELIGIBLE REHABILITATION

To be eligible for any kind of assistance an applicant must:

- A. Be the legal, or equitable, owner of rental property which is completely residential (2 or more units) and located in area under LCCEDD jurisdiction.
- B. Demonstrate the ability to finance any costs renovation in excess of the program maximum with personal or private monies and have the ability to repay the public loan on a month-to-month basis.
- C. Plan to rehabilitate substandard property. That is, the property must have at least one violation under the code of the community where the unit(s) is located or HUD's housing standards. This includes complying with HUD lead-based

paint regulations. The LCCEDD working with the applicant will determine if the applicant is eligible for the program. If the applicant is eligible, LCCEDD will then meet with the applicant to establish a timetable, provide necessary technical assistance and provide work write-ups and cost estimates required to bring the units in line with applicable housing code standards.

- D. After the rehabilitation has been planned and cost estimates have been determined, LCCEDD will decide if the project is feasible, sufficiently financed and in compliance with the intent of the program. If so, LCCEDD will approve the application by entering into an agreement with applicant obliging LCCEDD to issue determined monies in compliance with conditions of the agreement.

II. CONDITIONS UNDER WHICH LCCEDD WILL CONSIDER PROJECTS

- A. At completion of the project all units in the dwelling will meet all applicable building, fire, health, safety codes, HUD Section 8 Housing Quality Standards, The Departments Rehabilitation Standards and HUD lead-based paint regulations. LCCEDD will inspect the premises to determine compliances with these requirements.
- B. The owner must agree for the maturity period of the loan:
 - 1. Not to convert the rehabilitation units to condominiums or commercial use.
 - 2. Not to discriminate against prospective tenants on the basis of their receipt or, or eligibility for, housing assistance under any federal, state, or local housing assistance programs.
 - 3. Not to discriminate (except for a project for housing elderly persons) on the basis that tenants have a minor child or children who will be living with them.
 - 4. Not to discriminate because of tenant's race, ethnic group, gender, religion, or creed.
 - 5. Not to charge rents which exceed HUD Fair Market Rent (FMR) or rents that exceed 30 percent of income, whichever is less.
 - 6. To comply with HUD lead-based paint regulations for maintaining and controlling any lead-based paint surfaces.
- C. The owner must also agree to comply with all affirmative marketing requirements and procedures adopted under this program.
- D. The owner will display the Equal Housing Poster in a prominent place in the rental portion of the building.
- E. The owner will agree to maintain the building in safe, livable code conditions during the life of the loan.
- F. Rental Rehab funds may be used only once per structure during the term of the loan.
- G. Owner will maintain tenant's profile.

- H. Rental units will have at least one non-compliance with local housing related code, or HUD Section 8 minimum Housing Quality Standards.

III. DISTRIBUTION OF LCCEDD RENTAL REHABILITATION MONIES AND CRITERIA FOR SAME.

Selection of Successful Applicants

- A. Building has code violation(s), or does not meet HUD Section 8 Housing Standards.
- B. Building must have at least two or more dwelling units.
- C. The existing tenants, if any, have incomes of 80 percent or less of median income for Lake County.
- D. Applicant must pass credit standards and have financial ability to repay the loan.
- E. Total cost of rehabilitation plus any existing liens will be no more than 90 percent of appraised value after rehabilitation.
- F. Rents must be no more than the HUD FMR for the area and affordable to low to moderate income tenants, or be no more than 30 percent of gross income of the tenant, whichever is less.
- G. Owner can, and will, provide any funds over the maximum to be provided by this program.
- H. Owner will pay initial \$100 application fee.
- I. LCCEDD loan will be in first position except for any existing debt on the property, or any debt necessary to provide funds for unit(s) rehabilitation. In such case LCCEDD may have a mortgage in second position.
- J. Applicants will choose their own contractors. Contractors will be either chosen from an available list of contractors maintained by LCCEDD, or a contractor brought in by the owner. In all cases the project will be advertised for proposals and the lowest valid proposal will be accepted. If the owner so wishes to choose a higher bidder, they may do so, so long as the contractor qualifies under LCCEDD guidelines and the owner can either negotiate the higher proposal down to the lowest bid, or pay the difference between the higher proposal and the lowest proposal into an escrow account. This money will be used first in funding any project
- K. Public loans will have a fixed rate of 3 percent permanent with a maximum term of 20 years. Balloon loans will be allowed only by specific agreement between lender, LCCEDD and borrower.
- L. Owner will provide tenants with a 1 year affordable lease after completion of the project.

IV. NEIGHBORHOOD PRESERVATION

LCCEDD will review any effect on the environment or Historic Preservation and

appropriate documentation shall be made part of the environmental review record.

V. BORROWER WILL COMPLY WITH THE AFFIRMATIVE MARKETING AGREEMENT AND SHALL MAKE REPORTS TO THE COUNTY AS TIME TO TIME MAY BE REQUIRED. (SEE ATTACHED)

VI. TENANTS ASSISTANCE POLICY

A. Tenant Relocation Policy

Any legal tenant residing in the property when funding is requested by the owner, will be offered help in accordance with the following policies:

- Any rent paying tenant who is required temporarily to move for a designated period because of the rental housing rehabilitation program shall be assumed eligible for assistance, and will receive such assistance from the owner.
- If a tenant is not required to move as a result of the project, relocation compensation will not be paid, if the tenant decides to move and the agency, and the owner, did not find the move necessary to complete the project, no compensation must be paid.
- Tenants to be Permanently Displaced. The County will not participate in a project which results in the permanent displacement of any tenants.

B. Residents Offered Right to Continue in Occupancy

- All residential tenants lawfully occupying the property shall be entitled to one-year lease and occupy a suitable dwelling unit after rehabilitation is completed. The rent for the duration of the appropriate affordability period after the completion of the project shall not exceed HUD FMR for Lake County, or 30 percent of the gross income of the tenant (with no utilities), whichever is less.

C. Temporary Relocation

- Landlords may temporarily relocate tenant, if necessary, to undertake renovation of any occupied unit. Such relocation is not covered by the requirements to the Uniform Real Property Acquisition and Relocation Act. However, the County will require the following minimum conditions be met if temporary relocation is undertaken.
- Displacement must be for the absolute minimum time required for renovation of the dwelling unit.
- Relocation to a vacant dwelling unit in the structure, or into a unit owned by the landlord is preferred and recommended.
- The landlord must facilitate or pay for moving or storage of tenant furniture and possession in the unit.
- The landlord must pay for all utility disconnects and reconnects required by the move.

- The temporary relocation housing must be relatively equal in size, cost, and condition as the unit presently occupied by the displaced tenant.
- Tenants must not be displaced for more than 30 days.
- Tenants must be relocated back into the unit from which they were displaced unless the tenant agrees in writing to accept another unit.

VII. OWNER OBLIGATIONS

- A. Permit the contractor to use, at no cost, existing utilities such as light, heat, power and water necessary to carry out and complete the work.
- B. Provide the contractor access unto his property during the hours of 7 a.m. to 6 p.m., Monday through Saturday, or as otherwise mutually agreed upon.
- C. Stipulate whether the property will be occupied or vacant during the hours of construction work.
- D. A provision that the contract consists of the bid and proposal, the general conditions, the specifications incorporated therein by reference and the drawings if any; copies of which shall be retained by all parties.
 1. Contractor Notification – Proposals will be solicited by advertising and if necessary, with owner’s approval, solicited personally by requesting proposals from at least three contractors on the Department’s roster and to qualified contractors the owner may want to include.
 2. Contractor Selection – Selection of a contractor shall be made after a review of proposals for completeness to ensure that the specifications have been adhered to.
 - a. The owner will accept the lowest proposal or, if they choose to select a higher proposal, will pay into escrow in advance of construction, the difference between the low proposal and the one they select, unless they are able to negotiate the contractor down to meet the lowest acceptable proposal.
 - b. Acceptable Proposal – An acceptable proposal is one that, upon review, does not exceed the Department’ s estimate by more than 10 percent. In the event no acceptable proposals are received, the Department shall reject all proposals and repeat the proposal process.

VIII. REHABILITATION CONTRACTS

- A. Form of Contract will consist of a single document signed by the Contractor and accepted by the grantee, following approval of the rehabilitation loan. It shall contain proposal by the contractor and general conditions, as well as the specifications for the work performed.
- B. Use of Alternatives
The contract may provide for alternatives for alternates by which the bidder, as part of his proposal, offers increases and decreases to the lump sum contract

price to cover alternatives in the performance of work, in the price of materials, in selection of materials and brands.

1. Alternatives should be used very infrequently and will be fully documented.
2. LCCEDD will not consider alternatives proposed by the bidder that are not called for in the contract document.
3. Controversies between the homeowner and contractor which cannot be settled with the Executive Director's assistance shall go to the American Arbitration Association for settlement, with the loser paying expenses.

IX. LCCEDD WILL INSPECT PROPERTY ANNUALLY FOR DETERMINING ADHERENCE TO ORIGINAL AGREEMENT AND RESULTS OF INSPECTIONS WILL BE DOCUMENTED TO INCLUDE:

- A. Adherence to low rental agreement.
- B. Owners continuing maintenance of property.
- C. Making sure property is not being converted to other uses.
- D. Determining status of neighborhood (still deteriorating, remaining stable or getting better).
- E. Seeing if property is still in original owner's name.
- F. Owner must adhere to affirmative marketing agreement for period of loans.
- G. Verify income eligibility of tenant(s).

X. AFTER LOAN MATURES, FILE WILL BE CLOSED.

XI. MISCELLANEOUS INFORMATION

- A. LCCEDD will, as per wording in Mortgage and Deed of Trust, be allowed access to owner's records for the life of the loan after completion of the project.
- B. No property in a flood plain area will be considered unless property is covered by flood insurance.
- C. LCCEDD, owner and contractor shall encourage use of minority and women contractors, subcontractors, and employees on all jobs possible.

B. Owner-Occupied Single-Family Housing Rehabilitation

SUMMARY

Intent: The program is intended to assist single-family homes that owners occupy for at least 1 year. The objective of LCCEDD's Owner-Occupied Housing Rehabilitation program is to assist low-income homeowners to:

- Upgrade the quality of existing housing.
- Make the home safe for its occupants.
- Improve the quality of life for owners.
- Upgrade neighborhoods.

Activity Description: The Owner-Occupied Housing Rehabilitation Program will assist existing homeowners with the repair, rehabilitation, or reconstruction of owner-occupied units. All housing units assisted by LCCEDD must meet the local housing code and the minimum standards listed below after construction unless they are being repaired under the Emergency Conditions portion of the Rehabilitation Program. Any deviations from these standards must be approved by the director of LCCEDD or his/her designee and will only be approved if the standard cannot be met due to the physical limitations of the structure. Replacement standards may be pursued only when the financial feasibility of the entire job is not endangered.

Eligibility: Only single-family housing is eligible. To be eligible for HOME funds, the homeowner must be low-income and occupy the property as a principal residence. The incomes of households receiving HUD assistance must not exceed 80 percent of the area median income. Additionally, the value of the HOME-assisted property after rehabilitation must not exceed 95 percent of the median purchase price for the area. The HOME-assisted housing must meet the affordability requirements for not less than the applicable period, beginning after project completion. The period is defined by the following table:

HOME/CDBG Assistance amount per unit	Minimum period of affordability in years
Under \$15,000	5
\$15,001 to \$40,000	10
Greater than \$40,000	15

Funding Source: HOME/CDBG

See Appendix B for Contractor Policy.

PROGRAM ACTIVITY DETAILS

I. GUIDELINES

A. Applicable Laws and Regulations

Homes receiving financial assistance from the Department of Community and Economic Development will be renovated in full compliance with the following

statutory and regulatory requirements:

1. ICC International Residential Code
2. Section 8 Housing Quality Standards
3. HOME Program Regulations
4. Local Housing Code

B. Standards and Guidelines

Listed below are the minimum and replacement standards for owner-occupied housing assisted by the Department of Community & Economic Development. All housing units assisted by the Office must meet the local housing code and the minimum standards listed below after construction unless they are being repaired under the Emergency Conditions portion of the Rehabilitation Program. Any deviations from these standards must be approved by the Director of the office or designee and will only be approved if the standard cannot be met due to the physical limitations of the structure. Replacement standards may be pursued only when financial feasibility of the entire job is not endangered. The determination of financial feasibility for removing or repairing an item will be made by the Department of Community Economic Development.

The purpose of developing standards and guidelines such as these is as follows:

1. To provide a minimum acceptable level of rehabilitation based on performance that may not be achieved by meeting minimum housing code requirements
2. It ensures that rehabilitation will produce safe, livable, healthful, physically sound housing and at the same time, is low enough in cost to be affordable.

II. SITE CONDITIONS

A. Accessory Structures:

Minimum Standard- Every accessory structure shall be in a reasonably good state of repair. Unsafe and blighted structures will be demolished and removed if it is not financially feasible to complete the repairs required to make them structurally sound and leak free. Such structures include detached garages, sheds, freestanding carports, and fences that are visible from the street.

Replacement Standard- A storage shed not to exceed 8 x 10 or the size of an existing pad, whichever is smaller, may be installed if no other exterior storage is available.

B. Entry Walks/Driveways:

Minimum Standard- Essential walks and driveways must be structurally sound and free from tripping hazards. Badly deteriorated essential paving, such as entry walks or driveways will be repaired or replaced. Sidewalks in the public right-of-way will not be repaired or replaced.

Replacement Standard- Where needed, a paved driveway and appropriate service walks may be provided.

C. Yard:

Minimum Standard- Debris and trash on the property, including inoperable vehicles, must be removed by the property owner prior to the execution of the contract for rehabilitation work. Trees that are too close to the structure will be trimmed or removed. Any other tree may be trimmed or removed if it presents a hazard to the occupant's property.

III. STRUCTURE EXTERIOR

A. Exterior Attachments:

Minimum Standard- Exterior attachments to the structure including, but not limited to, downspouts, gutters, chimneys, and awnings shall be in a good state of repair and drainage attachments shall be installed so as to direct water away from the structure.

B. Exterior Siding and Trim:

Minimum Standard- All siding and trim must be intact, weatherproof, and free of deterioration. Replacement of damaged sections may include up to 25 percent of sound surfaces. All exterior surfaces will have a continuous coat of paint or bonded finish with an expected life of at least three years.

C. Exterior Porches:

Minimum Standard- Porch surfaces will be reasonably level, even surfaces. Unsafe porches that are repaired will be completed in a manner that conforms to other porches in the neighborhood. Unsafe, unsound, or unsightly porches that are unwanted or infeasible to repair will be removed.

D. Exterior Stairs:

Minimum Standard- All steps will be reasonably level, even surfaces maintained in a safe and sound condition. Repairs will be made using materials that match the existing structure.

E. Handrails and Guardrails:

Minimum Standard- Handrails are required on steps or stairs with 4 or more risers and guardrails are required around porches more than 30 inches above ground level. Existing handrails and guardrails must be maintained in a safe and sound condition.

F. Framing and Structure:

Minimum Standard- Structural framing and masonry must appear to be free from visible deterioration, rot, or serious termite damage, be adequately sized for current load and have an expected life of 15 years.

IV. FOUNDATIONS

A. Foundations:

Minimum Standard- Foundations will be sound, reasonably level, reasonably free from

movement, reasonably weathertight and capable of supporting the loads that normal use place upon them.

V. WINDOWS AND DOORS

A. Interior Doors:

Minimum Standard- All bathrooms and bedrooms must have doors maintained in functional condition with a locking device on bathroom doors.

B. Exterior Doors:

Minimum Standard- All exterior doors must be operating smoothly, provide security, have a working key lock, and give evidence of continuing acceptable service.

Minimum Standard- Where screen doors exist, they shall be maintained in suitable condition to serve their intended purposes or removed.

Replacement Standard- A new screen door may be installed where none previously existed. Deadbolt locks may be installed if not existing.

C. Windows:

Minimum Standard- Each habitable room, excluding the kitchen area, bathroom, and interior rooms must have one window.

Minimum Standard- All windows must be maintained in good and functional condition, fit reasonably well within their frames, be weather tight and those accessible from the ground must have locking hardware. Screens must be maintained in a good state of repair.

Replacement Standard- Screens may be provided for any openable windows.

D. Thermal Protection:

Minimum Standard- Doors and windows shall be adequately weather stripped to reduce infiltration of air.

VI. ROOFING

A. Roofs:

Minimum Standard- All roofs must be weather tight. Shingles must be in good condition and free from curling. Missing shingles and flashing will be repaired whenever feasible. Any broken antennas must be removed. All roofs must have at least an expected five- year useful life. Tile roofs will not be replaced with a like material.

B. Decking:

Minimum Standard- All decking must be solid and free from rot and termite damage.

VII. INSULATION AND VENTILATION

A. Bath Ventilation:

Minimum Standard- Natural or mechanical ventilation is required. Existing fans must

be operable. Exterior ducted fans will be installed in all bathrooms without an operating window.

B. Kitchen Ventilation:

Minimum Standard- Existing range hoods must be clean and working.

Replacement Standard- If there is no existing range hood or if the existing hood does not meet the above standard, a vented range hood may be installed.

C. Insulation:

Minimum Standard- Attics must be insulated over all habitable heated areas to at least an R-19 value. Walls will only be insulated if the plaster or drywall is removed.

VIII. INTERIOR STANDARDS

A. Walls and Ceilings:

R-19 Minimum Standard- All walls and ceilings must have (a) a finish surface without noticeable irregularities or cracking; (b) a waterproof and hard surface in spaces subject to moisture; (c) a suitable base for painting or other decoration; and (d) reasonable durability and economy of maintenance. The surface may be uneven. The walls must be free from peeling paint.

B. Flooring:

Minimum Standard- Finish floors must be maintained in good condition, be appropriate to the use of the space, provide reasonable ease of maintenance and have an extended service life. Bathroom and kitchen floors must be covered with a water resistant, easily cleanable surface. Seriously damaged floors must be replaced.

Replacement Standard- Finish floors that comply with the above standard may be replaced.

IX. ELECTRIC

A. Ground Fault Circuits:

Minimum Standard- All kitchen receptacles serving kitchen countertops, all bath receptacles, and all exterior receptacles must be protected by a GFCI.

B. Interior Distribution:

Minimum Standard- Every habitable room will have at least one duplex receptacle and one light switch or two duplex receptacles. Bathrooms and laundry rooms shall be provided with a light fixture controlled by a wall switch. Every kitchen and bathroom shall have at least one duplex receptacle. All existing receptacles, fixtures, and switches must be safe.

Replacement Standard- Additional receptacles may be installed.

C. Service and Panel:

Minimum Standard- Distribution panels shall have a main disconnect, at least seven

fused circuits, a 60 amp minimum capacity and be adequate to safely supply power to all existing and proposed electrical devices. Existing service that does not comply with this standard will be replaced with a minimum of a 100-amp service.

D. Alarms:

Minimum Standard- Existing fire and smoke alarms shall be repaired to operating condition. A minimum of one operating smoke detector is required in each residence.

Replacement Standard- Smoke detectors will be installed according to local code requirements.

X. PLUMBING SYSTEM

A. Water Supply:

Minimum Standard- Dwelling units shall have a water system that does not endanger the health or safety of the occupants and is in good repair and free of leaks. All fixtures must be supplied with at least 1.5 gallons per minute water flow. All existing main shutoffs must be operating.

B. Waste Lines:

Minimum Standard- Dwelling units shall have a sewage disposal system that does not endanger the health or safety of the occupants and is in good repair and free of leaks. All waste and vent lines must function without losing the trap seal.

C. Plumbing Fixtures:

Minimum Standard- All fixtures and faucets must be working and free from leaks. Each dwelling unit will have a kitchen sink with hot and cold water located in the kitchen. Each dwelling unit will have an attached bathroom containing a toilet, lavatory, and shower or tub.

D. Water Heaters:

Minimum Standard- All dwellings will have a water heater capable of producing 100 degrees Fahrenheit at the faucet. Water heaters shall be in good serviceable condition.

XI. HVAC

A. Heating Plant:

Minimum Standard- Heating facilities shall be provided for each dwelling unit that will (a) be safe and convenient to operate; (b) be capable of heating the unit to 68 degrees when the outside temperature is at the average yearly minimum for the county; and (c) be economical in performance.

B. Air Conditioning:

Minimum Standard- Non-functioning, non-repairable air conditioners must be removed or replaced. Existing air conditioners must have an estimated life of three years.

Replacement Standard- New air conditioning units may be installed if the furnace is being replaced or when the unit may be added to the existing properly functioning heating system.

C. Distribution System:

Minimum Standard- Ductwork must be well supported and free from visible leaks.

D. Chimneys:

Minimum Standard- Unused chimneys may be removed to below the roofline whenever roofing is replaced. Unsound chimneys may be repaired or removed.

XI. KITCHEN FACILITIES

A. Storage Space:

Minimum Standard- Kitchen cabinets shall be in a reasonably good state of repair. Minor defects such as scratched or dented surfaces are acceptable. Broken shelves or hardware should be repaired, if possible. Minimum areas of kitchen storage space shall be as follows:

- Total shelving and wall and base cabinets – 48 sq. ft. (Usable storage shelving under the sink may be counted in the total shelving needed.) Storage space may be increased by 25 percent for a three-bedroom or larger dwelling unit.
- Drawer area – 9 sq. ft.
- Counter space – 12 sq. ft.

B. Countertops:

Minimum Standard- Countertops shall be impervious to water and free of defects that could trap liquid or food.

C. Equipment:

Minimum Standard- All ovens, ranges and refrigerators shall be maintained in safe working condition.

C. Deferred Payment Rehabilitation Loan Program

SUMMARY

Intent: The purpose of the program is to encourage the renovation of single-family owner-occupied homes in dire need of repairs to correct code violations by providing 0 percent deferred loans. The program is intended to provide safe, decent, and sanitary living conditions for the occupants.

Activity Description: This program awards deferred payment loans only to families whose income is less than 50 percent of the area median income. The maximum available loan will be \$50,000. Buildings in a state of total deterioration, where excessive monies would be needed, will not be considered. The loans will pay for code compliance items and energy efficiency improvements only. The owner may subsidize the loan by paying for additional repairs. Repayment is in principal only any time the ownership of the home is transferred. Other violations of the terms of the contract will also trigger repayment of the full amount of the note.

LCCEDD will meet with the applicant to establish a timetable, provide necessary technical assistance, and develop documents and cost estimates required to bring the unit in line with applicable housing code standards. After the planning of the rehabilitation and determination of cost estimates, LCCEDD will decide whether the project is feasible and in compliance with the intent of the program. If so, LCCEDD will approve the application by entering into an agreement with the applicant obligating LCCEDD to issue determined monies in compliance with conditions of the agreement. All project approvals are subject to availability of funds.

Eligibility: To be eligible for assistance, an applicant must have total assets under \$50,000, excluding the value of the dwelling to be rehabilitated and its contents and be the legal owner occupant of the property, which must be occupied for residential purposes and only by a single family. Furthermore, no property that has any part of it used for commercial, rental, or industrial use will be eligible, and no property that needs repairs in excess of \$50,000 will be considered unless the owner can subsidize the project with some of his/her own money. Finally, the property must contain code violations and presently not provide safe comfortable living conditions for the occupants.

Funding Source: CDBG/HOME

See Appendix B for Contractor Policy.

PROGRAM ACTIVITY DETAILS

I. PROGRAM INTENT

The captioned program is intended to encourage the renovation of properties that are single family owner occupied homes in dire need of repairs to correct code violations and provide safe, decent, and sanitary living conditions for the occupants.

Because funds for this program are very limited there will be very stringent restrictions on how this money is used. Buildings in a state of total deterioration, where excessive monies would be needed, will not be considered.

This program will award deferred payment loans to only families whose income is less than 50 percent of area median income. Income levels by household size are determined by limits provided by the U.S. Department of Housing and Urban Development. The maximum available loan will be \$50,000.

The Lake County Community Economic Development Department (herein after referred to as LCCEDD) has established conditions under which these loans will be considered. These are explained as follows:

II. ELIGIBLE REHABILITATION

To be eligible for assistance an applicant must:

- A. Be the legal owner occupant of the property which is occupied for residential purposes only by a single family.
- B. No property, which has any part of it used for commercial, rental of industrial use, will be eligible.
- C. No property that needs repair in excess of \$50,000 will be considered unless the owner can subsidize the project with some of his/her own money.
- D. The property must contain code violations and presently not provide safe comfortable living conditions for the occupants.
- E. Be current on their real estate tax payments and homeowner's insurance must be current and must not be in default on the existing mortgage.

The LCCEDD, working with the applicant, will determine if the applicant is eligible for the program. If eligible, LCCEDD will then meet with the applicant to establish a timetable, provide necessary technical assistance and provide work write ups and cost estimates required to bring the unit in line with applicable housing code standards.

After the rehabilitation has been planned and cost estimates have been determined, LCCEDD will decide if the project is feasible and in compliance with the intent of the program. If so, LCCEDD will approve the application by entering into an agreement with the applicant obligating LCCEDD to issue determined monies in compliance with conditions of the agreement. All approvals of projects are subject to availability of funds.

Homes that have received aid through LCCEDD's Emergency Grant Program will be eligible to receive aid under this program if all other criteria are met.

III. CONDITIONS UNDER WHICH LCCEDD WILL CONSIDER PROJECTS

- A. At completion of the project the units must meet all applicable building, fire, health, and safety codes. LCCEDD will inspect the premises to determine compliances with these requirements.

- B. Very Low Income Rehab funds may be used only once per structure during the life of the loan.
- C. The dwelling will not be converted to more than a single-family home.
- D. The dwelling will have at least one of the following problems:
 1. Overcrowding a condition where there is more than one person per room occupying the home.
 2. Needs electrical system repair or replacement.
 3. Needs general repairs (roof, windows, etc.).
 4. Needs furnace repair or replacement.
 5. Incomplete kitchen facilities – lacks a sink with hot and cold running water, a range, and/or a refrigerator.
 6. Incomplete/obsolete plumbing – lacks hot and cold piped water, a flush toilet, or lacks a bathtub or shower.
 7. Needs insulation.
 8. Needs a hot water heater.
- E. Only code items will be considered in the project.
- F. Property must be located in Lake County, not including Gary, Hammond, and East Chicago.
- G. Applicant must be owner and occupant of record for period of at least 1 year.

IV. FLOOD INSURANCE

The use of any funds provided under Federal Regulations 24 CFR part 570.605 pursuant to Section 201 (d) of Act (42 U.S.C. 4105 (d) of the National Flood Insurance Program, specifically requires mandatory flood insurance as requirements of Section 102 (a) of said Act (42 U.S.C. 4012 a). No acquisition or new construction shall be allowed with the use of these funds under the regulations of said acts if property is located in a flood plain area. While rehabilitation will not be encouraged in Flood Plain areas, projects may be approved on a case by case basis when the recipient of assistance protects the property with Flood Insurance and the agency receives a copy of the recipient's policy.

V. DISTRIBUTION OF LCCEDD DEFERRED LOAN VERY LOW INCOME OWNER OCCUPIED SINGLE FAMILY REHAB FUNDS AND CRITERIA FOR SAME

- A. Selection of Successful Applicants. Applicants will be selected on a first come, first serve, basis based on the following:
 1. Very Low Income – Total income in the home must not exceed 50 percent of area median income as established by HUD.
 2. Gross income will be calculated using the Section 8 Part 5 income rule.
 3. Units will be judged on state of deterioration and the ability to get the total job done for \$50,000 or less unless owner can subsidize balance of repairs himself.

4. Total cost of rehabilitation plus any existing liens will be no more than 90 percent of appraisal value of building after rehabilitation is completed.
- B. Applicants may choose their own contractors. Contractors must be approved by LCCEDD AND THEIR ESTIMATES ON PROJECTS MUST BE WITHIN 10 PERCENT OF LCCEDD estimates based on specifications submitted by LCCEDD. In the event that the owner cannot get a contractor, LCCEDD will provide one from their contractors list upon approval of owner. Final selection of contractor will be by the homeowner.
 - C. LCCEDD loans will be no worse than third position loans and will be secured by promissory notes and mortgages. These loans will be deferred payment loans based on the following formula:
 1. Repayment of these loans will not be required until one of the following occurs:
 - a. Borrowers are deceased.
 - b. Borrowers convert the dwelling to other than single family residence.
 - c. Borrowers vacate the property.
 - d. Borrowers sell the property.
 - e. Borrowers fail to maintain the homes properly.
 - f. Borrowers fail to insure the home.
 - g. Owner becomes delinquent on payments of other existing mortgages or liens against the property.
 - h. Taxes become delinquent.
 2. Repayment of loan will consist of principal only balance. No interest will be charged at any time.

VI. NEIGHBORHOOD PRESERVATION

The County will review any effect on environment or Historic Preservation and appropriate documentation shall be made part of the environmental review record.

VII. NON-DISCRIMINATION CLAUSE

The LCCEDD shall not discriminate against any applicant, or program participant because of, or on the basis of race, creed, color, religion, sex, handicap, or place of origin.

VIII. REHABILITATION CONTRACTS

- A. Form of Contract – will consist of a single document signed by the Contractor and accepted by the grantee, following approval of the rehabilitation loan. It shall contain a proposal by the contractor and general conditions, as well as the specifications for the work to be performed.
- B. Use of Alternates
The contract may provide for alternates by which the bidder, as part of his proposal, offers increases and decreases to the lump sum contract price to cover alternatives in the performance of work and in the price of materials.

1. Alternates should be used very infrequently and will be fully documented.
2. LCCEDD will not consider alternates proposed by the bidder that is not called for in the contract document.

C. Controversies

Controversies between the homeowner and contractor which cannot be settled with the Executive Directors assistance shall go to the American Arbitration Association for settlement, with the loser paying expenses.

1. No project will be considered complete until the following steps are completed.
 - a. Final Inspection – all work in the work write up to insure completeness, conformity to specifications, and quality of workmanship. Failure of a contractor to comply with any request for completion or correction of work may be considered grounds to withhold all or part of payment due to the contractor.
 - b. Homeowner Acceptance – of work completed will be acknowledged by signing of a completion certificate. Said certificate will require signatures of owner, contractor, and LCCEDD.
 - c. Recording the Lien – LCCEDD will insert the final amount of LCCEDD loan into proper lien documents and record same with the Lake County Recorder. LCCEDD will retain the original or a certified copy of the lien and will provide a copy to the owner.
 - d. Payment – will be made by a drawdown from HUD through normal LCCEDD procedures.

IX. ANNUAL INSPECTIONS

LCCEDD will inspect property annually for determining adherence to original agreement and results of inspections will be documented to include:

1. Owners continuing maintenance of property.
2. Making sure property is not being converted to other uses.
3. Determining status of neighborhood (still deteriorating, remaining stable, or getting better).
4. Seeing if property is still in original owner's name.

X. The Executive Director of the LCCEDD shall have the authority to make exceptions to these guidelines on a case-by-case basis as long as the exceptions are in compliance with all applicable state, federal, and local laws and regulations.

D. Emergency Repair Program

SUMMARY

Intent: The program is intended to rehabilitate single-family homes that owners occupy for at least 1 year. There are many very-low-income owners of single residences in Lake County who do not have the financial capacity to pay for emergency repairs to their buildings as necessary from time to time. This program is designed to help these owners with grants to pay for necessary repairs.

Activity Description: This is a grant of up to \$15,000 for homeowners who have house damage that is potentially injurious to the applicant's or general public's health, welfare, and/or safety. The damage may consist of damaged plumbing, damaged heating, damaged roofing, structural damage, electric damage, window damage, damaged septic system, sudden well failure, and other unpreventable damages.

Eligibility: To be eligible for assistance, an applicant must be an owner-occupant of a single-family residence located in Urban Lake County. The applicant must have a very low gross income as per the prevailing HUD guidelines. Income limits are 50 percent of the area median income. Damage to the property must have occurred within the last 60 days, with some exceptions at the discretion of the Executive Director. Systems that have failed as a result of neglect are ineligible.

Funding Source: CDBG

See Appendix B for Contractor Policy.

PROGRAM ACTIVITY DETAILS

Since money is very limited on this program, and in order to be sure that HUD guidelines for use of CDBG funds are satisfied, the following criteria is necessary and must be adhered to:

I. ELIGIBILITY – APPLICANT

To be eligible for assistance an applicant must:

- A. Be the legal owner, mortgagor, or contract purchaser of a single-family residence located in any area of Lake County other than East Chicago, Gary, or Hammond.
- B. Owner must occupy the residence where the emergency arises.
- C. Have a very low gross income as per the prevailing HUD guidelines. Income limits are 50 percent of area median income.

II. ELIGIBILITY – DWELLING

- A. Damage must have occurred within the last 60 days. The 60-day limit may be extended to 120 days by approval of the Executive Director on a case by case basis.

1. Damage must be of an emergency nature which is defined as potentially injurious to the applicant's or general public's health, welfare and/or safety.
2. The damage will generally fall into one of the following categories: damaged plumbing, damaged heating, damaged roofing, structural damage, electric damage, window damage, damaged septic system, sudden well failure and other damages caused by acts of God.
3. Neglect of any system that causes that system to fail will make the system ineligible for repair under this program. Ineligible examples are:
 - (1) Roof has been leaking because of deterioration and has created interior damage.
 - (2) Water is coming into basement or backing up and causing toilets to fail because sewers need cleaning or septic system has not been regularly pumped out and fingers have not been cleaned.
 - (3) Well is failing because pump is old and is not working properly.

B. Cost of repairs will not exceed \$15,000.

C. In the event that repairs do not total \$15,000, the applicant may apply for further emergency repairs at another time so long as total costs of the second project plus total costs of the first project do not exceed a grand total of \$15,000.

III. CRITERIA FOR APPLICATION

- A. Owner must have exhausted all conventional sources of assistance to finance the emergency repair. A partial list of such sources includes: Insurance, Banks, Credit Unions, Finance Companies, Social Service Agencies, and other government agencies such as Trustee's office, etc.
- B. Owner will come to LCCEDD office to complete application or call, LCCEDD office. In the event of a call, LCCEDD will take as much information as possible on the phone, and if the application appears to be eligible, the inspector will take the application to the applicant's home to be completed if necessary due to illness or physical impairment.
- C. Insurance coverage, income and home ownership will be documented with photo static copies of documentation. In the event that the homeowner cannot arrange for the photo stats, such procedure will be handled by the LCCEDD.

IV. NEIGHBORHOOD PRESERVATION

- A. County will review any effect on environment or historic preservation and appropriate documentation shall be made part of the environmental review record.

1. Pursuant to 24 CFR 58.34-8, the Lake County CDBG Emergency Grant Program is exempt from the National Environmental Policy Act and an environmental review.
2. Pursuant to 24 CFR 58.35-4, the Lake County CDBG Emergency Grant Program is categorically excluded from the National Environmental Policy Act and an environmental review.
3. As per discussion with Laura Thayer, Historian, Division of Historic Preservation and Archaeology, Indiana Department of Natural Resources on 6-6-85, a list of completed projects submitted from time to time will be approved. This agreement is made because of the emergency nature of this program and involved projects. In the event that we feel that a project is involved with any elements of historic significance, such project will be submitted to the Department of Natural Resources prior to commencement of work.

V. EXECUTIVE DIRECTOR'S DISCRETION

These guidelines may be subject to changes on a case by case basis at the discretion of the Department's Executive Director, if all HUD, federal, state, and local regulations are adhered to at all times.

VI. PROCESSING

A. LCCEDD will verify all information presented on the application, often by phone in order to service the emergency as quickly as possible. The repair problem will be inspected when the problem is deemed to be of an emergency nature. That inspection will help determine if the problem is an actual emergency as outlined previously.

1. In the event that the inspector feels the problem is not an emergency, the Executive Director or his appointee will be requested to review the decision.
2. In all instances, the inspector will file a full report to the Executive Director. The Executive Director will make the final decision on all approvals or disapprovals.

B. In the event that the project is eligible, the inspector will work up a cost estimate and the first contractor, by numerical sequence, will be called to inspect the job and make an estimate. If the estimate is in order the contractor will be given the order to proceed with the repair.

VII. FLOOD INSURANCE

A. The use of any funds provided under Federal Regulations 24 CFR part 570.605 pursuant to Section 201 (d) of Act (42 U.S.C. 4105 (d)) of the National Flood Insurance Program, specifically requires mandatory flood insurance as requirements of Section 102 (a) of said Act (42 U.S.C. 4012 a). No acquisition or new construction shall be allowed with the use of these funds under the

regulations or said acts if property is located in a flood plain area. While rehabilitation will not be encouraged in flood plain areas, projects may be approved on a case by case basis when the recipient of assistance protects the property with flood insurance and the agency receives a copy of the recipient's policy.

E. Low-Interest Rehabilitation Loan Program

SUMMARY

Intent: The program is intended to rehabilitate single-family homes that owners occupy for at least 1 year. The funds will be used primarily to correct code violations and to provide decent, safe, and sanitary living conditions for the occupants.

Activity Description: Funding may be used to rehabilitate or remove elements of the dwelling structure, including basic equipment and other improvements such as garages, fences, steps, walkways, and driveways. The maximum loan per unit is \$50,000, including all soft costs (such as appraisals, title searches, credit bureau reports, and surveys). The rate of interest is 3 percent per annum. Repayment and interest begin at the completion of the rehabilitation project. The house must meet all codes after rehabilitation. Up to 40 percent of the loan can go toward non-code improvements.

Eligibility: To be eligible for assistance, an applicant must meet the following conditions:

- Be the legal owner-occupant of a single-family residence located in the Urban Lake County entitlement area (outside the cities of Gary, Hammond, and East Chicago).
- Be unable to obtain the necessary funds for rehabilitation on comparable terms and conditions from other sources.
- Have low to moderate income (no more than 80 percent of the area median income).
- Demonstrate the ability to repay the loan in a period of 20 years or three-fourths of the remaining economic life of the structure, whichever is less.
- Have a satisfactory credit history or explanation of unsatisfactory elements that demonstrates intent and ability to repay the loan in a satisfactory manner.

The property must not exceed 95 percent of the median house sale price as established by HUD or alternative limits established by Lake County and approved by HUD after rehabilitation.

Funding Source: CDBG/HOME

See Appendix B for Contractor Policy.

PROGRAM ACTIVITY DETAILS

I. PROGRAM INTENT

- A. The program is intended to rehabilitate single family homes owned and occupied by owners for at least one year and located in Urban Lake County (outside the cities of Gary, Hammond, and East Chicago).

- B. Our monies will be used primarily to correct code violations and to provide decent, safe, sanitary living conditions for the occupants.

II. ELIGIBILITY

To be eligible for assistance an applicant:

- A. Must be the legal owner-occupant of a single-family residence located in the Urban County entitlement area.
- B. Must be unable to obtain the necessary funds for rehabilitation on comparable terms and conditions from other sources.
- C. Must have low to moderate income (not over 80 percent of median income as determined by HUD for the Lake County area)
- D. Gross income will be calculated using the Section 8 Part 5 Income rule.
- E. Must demonstrate the ability to be able to repay the loan in a period of 20 years or three-fourths of the remaining economic life of the structure, whichever is less.
- F. Must have a satisfactory credit history or explanation of unsatisfactory elements which will determine intent and ability to repay the loan in a satisfactory manner.
- G. Value of property, after rehabilitation, must not exceed 95 percent of median house sales price as established by HUD, or alternative limits established by Lake County and approved by HUD.

III. MORTGAGES AND CONTRACTS

- B. Second mortgages may be allowed under the CDBG Loan Program as long as total debt on the property does not exceed 95 percent of after rehab appraisal and owner has the financial capacity to pay all debts.
- C. These low-interest loans will not be assumable unless the person wishing to assume the loan meets the same criteria as the original borrower and only by approval at that time by the Lake County Community Economic Development' Department's Executive Director. Assumptions will be determined on a case by case basis.
- D. Contract purchasers will be ineligible for this program unless the contractors can be converted to mortgages prior to our loan.

IV. SERVICE FEES

All other out of pocket expenses paid by LCCEDD will be assessed to the applicant when a loan is rejected by LCCEDD for fraudulent, false, or collusive information or actions given or done by the applicant.

V. INTEREST RATE

- A. The rate of interest will be 3 percent per annum. Repayment and interest shall begin at the completion of the rehabilitation project.

VI. LOAN LIMITS

- A. The maximum loan per unit will be \$50,000 including all soft costs including appraisals, title searches, and credit bureau reports, surveys, etc., but not including the service fee which must be paid by the borrower prior to consideration of his/her application.
- B. The maximum term shall be 20 years, payable on a monthly basis.
- C. All payments will be due on the first day of each month. Any payment made after the 10th day of the month shall be deemed delinquent and assessed a delinquent fee as prescribed in the note document.

VII. APPRAISALS

Lake County will require appraisals on all properties.

VIII. CONDITIONS UNDER WHICH LCCEDD WILL CONSIDER PROJECTS

- A. At completion of the project all units must meet all applicable building, fire, health, and safety codes. LCCEDD will inspect the premises to determine if compliance with these requirements is met and HUD Uniform Physical Condition Standards are satisfied. Codes will either be those developed by HUD or local codes, whichever are the most demanding. Codes will apply to conditions; work done, and materials used.
- B. The rehabilitation portion of a low-interest loan must equal at least 60 percent of the total rehabilitation loan. Furthermore, the 60 percent portion of the loan will apply only to those repairs necessary to correct code or incipient code violations.
- C. If the homeowner is on a public assistance program such as Welfare, Aid to Dependent children, etc. they must determine if this loan will cause these benefits to cease or decrease. If so, he/she must affirm in writing that they understand these penalties and still wants the loan.
- D. Normally no more than 31 percent of gross income in the home may be used for housing expenses and no more than 46 percent of gross income may be used for payment of all debt. These percentages must include payments figured on this loan.

IX. UNDERWRITING STANDARDS

- A. Applicant must have steady employment history or worked for the same employers for two years, or have another steady source of income (e.g., SSI, SS, etc.)
- B. Must have valid Social Security number, lawful residency in the United States and be of legal age to sign a mortgage with the County.
- C. These loans are only available for primary places of residency.
- D. Applicant front end ratio (all mortgage payments including interest, property taxes, and insurance) shall normally be 31 percent or less of their gross income. Applicant may provide justification to obtain approval with a percentage as high as 46.99 percent. Approval of front end ratios over 31 percent is at the sole discretion of LCCEDD.
- E. Applicant back-end ratio (all mortgages plus all monthly debt (e.g., credit card payments, car payments, student loans, etc.) shall normally be 43 percent, or less, of gross monthly

income. Applicant may provide justification for this ratio over 43 percent at the sole discretion of LCCEDD.

- F. Typically, an applicant must be 2 years out of bankruptcy and have reestablished good credit. Exception can be made if there were extenuating circumstances beyond the applicant's control that caused the bankruptcy and the applicant managed money in a responsible manner.
- G. Applicant must evidence the ability and resources to maintain homeownership and the residence.

X. PROJECT REHABILITATION PARAMETERS

The loan may be used to:

1. Rehabilitate or remove elements of the dwelling structure, including basic equipment and other improvements such as garages, fences, steps, walkways, and driveways.
 - a. Basic equipment includes heating furnaces, hot water tanks, electrical and sanitary fixtures and kitchen stove and refrigerator.
 - b. The provision of sanitary or other facilities including the provision of, expansion and furnishing of space necessary to accommodate those facilities.
 - c. The provision of additional or enlarged bedrooms to alleviate overcrowding.
 - d. Grading, filling, or landscaping of grounds. (Must be in keeping with general appearance and landscaping in the neighborhood.)
 - e. Basic work or code violations:
 - i. Needs wiring replaced or updated.
 - ii. Needs plumbing replaced or updated.
 - iii. Needs general repairs such as roof repair or replacement, walls foundations, etc.
 - iv. Energy saving work.
 - v. Other.
2. Kitchen Equipment
Rehab money may be used to repair, purchase, and install a kitchen stove or refrigerator. Purchase and installation are acceptable or unsanitary. Built-ins may replace exiting built-ins.
3. Rehabilitation may be done to correct incipient violations as well as actual violations of Uniform Physical Conditions Standards (hereafter referred to as UPCS):
4. Costs may not include:
 - a. New construction, substantial reconstruction, expansion of the structure or the finishing of unfinished spaces unless:
 - i. There is inadequate kitchen space or there are inadequate bathroom facilities, (no tub or shower or sink).

- ii. Bedrooms are too small or not enough bedrooms. (alleviate overcrowding).
- iii. Materials, fixtures, equipment or landscaping of a type or quality that exceeds that used in the locality for properties of the same general type.
- iv. Appliances not required.
- v. Acquisition of land.

XI. LIMITATIONS

- A. The amount allowed for general improvements must not exceed 40 percent of the total job.
- B. General Property Improvements may include additions, enlargements, renovations, and remodeling such as enlarging rooms, garages, or fences finishing spaces such as attic, porch, or basement; remodeling kitchens, including purchase and installation of dishwashers and garbage disposals; and purchase and installation of incinerators and air conditioners. The additional cost to build in a stove and/or refrigerator where no built-ins existed before, are part of the general property improvements.

XII. NEIGHBORHOOD PRESERVATION

The County will review any effect on environment or Historic Preservation and appropriate documentation shall be made part of the environmental review record.

XIII. REHABILITATION CONTRACTS

Form of Contract: The contract will consist of a single document signed by the Contractor and accepted by the grantee following approval of the rehabilitation loan. It shall contain a proposal by the contractor and general conditions, as well as the specifications for the work to be performed.

Use of Alternates: The contract may provide for alternates by which the bidder, as part of his/her proposal, offers increases and decreases to the lump sum contract price to cover alternatives in the performance of work and in the price of materials.

- 1. Alternates should be used very infrequently and will be fully documented.
- 2. LCCEDD will not consider alternates proposed by the bidders that are not called for in the contract document. Alternates or substitutions to be used once the work commences must be approved by the homeowner and LCCEDD. Normally this will only occur when a product or material is unavailable.
- 3. Controversies between the homeowner and contractor which cannot be settled with the Executive Directors Assistance shall go to the American Arbitration Association for settlement, with the loser paying the expenses.

XIV. CONFLICT OF INTEREST

No conflict of interest is allowed. Relatives living in the same household with HUD or LCCEDD decision making employees are prohibited from participating in this program. Relatives who live apart from decision making employees of HUD or LCCEDD will

only be considered for this program by written consent of the Executive Director and written approval from HUD. No HUD or LCCEDD employee will be allowed to be part of the decision-making process on applications from their relatives. Housing rehabilitation projects funded with HOME funds must meet the requirements at 24 CFR part 570:621 governing conflicts of interest and those funded with CDBG funds must meet the requirements at 24 CFR part 570-611.

XV. FLOOD PLAIN

The use of any funds provided under Federal Regulations 24 CFR part 570.605 pursuant to Section 201 of Act (42 U.S.C. 4105 (d) of the National Flood Insurance Programs, specifically requires mandatory flood insurance as requirements of Section 102 (a) of said Act (42 U.S.C. 4012 A). No acquisition or new construction shall be allowed with the use of these funds under the regulations of said acts if property is located in a flood plain area. While rehabilitation will not be encouraged in Flood Plain areas, projects may be approved on a case by case basis when the recipient of assistance protects the property with Flood Insurance and the agency receives a copy of the recipient's policy.

XVI. CANCELLATION

- A. In the event that the loan is rejected due to any misrepresentation by the homeowner, they shall be obligated to reimburse LCCEDD for any costs incurred in development of the loan.
- B. In the event that the loan is approved and the homeowner decides to cancel the loan, the homeowner will be liable for all costs incurred up to day of cancellation.
- C. In the event that the estimated cost of rehabilitation will be no more than 74 percent of the total estimated cost of replacement after rehabilitation.

XVII. After loan matures, file is closed.

Note: In all places in these guidelines where only one gender is referred to, it is understood that either gender is implied.

XVIII. No applicant shall be denied assistance under this program because of race, color, creed, gender, age, ethnic origin, handicap, or size of family.

XIX. The Executive Director of the LCCEDD shall have the authority to make exceptions to these guidelines on a case-by-case basis as long as the exceptions are in compliance with all applicable state, federal, and local laws and regulations.

F. Homebuyer Assistance Program

SUMMARY

Intent: The Homebuyer Assistance Program is designed to assist households with overcoming what is usually the biggest hurdle to such households purchasing a house: the initial cash layout (e.g., down payment, fees, closing costs). It is intended to assist moderate-income and low-income families to purchase a home.

Activity Description: The eligible homebuyer will receive down payment matching and closing costs up to \$5,000. LCCEDD assistance will be a forgivable loan. The loan will be secured by a mortgage and note on the property. The mortgage shall only be subordinated to one private mortgage. The forgivable loan will be for a 5-year affordability period upon passing the anniversary date of the note. The applicant must agree to occupy the purchased property as primary residence. The LCCEDD mortgage and note balance will become due if the buyer sells, rents, converts the use of, or vacates the property as a primary residence prior to the 5-year period for the full amount of the note. Other violations of the terms of the contract will also trigger repayment of the full amount of the note.

Eligibility: The applicant must meet both current HUD federal low-income (low/moderate) guidelines for assistance and LCCEDD underwriting standards. The incomes of households receiving HUD assistance must not exceed 80 percent of the area median. The applicant must also be able to obtain a mortgage through a commercial or government lender (e.g., U.S. Department of Veterans Affairs, FHA). The property cost shall not exceed HUD's minimum and maximum limits for existing homes and new construction and must meet the Section 8 Housing Quality Standards as of 2016.

Funding Source: HOME

PROGRAM ACTIVITY DETAILS

I. PROCESS

1. Get pre-qualified based on income levels with a mortgage company.
2. Take the HUD certified Homebuyers Education course.
3. LCCEDD prefers that purchase agreements set closing dates forty-five (45) days from date of signature.
4. Obtain a Purchase Agreement with a closing date.
5. Call to get on waiting list.
6. LCCEDD staff will call from the waiting list to make an appointment for an application.
7. Bring in required documents and complete application.
8. LCCEDD will issue a Reservation letter upon approval based on availability of funds (Good for up to 60 days).
9. Once Closing Disclosure & ALTA is approved, schedule closing.
10. Sign final paperwork.

11. LCCEDD issues check on the date of closing.

12. Closing.

*Please note that within this process it is never mentioned when to contact a realtor or when or how to search for a home. We serve everyone in Lake County, Indiana, except the municipalities of Hammond, Gary, and East Chicago, they have their own programs. Applicants can only qualify for up to \$5,000 of assistance and this assistance can only be used for down payments and closing costs.

WARNING: Please be advised that making an offer to purchase a home that provides specific timelines for closing is a normal and usual process. However, these timelines are NOT obligations of the LCCEDD and may result in NOT receiving assistance.

NOTE: These steps are guidelines to help with the process of obtaining assistance from LCCEDD. We strive to help as many people as possible with the limited funds available. Not everyone can or will be helped. As always, guidelines are meant to be changed or altered as needed or required.

II. GUIDELINES

1. Down payment match and closing costs to eligible homebuyers, assistance is up to \$5,000 per qualified homebuyer.
2. Applicant must meet current HUD federal low-income (low/moderate) guidelines for assistance. (See Attachment)
3. Gross income will be calculated using the Section 8 Part 5 Income Rule.
4. Applicant must be able to obtain private mortgage financing through a commercial financial institution that is currently licensed as a lender through the State of Indiana and in full compliance with Closing Disclosure.
5. Property must meet Section 8 Housing Quality Standards prior to sale.
6. Sale price shall not exceed maximum limits provided by HUD for existing homes and new construction. HUD limits are subject to change. Please ask LCCEDD staff for current values.
7. LCCEDD assistance will be a forgivable loan. The loan will be secured by a Mortgage and Note on the property. Mortgage shall only be subordinated to one (1) private mortgage. The forgivable loan will be for a 5-year affordability period upon passing the anniversary date of the Note. Applicant must agree to occupy purchased property as primary residence. The LCCEDD mortgage and note balance will become due if the buyer sells, rents, converts the use of, or vacates the property as a primary residence prior to the 5-year period for the full amount of the note.

III. UNDERWRITING STANDARDS

1. Must have steady employment history or worked for the same employer for two years.
2. Must have a valid social security number, lawful residency in the United States and be of legal age to sign a mortgage in Indiana.

3. The LCCEDD assistance is equal to the sales price x 3.5 percent (or the applicable FHA rate) divided by 2 not to exceed \$5,000.
4. LCCEDD loans are only available for primary residence occupancy. Must have a property appraisal from an approved appraiser.
5. Applicant front-end ratio (mortgage plus HOA fees, property taxes, mortgage insurance, home insurance) need to be 31 percent or less, of their gross income, typically. Applicant may be able to get approved with as high a percentage as 46.99 percent. However, applicant's lender will be required to provide justification as to why they believe the mortgage presents an acceptable risk. The lender must include any compensating factors used for loan approval.
6. Applicant back-end ratio (mortgage plus all monthly debt, i.e., credit card payments, car payment, student loans, etc.) need to be less than 43 percent of their gross income, typically. Applicant may be able to get approved with as high a percentage as 56.99 percent.
7. Lender will be required to provide justification as to why they believe the mortgage presents an acceptable risk. The lender must include any compensating factors used for loan approval.
8. Minimum credit score of 580 for LCCEDD financing with a minimum down payment of 3.5 percent.
9. An applicant must be two years out of bankruptcy and have re-established good credit. Exceptions can be made if they are out of bankruptcy for more than one year & if there are extenuating circumstances beyond their control that caused the bankruptcy and they manage their money in a responsible manner. An applicant must be three years out of foreclosure and have re-established good credit. Exception can be made if there were extenuating circumstances and the applicant has improved credit. If the applicant was unable to sell their home because they had to move to a new area, this does not qualify as an exception to the 3-year foreclosure guideline.
10. Applicant must have evidence of resources to maintain homeownership.
11. Applicant must complete Homebuyers Education two weeks prior to closing for Homebuyers Assistance Loan & provide certificate of completion.
12. Property must be located in Lake County outside of the Cities of Gary, Hammond, and East Chicago. These cities are outside the LCCEDD Entitlement jurisdiction.
13. Property to be purchased must be a single-family dwelling unit, and it shall not be on land contract. Condominium units are acceptable. No mobile homes and property area shall not exceed 1 acre, unless required to meet health standards.
14. Applicant may apply for a low-interest housing rehabilitation loan financing from LCCEDD after one year of residency. A loan is subject to all program requirements.
15. No member of the governing body of the locality and no other official, employee, or agency of the County government, in a position to make decisions concerning the program, shall directly or indirectly be eligible for this program. This prohibition shall

continue for 1 year after an individual's relationship with the County Government ends.

16. The borrower/purchaser must contribute a minimum of \$1,000, in cash, unless the lender's requirement is higher, towards the down payment, closing costs, escrow reserves, fees, etc. In other words, the borrower must reflect a cash contribution on the closing statement (Closing Disclosure) showing an amount equal to 1/2 of the lender's down payment requirement. That amount can be made up from earnest money, pre-pays, etc.
17. The County will not participate in the financing of inflated purchase prices or closing costs, including commissions, origination fees, or interest rate buy downs. The LCCEDD will examine every application for evidence of predatory lending practices, and report suspect arrangements to the Indiana Secretary of State for investigation.
18. Applicant(s) will need to obtain insurance on the property to be purchased, protecting the property against loss by fire, or any other means, in an amount necessary to cover the total debt on the property. LCCEDD to be listed as a lienholder.
19. The Executive Director of the LCCEDD shall have the authority to make exceptions to these guidelines on a case-by-case basis as long as the exceptions are in compliance with all applicable HUD, state, federal, and local laws and regulations.
20. If there are other federal or state funds involved in the purchase, the lender must demonstrate why the LCCEDD funds are necessary to go forward, just as must any private lender.
21. LCCEDD will permit subordination to another mortgage only if there is no cash out to the borrower, and it results in better loan terms for the borrower (e.g., lower interest, longer terms, etc.)

G. Homeless Prevention Program

SUMMARY

Intent: The Homeless Prevention Program assists households that are immediately at risk of losing their housing and becoming homeless or are already homeless. It exists to prevent the trauma of homelessness in situations where extenuating circumstances put a household at risk of homelessness.

Activity Description: This program provides funds for one-time payments to lower income households in need of rental or mortgage assistance, including security deposits. Up to \$1,000 is available to families who are at risk of eviction or foreclosure or are already homeless.

Eligibility: The family must meet HUD's most recent income limits for low-income and very-low-income families under the U.S. Housing Act of 1937, as amended. The inability of the family to make the required payments must be the result of circumstances beyond the family's control and necessary to avoid eviction or foreclosure. There must be a reasonable prospect that the family will be able to resume rental or mortgage payments on the next due date. Proof of default and/or eviction is required.

Funding Source: CDBG

See Appendix B for Contractor Policy.

PROGRAM ACTIVITY DETAILS

This Program provides funds for one-time payments to lower income households in need of rental or mortgage assistance every five (5) years.

Recent surveys suggest the need for specific measures for those who are at risk of losing their housing and becoming homeless. The Homeless Prevention Program will expand and increase the ability to assist "at risk households."

Therefore, the County intends to provide funds for homeless prevention dependent on funding availability, for those who are "at risk of becoming homeless." Funds used for this program will come from LCCEDD Block Grant funds provided by the U.S. Department of Housing and Urban Development.

PROGRAM GUIDELINES

A. Criteria for Application

1. The family must meet HUD's most recent Income Limits for Low Income and Very Low Income families under the U.S. Housing Act of 1937, as amended.
2. The inability of the family to make the required payments must be the result of circumstances beyond the family's control (i.e., loss of job, illness, fire, etc.)

3. The assistance must be necessary to avoid eviction or foreclosure of the family from their primary residence, or need assistance to move into their own dwelling residence.
4. There must be a reasonable prospect that the family will be able to resume rental or mortgage payments within a “reasonable” period of time. NOTE: For the purposes of this grant, “reasonable” period of time means the ability to make payment on the next due date.
5. The applicant must exhaust all means of obtaining assistance elsewhere prior to applying for LCCEDD funds.
6. The County must be assured by Mortgage Company or landlord that this assistance will solve the total delinquency.
7. The client must live in Lake County outside the cities of Hammond, Gary, and East Chicago.

B. Funding Limitations

1. Assistance will be limited to a maximum of \$1,000 or 1 month’s rental or mortgage payment, whichever is less.
2. Assistance per household is limited to once 5 years.
3. Checks will be made payable to the landlord or mortgage company.

*The Executive Director shall have the authority to exceed guidelines on a case by case basis.