

HOUSING REHABILITATION LOAN PROGRAM GUIDE

**City of Colorado Springs
Housing Development Division**

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Welcome

Welcome to the Housing Rehabilitation Program. As a homeowner, you can make necessary repairs to your home, affordably, through this program. Our staff is available to help you every step of the way.

We have provided this booklet to guide you through the steps that will be taken as your request for housing rehabilitation assistance is being considered.

If you have general questions, you can refer to this guide, you can visit our website at www.springsgov.com, or you can call us. Our telephone numbers are listed on the back of this booklet.

Our offices are located at **702 East Boulder Street, Colorado Springs, Colorado 80903**. We are open Monday through Friday between the hours of 8:00 - 12:00 a.m. and 1:00 - 5:00 p.m. We invite you to visit us when you are in the neighborhood; however, most of our contact with you will take place at your home.

Privacy Policy Disclosure

(Protection of the Privacy of Personal Non-Public Information)

Respecting and protecting customer privacy is a vital component of our operations.

Housing Development takes its responsibility to protect the privacy and confidentiality of customer information very seriously. Housing Development has implemented various safeguards that comply with federal standards to store and secure information about our customers. We control access to customer information by authorized individuals only who need access to do their work, and by authorized procedures which maximize our efforts to safeguard customer information.

The Housing Development Privacy Policy covers current and former customers of Housing Development who have a relationship with Housing Development through its Housing Rehabilitation Program.

Housing Development may disclose information about you as permitted by law. Under these parameters, Housing Development may be required to disclose information about you to third parties without your consent, or may voluntarily disclose such information to third parties without your consent, as follows:

- to regulatory agencies and law enforcement officials
- to protect against or prevent actual or potential fraud, unauthorized transactions, claims or other liability
- to report account activity to credit bureaus
- to consumer reporting agencies
- to respond to a subpoena or court order, judicial process or regulatory authorities

In addition, we may provide information about you to service providers used to help us process your application or service your accounts.

We do not provide non-public information about you to any company whose products and services are being marketed, nor does Housing Development sell or provide its customers lists to telemarketing or independent direct mail companies.

We pledge to continue to protect your financial privacy.

Eligibility Criteria

As an owner of a residential property, it is possible for you to apply for a loan to rehabilitate your home through the City's Housing Rehabilitation Program.

The program is designed to help whether you occupy the property yourself or whether you rent the property to others. Single family properties and multiple family complexes are eligible.

The El Paso County Single Family Housing Rehabilitation Program is available to owner-occupants with real property located outside of the city limits of Colorado Springs.

Requests for assistance must meet the federal eligibility requirements established by the Federal CDBG and HOME programs.

Owner Occupant Loans

If you are an owner who occupies the home in need of rehabilitation, the following applies:

1. Household income must be within the program income guidelines for low income persons.
2. The property must be a single-family residential property of modest value containing one-to-four units.

Owner Occupant Loan provisions

- funds are available for eligible rehabilitation
- the interest rate is determined by your household income, and all persons living in the home will be considered a member of the household
- the repayment term is determined on a case-by-case basis
- the loan is evidenced by a promissory note and secured by a Deed of Trust, a mortgage lien on the property
- an acceleration clause makes your loan immediately due and payable upon sale of property; transfer of ownership, including Quit Claim Deed transfers; upon the death of owner in title at the time that the loan is made; if owner fails to occupy the property as his/her primary residence; if owner fails to pay real estate taxes; or if owner fails to carry homeowner's insurance

Investor Owner Loans

If you are an Investor Owner who rents your home to others, the following applies:

1. Rent being charged must be within the rent levels provided by the Department of Housing and Urban Development.
2. You must agree not to displace tenants currently residing in the property.
3. Investor Owner Loans are not available outside of the city limits of Colorado Springs.

Investor Owner Loan Provisions

- funds are available for up to 50% of the cost of eligible rehabilitation
- the maximum loan amount is \$25,000 for properties with one-to-four units
- the interest rate is 0%
- the repayment term is determined on a case-by-case basis but will not exceed 15 years
- an acceleration clause makes your loan immediately due and payable upon sale of property; transfer of ownership, including Quit Claim Deed transfers; death of owner in title at the time that the loan is made; if owner occupies the property as his/her primary residence; if owner fails to pay real estate taxes; or if owner fails to carry homeowner's insurance

Nonprofit Agency Provisions

- funds are available for up to 50% of the cost of eligible rehabilitation
- the maximum loan amount is \$25,000 for properties with one-to-four units
- the interest rate is 0%
- the repayment term is determined on a case-by-case basis
- an acceleration clause makes your loan immediately due and payable upon sale of property; transfer of ownership, including Quit Claim Deed transfers; change in the use of the property from affordable rental housing; if owner fails to pay real estate taxes; or if owner fails to carry homeowner's insurance in an amount that fully covers the balance of the City's loan.

Eligible Rehabilitation

The Housing Rehabilitation Program provides funding for eligible rehabilitation. Rehabilitation is not the same as home improvement. The following list contains some examples of construction that will be considered. This list is not all inclusive and is meant only as a guide.

Examples of Eligible Rehabilitation

- 100 amp service
 - Add 220
 - Add insulation
 - Add or replace rain gutters
 - Add electrical outlets
 - Bathroom/Kitchen floor
 - Chimney repair
 - Connect to city sewer
 - Doors, handrails
 - Electrical update
 - Fence repair
 - Foundation repair
 - Furnace repair
 - Light fixtures
 - New furnace
 - New hot water heater
 - Paint exterior of house
 - Paint interior of house
 - Plumbing repairs
 - Repair holes in walls
 - Repair kitchen cabinets
 - Replace worn carpet
 - Roof repair or replacement
 - Siding repairs
 - Stove or refrigerator
 - Support beams
 - Utility hookups
 - Water drainage
 - Window repair or replacement
- and more....**

Pictures, Signs, Questionnaires

Pictures will be taken of your home before, during, and upon completion of the rehabilitation construction. These pictures will be used for audit purposes and may be used for program promotion. If you object to the use of pictures of your home for promotional purposes, please write a letter to Housing Development Division and make your objection known.

A sign will be placed on your property identifying the project as a Housing Development Project.

We may ask you to complete a questionnaire evaluating various stages of your project. Please take the time to complete the questionnaire and let us know how we are doing. We strive to maintain a high quality of service and appreciate the feedback you provide.

Initial Application

Our staff is available to help you complete your loan application. You will be asked to provide financial documentation and you will sign various forms that allow us to consider your request.

The amount of your loan will be based on the cost of rehabilitation. Your loan will consist of the construction bid; a contingency reserve; loan costs for appraisal, credit report, title work, document recording, and professional fees, if applicable.

Following your initial application appointment, we will begin processing your loan application.

Application Processing

Application processing includes reviewing and verifying the most crucial information contained on your loan application, including income, mortgage history, ownership, and property taxes.

We will request a credit report from a credit reporting agency. If your credit report reflects past or current delinquencies, you will be asked to provide us with a letter explaining the circumstances of the delinquency. Severe or continuing derogatory credit may be a reason to deny your loan request.

A property appraisal may be required in order to determine the value of your property and to determine that you have sufficient equity in the property.

We will continue to process your application until all pertinent information has been documented. At the same time, we will begin planning your rehabilitation project, starting with the property inspection.

Project Planning

Step 1 - Property Inspection

Housing conditions that do not meet the minimum property rehabilitation standards will be included in your project.

A Redevelopment Specialist from our office will meet with you to discuss the needed rehabilitation repairs and conduct a thorough inspection of your property. We must have access to all areas of your property.

Your Redevelopment Specialist is required to complete an environmental assessment of your property. It is possible that an environmental evaluation may trigger additional requirements. You will be informed if this should happen.

If your home was built before 1978, we may test for lead-based paint during the initial inspection. If hazardous lead-based paint is detected, only qualified contractors can bid on your project.

You will be given a copy of the booklet “Renovate Right.” We encourage you to read the booklet and ask questions. **LEAD HURTS KIDS!** You can also visit the following web sites to find out more information:

<http://www.hud.gov/offices/lead/>

<http://www.epa.gov/lead>

Step 2 - Development of Work Description

Following the inspection, your Redevelopment Specialist will develop a Work Description. The Work Description will indicate all of the work to be accomplished. Your input will be requested and you will select colors, styles, and qualities within a reasonable price range.

It may be necessary to request the services of a Soils or Structural Engineer or other professional provider. The cost for any professional service other than that provided by our staff will be included in your loan.

Step 3 - Solicitation of Bids

Your Redevelopment Specialist will help you obtain bids for the rehabilitation construction. He will schedule an appointment to conduct a walk-through of your home. At the appointed time, pre-qualified contractors are given a tour of your home and review the work to be undertaken. The contractors are then given a reasonable length of time to compile a bid. Your Rehabilitation Specialist will prepare a cost estimate during this same time.

Your rehabilitation project must be supervised by a General Contractor. The contractor must carry an El Paso County “class C” license, or better, and must have General Liability Insurance. The contractor must also complete a Bidder’s Qualification form. He must familiarize himself with the Housing Rehabilitation Program bidding and construction requirements as well as the payment procedure. If the contractor and his workers wish to work on homes built before 1978 containing lead based paint, they must complete lead-based paint safe work practices training. More information is available upon request.

Step 4 - Acceptance of Bid

Contractors deliver sealed bids to the Housing Development office and the bids are opened at a specified time. The bids are compared against your Rehabilitation Specialist’s cost estimate. We recommend that the lowest bid be accepted unless there is reason to believe that the bid is not a responsible bid.

Step 5 - Finalize Loan Application and Loan Review

Once we know how much money is needed to rehabilitate your home, your application package will be finalized. The cost of your rehabilitation project will include:

- Construction Bid
- + Contingency reserves for unforeseen construction needs
- + Loan costs (title commitment, credit report, recording fees, appraisal, etc.)
- + Professional fees, if applicable
- = Cost of your rehabilitation project

Here are some examples of payments:

| Loan Amount | Interest rate | Payment on a 20 year loan | Payment on a 15 year loan |
|-------------|---------------|---------------------------|---------------------------|
| \$20,000 | 5% | \$131.99 | \$158.16 |
| \$20,000 | 3% | \$110.92 | \$138.11 |
| \$20,000 | 2% | \$101.18 | \$128.70 |
| \$20,000 | 1% | \$91.97 | \$119.69 |

Your application package will be presented for review before a Loan Review Committee appointed by City Council. The committee has final authority to approve or deny your loan application.

Loan Closing Following Loan Approval

Once your loan has been approved, staff will call you to schedule a loan closing date.

The loan closing will be held at the Housing Development Office. If traveling to the loan closing is a physical or financial burden, arrangements can be made to meet at your home.

During the loan closing, you will be asked to sign several legal documents that formalize your loan. Each document will be explained. We encourage you to ask questions about anything that you do not understand. You will receive a copy of everything you sign.

The loan money will not be given to you. Federal funds are not drawn down until needed. Housing Development will account for the rehabilitation funds and pay the loan costs as they come due.

You will be given three business days following the Loan Settlement to cancel this transaction. After three business days, your housing rehabilitation loan becomes final and the legal documents are sent to the El Paso County Clerk and Recorder for recording.

The next step is to sign the construction contract and move on to the construction phase of your rehabilitation project.

Rehabilitation Contract and Construction

The *Agreement between Owner and Contractor* is the legal contract between you and the General Contractor who will perform the construction work on your property. The Agreement will be prepared for you by your Redevelopment Specialist. We encourage you to read the Agreement completely and ask questions about anything that you do not understand. You may want to ask for a copy of the contract several days in advance.

By signing the contract, the contractor agrees to perform the work described in the contract within a specified period of time and you agree to pay for that work. The construction can begin after the contract has been signed.

Your Redevelopment Specialist will inspect the construction work periodically as the job progresses. Your contractor can request up to three payments on the contract. To pay the contractor, you will sign an *Application and Certification for Payment* or Pay Request form. By signing, you authorize a payment to be made to the contractor for work in place. Your Redevelopment Specialist will inspect the property prior to authorizing release of any money. The contractor will provide required lien waivers for each payment received. Your contractor must complete the rehabilitation construction before he can request his final payment.

Your contractor will warrant the construction work for one year following final inspection. If you have any questions or problems during the one year warranty period, you must call your General Contractor.

The City of Colorado Springs, its employees, agents, or successors, make no representations or warranties, expressed or implied, verbal or written, concerning the results of your construction.

Loan Servicing

City of Colorado Springs Loans

If you live within the city limits of Colorado Springs, your loan will be serviced by the City of Colorado Springs, Housing Development Division. Questions about your loan balance, payment coupons, special requests, or payoff information should be directed to:

Housing Development Division
702 East Boulder Street
Colorado Springs, CO 80903

(719) 385-5912

El Paso County Loans

If you live in El Paso County, outside the city limits of Colorado Springs, your loan will be transferred to the El Paso County Housing Authority for servicing. Questions about your loan balance, payment coupons, special requests, or payoff information should be directed to:

El Paso County Housing Authority
27 East Vermijo Avenue, 5th Floor
Colorado Springs, CO 80903

(719) 520-6481

Housing Development supports Fair Housing and does not discriminate against any person because of race, color, ancestry, national origin, creed, religion, sex, disability, familial status, or marital status.

Housing Development Division Staff Directory

Phone numbers and e-mail addresses for staff are listed for your convenience.

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| Valorie Jordan, Manager | Vjordan@springsgov.com | 385-5336 |
| George Acree, Redevelopment Specialist | Gacree@springsgov.com | 385-6878 |
| John Ballweber, Redevelopment Specialist | Jballweber@springsgov.com | 385-6880 |
| Melanie Banks, Senior Office Specialist | Mbanks@springsgov.com | 385-5340 |
| Tina Bartosiewicz, Office Specialist | Tbartosiewicz@springsgov.com | 385-6886 |
| Janet Risley, Administrative Technician | Jrisley@springsgov.com | 385-6876 |
| Carla Wilson, Senior Analyst | Cwilson@springsgov.com | 385-5335 |

Fax 632-0791

TDD for Hearing Impaired 385-5499

Housing Development Office Number (719) 385-5912
702 E. Boulder Street
Colorado Springs, CO 80903
housingdevelopment@springsgov.com

Visit Our Web Site: www.springsgov.com/HousingRehab