

Bloomington HRA

Home Improvement Loan Program



**HOUSING AND
REDEVELOPMENT
AUTHORITY**

BLOOMINGTON • MINNESOTA

PROCEDURAL MANUAL



Adopted by the Housing and Redevelopment Authority in and for the City of Bloomington

Revised June 2023

TABLE OF CONTENTS

PART I: GENERAL PROGRAM DESCRIPTION.....	3
Program Overview	3
Program Goals	3
Program Administration.....	4
Purpose of the Procedural Manual	4
Amendments to the Procedural Manual.....	4
PART II: PROGRAM POLICIES	5
Responsibilities of the Applicant	5
Responsibilities of the HRA	5
Application to the HRA	6
Eligibility Requirements	7
Eligible Dwellings	14
Denial of Eligibility	14
Appeal of Loan Denial.....	14
Eligible Improvements	14
Improvement Standards	18
Accessibility Improvements.....	21
Application/ Loan Processing	22
PART III: PROGRAM VERIFICATIONS/ DOCUMENTS	25
Pre-Approval Verifications	25
Pre-Construction Documents	26
Post-Construction Documents.....	30
PART IV: RULES	32
Lead Based Paint Hazard Requirements	32
Repayment of Assistance and Satisfaction	32
Subordination Policy.....	33
Funding for Emergency Repairs	34
Modification and Termination of Program	34
Additional Provisions.....	34
Dispute Resolution.....	37
APPENDIX A: DEFINITIONS	38

PART I: GENERAL PROGRAM DESCRIPTION

Program Overview

Bloomington's Home Improvement Loan Program (Program) is available to Bloomington owner-occupied Households to maintain, repair and improve their homes. The Housing and Redevelopment Authority in and for the City of Bloomington (HRA) administers the Program with funds appropriated from the Community Development Block Grant (CDBG) program following CDBG regulations, and local dollars.

There are two types of home improvement assistance available to eligible Applicants, deferred loans and emergency repair forgivable loans. A limited amount of funds are available for each program and Applications are accepted on a first come, first served basis.

The deferred loan program allows Applicants to receive up to \$60,000 in a deferred, two percent (2%) simple interest loan to make eligible home improvements to comply with minimum housing quality standards. Loans will bear simple interest for ten (10) years; no further interest will accrue after ten (10) years. Loans must be repaid in full if the home is sold, transferred or no longer homesteaded. In all events, loans are due and payable after a period of 30 years.

An Emergency Repair forgivable loan allows income qualifying Households a maximum of \$9,999 in forgivable loan funds to be used for Emergency Repairs. Emergency Repairs include conditions requiring immediate and urgent attention, which threaten or imperil the health and/or safety of the Applicant Household, such as the failure of plumbing, heating and/or electrical system being "red flagged" by a utility company, or a written violation by the City of Bloomington Environmental Health and/or Building and Inspections divisions detailing a code or safety violation that requires immediate and urgent attention. The purpose of an Emergency Repair forgivable loan is to allow Applicants to complete eligible repairs without completing a full-scale rehabilitation project and signing a long-term repayment agreement. Applicants are referred by City of Bloomington Environmental Health and/or Building and Inspections divisions. Applications may be submitted for "red flagged" systems with supporting documentation and within 30 days of the date of the "red flagged" notice.

Program Goals

The overall goal of this Program is to improve the safety, livability and energy efficiency of owner-occupied one and two unit housing within the City, prioritizing low and moderate income owner Households. Additional housing rehabilitation assistance goals have been established for the City in its Consolidated Plan. The home must be determined, upon completion of rehabilitation, to meet minimum Section 8 housing quality standards pursuant to 24 CFR 982, as follows:

Dwellings improved under this Program shall generally meet the performance requirements and acceptability criteria set forth in 24 CFR Part 982.401, except for such variations as are proposed by the HRA and approved by HUD. Local climatic or geological conditions or local codes are examples which may justify such variations.

Program Administration

This Program will be administered by the HRA pursuant to the authority given by the Bloomington City Council. Funding for this Program is provided through local dollars and the Department of Housing and Urban Development (HUD) as part of the CDBG program. This Program will follow all applicable regulations and this Procedural Manual (Manual).

Purpose of the Procedural Manual

The purpose of this Manual is to establish policies for carrying out the Program in a manner consistent with HUD requirements and local goals and objectives contained in the Consolidated Plan and Annual Action Plan. The HRA is responsible for complying with all changes in HUD regulations pertaining to the CDBG program. If such changes conflict with this Manual, the HUD regulations will have precedence. Applicable regulations include:

- 24 CFR Part 5: General Program Requirements
- 24 CFR Part 8: Nondiscrimination
- 24 CFR Part 570: Community Development Block Grant
- 24 CFR Part 35: Lead Based Paint Regulations

Amendments to the Procedural Manual

This Manual is subject to modification or amendment at any time to ensure that the provisions contained herein conform to the requirements of the CDBG program, applicable state law, and all official interpretations thereof. The HRA may also make other changes to this Manual at any time to update dates or for other minor updating. This Manual is subject to review and updating from time to time by the HRA Board

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PART II: PROGRAM POLICIES

Responsibilities of the Applicant

- Complete, sign and submit the Application and all additional required supporting documentation.
- Inform the HRA of any changes in the Application or project.
- Meet Program deadlines.
- Set-up initial meeting with HRA staff.
- Set-up initial inspection with HRA staff.
- Review the scope of work.
- Obtain bids and submit the bids to the HRA within 30 days of loan approval. Bids and bidding process must adhere to cost reasonableness standards described in this Manual.
- Make house accessible to contractors.
- Inform the HRA when contractors have completed work.
- Sign Completion Certificate.

Responsibilities of the HRA

- Outreach and Public Information

The HRA will be responsible for the promotion of the Program within City boundaries. The HRA will exercise care in avoiding any advertising or outreach method that may be deemed to systematically exclude potentially eligible Applicants. Access to Program materials will not be denied to any person for any reason.

The HRA will market its own and other available home rehabilitation, energy reduction and home improvement and maintenance programs. Some possible marketing activities that may be used are:

1. Regular promotions in the City's newsletter, area newspapers and cable TV.
2. Program advertising (brochures/flyers) of HRA and other available programs at banks, community centers, businesses that sell home improvement items, businesses with high walk-in traffic, and Bloomington Civic Plaza.
3. Staff a booth at area remodeling fairs.
4. Post on the City's web site.

The Program will include affirmative marketing efforts. The HRA will review its normal outreach methods from time-to-time to ensure that the Program is made available to persons who otherwise might not apply for assistance.

- Inspection of Properties

The HRA is responsible for coordinating a minimum of two inspections of each approved property. The first inspection will be completed after the Applicant is determined to be eligible for the Program. During this inspection, a property inspection report will be

completed that will list all deficiencies in the dwelling and will be used to determine whether sufficient funds are available to render the dwelling reasonably habitable, safe and energy efficient. If the home was built before 1978, it will also be inspected for Lead Based Paint hazards and, if required, a lead risk assessment will be ordered.

The second inspection will take place after the work is finished to determine that all work has been completed in a satisfactory manner consistent with this Manual, the scope of improvements and the contractor's quote.

City inspections staff may conduct interim inspections of the property as necessary.

- Preparation of Scope of Improvements/Work Proposal

The scope of improvements is based on the property inspection report and will list all of the eligible improvements to be completed. The HRA will provide the Homeowner with copies of the scope of improvements. The scope will be prioritized based on the urgency of the repairs. The required repairs must be completed in the order reflected on the scope of improvements.

- Additional Assistance Programs

To maximize available assistance from the Minnesota Housing Finance Agency (Minnesota Housing) and other sources, Applicants may be referred for other assistance. Minnesota Housing has several programs and other assistance is often available through other agencies. Additional rehabilitation loan and/or grant programs include:

1. Minnesota Housing Programs
 - a. Rehabilitation Loan Program
 - b. Fix Up Fund
2. Minnesota Weatherization Assistance Program
3. Home Energy Loan Program through Center for Energy and Environment (CEE)
4. Center for Energy and Environment (CEE) Home Improvement Loans
5. Hennepin County Home Repair

Application to the HRA

Normally, a first come, first served Applicant selection process will govern the administration of the Program. However, where an Applicant has an immediate safety or health need, that Applicant will be given priority.

Each Application will be dated upon receipt. The receipt date will be used as one of the criteria for ranking of the Application. An Application is considered complete when all materials used to determine eligibility are received by HRA staff.

The HRA will adhere to the following guidelines:

1. The process will be uniformly applied during the entire funding year with a ranking of applications based on Program goals to improve the safety, livability and energy

- efficiency of owner-occupied one and two unit housing within the City, prioritizing low and moderate income owner Households.
2. No eligible Applicant will be rejected on the basis of personal character or life-style.
 3. Where no funds are available for assistance to Applicants, the following procedure will be used:
 - a. Explain to the Applicant that the funding for the current year has been either depleted or allocated.
 - b. Inform the Applicant of other possible funding sources, including local, state and federal programs.
 - c. Send the Applicant a letter noting the Application has been placed on a waiting list, but there is no guarantee of future funding. This letter should outline any other possible sources of obtaining home improvement funds.

Eligibility Requirements

Applicants must meet all the requirements set forth in this Manual.

- Ownership and Occupancy Requirements

The property must be the Applicant's place of residence for a minimum of nine months in any twelve-month period. An exception may be made for a Disabled Person or Household member who cannot move into the home until modifications are made.

The Applicant must have a qualifying interest in the property, although that interest may be aggregated with the ownership interest of other individuals occupying the property as their principal place of residence. A qualifying interest shall consist of:

1. A valid life estate. Such life estate must be recorded and appear in the records of the County; or
2. A one third interest in the fee title. Such interest may be subject to a Mortgage; or
3. A contract for deed for the property to be improved. Such contract for deed must be recorded and must appear in the records of the County.

Ownership shall be based on the information recorded in the Hennepin County Recorder's and/or Registrar of Titles Office. All individuals having an ownership interest in the property to be improved must sign the Repayment Agreement.

The Applicant must be current on all Mortgage payments, contract for deed payments, homeowner's association dues and property taxes on the property to be improved. If any of these payments are delinquent, they must be made current, or applicant must provide proof of extenuating circumstances such as evidence of undergoing a loan modification or an equivalent loss mitigation process with the servicer of the first lien mortgage. In addition, there shall be no outstanding mechanic's liens filed against the property.

The Applicant must be capable of maintaining the home. This includes financial and physical maintenance of the home. Applicants with significant financial and/or physical maintenance issues will be referred to appropriate service agencies.

- Credit Counseling/Training Recommendations

It is recommended that Applicants who indicate they have a Mortgage delinquency or other credit problems participate in a financial/credit counseling program.

Financial and/or credit counseling providers are found through the following organizations:

- Minnesota Housing - Enhanced Homeownership Capacity Providers
- Minnesota Homeownership Center - Advisors Network
- Community Mediation and Restorative Services - Housing Partners

- Income Requirements

Applicants with an Annual Gross Household Income at or below 80% of the area median income for the household size in effect at time of Application are eligible to apply.

Applicants with an Annual Gross Household Income above 80% and below 100% of the area median income for the household size in effect at time of Application may be eligible to apply if their income is not adequate to cause private enterprise to provide the assistance necessary for decent, safe and sanitary housing within their financial means. If an Applicant's Annual Gross Household income is over 80%, an Applicant must include submission of at least one (1) denial letter for a repair and/or rehabilitation loan from a Minnesota Housing network lender, dated within 60 days of the Application, for an eligible property.

Non-recurring types of income should be included as assets rather than income. Items for inclusion under this category may include a single gift of cash from a person or persons, cash sales of property, receipt of one-time survivor benefits, etc. A one-time sale of stock does not count as income, but rather the proceeds are counted as assets.

- Inclusions in Gross Income

The table below presents the Part 5 income inclusions as stated in the Code of Federal Regulations:

General Category	Statement from 24 CFR 5.609 paragraph (b) (April 1, 2004)
1. Income from wages, salaries,tips, etc.	The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.

General Category	Statement from 24 CFR 5.609 paragraph (b) (April 1, 2004)
2. Business Income	The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
3. Interest & Dividend Income	Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in number 2 (above). Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.
4. Retirement & Insurance Income	The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (except as provided in number 14 of Income Exclusions).
5. Unemployment & Disability Income	Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay (except as provided in number 3 of Income Exclusions).
6. Welfare Assistance	Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income: <ul style="list-style-type: none"> • Qualify as assistance under the TANF program definition at 45 CFR 260.31; and • Are otherwise excluded from the calculation of annual income per 24 CFR 5.609(c). <p>If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:</p> <ul style="list-style-type: none"> • the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; <i>plus</i> • the maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is reduced from the standard of need by applying a percentage, the amount calculated under 24 CFR 5.609 shall be the amount resulting from one application of the percentage.
7. Alimony, Child Support, & Gift Income	Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.
8. Armed Forces Income	All regular pay, special day and allowances of a member of the Armed Forces (except as provided in number 7 of Income Exclusions).

- Exclusions from Gross Income

The table below presents the Part 5 income exclusions as stated in the Code of Federal Regulations:

General Category	Statement from 24 CFR 5.609 paragraph (c) (April 1, 2004)
1. Income of Children	Income from employment of children (including foster children) under the age of 18 years.
2. Foster Care Payments	Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone).

General Category	Statement from 24 CFR 5.609 paragraph (c) (April 1, 2004)
3. Inheritance and Insurance Income	Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (except as provided in number 5 of Income Inclusions).
4. Medical Expense Reimbursements	Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.
5. Income of Live-in Aides	Income of a live-in aide (as defined in 24 CFR 5.403).
6. Disabled Persons	Certain increases in income of a disabled member of qualified families residing in HOME-assisted housing or receiving HOME tenant-based rental assistance or assistance under other eligible programs (24 CFR 5.617(a)).
7. Student Financial Aid	The full amount of student financial assistance paid directly to the student or to the educational institution.
8. Armed Forces Hostile Fire Pay	The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
9. Self-Sufficiency Program Income	<ul style="list-style-type: none"> a. Amounts received under training programs funded by HUD. b. Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS). c. Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program. d. Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time. e. Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program.
10. Gifts	Temporary, nonrecurring, or sporadic income (including gifts).
11. Reparations	Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.
12. Income from Full-time Students	Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household or spouse).
13. Adoption Assistance Payments	Adoption assistance payments in excess of \$480 per adopted child.
14. Social Security & SSI Income	Deferred periodic amounts from SSI and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts.
15. Property Tax Refunds	Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit.
16. Home Care Assistance	Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep this developmentally disabled family member at home.
17. Other Federal Exclusions	Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs

General Category	Statement from 24 CFR 5.609 paragraph (c) (April 1, 2004)
	<p>that includes assistance under any program to which the exclusions of 24 CFR 5.609(c) apply, including:</p> <ul style="list-style-type: none"> • The value of the allotment made under the Food Stamp Act of 1977; • Payments received under the Domestic Volunteer Service Act of 1973 (employment through VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions); • Payments received under the Alaskan Native Claims Settlement Act; • Income derived from the disposition of funds to the Grand River Band of Ottawa Indians; • Income derived from certain sub marginal land of the United States that is held in trust for certain Indian tribes; • Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program; • Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721); • The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the U.S. Claims Court and the interests of individual Indians in trust or restricted lands, including the first \$2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands; • Amounts of scholarships funded under Title IV of the Higher Education Act of 1965, including awards under the Federal work study program or under the Bureau of Indian Affairs student assistance programs; • Payments received from programs funded under Title V of the Older Americans Act of 1985 (Green Thumb, Senior Aides, Older American Community Service Employment Program); • Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the In Re Agent Orange product liability litigation, M.D.L. No. 381 (E.D.N.Y.); • Earned income tax credit refund payments received on or after January 1, 1991, including advanced earned income credit payments; • The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990; • Payments received under programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, state job training programs and career intern programs, AmeriCorps); • Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation;
	<ul style="list-style-type: none"> • Allowances, earnings, and payments to AmeriCorps participants under the National and Community Service Act of 1990; • Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran; • Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act; and • Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998.

- Calculation of Annual Gross Household Income

1. Gross annual income shall be based upon annualized weekly or monthly income as of the date of verification.
2. In cases where the gross income of the Applicant's Household is extremely low, the Applicant must demonstrate they are able to meet their monthly obligations. The Applicant must produce written verification of the Household's monthly expenditures, clearly itemizing the amount of money and its source, on all obligations, which may include the following items: Mortgage, contract for deed, insurance, loans, income, property taxes, transportation expenses, charge accounts, health costs, food, utilities, clothing and entertainment. These expenses shall determine the Household maintenance income.
3. Any income determination, which results in a net loss of income, must be considered as \$0 income. That is, an income loss from one source may not be subtracted from a separate source of income for the purpose of determining total Household gross annual income.
4. Any educational loans, including VA benefits, which are paid *directly to the individual* must be included as income. Loans or scholarships, which are paid directly to an educational institution, are not included as income.
5. If a current pay-stub does not provide conclusive verification of overtime or bonuses, the loan administrator, through contacting an employer, may need to determine projected bonus and/or overtime income. The amount of overtime or bonuses may also be based on prior year's figures or average amounts awarded to other employees with the same status. The most recent IRS tax return may also be used for these purposes.
6. Self-employed persons must submit signed copies of IRS tax returns for the previous two years. Applications processed before April 15th of any given year may use the IRS tax returns from the second and third preceding years if their return for the first preceding year is not available. Applications processed after April 15th of any given year must use the IRS tax returns from the first and second preceding years. The administering entity will determine gross annual income by averaging the income from the two submitted returns.
7. For self-employed persons, normal out-of-pocket business expenses such as office rents, telephone, etc. are generally deductible items. Property or equipment depreciation is not deductible and must be added back to establish income for Program purposes.

Individuals who have been self-employed for less than two years must submit a profit and loss statement detailing the business income and expenditures. An exception may be made if the Applicant prepares one that is endorsed by a reputable third party and includes a declaration that all information contained in the statement is accurate

and complete and that the Applicant is aware that any errors or evasions may result in prosecution. If the individual can produce a signed IRS return for one complete year of self-employment and a profit and loss statement for the subsequent period, that will be acceptable.

8. Income from rental properties, including rents from the property to be improved, shall be included in the gross annual income. Expenses allowable for deduction for rental purposes include a proportional share of the Mortgage principal and interest payment, utilities, taxes, insurance, and maintenance. In no event shall such deductions exceed the gross rental income.
9. The calculation of gross annual income may not be based on a temporary condition such as unemployment or temporary worker's compensation. If unemployment recurs on a regular basis, gross annual income shall include the sum of wages and unemployment compensation expected to be received by the Household over the next 12 months. If worker's compensation is permanent income, the insurance company must verify it.

Gross annual income may not be based on temporary non-recurring unemployment of a known duration, such as that due to lay-off, maternity leave, sabbatical leave, etc. Rather, income shall be calculated based on the normal annual income of the temporarily unemployed person. At that time, the Household must be able to demonstrate that it is both income eligible and capable of meeting its monthly obligations as outlined.

Applications of those who are unemployed for an unknown period of time shall not be considered until the unemployed Household member has exhausted all eligibility for unemployment compensation and the employer indicates a callback date is unknown.

10. The income earned from assets will be combined with income earned from other sources to determine if the total income is under the appropriate income limit.
11. All Applicants must be able to demonstrate that they are current on income tax payments to the federal government by submitting signed copies of complete federal tax returns for the three preceding years. Applicants who are delinquent, but who can be verified as being current on a repayment schedule, will be regarded as being eligible in this regard. Applicants who are required to file federal income tax returns, but who have not filed or Applicants who are delinquent and are not current on a repayment schedule are not eligible for Program assistance.

- Asset Limits

\$150,000 in liquid funds for homeowners under the age of 55. Gross assets of homeowners aged 55 and above, must not exceed \$250,000 in liquid funds, which excludes one automobile per adult that permanently resides in the home. Gross Assets include the cash value of accounts such as money-market accounts, personal savings

accounts, checking accounts, investment securities, stock, current market value of all interests in real estate, annuities, whole life insurance policies, and certificate of deposits. It does not include balances of 401K funds, pensions, or other deferred compensation funds. Income received in the form of disbursements from 401K funds, pensions or other deferred compensation funds does count towards annual Household income, however.

- Subject Property Value

Subject property value must not exceed assessed value of \$500,000, which is below the jumbo threshold limit set by the Federal Housing Finance Agency.

Eligible Dwellings

Property Type and Location

The property must be 1) located within the city limits of Bloomington; 2) in compliance with all applicable zoning ordinances; 3) used primarily for residential purposes; and 4) contain no more than two dwelling units, at least one of which must be owner-occupied. Improvements can only be made to the owner-occupied unit, unless the improvement serves both units, such as a roof. However, a condominium or townhouse may be considered eligible provided repairs are done only within the unit itself.

Structure

The property to be improved must be an existing and permanent structure. An owner-occupied mobile home on a permanent foundation located on land owned by the Applicant is eligible. Trailers or mobile homes located on land not owned by the Applicant are not eligible.

Denial of Eligibility

The HRA will review and verify all Applications for eligibility. Those Applicants not meeting the eligibility requirements will be sent a written notice explaining the reason(s) for denial and outlining the appeal process as stated below.

Appeal of Loan Denial

Appeals regarding interpretation of eligibility requirements may be made in writing to the HRA Program Manager, HRA Administrator and then to the HRA Board of Commissioners. Appeals that clearly do not meet eligibility requirements will not be considered.

Eligible Improvements

Each improvement must be a permanent general improvement. Permanent general improvements shall include such alterations, renovations or repairs upon or in connection with existing structures, which correct defects or deficiencies in the property directly affecting the safety, habitability or energy consumption of the property. A permanent general improvement must be economically viable in terms of a determination that after the improvement is made:

1. The structure will have a remaining useful life such that the total amount of the repairs required for bringing the house up to Section 8 Housing Quality Standards may be amortized over such life in an economically prudent manner.
2. The structure will be reasonably livable, safe and habitable. All materials used in the rehabilitation work will be new and of same grade and quality, dimensions and design as that originally installed. All work and materials must be applied in accordance with the applicable manufacturer's list instructions and specifications. The owner shall select colors and patterns of materials furnished by the contractor from readily available supplier's selection. However, should the Homeowner desire that more expensive materials be used, the Homeowner will pay the cost difference.

No funds shall be used in whole or in part for the purpose of refinancing or paying off any existing indebtedness. All such funds must be used to finance improvements begun after the execution of a Work Contract prepared by the HRA and signed by the Homeowner and the contractor.

- Additions

The HRA may approve the construction of an addition only in the circumstances indicated below:

1. Bedroom additions may be allowed in cases of severe overcrowding. For the purpose of this Program, a dwelling will generally be considered "overcrowded" if there is an average of more than two people per sleeping area in the dwelling, or as otherwise approved by the HRA.
2. Bathroom additions may be allowed in cases of inadequate indoor bathroom facilities only if no other space in the structure is appropriate for such facilities.
3. In the case of Applicants with impaired mobility, request for room additions will be reviewed in compliance with procedures for loans including Accessibility Improvements.

- Demolition

Demolition of outbuildings is allowed only when such clearance is required by the local building code. Loan funded improvements cannot otherwise be limited to demolition only, except in circumstances determined as exceptional by the HRA.

- Sidewalks and Driveways

Reconstruction of sidewalks and driveways is allowed only on private property and only if necessary to remove safety hazards or to preserve the structure of the home. Construction of a new sidewalk or driveway may be allowed at the discretion of the HRA and only as necessary for Accessibility Improvements for elderly or disabled Household members.

- Exteriors

Exterior finishing (painting or siding) is allowed if there is deterioration of current exterior finishing. Exterior finishing requested solely for cosmetic purposes will not be approved. Should a determination be made that Lead Based Paint was used on the structure, appropriate measures will be taken in accordance with applicable Lead Based Paint requirements.

- Energy Efficiency

Where property is not reasonably energy efficient, loan funds may be used to the extent necessary to increase such efficiency. Energy saving features shall be consistent with the energy standards promulgated as part of the State building code, but such improvements need not bring the unit or house into compliance with such energy standards.

- Smoke Detectors

Smoke detectors shall be installed in all dwellings being improved with loan funds, unless detectors are already properly installed. All properties being improved shall contain adequate smoke detectors following completion of the rehabilitation work. When interior alterations, repairs or additions requiring a permit occur, or when one or more sleeping rooms are added or created in existing dwellings, the individual dwelling unit shall be provided with smoke detectors located as required for new dwellings; the smoke detectors shall be interconnected and hard wired.

Exceptions: 1. Smoke detectors in existing areas shall not be required to be interconnected and hard wired where the alterations or repairs do not result in the removal of interior wall or ceiling finishes exposing the structure, unless there is an attic, crawl space or basement available which could provide access for hard wiring and interconnection without the removal of interior finishes. 2. Repairs to the exterior surfaces of dwellings are exempt from the requirements of this section.

Power Source: In new construction, the required smoke detectors shall receive their primary power from the building wiring when such wiring is served from a commercial source and, when primary power is interrupted, shall receive power from a battery. Wiring shall be permanent and without a disconnecting switch other than those required for over current protection. Smoke detectors shall be permitted to be battery operated when installed in buildings without commercial power or in buildings that undergo alterations, repairs or additions.

- Carbon Monoxide (CO) Alarms

Carbon Monoxide alarms shall be installed within ten feet of each room lawfully used for sleeping purposes. All CO alarms shall be certified by a nationally recognized testing laboratory to conform to the latest Underwriters Laboratory (UL) Standards.

Power Source: CO alarms must be either hardwired into the electrical wiring, directly plugged into an electrical outlet without a switch, or battery powered.

- House Numbers

Where the house numbers are not present or are not installed to applicable City codes and ordinances, they shall be installed properly.

- Appliances

Appliances may be paid for as part of a Home Improvement Loan, dependent on the specific appliance and its condition. All other work as defined in the scope of work must be complete and paid for before funds will be approved to replace or repair appliances. More specific criteria regarding the condition in which appliances must be to justify replacement are below:

- If a refrigerator does not have a freezer compartment, maintain a temperature low enough so that food does not spoil over a reasonable period of time and is not sized correctly for the Household to meet Section 8 Housing Quality Standards, consideration may be given to replace or repair the refrigerator.
- If a cooking stove or range with top burners is present, but does not meet Section 8 Housing Quality Standards, consideration may be given to replace or repair the stove or range with top burners.
- Repair or replacement of washers/dryers/dishwashers/microwaves is not allowable, unless authorized by the HRA Administrator.
- If appliances are to be included as part of the home improvement project, HRA staff will specify models and price ranges that may be paid for with loan funds within the official scope of work. Should the Homeowner desire more expensive appliances, the Homeowner would pay the cost difference.

- Water and Sewer

Loan funds may be used for the portion of improvements located on the property which will bring an individual water supply system or an individual sewage disposal system (including septic systems) into compliance with local, state or federal environmental and sanitary standards, provided no public utility service is available. Payments of applicable SAC (Sewer Availability Charges) are an eligible expense.

Water drawn from a valid well must be potable (safe for drinking) and must be free of sand, grit or other material which might damage the pump or plumbing. Water need not be free from minerals that may make it cloudy, nor must it be free from odor. No funds will be disbursed by the HRA until water is struck. It is an eligible improvement to connect a house to City water and/or sewer when conditions affecting the health of the residents are present or when required by City Ordinance.

- Garages

Exclusive work on detached garages is allowed only if the existing condition presents a clear and imminent safety hazard. Repair or replacement of garage door openers will not be eligible unless the Homeowner has a documented physical disability or if necessary for the safety and security of the residents of the home.

Improvement Standards

- Sanitary Facilities

1. Performance Requirement: The dwelling unit shall include its own sanitary facilities, which are in proper operating condition, can be used in privacy, and are adequate for personal cleanliness and the disposal of human waste.
2. Acceptability Criteria: A flush toilet in a separate, private room; a fixed basin with a sink trap and hot and cold running water; and a shower or tub with hot and cold running water shall be present in the dwelling unit, all in proper operating condition. These facilities shall utilize an approved public or private disposal system.

- Food Preparation

1. Performance Requirement: The dwelling unit shall contain suitable and adequate space and equipment to store, prepare and serve foods in a sanitary manner. There shall be adequate facilities and services for the sanitary disposal of food wastes and refuse, including facilities for temporary storage where necessary (e.g. garbage cans).
2. Acceptability Criteria: The unit shall contain the following equipment in proper operating condition: an oven, a cooking stove or range; a refrigerator of appropriate size for the family; and a kitchen sink with a sink trap and hot and cold running water. The sink shall drain into an approved public or private system.

- Space and Security

1. Performance Requirement: The dwelling unit shall afford the Applicant adequate space and security.
2. Acceptability Criteria: A living room, kitchen area and bathroom shall be present, and the dwelling unit shall contain at least one sleeping or living/sleeping room of appropriate size for each two persons. Exterior doors and windows accessible from outside the unit shall be lockable.

- Thermal Environment

1. Performance Requirement: The dwelling unit shall have and be capable of maintaining a thermal environment healthy for the human body.
2. Acceptability Criteria: The dwelling unit shall contain a safe heating system which is in proper operating condition and can provide adequate heat to each room in the dwelling unit to ensure a healthy living environment. Unvented room heaters which burn gas, oil or kerosene are unacceptable.

- Illumination and Electricity

1. Performance Requirement: Each room shall have adequate natural or artificial illumination to permit normal indoor activities and to support the health and safety of occupants. Sufficient electrical outlets shall be provided to permit use of essential electrical appliances. Electric fixtures and wiring must ensure safety from fire.
2. Acceptability Criteria: Living and sleeping rooms shall include at least one window. A ceiling or wall type light fixture shall be present and operable in both the bathroom and kitchen area. At least two electric outlets shall be present and operable in the living room area, kitchen area and each bedroom area.

- Structure and Materials

1. Performance Requirement: The dwelling unit shall be structurally sound so as not to pose any threat to the health and safety of the occupants and to protect the occupants from the environment.
2. Acceptability Criteria: Ceilings, walls and floors shall not have any serious defects, such as severe bulging or leaning, large holes, loose surface materials, severe buckling or noticeable movement under walking stress, missing parts or other serious damage. The roof structure shall be firm and the roof shall be weather tight. The exterior wall structure and exterior wall surface shall not have any serious defects, such as serious leaning, buckling, sagging, cracks or holes, loose siding or other serious damage resulting in air infiltration or vermin infestation. The condition and equipment of interior and exterior stairways, halls, porches, walkways, etc. shall be such as not to present a danger of tripping or falling. In the case of a mobile home, the home shall be securely anchored by a tie down device which distributes and transfers the loads imposed by the unit to appropriate ground anchors so as to resist wind overturning and sliding.

- Interior Air Quality

1. Performance Requirement: The dwelling unit shall be free of pollutants in the air at levels that threaten the health of the occupants.
2. Acceptability Criteria: The dwelling unit shall be free from dangerous levels of air pollution from carbon monoxide, sewer gas, fuel gas, dust and other harmful air pollutants. Air circulation shall be adequate throughout the unit. Bathroom areas shall have at least one operable window or other adequate exhaust ventilation. Any room used for sleeping must have at least one operable window.

- Water Supply

1. Performance Requirement: The water supply shall be free from contamination.
2. Acceptability Criteria: The unit shall be served by an approved public or private sanitary water supply that is sanitary and free from contamination.

- Lead Based Paint
 1. Performance Requirement: The dwelling unit shall be in compliance with HUD Lead Based Paint regulations, 24 CFR Part 35, issued pursuant to the Lead Based Paint Poisoning Prevention Act. 42, U.S.C. 4801, and all successive amendments. If the property was constructed prior to 1978, the Applicant will be furnished the HUD Lead Based Paint Notice on the hazards of Lead Based Paint poisoning. Documentation of receipt of the notice shall be included in the file.
 2. Acceptability Criteria: Same as Performance Requirement.

- Access
 1. Performance Requirement: The dwelling unit shall be usable and capable of being maintained without unauthorized use of other private properties. The building shall provide an alternate means of egress in case of fire (e.g. windows that satisfy standards for egress).
 2. Acceptability Criteria: Same as Performance Requirement.

- Site and Neighborhood
 1. Performance Requirement: The site and neighborhood shall be reasonably free from disturbing noises and reverberations and other hazards to the health, safety and general welfare of the occupants.
 2. Acceptability Criteria: The site and neighborhood shall not be subject to serious adverse environmental conditions, natural or man-made, such as dangerous walks and steps; instability; flooding; poor drainage; septic tank backups; sewage hazards; mud slides; abnormal air pollution, smoke or dust; excessive noise, vibration or vehicular traffic; excessive accumulations of trash; vermin or rodent infestation; or fire hazards.

- Sanitary Condition
 1. Performance Requirement: The unit and its equipment shall be in sanitary condition.
 2. Acceptability Criteria: The unit and its equipment shall be free of vermin and rodent infestation.

- Smoke Detectors
 1. Performance Requirement: The unit shall have at least one battery-operated or hard-wired smoke detector in proper operating condition on each level of the unit. Smoke detectors must be installed in accordance with and meet requirements of NFPA 74 and succeeding standards. If the unit is occupied by hearing-impaired person(s), smoke detector must have an alarm system designed for hearing impaired persons.
 2. Acceptability Criteria: Same as Performance Requirement.

Accessibility Improvements

- Permitted Accessibility Improvements

Accessibility Improvements may include:

1. Structural Improvements: Construction, installation or modification of ramps, handrails, kick plates and door widths; repair or replacement of doors; relocation of doorways; installation of lever-action hardware; and construction or expansion of rooms.
2. Exterior Improvements: Construction of exterior ramps, railings, walkways, landings and porch extensions; and site grading and other site improvements.
3. Bathroom Improvements: Installation of elevated water closets, grab bars, shower stalls, tub seats, hand-held showers, accessible sinks, electrical outlets, medicine cabinets and other accessories; and modification or expansion of bathroom area to allow a five-foot turning radius.
4. Kitchen Improvements: Construction, modification or replacement of cupboards or shelves to provide access to sinks, cook tops, ovens or storage areas; installation of accessible electrical outlets and switches, lever-action hardware, garbage disposals; insulation of hot water pipes; modification or expansion of kitchen area to allow for a five-foot turning radius in the workspace; installation of “lazy Susan’s” in cupboards; and replacement of floor covering in order to improve wheeling surface.
5. Other Improvements: In exceptional circumstances, installation of central air conditioning and/or stair glides or electric lifts when the handicapped person’s doctor verifies in writing the need for these improvements.
6. Improvements that are determined to be ineligible as Accessibility Improvements may be funded under the other provisions of this Manual.

- Additional Funding for Accessibility Improvements

An additional \$10,000 (up to a maximum loan amount of \$50,000) will be allowed to Households with accessibility needs to address both accessibility and general improvement needs. Although there is no fixed limit allowed for Accessibility Improvements, serious health, safety and code violations must be addressed in addition to the Accessibility Improvements. A prioritization of the scope of improvements will be done by the Program administrator in conjunction with the Applicant to allow for the most urgent needs to be met.

- Standard Procedure for Compiling Accessibility Portion of Loan

A loan Application that includes Accessibility Improvements must include the following:

1. An Accessibility Improvements inventory, containing a description of the Accessibility Improvements to be made shall be included with the inspection report;
2. A letter describing:
 - a. the level and specific type of disability experienced by the handicapped person;
 - and

- b. the specific Accessibility Improvements requested;
- 3. Quotes from contractors;
- 4. Architectural drawings, if needed; and
- 5. Any other materials requested.

- Requirements for Participation

Loans may be made to Households with a handicapped person for Accessibility Improvements if the conditions of the Manual have been fully satisfied. To qualify for Accessibility Improvements, the handicapped person must be a permanent member of the Household.

Application/ Loan Processing

- Acceptance Procedures

The HRA's objectives are to encourage necessary improvements whereby the structure will be reasonably livable, safe, habitable and energy efficient.

- Approval of Application

1. Upon approval of the Application, the HRA will notify the Applicant in writing.
2. The Repayment Agreement executed by the Applicant and dated prior to work completion will be held by the HRA.

- Expediency of Loan Processing

Loans will be processed in a reasonable length of time in an efficient and accurate manner. Each loan will be completed within six months, from start to finish, unless otherwise authorized by the HRA.

- Disbursement of Funds

The HRA will be responsible for disbursing funds to contractors who have performed work. Payment for work completed will be made after the work is completed and inspected and all the required parties have signed a Completion Certificate. Partial payments may be made if required by the contractor after an interim inspection and the Homeowner has signed a Completion Certificate for that portion of the project.

- Disbursement Procedures

No disbursement of funds will be made to a contractor until the HRA is in receipt of:

1. A Completion Certificate signed by the HRA staff, Homeowner and contractor;
2. An original invoice from the contractor for the amount of the work performed;
3. A properly completed Sworn Construction Statement;
4. Lien waivers provided by the contractor/subcontractor(s) supplier for the amount of the work performed; and

5. Any successful clearance tests, if necessary.

Note: In certain circumstances, when the inspector and Program staff have determined that the project was completed per the Work Contract and the work is of acceptable quality, payment may be made to the contractor without the signature of the Homeowner on the Completion Certificate.

Upon receipt of the above items, payment may be made to the contractor. Payment will normally be made within 15 business days after the HRA receives the invoice, signed Completion Certificate and the lien waivers

- Delivery of Loan Funds

The HRA will disburse funds to contractors for completed work, in compliance with this Manual. No work shall start on any structure prior to the proper completion of a Work Contract referring to specific work items under that particular loan, a valid contractor's license, W-9 form, and LBP certification, if required.

- Requests for Changes in Loan Amount

At the discretion of the HRA, an expenditure of funds in excess of the approved amount may be approved in the event of justifiable over-runs in the cost of improvements. The HRA will document increases or decreases in the amount according to the following procedures:

1. The HRA will inspect the property to determine if the change is justified.
2. The HRA may authorize changes that meet Program eligibility criteria when necessary. Authorization will be given by the HRA signing the amendment request certificate.
3. In no case will the amount of the loan exceed the maximum loan amount, except in the cases of accessibility loans, Lead Based Paint issues, or where serious health or welfare conditions warrant a greater amount.

- Completion Procedures

No loan will be considered complete until the following steps have been accomplished:

1. Inspection of the Property - All improvement work, as specified in the rehabilitation work summary, will be inspected for completeness, conformity to specification and quality of workmanship. The HRA will require completion or correction of any item found lacking. Failure of a contractor to comply with such a request for completion or correction of work is considered grounds for withholding payment.
2. Recording of the Repayment Agreement – The loan amount identified on the Repayment Agreement will be the approved loan amount to which the Homeowner is entitled. Once the Repayment Agreement is executed, it will be recorded by the HRA with the County Recorder and/or the Registrar of Titles.

3. Completion Certificate - following the final inspection and successful completion of work, the Homeowner, inspector, and the contractor will sign a Completion Certificate prior to any payment being made to a contractor.

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PART III: PROGRAM VERIFICATIONS/ DOCUMENTS

Pre-Approval Verifications

- **Income Verification**

All sources of income listed on the Application will be verified by the HRA. The following is a list of acceptable forms of income verification evidence:

1. Written verification from employers or other income providers; OR copies of 60 days of recent checks or check stubs, which must include the year-to-date earnings.
2. All self-employed Applicants must submit complete federal income tax returns for the last two years unless Household income is not taxable.
3. Bank verification, including the two most recent bank statements for checking and savings accounts.

The material used to verify income must not be more than 60 days old at the time of approval. If the material is more than 60 days old, all income must be re-verified before an Application can be approved.

- **Asset Verification**

All Assets listed on the Application must be verified by the HRA. The following is the only acceptable form of asset verification evidence:

1. Written verification from banks, insurance companies or other asset holders; and
2. Copies of bank statements, insurance policies, premium notices, financial statements and the like.

The date of document used in verifying Assets must not be more than 90 days prior to the date of approval. If it is more than 90 days old, Assets must be re-verified before an Application can be approved.

- **Mortgage Status Verification**

The HRA will ensure that the Mortgage(s) and/or contract for deed(s) on the property to be improved are current. If payments are delinquent, the Applicant will be given four weeks to make them current. The date of the document used in verifying the Mortgage and/or contract for deed must be most recent statement previous to the date of approval.

- **Title Verification**

1. The following information will be obtained from the County Recorder and/or Registrar of Titles regarding each property:
 - a. The full name of all owners of record, exactly as they appear on the title; and
 - b. Whether it is Torrens or Abstract.

2. Upon obtaining this information, the HRA will determine that the Applicant individually or in the aggregate has a qualifying interest in the property consisting of at least:
 - a. A valid life estate. Such life estate must be recorded and must appear in the records of the County; or
 - b. A 1/3 interest in the fee title. Such interest may be subject to a Mortgage; or
 - c. A contract for deed for the structure being improved.
3. In addition, the Applicant must occupy the property as the principal place of residence. To consider a property the principal place of residence, an individual must:
 - a. Reside in the property at the time of Application (except where extraordinary circumstances have made the property temporarily uninhabitable or in the case of a Disabled Person or Household member who is unable to move into the property until needed accessibility modifications are made); and
 - b. Occupy or intend to occupy the property for at least 9 months of the year.
4. For the purpose of complying with ownership requirements, the Applicant may aggregate their interest in such property with the ownership interest of other individuals occupying the property as their principal place of residence.

Pre-Construction Documents

- Rehabilitation Application

The Application must be filled out completely and signed and dated by the Applicant.

- Individual Data Confidentiality

The Applicant's rights as a subject of data are fully described in this form. One form should be given to the Applicant and a signed and dated copy should be included in the file.

- Property Inspection Report

1. This report will include the following items:
 - a. General condition of the structure;
 - b. Structural soundness;
 - c. Plumbing systems including: water supply, waste disposal, fixtures and piping systems;
 - d. Heating systems;
 - e. Electrical systems;
 - f. Roof;
 - g. Energy efficiency including: insulation, infiltration, windows, doors and ventilation;
 - h. General exterior conditions; and

- i. General interior conditions.
2. An explanation should be provided for any deficiency that appears on the inspection report, but does not appear on the rehabilitation work summary for correction.
3. The inspection report will be signed and dated by the inspector performing the inspection.
4. Major infractions of the City building codes constituting a health and/or safety hazard or seriously diminishing the habitability of the residence will be noted and explained to the Applicant.

- Scope of Improvements and Work Proposal

This listing of all eligible improvements should be kept on file in case the Homeowner requires additional copies. Copies will be sent to the Homeowner along with a mandatory cover letter encouraging the consideration of minority or women-owned contractors and including information on how to access such contractors. A copy of this letter will also be included in the file.

The scope should allow contractors the opportunity to submit alternates or amendments to work items.

- Rehabilitation Work Summary

The HRA, in conjunction with the Homeowner, determines the work to be done with the funds available. If the Homeowner disagrees with the HRA's choice of improvements, items may be waived by the Homeowner, in writing, at the discretion of the HRA Administrator. The rehabilitation work summary list includes:

1. The improvements to be done by item, contractor performing work and a breakdown of costs by item and contractor.
2. The total cost of the work to be performed will be listed. The maximum loan amount will not exceed the lesser of:
 - a. \$50,000.00; or
 - b. The actual cost of the work performed

EXCEPT that when the project involves Accessibility Improvements, Lead Based Paint improvements, or when health and welfare conditions warrant, the maximum loan amount may be \$60,000.00, at the discretion of the HRA Administrator.

3. The maximum loan amount may be waived at the discretion of the HRA Administrator for extenuating circumstances if the amounts authorized above are insufficient to bring the home up to minimum property standards.

- Contractor Proposals

The Homeowner must obtain a minimum of two proposals for all of the authorized improvements before work can begin. A Repayment Agreement must also be signed and notarized before work start-up. All proposals must conform to the minimum standards of the specifications. The lowest responsible bid will be accepted unless the Homeowner specifies they are paying the difference between the low bid and the high bid.

- Work Contract

A Work Contract shall be completed between the contractor submitting the lowest acceptable proposal and the Homeowner. A copy of the proposal must be included in the Work Contract and shall be completed within the time frame specified in the Work Contract. The HRA may grant an extension as needed. If the contractor does not begin or complete the work within the time frame specified, the Work Contract may be canceled and a new contractor selected.

- Amendment Request Certificate

This form outlines all changes in the approved loan amount, either additions or subtractions, by each contractor. It must be signed by the contractor and the Homeowner and approved by the HRA. Every effort will be made to keep amendment requests to a minimum; however, it is appropriate to use the amendment request as a means of dealing with unforeseeable circumstances.

- Sworn Construction Statement

Any firm or individual contracted to perform work on the residence must submit a sworn construction statement prior to any work taking place on the property. The sworn construction statement must list all subcontractors and/or suppliers contributing to the work for which the invoice is being submitted and must be signed by the contractor holding the Work Contract. The contractor's signature must be notarized. The purpose of this form is to ensure that the contractor holding the Work Contract is liable for any failure to pay subcontractors/suppliers involved in the project.

- Acknowledgment of Receipt of Pre-Construction Documents

The Applicant's file will contain a signed and dated receipt from the Applicant, acknowledging that the HUD approved information on the dangers of lead based poisoning has been received. Also, this acknowledgment states Applicant received a blank copy of a Work Contract, an improvement of work procedures form, a copy of the Repayment Agreement, an individual data confidentiality statement, an authorization to release information form and information on minority and women owned businesses.

- Environmental Assessment

This form provides information pertaining to environmental assessment, historical preservation, air quality, wetland protection, zoning classification, flood plain management, hazardous facilities, noise, farmlands, and site source aquifers.

- Repayment Agreement

The Repayment Agreement must be included in the Loan Package. As specified in the provisions of the Repayment Agreement, the Homeowner shall be required to notify the HRA immediately upon the sale, transfer, conveyance or cessation of residency of the property.

1. The Repayment Agreement provides that in the event that the improved property is sold, transferred, or otherwise conveyed by the Homeowner within the specified time period, the Homeowner would be required to pay the full amount of the loan. If the property ceases to be the Homeowner's principal place of residence, the Homeowner would also be required to pay the full amount of the loan. In all events, loans are due and payable after a period of 30 years. The Repayment Agreement is a lien on the improved property, in favor of the HRA, as security for the loan amount. In the event of the death of the Homeowner, this lien may pass to their heirs provided they continue to occupy the property as their principal place of residence.
2. The Homeowner and the HRA will exercise reasonable care in the execution of the Repayment Agreement to ensure that the lien is valid. Any inaccuracy or omission may have a negative effect on the validity of the lien.

Prior to the approval of the Loan Package, the Homeowner and the HRA will exercise reasonable care to ensure that the Repayment Agreement is properly completed such that:

- a. The property description will be exactly as it appears in the property records. If the Applicant owns property other than the property to be improved, only the description of the property to be improved should be included.
 - b. The record names (the names exactly as they appear in the property records) are used.
3. The following is a summary of the signatures required under particular property ownership situations:
 - a. Any JOINT TENANCY -- signatures of all joint tenants are required.
 - b. Property held by ONE SPOUSE -- signatures of BOTH spouses are required.
 - c. Property held in LIFE ESTATE -- signatures of the Applicant (life estate holder) and all of the remainder men.
 - d. Property being purchased on CONTRACT FOR DEED -- signatures of the Applicant and all individuals who are aggregating their interest to meet the ownership requirement; and the fee title holder (and spouse or others, as

applicable) of the property; and the signatures of any intervening vendees of the contract for deed.

- e. All required signatures must be notarized; including the “mark” of a signatory who is unable to write (such a mark must be witnessed by at least two persons other than the notary). Additional acknowledgments may be added to the Repayment Agreement to accommodate any necessary notarizations.
4. The Repayment Agreement will include the approved Home Improvement Loan amount and will be filed with the proper recording office in such a manner as to create a valid lien against the property. It is the responsibility of the HRA to record the Repayment Agreement.
5. If any loan funds are used for purposes other than an eligible improvement upon an eligible property or if the Homeowner’s Application is found to contain a material misstatement of fact, the Homeowner shall be liable for repayment of all or part of the originally approved loan funds. In addition, any fraudulent use of funds may subject the recipient to fines and/or imprisonment under the Minnesota Criminal Code.

Post-Construction Documents

- Contractor Invoices

Invoices must be obtained from each firm or individual contracted to perform work on the residence (a general contractor can submit invoices on behalf of a subcontractor). Invoices must be provided for all payments, interim or final. Invoices submitted to the HRA must be originals and not copies.

- Lien Waivers

A copy of all lien waivers referred to in the sworn construction statement, plus the lien waiver from the contractor holding the Work Contract will be included in the file. The original lien waivers must be secured before any payment is released.

- Completion Certificate

The Homeowner, contractor and HRA staff should sign this form when the work is completed. If the approval of more than one inspector is required, then copies of the inspection notice(s) should be attached. Note: In certain circumstances, when the inspector and grant administrator have determined that the project was completed per the Work Contract and the work is of acceptable quality, payment may be made to the contractor without the signature of the Homeowner on the Completion Certificate.

- Complaint Record

This form should be used to document any complaints brought to the attention of the HRA, pertinent to the administration/implementation of the Program and the response of the HRA to the complaint.

- Post-Construction Documents

After work has been completed, a close out letter and copy of recorded Repayment Agreement is sent to the Homeowner.

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PART IV: RULES

Lead Based Paint Hazard Requirements

- The following procedure will be followed for all Applicants:
 - A. Discussion of the Lead Based Paint (LBP) requirements will take place at the initial meeting with HRA staff, as well as receipt of the Lead Hazard Information pamphlet. The Certification of Receipt of LBP information will be signed by the Applicant and kept in the Applicant's file.
 - B. The rehabilitation inspector will perform a visual assessment during the regular rehabilitation inspection. The visual assessment will identify the presence of any interior and exterior deteriorating paint. The inspector will document the presence of any deteriorated paint.
 - C. If deteriorated paint is found in a home built before 1978 and lead hazard reduction work may be needed because painted surfaces will be disturbed during rehabilitation, the appropriate level of lead testing and other action will be initiated. The HRA can also assume there is LBP and treat appropriately rather than test.
 - D. If further evaluation is needed, the HRA will contract with a certified risk assessor to perform the necessary tests to determine if and where there is a lead hazard risk. The assessment report identifies the presence and location of LBP and the areas that should be addressed. Costs of hiring a risk assessor may be rolled into the rehabilitation loan.
 - E. If LBP is found, the Homeowner will be notified of the presence and location of LBP by the HRA. As a condition of receiving funding, LBP hazards must be addressed and lead safe work practices will be required for all rehabilitation work that disturbs painted surfaces. Appropriate lead hazard reduction measures must also be incorporated into the scope of improvements. Clearance of the unit will also be required. A copy of the clearance reports will be given to the Homeowner and kept in the Homeowner's file.

Repayment of Assistance and Satisfaction

Repayment of the deferred payment loan shall occur upon the earliest of:

- Sale, transfer or conveyance of the property;
- The property ceases for any reason to be the loan Applicant's principal place of residence; or
- Thirty years after the provision of the loan.

If the Homeowner pays the principal loan amount and all interest due calculated up to the final payoff date according to the terms of the Repayment Agreement, then the Homeowner's obligations will be satisfied and the HRA will execute and deliver a Satisfaction of Repayment

to the Homeowner. The Satisfaction of Repayment will be sent to the title company (if one is involved in the transaction), who will be responsible for recording the Satisfaction of Repayment with the County. If a title company is not involved, the Satisfaction of Repayment will be sent to the Homeowner and it will be the Homeowner's responsibility to record the Satisfaction of Repayment with the County.

Subordination Policy

- A. The following information must be provided before a request for loan subordination to any new financing or a refinancing can be considered:
- Current first Mortgage balance, interest rate and term.
 - Proposed loan amount, interest rate and term.
 - Reasons for new financing and use of proceeds by amount. If financing will be used for home improvements, specific information on the proposed home improvements must be provided.
 - Good Faith Estimate
 - Copy of appraisal
 - Types and amounts of any other indebtedness on property, including balance, rate and term.
 - Household's verified income and size.
 - Full name, address, telephone number, contact person and e-mail address of new lender.
 - Date subordination agreement is needed (must be at least two weeks from the date of the request).
- B. Information provided will be analyzed to determine the appropriateness of subordination of the HRA's Mortgage. All of the following criteria must be met before subordination can be approved:
- All current and proposed property liens, including the Home Improvement Loan, equal less than 100% of the appraised value of the property.
 - The subordination is necessary to refinance the principal balance of existing prior liens on the property and will facilitate a rate reduction, term reduction and/or principal reduction plus any costs to finance additional eligible home improvements. No cash may be taken out as a result of refinancing. However, the fees incurred to refinance will be an allowable expense.
 - All home improvements must be eligible per this Manual and the Homeowner is required to submit documentation of cost for all improvements as a condition of the subordination.
 - The uses for the new financing must be justifiable as an appropriate use of public funds to warrant subordination of the public funding.
 - The HRA Administrator may allow cash out to the Homeowner due to a situation of financial hardship, which may include unexpected medical bills, divorce or loss of job within six months of applying for subordination.

- The Homeowner must correct any errors and omissions relating to the loan as a condition of the HRA granting a subordination request. This requirement would include, but not be limited to documents that are not signed (but the intent was to have them signed), documents with clerical errors and/or documents that are missing or destroyed.
- C. If the above criteria are not met, the HRA will not subordinate its Mortgage. The Homeowner will then need to obtain financing that is subordinate to the HRA's Mortgage, pay-off the HRA's loan as a condition of the new financing, obtain non-Mortgage financing, or forgo the additional financing.
- D. Appeals regarding interpretation of subordination requirements may be made in writing to the HRA's Administrator and then to the HRA Board of Commissioners. Requests for appeal which clearly do not meet the subordination requirements, will not be considered.

Funding for Emergency Repairs

The HRA will also set aside a portion of the budgeted rehabilitation funds to be used for an Emergency Repair forgivable loan program. The amount of funds will be set by staff based on anticipated demand for the Program and balance of rehabilitation funds. The guidelines for the Emergency Repair forgivable loan program are specified in the Housing & Environmental Loan Program Guidelines (a separate document).

Modification and Termination of Program

The HRA may amend this Manual from time to time by issuance of amendments, which will be effective as of the date of issue, or such later date as the amendment shall specify. Administrative memoranda may also be issued which discuss policy interpretations, clarification of procedures and other administrative matters.

Additional Provisions

- Maximum Loan to Value

The lien identified in the Repayment Agreement must be collectable. All existing Mortgages, contracts for deed, and other encumbrances, including the Repayment Agreement, must not exceed 100% of the market value of the property. Market value will be determined by the most recent assessed value of the property. If the Homeowner has a current appraisal, the appraisal may be used to determine the market value of the property if necessary to show sufficient equity. This requirement may be waived at the discretion of the HRA Administrator.

- Previous Improvement Loans

No property shall be eligible for a housing rehabilitation loan if it has been improved with a HRA rehabilitation loan within the 10-year period immediately preceding the date on which application for such a loan is made. An exception may be made in extraordinary circumstances from damage to the property as a result of events beyond the control of the

Applicant or relating to health and safety concerns, such as failure of plumbing, heating or electrical systems, or as determined by HRA staff. In such circumstances, provided that funding is available, the Applicant can receive assistance limited to correcting the damaged or failed system(s) only. No other eligible work can be carried out until the full 10-year period has elapsed.

Applicants with a previous rehabilitation loan from over 10 years ago will be limited to essential repairs, such as correcting health and safety hazards or repair of major systems, i.e. plumbing, electrical or heating failure. Until the previous rehabilitation loan is satisfied, no additional work will be allowed unless it is determined by HRA staff to be essential.

- Previous Foreclosures

Applicants will be determined ineligible for future assistance if they had a previous Home Improvement Loan from the HRA in which the assistance they received was forfeited due to foreclosure of the property within the previous 5 years. If the foreclosure occurred over 5 years from the date of the new Application and the Applicant has re-established their credit from a reliable first-tier mortgage company, they may be considered for eligibility to the Program again.

- Total Amount of Assistance

The total amount of assistance received through the HRA for all HRA programs, including the Home Improvement Loan Program and the Emergency Repair forgivable loan program, will not exceed \$60,000. This limit may be waived on a case-by-case basis at the discretion of the HRA Administrator.

- Home Maintenance and Housekeeping

Homeowner must be capable of maintaining the home. Loans will not be approved if the condition of the home demonstrates that the Homeowner is not able or willing to properly maintain a home. This requirement includes housekeeping problems as well as neglectful maintenance.

- Flood Insurance

The HRA or other administering entity will require that the Homeowner comply with the flood insurance purchase requirements of Section 102 (a) of the Flood Disaster Protection Act of 1973, approved December 31, 1973, 42 U.S.C. 4012a(a) requires the purchase of flood insurance in communities where such insurance is available as a condition for the receipt of any federal financial assistance for construction or acquisition purposes for use in any area that has been identified by the Secretary of the Department of Housing and Urban Development as an area having special flood hazards. The phrase “federal financial assistance” includes any form of loan, guarantee, insurance payments, rebate, subsidy, disaster assistance, loan, or any other form of direct or indirect federal assistance.

- Local Codes

Each improvement must be made in compliance with all applicable health, fire prevention, building and housing codes and standards. However, no Application for a loan will be denied solely because the improvements will not bring the property into full compliance with all such codes and standards.

Further, when work is done on any system within the house, upon completion of the work, that entire system must meet applicable codes and standards. The entire structure may still contain other systems that are not up to applicable codes and standards, on the condition that no work was done on these systems.

- Federal, State and Local Regulations

Nothing in this Manual will be construed in such a manner as to conflict with, alter or amend any Federal, State or Local regulations.

- Cost Reasonableness Standards

1. To ensure that cost reasonableness standards as outlined in OMB Circular A-87 are complied with, all proposed work will be described in a scope of improvements in such detail that competitive bids may be readily obtained. The scope of improvements will specify brand, type and/or quality of the materials to be used as appropriate.
2. Homeowners shall provide the scope of improvements to each contractor when obtaining bids. A minimum of two directly comparable bids must be received for each work item in the scope of improvements. Bids must specify brand, type and/or quality of materials included and must itemize costs for each item in the scope of improvements. Contractors may suggest additional work needed and/or list optional upgrades, but those items must be listed separately from the scope of improvements work items in the bid. All bids must be signed and dated by the contractor.
3. The HRA Inspector will use the scope of improvements when making inspections to determine compliance with the scope and City codes.

- Sweat Equity

With HRA approval, the Homeowner, or other individuals acting on Homeowner's behalf, may perform some or all of the improvements without compensation for labor. The performer of the work must demonstrate competence to the HRA as to their skill and ability to perform specified work by a designated date. This may be accomplished by means deemed appropriate by the HRA on a case-by-case basis, and may include providing copies of professional licensing, conducting a verbal interview with a City Housing Inspector, and/or other methods. Homeowners with a history of failure to complete previous construction work, or of non-compliance under City codes and ordinances or the terms of this Program, will not be eligible to perform sweat equity.

All purchases of project materials must receive prior approval from the HRA or they will not be eligible for reimbursement through the Home Improvement Loan.

- Home Maintenance and Weatherization Training

Applicants in need of this training will be urged to attend, as classes are available. Funding may be restricted to the essential improvements cited above for Applicants who are unwilling to attend these or other workshops sponsored by Community Action Partnership of Hennepin County (CAP-HC).

- Human Service Counseling

Applicants in need of counseling will be referred to appropriate human service agencies for assistance. If the Applicant refuses the referral and staff determines counseling is required in order to allow the rehabilitation to proceed, no further assistance will be allowed.

Dispute Resolution

Occasionally a party (Homeowner or contractor) may have a reason for disputing an HRA action. In the event that such a dispute does occur, the disputing party should submit their comments in writing to the HRA Program Manager with a request for action to see if the problem can be resolved administratively.

If the problem cannot be resolved administratively within a 30-day time period, the disputing party will state their position, in writing, to the HRA Program Manager. The disputing party may request that the issue be placed on the agenda of a regularly scheduled HRA meeting or may be heard by a designee(s) of the HRA. The party will then be given the opportunity to appear before the HRA and request specific action to resolve the dispute. The issue will be put on the agenda within 30 days of the date the written request was submitted to the HRA Program Manager.

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APPENDIX A: DEFINITIONS

- **Accessibility Improvements**
Improvements to a dwelling, designed to enable a Disabled Person to function independently in a residential setting, such as provisions for adequate space for maneuvering, access and egress (both in exterior and interior spaces), and installation of equipment to facilitate ease of use.
- **Annual Gross Household Income**
The total annual income received within one year from all funding sources, before taxes and withholdings, of all individuals living in the housing unit for at least nine (9) months of any twelve-month period and who do not pay rent.
- **Applicant**
An individual or Household submitting an Application for a loan.
- **Application**
The form used to request assistance with the City's Home Improvement Loan funds.
- **Assets**
Gross Assets include the cash value of accounts such as money-market accounts, personal savings accounts, checking accounts, investment securities, stock, current market value of all interest in real estate, annuities, life insurance policies, and certificate of deposits.
- **CDBG**
The *Community Development Block Grant* Program, an annual entitlement program provided to the City of Bloomington through the U.S. Department of Housing and Urban Development (HUD).
- **City**
The City of Bloomington, Minnesota.
- **CEE**
The *Center for Energy and Environment*, a non-profit agency that administers the Weatherization Assistance Program.
- **Completion Certificate**
HRA form signed by HRA staff, homeowner and contractor certifying work completed and cost.
- **Debt-to-Income Ratio**
The debt-to-income ratio (DTI) is derived by dividing the total of Household's fixed monthly expenses by the Household gross monthly income.
- **Disabled Person**
A person who has a permanent physical condition which substantially impairs the ability to function independently in a residential setting, or which substantially limits the ability

to become employed or to participate in the community. A person with a condition such as chronic emphysema, arthritis, heart disease and other “invisible” conditions not requiring the use of devices to increase mobility shall not be deemed a handicapped person, **unless a licensed physician verifies in writing** that a particular condition does substantially limit the ability to function independently in a residential setting, to become employed or to participate in the community.

- **Emergency Repair**

A condition requiring immediate and urgent attention, which threatens or imperils the health and/or safety of the Applicant Household, such as the failure of plumbing, heating and/or electrical system being “red flagged” by a utility company or a written violation by the City of Bloomington Environmental Health and/or Building and Inspections divisions detailing a code or safety violation that requires immediate and urgent attention.

- **Fixed Income**

Income from assistance programs funded by public dollars, including SSI Social Security, disability payments, etc., that a Household receives on a recurring (i.e. monthly) basis at a predetermined amount. Otherwise, an income from a pension or investment set at a particular figure that does not vary, and is received on a recurring basis.

- **Hennepin County Housing, Community Works and Transit**

Hennepin County Housing, Community Works and Transit, a Hennepin County agency that processes Minnesota Housing’s housing rehabilitation loans.

- **Home Improvement Loan**

The commitment of funds on behalf of qualified Homeowners for the purpose of making eligible improvements to eligible properties.

- **Homeowner (borrower)**

An individual or Household meeting the requirements of the Eligible Recipients section who receives a loan.

- **Household**

All persons residing in one housing unit; which may include one or more families, a single person, a married couple, or two or more unrelated persons.

- **HRA**

The Housing and Redevelopment Authority in and for the City of Bloomington, which administers Bloomington’s Home Improvement Loan Program.

- **HUD**

The United States Department of Housing and Urban Development, the principal Federal agency responsible for implementing certain federal housing and community development programs.

- **Lead Based Paint**
Any paint surface with lead content greater than, or equal to, 1 mg/cm², 0.5% by weight, or 5,000 parts per million.
- **Loan Package**
Consists of all applicable documents listed as follows:
 - Homeowner Application for Home Improvement Loan Program
 - Authorization to Release Information
 - Individual Data Confidentiality
 - Lead Based Paint Poisoning Notification (*if applicable*)
 - Federal Income Tax Returns for the two previous years (*if applicable*)
 - Income Verification
 - Asset Verification
 - Recent Bank Statements
 - Mortgage Status Verification (*if applicable*)
 - Association Dues Status Verification (*if applicable*)
 - Title Verification
 - Property Inspection Report
 - Scope of Improvements/Work Proposal
 - Contractor Bids
 - Work Contract
 - Amendment Request Certificate (*if applicable*)
 - Contractor Invoices
 - Sworn Construction Statement
 - Lien Waivers
 - Completion Certificate
 - Data on Individual Loans
 - Repayment Agreement
- **Manual**
The set of standards, criteria and specifications to be used in administering the Program (this document).
- **Minnesota Housing**
The Minnesota Housing Finance Agency, a Minnesota State agency that administers a variety of housing rehabilitation loan programs.
- **Mortgage**
The conveyance of an interest in real property given as security for the payment of a loan.
- **Program**
The Home Improvement Loan Program.

- **Repayment Agreement**
A document that places a lien against the property improved with Program funds. The precise terms of the lien are spelled out in the Repayment Agreement.
- **Resident**
A person, other than a renter, living in the Household for at least nine months of the year.
- **Satisfaction of Repayment**
A document releasing the HRA's Mortgage lien, indicating the borrower has paid the debt in full.
- **Work Contract**
A Program document executed by the borrower and the contractor which establishes the terms and conditions under which Program funded work will be carried out. The HRA is NOT a party to the contract.

Comments on Home Improvement