

# **CDBG HOUSING REFRESHER TRAINING**

**OCTOBER 8-9, 2019  
MARSHFIELD, WI**

Wisconsin Department of Administration  
Division of Energy, Housing and Community Resources

# INTRODUCTIONS

- David Pawlisch, Bureau Director, DEHCR
- Tamra Fabian, Grants Specialist-Advanced
- Stanley Kaitfors, Grants Specialist-Advanced
- Miriam Anderson, Grants Specialist-Advanced

# **GENERAL PROGRAM REQUIREMENTS**

# POSITIVE POLICY CHANGES AND MANUAL UPDATES

- Lead costs granted
- Quarterly reporting for active Grantees-now annual
- Initial homeowner's insurance premium now an eligible project expense
- Contractor Dwelling Certification – not required by program
- 10% leeway for contractor bids
- Asbestos testing can be granted
- Affidavit of Partial Reduction not required
- Homeowner may obtain a market analysis or appraisal if they disagree with value of the property (not an eligible CDBG expense)



# GENERAL PROGRAM REQUIREMENTS

- Applicant/Household must be Low-and-Moderate Income (LMI) at or below 80% of the county median income for their county of residence
- Homeowner's insurance required
- Property taxes must be paid to date\*
- Adequate equity to complete the project\*
- Rehab work must address all health and safety issues\*
- Every project file must have a statutory checklist filled out and signed
- Every applicant must be provided the "Protect Your Family from Lead," pamphlet and a signed receipt must be kept in the project file

\*Emergency repairs do not need to meet this criteria



# GENERAL PROGRAM REQUIREMENTS

- THINGS TO REMEMBER-INITIAL APPLICATION
  - Application must be signed by all owners living in household
  - Application must ask “Are you a U.S. Citizen or a Qualified Alien?”
  - Must contain marital property statement: No provision of a marital property agreement (including a Statutory Individual Property Agreement pursuant to Sec. 766.587, Wis. Stats.), unilateral statement classifying income from separate property under Sec. 766.59, or court decree under Sec. 766.70 adversely affects the creditor unless the creditor is furnished with a copy of the document prior to the credit transaction or has actual knowledge of its adverse provisions at the time the obligation is incurred.
  - Provide applicants with information about the CDBG process



# GENERAL PROGRAM REQUIREMENTS

## THINGS TO REMEMBER

- Mortgages are recorded prior to work starting
- All owners of the property must sign the mortgage- including life estate and land contracts
- Life estates are eligible - if the applicant resides in the property and the Deed states the applicant retains a life estate interest in the property
- Land contracts are eligible with properly recorded land contract
- Properties listed for sale, or are in foreclosure are not eligible
- Properties in bankruptcy are not eligible until discharge
- Insurance on the property must cover all outstanding mortgage amounts

# GENERAL PROGRAM REQUIREMENTS- ELIGIBLE PROJECTS

Eligible Projects Include:

- Owner occupied rehabilitation
- Homebuyer assistance
  - Down payment and closing costs
  - Down payment is 1 to 1 match
  - Down payment is up to 50% of the required down payment and up to 10% of the purchase price
  - Minimum \$1,000.00 homebuyer contribution
  - No purchase price maximum
  - Must meet HQS

These are no-interest deferred payment loans until the housing ceases to be the borrower's primary place of residence or is sold.



# GENERAL PROGRAM REQUIREMENTS- ELIGIBLE PROJECTS- CONTINUED

## Rental Rehabilitation loans

- Used to rehabilitate or create LMI rental housing units. Loans are 0% interest and monthly payments must begin within 60 days of rehabilitation completion.
  - Affordability period is a minimum of five years and repayment terms are negotiated by Grantee
- 51% of units must be occupied by LMI tenants unless owner occupied duplex-then just one unit must be occupied by LMI
  - Repayment is deferred until no longer own or occupy

# DETERMINING HOUSEHOLD SIZE

# DETERMINING HOUSEHOLD SIZE

- Do not need to be related
- Include everyone living in household
- Limited exceptions

# DETERMINING HOUSEHOLD SIZE



## Included in household

## Not included in household

---

College student away at school

---

Unborn child

---

Construction worker away from home in the summer or other times of year

---

Adult and foster children

---

Shared custody children who reside in home at least 50% of the time

---

Live in aide

---

Room mates

---



# DETERMINING INCOME

# DETERMINING INCOME- PART 5 ANNUAL INCOME

- 24 CFR 5.609
- Gross income, whether earned or unearned of all household members that is anticipated for next 12 months



# DETERMINING INCOME

Include	Not to Include
Wages, salaries, tips etc.	Earned income of children under 18
Business income (farm, rental income, self-employed)	Foster care payments or income from a live-in aide
Income from interest or dividends	Special pay for Armed Forces exposed to hostile fire
Retirement, pensions, annuities, and Social Security, VA benefits	Student financial aid
Unemployment, disability, SSI, Worker's Compensation, W2, TANF Includes children under the age of 18	Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household or spouse). The first \$480 will be included in the income.
Maintenance, child support, gambling winnings, & reoccurring gifts (regardless of use)	One-time gifts

See Chapter C, Determining Income, in the CDBG Implementation Manual for a complete list.

# DETERMINING INCOME EARNED INCOME

## Verification methods

- Employer Verification (VOE)
- Pay stubs
  - Past 3 months of wages (including overtime, bonuses, etc.)

# EARNED INCOME DETERMINING INCOME CALCULATION

## Calculating wages

Hourly rate x # hours worked x weeks worked=gross wages

\$18.00(hourly rate)x40(hours worked)x52(weeks worked) = \$37,440

\$37,440 amount to include with income calculation

# DETERMINING INCOME

## CALCULATING EARNED INCOME

### OVERTIME PAY

Include overtime (OT) and bonuses

Three (3) hours overtime every week for 12 weeks in the summer.

Calculate the OT rate-assuming OT rate is 1.5 the regular hourly rate and \$18.00 is regular hourly rate

$\$18.00 \times 1.5 = \$27.00$  OT rate

Calculate the income earned on OT

$\$27.00 \times 3 \times 12 = \$972.00$  annual OT earnings to be added to income and included in income calculation.

# DETERMINING INCOME CALCULATING EARNED INCOME

If hours vary use the average hours worked

Pay Period 1	40 hours
Pay Period 2	37.5 hours
Pay Period 3	<u>29 hours</u>
Total hours worked	106.50

Total hours worked divided by number of pay periods using = average hours

$106.50 / 3 = 35.5$  average hours

Hourly rate x average hours x pay periods per year = gross

$\$18.00 \times 35.5 \times 52 = \$33,228.00$  gross wages amount to include in income calculation



# DETERMINING INCOME CALCULATING EARNED INCOME

Can also use the average earnings in lieu of average hours

Pay Period 1	\$1000.00
Pay Period 2	\$875.00
Pay Period 3	<u>\$575.00</u>
Total	\$2450.00

Total wages divided by number of pay periods = average wages  $\$2450/3 = \$816.66$

Average wages x pay periods in one year=gross wages

$\$816.66 \times 26 = \$21,233.33$  gross wages amount to include in income calculation

This method is helpful if hourly wage varies





# DETERMINING INCOME SELF-EMPLOYMENT

Use

- Federal tax returns
- Quarterly reports

The average of last three years of federal or quarters

Use net income

Can allow for depreciation



# DETERMINING INCOME SELF-EMPLOYMENT

Total earnings/number of years

Year	Earnings
2018	\$25,000
2017	\$18,500
2016	<u>-\$7,800</u>
Total earnings	\$43,500 (negative earnings = 0)

Divide by # of years 3

Average earnings \$14,500 use for income calculation



# DETERMINING INCOME UNEARNED INCOME



## Verification Methods

Current benefit statement

Current Award letter

Verify directly with agency  
paying benefit

\*Bank statement showing  
deposit is not adequate



**Use Gross amount-no  
deductions**

# DETERMINING INCOME CALCULATING UNEARNED INCOME

Monthly benefit x # of payments

- Social Security monthly gross benefit \$1050.00
- Medicare premiums \$95.00
- Calculate the annual income from Social Security
  - $\$1050 \times 12 = \$12,600$  Amount to include in income calculation
- Use gross benefit amount
  - No deductions
  - Exclude overpayment collection
  - Increases expected within 12 months must be included (COLA for SS)

# DETERMINING INCOME UNEARNED INCOME

- Unearned income that varies in payment amount should use the annual average.
- Example
  - Child support
  - Unemployment

# **DETERMINING INCOME- ASSET CALCULATION**

# DETERMINING INCOME ASSETS

## WHAT'S INCLUDED\*

Cash or non-cash items that can be converted to cash.

- Checking account (6 months average)
- Savings account (current balance)
- Cash, investments, retirement funds, IRA, 401K, stocks, bonds, mutual funds, rental property or capital investments, etc.
- Cash value of life insurance
- Personal property held as investments

\*this list is not all inclusive



# DETERMINING INCOME ASSETS

## Verification Methods

- Third party verification
- Source documents
- Do not need six months of statements
  - Can verify six-month average with financial institution



# DETERMINING INCOME ASSETS

## HOW TO CALCULATE INCOME FROM ASSETS

## Calculating Asset Income Under Part 5

### Family Assets

### Asset Value

#### Rental property

Small rental property that grosses \$6,500/year (expenses to keep up the property are \$3,400/year). The property has a fair market value of \$69,000, but they have a mortgage on the property in the amount of \$35,000. The average closing costs in a real estate transaction is 8% in the area.

#### Savings account

Savings of \$5,000 that earned \$179 in interest during the past year.

#### Stock

100 shares of stock in “Why Buy it, Inc.,” with a face value of \$4.25 per share, that have not shown a dividend in years. The cost to sell the stock would be about \$76.

HUD Passbook rate is 2%.

# Calculating Asset Income – Exercise (continued)

## ASSETS

Asset Description	Current Cash Value of Assets	Actual Income from Assets	
Rental Property	\$28,480	\$3,100	
Savings Account	\$5,000	\$179	
Stock	\$349		
3. Net Cash Value of Assets.....	\$33,829		
4. Total Actual Income from Assets.....		\$3,279	
5. If line 3 is greater than \$5,000, multiply line by 2% (Passbook Rate) and enter results here; otherwise, leave blank.....		\$677	
The asset income to be used in the annual income calculation is \$3,279 since the actual income from assets is greater than the imputed income.			

# ASSET INCOME CALCULATION EXPLANATION

## Rental Property

The cash value of the property is calculated as follows:

Market value	\$69,000
Less mortgage	\$35,000
Less sales costs (\$69,000 X .08)	\$5,520
Cash value	\$28,480

The income earned is the net income (\$6,500 – \$3,400) of \$3,100.

## Savings Account

- The information is provided.

## Stock

- The cash value of the stock is the sales proceeds (100 shares x \$4.25/share = \$425) less the cost to sell (\$76). It generates no dividend income. Because the total cash value of the assets exceeds \$5,000, calculate the imputed income by multiplying the cash value by the HUD Passbook Rate (\$33,829 x .02 = \$677). This is less than the actual income earned of \$3,279.

Calculating Asset Income Under Part 5 – Example



Assets	Asset Value
Checking account	\$870 average 6-month balance with an interest rate of 2.7%.
Inheritance	Received an inheritance of \$30,000 that he used to buy a new car for \$12,000; pay off his \$3,000 credit card bill; and open a mutual fund account (which has no associated account costs) to invest the remaining \$15,000 at an annual interest rate of 5.3%.

The HUD Passbook Rate is 2%.

Asset Description	ASSETS	
	Current Cash Value of Assets	Actual Income from Assets
Checking account	\$870	\$23
Mutual fund	\$15,000	\$795
3. Net Cash Value of Assets .....	\$15,870	
4. Total Actual Income from Assets.....		\$818

5. If line 3 is greater than \$5,000, multiply line by 2% (Passbook Rate) and enter results here; otherwise leave blank.

5. \$317

The asset income to be used in the annual income calculation is \$818 since the actual income generated by the assets is greater than the imputed income.

# ASSET INCOME CALCULATION EXPLANATION

## Checking account

- The income from the checking account is calculated based on the 6-month balance and the interest rate ( $\$870 \times .027 = \$23$ ).
- **Inheritance**
- A car owned for personal use is not considered an asset. However, the mutual fund is an asset.  $\$15,000 \times .053 = \$795$ .
- Because the total cash value of the assets exceeds \$5,000, the HUD Passbook Rate must be used to calculate the imputed income from all assets combined. In this case,  $\$15,870 \times .02 = \$317$ . The actual income earned (\$818) is greater, however, so that amount must be used in the calculation of annual income for this family.

# DETERMINING INCOME CERTIFICATION

- Person certifying income must sign and date
- Income certification is good for one year
- If mortgage is not signed within one year of income certification, income must be reverified
- Must attach income limits for county in which property is located
- Attach all calculations and back up documentation to income calculation and certification

# CONFLICT OF INTEREST





**DEHCR**

Division of Energy, Housing and Community Resources

# CONFLICT OF INTEREST-WHAT DOES IT MEAN?

No covered person who is in a position to participate in a decision-making process or gain inside info with regard to CDBG assisted activities, may obtain a financial interest or benefit from the activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties during their tenure or one year thereafter.

# CONFLICT OF INTEREST

Family means:

- Spouse, fiancée/fiancé, children and step- children, brothers & brother in law, sister, & sister in law, parents and parents in law.
- Any one with more than 50% of their support from that person

# CONFLICT OF INTEREST- WHO IS COVERED?

Applies to:

Any person who is an employee, agent, consultant, officer, or elected or appointed official of state, unit of local government, or designated public agency or sub recipient.



# **CONFLICT OF INTEREST- HOW DO WE DETERMINE?**

- A list of covered persons (for example, Mayor, member of the Housing Committee, City Council member) must be included on the application form. The applicants must answer this question regardless of whether there is a relationship or not.
- The Grantee must work with their local attorney to identify the list of covered persons. Covered persons must be identified with their proper name(s).



# CONFLICT OF INTEREST -IF A POTENTIAL EXISTS

- Inform applicants with a potential Conflict of Interest that his/her name will be disclosed at a local council or housing meeting
- Covered person should not attend the meeting
- Present loans (if applicable), then disclose names and nature of possible conflict
- Ask all in attendance if there are any objections
- Grantee's attorney must provide an opinion that the potential conflict does not violate State or local law
- Send all information to your DEHCR representative
- Do not sign any loan closing documents until approval from DEHCR is received

# **ENVIRONMENTAL REVIEW AND SECTION 3**

**PRESENTED BY MIRIAM ANDERSON**

# **ELIGIBLE REPAIRS & HOUSING QUALITY STANDARDS (HQS) INSPECTION**

# WHAT ARE ELIGIBLE REPAIRS?







# ELIGIBLE REPAIRS

Do not need to meet HQS

Needed and Necessary

- Health and Safety
- Accessibility
- Energy Efficiency

# ELIGIBLE REPAIRS RECONSTRUCTION

- Demolish existing unit and rebuild a housing unit on the same lot in substantially the same manner
- Replacing the existing unit with a new or standard manufactured housing unit (not modular)
  - Slab only



# ELIGIBLE REPAIRS RECONSTRUCTION

- Grantee must prepare a cost estimate comparison to repair the unit or demolish and rebuild or replace with manufactured unit
- Lower cost option is usually the selected option
- Consider needs of the family
- Must consider zoning and local building codes

Contact DEHCR for guidance



# ELIGIBLE REPAIRS & HQS INSPECTION

Must be  
documented on the  
HQS inspection  
form

HQS is used to  
ensure that every  
room in the home  
has been inspected

List the reason for  
fail-why are we  
fixing or replacing

List the remedy

Do not leave boxes  
blank  
Pass, fail,  
inconclusive

Write specs with  
the assistance of  
the HQS

# ELIGIBLE REPAIRS & HQS

## Pictures of the property

- Interior and exterior
  - Show area or items in need of repair or replacement
  - General photos showing the condition of the home

# ELIGIBLE REPAIRS & HQS INSPECTION

Can refer to other agencies to assist with repairs or assessments

- Weatherization programs
- Focus on Energy to provide energy assessment
  - Assists with development of specs
  - Eligible CDBG project expense
- Subject matter experts



# ELIGIBLE REPAIRS- WHAT'S NOT ELIGIBLE?

THIS LIST IS NOT EXHAUSTIVE AND IS PROVIDED AS AN EXAMPLE

## Non-cosmetic-no remodeling

- Just because it isn't pretty-doesn't mean it needs to be replaced
- General painting (lead hazards and finishing of necessary work excepted)

## Non-attached structures

- Exceptions for
  - Lead based paint hazards
  - Structurally unsound-danger of collapse
  - Other health and safety issues (bad electrical wired to house)

## Landscaping

- Exceptions for
  - Drainage-water away from home

## Personal Property

- Washers/dryers/dehumidifier/dishwasher/window A/C., etc..
- Stoves and refrigerators are eligible



# ELIGIBLE REPAIRS-WHAT'S NOT ELIGIBLE?

THIS LIST IS NOT EXHAUSTIVE AND IS PROVIDED AS AN EXAMPLE

- Premium grade materials
- French doors, steel roofing material, Granite or Quartz countertops, etc.
  - If a unit has these items installed, then like for like replacement may be considered
- General cleaning and chore service (clean gutters, wash siding, etc.,)
- Pest control for insects
  - Pest control for serious infestation for bats, mice, rats, or other potentially harmful vermin is an eligible expense





# ELIGIBLE REPAIRS-WHAT'S NOT ELIGIBLE?

THIS LIST IS NOT EXHAUSTIVE AND IS PROVIDED AS AN EXAMPLE

- Items for therapeutic purposes
  - Walk in bathtubs (alternations to existing tubs excluded)
  - Jacuzzi tubs
- New construction
- Additions or finishing of space
- Includes egress windows-unless for overcrowding
- Additions must be last resort
  - EXCEPTIONS for overcrowding or accessibility
  - Consider conversion of other space
  - Not just for convenience (too much furniture in a smaller bedroom and now in a wheelchair)

# REPAIRS EXCEEDING \$50,000

Send request for approval to DEHCR

- Pictures
- Specs and inspector estimates
- Awarded/selected contractor bid
- Any tests conducted
- HQS
- Project Review by Administrator/Grantee must include equity calculation
- Include family size and number of bedrooms

# ELIGIBLE REPAIRS

**Must address health and  
safety issues before  
providing any other repairs**

# SPECIFICATIONS

# SPECIFICATIONS

Grantee/Administrator must have master specifications they use to develop project specs

# SPECIFICATIONS

Why is it important to be specific?

- Contractors all bid on the same type and quality of materials
- Homeowner knows the type of material they will be receiving

# SPECIFICATIONS

Inspector must provide cost estimate for specs

- To determine if project is feasible (equity)
- To determine if bids received are reasonable
  - Under bidding
  - Over bidding

# SPECIFICATIONS

- All testing must be done before putting out to bid
- Adjust specs based on test results
- Homeowner must sign specs before putting out for bid





# SPECIFICATIONS MUST CONTAIN

Finished product expectation-for example

- Exterior rated steel insulated entry door (non decorative)
- U value of windows
- Type of wood
- Who is responsible for the finish? Is it painted? Who will paint?



# SPECIFICATIONS MUST CONTAIN

How should the areas affected by repairs be left?

- Who is responsible for cleanup?
- Does the repair include
  - Repairing surfaces disturbed back to original condition such as painting and trim work?
  - New drywall-who will paint?
  - Seeding after septic install?

Type of material to be used-standards

**Do not use brand names**



# SPECIFICATIONS

Must be signed by homeowner

- Provides clarity
  - Type of work to be done
  - Type of materials to be used
  - What isn't being done

# EQUITY

# EQUITY

To ensure the Grantee's funds are as secure as possible, ALL debt against the property must not exceed 120% of the after-rehabilitation value.

# 120 % EQUITY CALCULATION (AFTER REHAB VALUE)

## Need to know

- Fair market value (from taxes)
- Cost of repairs
- % of repairs Grantee determines is return equity
  - *Normally not 100% of rehab cost*
- All debt against the property



# HOW TO CALCULATE 120 % EQUITY CALCULATION

Fair market value (from property taxes)	\$100,000
Cost of repairs (\$50,000)* (Note that \$30,000 are lead costs)	
Value of repairs (40% of cost) $\$50,000 * 40\%$	<u>\$ 20,000</u>
After rehab value	\$120,000
120% of after rehab value $(\$120,000 * 120\%)$	\$144,000



# HOW TO CALCULATE 120 % EQUITY CALCULATION

120% after rehab value	\$144,000
Liens/judgments	
1 <sup>st</sup> mortgage	\$125,000
CDBG proposed mortgage	<u>\$ 20,000</u>
Total liens against property	\$145,000

Is this property eligible?





# HOW TO CALCULATE 120 % EQUITY CALCULATION

This property is not eligible

- Negative equity
  - \$145,000 total liens/debts against property
  - \$144,000 120% after rehab value

# POSSIBLE SOLUTIONS IF NOT ENOUGH EQUITY

- Lead costs granted are not included as part of the lien
- Value of the lead cost are included in the equity calculation
- Review specs and reduce scope of work
  - Health and safety issues have priority
- Reverify amounts owed on property
- Property owner may have an appraisal or market analysis
  - Not an eligible CDBG expense (property owner pays)
  - Must be within six months of application

# EMERGENCY REPAIRS



# EMERGENCY REPAIRS

What are emergency repairs?

- Pose and imminent threat to health and safety
- Grantee must make this determination

# EMERGENCY REPAIRS

Things to consider:

- Equity does not matter
- Full inspection not required
- Must still have working smoke and carbon monoxide detectors

# EMERGENCY REPAIRS

## Requirements for emergency repairs

- Must have statement from contractor, staff inspector or local official of emergency status
  - Statement from furnace contractor that furnace is not working and not repairable
  - Zoning department issues orders on septic

## Must still consider lead based paint when doing work

- Roof leaking-repair roof-no worries
- Wet, damaged, and moldy ceiling drywall from roof leak in a pre-78 home must have a risk assessment or assumption if you repair and must pass clearance

# CONTRACTORS



# CONTRACTORS

- Never steer or recommend
- Homeowner must be allowed to choose (provided contractor meets minimal criteria).
  - May choose bid within 110% of lowest bid without escrow
  - If homeowner is going to escrow funds-must pay up front with a certified check/money order payable to contractor. Grantee or program administrator will hold the check or money order.





# CONTRACTORS

With proper documentation Grantees may exclude contractors from bidding on projects.

- Harassment
- History of not paying sub contractors or suppliers-liens placed against properties

# CONTRACTORS AND BIDS

Attempt to solicit three bids

Proof of attempt to solicit bids must be kept in file

- Tracker sheet
- Copies of all bids received
  - Must send denial letters to contractor's not selected

Emergency projects do not require three bids

# CONTRACTORS AND BIDS

Thoroughly review all bids received - compare to specifications

- Helps to eliminate items missed
- Opportunity to ask questions before selecting contractor and signing contracts
- On large projects it may be helpful to do a walk-thru with homeowner and awarded contractor(s) prior to work beginning



# CONTRACTORS

## Paperwork requirements

- Insurance
- Debarment status (check business name & owner name)
- W9 form and contractor information sheet
- Proper license for lead paint work-required
- Local decision for all other licenses

# CONTRACTORS

## Lien waivers

- Needed for materials and labor
- Should be signed by subs & material supplier
  - General contractor can sign but....
    - Grantee assumes all risk if materials and subs not paid



# CONTRACTORS & PAYMENT REQUESTS **DEHCR**

Division of Energy, Housing and Community Resources

## Payments requests

- Based on contract amount & change orders
- Must be signed by homeowner, inspector, program administrator
- Must be in proportion to work completed
- Must be accompanied by contractor invoice
  - Description of work completed and dollar amount
  - Signed and dated
- Must have contractor information
  - Name and contact information
  - Letterhead preferred

# CONTRACTORS & PAYMENT REQUESTS



**DEHCR**  
Division of Energy, Housing and Community Resources

If payment made for material delivered-Grantee assumes responsibility if work is not completed or materials damaged

CDBG funds cannot pay to

- Correct work done by contractor (unless subtracted from contract amount)
- Damaged or missing materials
- Homeowner labor

# CONTRACTORS & PAYMENT REQUESTS

Program administrator and inspector must determine

- If payment request amount is reasonable for work completed
- If work is properly completed and quality is acceptable
- If homeowner is being unreasonable about quality of work completed





# CONTRACTORS & PAYMENT REQUESTS

- Program administrator and inspector must be able to
  - Adjust payment amount if work is not adequate or completed
  - Act as a mediator between homeowner and contractor
  - Be fair and impartial
  - Facilitate project resolve

# CONTRACTORS AND CHANGE ORDERS



# CHANGE ORDERS

- Should be unforeseen-rotting studs in wall, rotting sill plate, etc.
- Not because contractor failed to measure, did not visit site, etc.
- Must be signed by
  - Contractor
  - Homeowner
  - Inspector
  - Program Administrator



## LEAD BASED PAINT

If a home was built before 1978, there is a good chance it has lead based paint. In 1978, the federal government banned consumer uses of lead-containing paint, but some states banned it even earlier. Lead from paint, including lead-contaminated dust, is one of the most common causes of lead poisoning.



# LEAD BASED PAINT (LBP)

- All projects exceeding \$25,000 must have a risk assessment in a pre 78 home - if paint is being disturbed
- Must include LBP work areas on the HQS form and in project specifications
- All rehab in a pre 78 home that disturbs painted surfaces must be completed using appropriate lead safe practices and must pass clearance
- Homeowner must be given a copy of the clearance report



# LBP GRANTS

- Risk assessment with visual must test for and identify lead-based paint in all Pre 78 homes
- LBP can still be assumed but then no grant
- Any repairs that disturb lead-based paint must be granted-does not need to be a hazard or abatement
- All LBP tests and clearances are grants



# LBP AND CONTRACTORS

- Contractors must have proper credentials to work on homes that disturb lead-based paint (Lead Safe Renovator) or Abatement Contractor if intent is to abate
  - Must be issued by State of Wisconsin
- Contractors must follow lead laws and rules
- CDBG funds can reimburse contractors for the cost of training



# LBP AND CONTRACTORS

Program Administrator must ensure the contractor

- Has required credentials
  - Must keep proof in file
- Is following lead safe requirements



# ASBESTOS

# ASBESTOS

Material that test positive >1% of asbestos is considered asbestos containing material

- Asbestos certified contractor required for removal
- Must take material to specific waste facility
- Proof of proper disposal (manifest)



# ASBESTOS

- Material that is to be disturbed or removed must be tested or asbestos is assumed
  - Testing costs can be granted
  - Must use asbestos certified contractor
- Only the following items do not contain asbestos
  - Wood, glass, metal, fiberglass

# TEMPORARY RELOCATION

# TEMPORARY RELOCATION

- Used to temporarily relocate household during some types of construction
- Household expected to return to unit
- Eligible CDBG expense - not mortgaged to household
- Owner occupants and tenants are eligible
- Grantee must develop a relocation plan for the household prior to relocation-household must sign



# RELOCATION

Eligible expenses-must have receipts - stipends and mileage excluded

- Meals- if hotel room does not have kitchenette
- Mileage-additional mileage due to temporary relocation (school/job)
- Laundry costs
- Short term rental
- Hotels
- Lodging costs in lieu of hotels
  - Stipend to stay with family or friends
  - Campsites - household preference and weather permitting
- Use State rates  
[https://dpm.wi.gov/PublishingImages/Pages/HR\\_Admin/Class-and-Comp-HR-Admin/PocketTravel%20Guide.pdf](https://dpm.wi.gov/PublishingImages/Pages/HR_Admin/Class-and-Comp-HR-Admin/PocketTravel%20Guide.pdf)

# RELOCATION

- Keep costs to a minimum
- Return household to unit as quickly as possible

# QUESTIONS?



THANK YOU!  
END OF DAY 1

# WELCOME BACK DAY 2

# QUESTIONS FROM DAY 1?

# EAP

Presented by Stan Kaitfors

# PROGRAM INCOME/REVOLVING LOAN FUNDS (RLF)



**DEHCR**

Division of Energy, Housing and Community Resources

RLFs are repaid dollars and interest earned from CDBG projects

- Monthly loan payments (principal and interest)
- Loan payoffs
- Bank interest



# PROGRAM INCOME/REVOLVING LOAN FUNDS (RLF)

- Recorded in the working account transaction journal
- RLF revenue is split 85/15 rehab to admin will change to 83/17 rehab to admin

# PROGRAM INCOME/RLF

Must be spent/obligated before using Regional funds

- Regional RLF must be spent before requesting grant funds
  - Program income earned from prior CDBG Housing Grants must be applied to the active CDBG Housing Grant
- Non-regional RLF must be committed or obligated before using regional funds
  - Documentation must be kept in client file that non-regional funds are not available for use
  - Cannot “save” funds for emergency projects

**PAYOFFS  
PAYMENTS  
SHORT SALES  
FORECLOSURES  
REDUCTIONS**



# PAYOFFS

- Provide payoff quote in writing
- Double check payoff quote
- Satisfaction must be submitted for recording within 30 days of full payoff WI §708.15(5)(a)
- Can record satisfaction or return to homeowner/lender/title company to send for recording
- If Grantee is recording satisfaction- collect fee to record document



# PAYMENTS

- Owner occupied loans are 0% interest and do not require monthly payments
- Rental loan payments are 0% interest
- Grantees cannot refuse to accept monthly payments
- Grantees must have adequate record keeping to accurately track client payments and balances

# BANKRUPTCY

- Not the same as a foreclosure
- Does not mean the mortgage is lost
- Grantee should contact their attorney to handle

# SHORT SALE

Occurs when an offer to purchase on a home is not enough to cover all liens and seller expenses



# SHORT SALE

May be a good option to accept in order to

- Prevent a foreclosure
- Ensure some funds are returned to the CDBG program

# SHORT SALE

Grantee can negotiate a short sale

- Consider the following
  - Is the list price reasonable?
  - Is the offer reasonable?
  - How long has home been on market?
  - Are all parties willing to take a reduction in their proceeds?

# FORECLOSURE

Is a legal action for a lender to recover the amount owed on a mortgage.



# FORECLOSURE

- Grantees should refer any foreclosure notices/correspondence received to their attorney
- CDBG loans are usually in a junior lien position, CDBG funds are usually lost in a foreclosure
- Grantees may file a personal lien against the property owner, to try and recoup CDBG funds
- Grantee usually writes off CDBG mortgage after a foreclosure
- Usually no need to prepare a satisfaction
- Must have proof of foreclosure in client file





# SUBORDINATIONS

A subordination is a request from a lender that the CDBG mortgage be in a junior position to their mortgage on the property

- This can occur when property owner would like to refinance a mortgage that is already superior to the CDBG mortgage (1<sup>st</sup> position)
- Can also occur for a new mortgage
- Combination of superior mortgage and new mortgage
- Lenders like to be in first position because they will be the first paid in the event of a sale or foreclosure. The first position mortgage is usually the most secure.
- Grantee must have a subordination policy that is given to applicant at time mortgage is signed or prior to mortgage signing.

# SUBORDINATIONS

DEHCR recommends that the Grantee subordinate in the following cases:

- The monthly housing costs will be reduced;
- To obtain a lower interest rate;
- To prevent a foreclosure action;
- To finance additional rehabilitation on the primary residence;
- Other exceptions may be made on a case-by-case basis with the permission of DEHCR.

# PROGRAM ADMINISTRATION

# ANNUAL REPORTING

# ANNUAL REPORTING

Provides a summary of program activity that occurred during the previous twelve-month period

- Dollars spent on projects
- Dollars spent on administration
- Balance in bank account
- Loans signed
- Program beneficiary demographics

## CDBG Housing Revolving Loan Fund Activity Report

Complete the following for housing-related revolving loan fund income received during the period (04/01/2018 to 03/31/2019). Fill and Submit this form to the Division of Energy, Housing and Community Resources (DEHCR) by April 23, 2019.



# ANNUAL REPORTING - RLF

## Completed online for RLFs

- Link sent each year to Grantee/Administrator
- Must fill out program beneficiary section-if applicable (loans/grants signed during period)
- Attach:
  - Bank statement ending 3/31
  - Working account 4/1/-3/31
  - Program beneficiary data sheet 4/1-3/31

**Section 1**

Community Name :

DUNS Number :

Please provide the name, address, phone number and e-mail of the clerk (required):

Name :

Address :

City :

Are you also the RLF program administrator? YES ☐ NO ☒ If no, please complete section 1B.

County :

Phone Number :

E-mail :

Zip Code :

**Section 1B**

Name :

Address :

E-mail :

Zip Code :

Phone Number :

Title :

City :

**Section 2**

For verification purposes, please enter your ending balance from your previous report:

Income Received (This includes all repaid housing loans and interest earned):

Dollars Spent (The total payments for all loans and grants made from revolving loan funds during reporting period):

Administration (The total amount revolving loan funds used for administrative costs during the reporting period):

Miscellaneous Activity Narrative (List other CDBG eligible activities that utilized revolving loan funds for other than rehabilitation or administration such as acquisition and relocation):

**Section 3**

Income returned to DEHCR (Include any CDBG housing funds returned during reporting period):

Housing revolving loan fund balance at the end of this reporting period (Submit copy of Housing RLF bank statement(s) for the month ending 3/31/2019, CDBG Housing RLF Accounting Journal, and Program Beneficiary Data Sheet.):

Attachments:

# ANNUAL REPORTING-ACTIVE GRANTS



**DEHCR**

Division of Energy, Housing and Community Resources

- Send directly to DEHCR for active grants
- Include activity of RLF and Grant funds spent
- Include lead-based paint activity reporting
- Include Fair Housing activities
- Attach
  - Program Beneficiary Data sheet
  - Obligation Journal
  - Working and Grant Account Journal



# OTHER REPORTING REQUIREMENTS

## SINGLE AUDIT STATEMENT

### Single Audit Statement

- Due from all CDBG Grantees (RLF & Active)
- Includes all federal expenditures
- Due by January 31
- Do not need to send audit



# OTHER REPORTING REQUIREMENTS SINGLE AUDIT STATEMENT

SINGLE AUDIT STATEMENT (AUDIT REQUIRED)



PLACE THE FOLLOWING ON THE UGLG'S LETTERHEAD

SINGLE AUDIT STATEMENT (AUDIT REQUIRED)

CDBG Public Facilities Program  
ATTN: Single Audit Statement  
Division of Energy, Housing and Community Resources  
Bureau of Community Development  
PO Box 7970  
Madison, WI 53707-7970

I hereby attest, under penalties of perjury, that during the calendar year ending,  
  
December 31, 20\_\_, \_\_\_\_\_ (UGLG name) has expended  
  
**more than \$750,000** in total federal funds and will comply with the federal Single Audit Act and the  
  
requirements of Uniform Guidance 2 CFR 200.

_____	(Signature of Chief Elected Official)
_____	(Typed Name)
_____	(Typed Title)

# OTHER REPORTING REQUIREMENTS SINGLE AUDIT STATEMENT

SINGLE AUDIT STATEMENT (AUDIT NOT REQUIRED)



PLACE THE FOLLOWING ON THE UGLG'S LETTERHEAD

SINGLE AUDIT STATEMENT (AUDIT NOT REQUIRED)

CDBG Public Facilities Program  
ATTN: Single Audit Statement  
Division of Energy, Housing and Community Resources  
Bureau of Community Development  
PO Box 7970  
Madison, WI 53707-7970

I hereby attest, under penalties of perjury, that during the calendar year ending,  
December 31, 20\_\_, \_\_\_\_\_ (UGLG name):

- 1. Has expended **less than \$750,000** in total federal funds and, therefore, is not required to submit an audit which meets the Federal Single Audit Act and the requirements of Uniform Guidance 2 CFR 200.
- 2. Has expended the following amount(s) of federal funds, including funds received from the Wisconsin Department of Administration, Division of Energy, Housing and Community Resources or any other source.

<u>CFDA #</u>	<u>GRANT CONTRACT #</u>	<u>SOURCE AGENCY</u>	<u>AMOUNT EXPENDED</u>
_____	_____	_____	_____
_____	_____	_____	_____

\_\_\_\_\_  
(Signature of Chief Elected Official)

\_\_\_\_\_  
(Typed Name)

\_\_\_\_\_  
(Typed Title)

# **OTHER REPORTING REQUIREMENTS ACTIVE GRANTEES ONLY**

- **MBE/WBE**
  - Due every September and March
  - Include all contracts signed during performance period
- **Section 3**
  - Due every October

# REQUIRED FORMS

# **REQUIRED FORMS-OBLIGATION JOURNAL**

- The Obligation Tracking Journal records loans/grants approved, loan reductions, program income, and remaining CDBG-RLF monies available to be loaned to LMI households. The purpose of this journal is to help program administrators from over-committing available project funds.
- **Only project dollars are recorded on this journal.**



## REHABILITATION OBLIGATION TRACKING JOURNAL (EXAMPLE)

- [illegible]

# REQUIRED FORMS - WORKING ACCOUNT JOURNAL

This journal tracks all rehabilitation (for active grants) and RLF activities (admin and activity).

- Admin and activity are separated and tracked separately and must include a balance for each category.
- Must list date, activity description (payee, payment received, interest, etc.) and dollar amount.
- The balance should be reconciled to the checkbook balance-they should match.
- Must be an interest-bearing account.

# REQUIRED FORMS - WORKING ACCOUNT JOURNAL

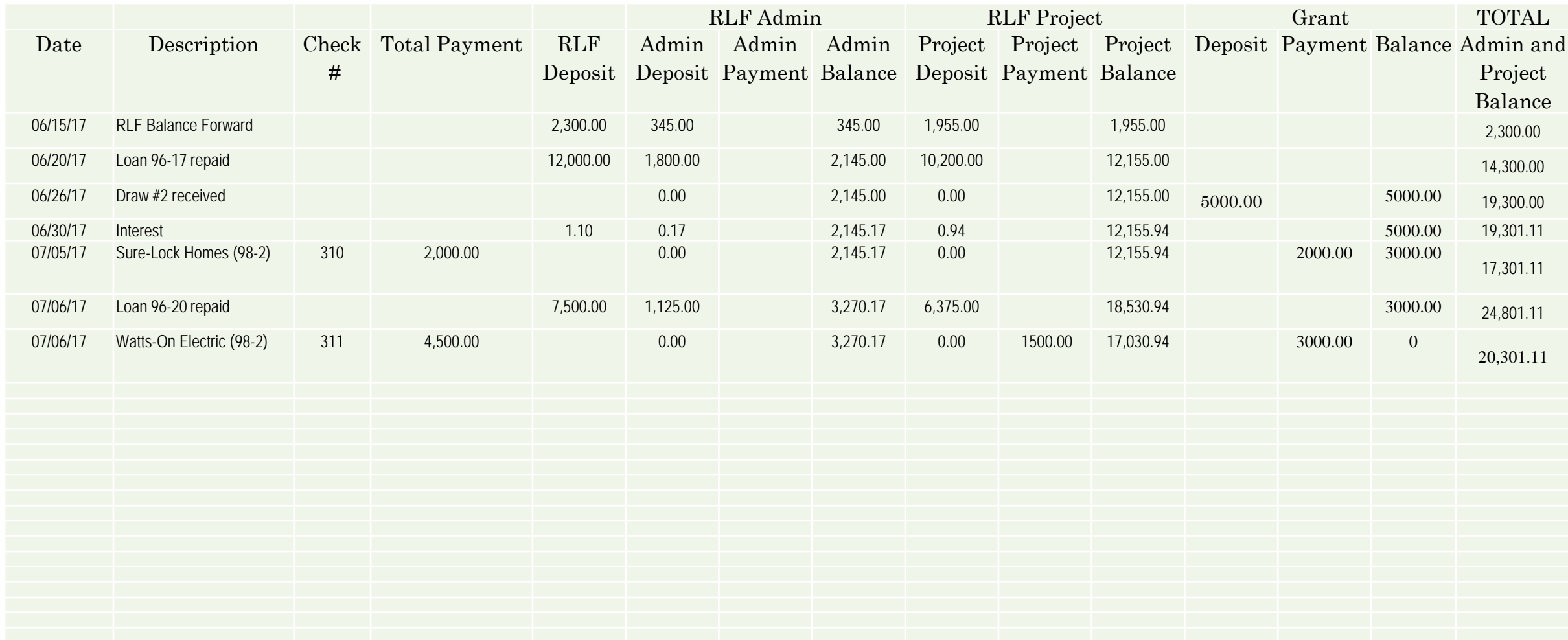


**DEHCR**

Division of Energy, Housing and Community Resources

- During active grants, rehab funds are transferred from grant to working account within 3 days and must be spent within 7 days.
- During an active grant, the balance from the remaining grant (RLF) are brought forward.
- During an active grant this journal provides the documentation that RLF has been spent prior to requesting new funds. Must be submitted with each request for disbursement form.





# REQUIRED FORMS - GRANT ACCOUNT JOURNAL

This journal records all grant award deposits and disbursements.

- Not an interest-bearing account
- All funds must be disbursed from the grant account within 3 days
- Each transaction must include date, activity description, amount, and check number
- Must be recorded in appropriate budget category
- Must be submitted with each request for disbursement form

# REQUIRED FORMS - GRANT ACCOUNT TRANSACTION JOURNAL

		GRANT	MISC	CHECK		H-1 Rehabilitatio n	H-2 Streets	H-3 Admin	Payments	Federal Cash
DATE	DESCRIPTION	DEPOSIT	DEPOSIT	#	AMOUNT	Payment	Payment	Payment	to Date	on Hand
06/05/17	Drawdown #1	22,000.00								22,000.00
06/05/17	Reimburse Village			101	1,225.00			1,225.00	1,225.00	20,775.00
06/05/17	Toose Company			102	20,000.00		20,000.00		21,225.00	775.00
06/23/17	Drawdown #2	12,845.00							21,225.00	13,620.00
06/23/17	Ellie Phant			103	1,000.00			1,000.00	22,225.00	12,620.00
06/23/17	Demmo Graphics			104	100.00			100.00	22,325.00	12,520.00
06/23/17	Wisconsin Bell			105	50.00			50.00	22,375.00	12,470.00
06/23/17	Less Hassell Supply			106	125.00			125.00	22,500.00	12,345.00
06/26/17	Working Acct			107	7,845.00	7,845.00			30,345.00	4,500.00
07/11/17	Wells Fargo			108	3,500.00	3,500.00			33,845.00	1,000.00
08/29/17	Drawdown #3	13,000.00							33,845.00	14,000.00
08/29/17	Working Acct			109	10,000.00	10,000.00			43,845.00	4,000.00
08/29/17	Voided check #108		3,500.00						43,845.00	7,500.00
08/29/17	Ellie Phant			110	2,500.00			2,500.00	46,345.00	5,000.00
09/01/17	Real Title Company			111	3,500.00	3,500.00			49,845.00	1,500.00



# REQUIRED FORMS - PROGRAM BENEFICIARY DATA SHEET

- The program beneficiary data sheet records data for applicants that have closed loans or received a grant with the CDBG Housing program. The data to be reported includes application number, date the mortgage (grant) was signed, loan/grant amount, and beneficiary demographics.
- This information is required to be reported by the State to HUD on an annual basis



# REQUIRED FORMS - PROGRAM BENEFICIARY DATA SHEET



LOAN/GRANT DATA					BENEFICIARIES					INCOME LEVEL								
Date Mortgage Signed	Loan Number	Property Address	County	Loan/Grant Amount	RACE	FHOH	PD	E	H	MI	LI	VLI	Own	Rent	Home Buyer	LI Benefit Amount	HQS	LBP

A – White  
B – Black/African American  
C – Asian  
D – American Indian/Alaskan Native  
E – Native Hawaiian/Other Pacific Islander

F – American Indian/Alaskan Native & White  
G – Asian & White  
H – Black/African American & White  
I – American Indian/Alaskan Native & Black/African American  
J – Balance of Other

FHOH – Female Head of Household  
PD – Households with Persons with Disabilities  
E – Elderly  
H - Hispanic  
LBP – Lead-Based Paint

# ACTIVE GRANTS

Payment Requests & Requirements



# ACTIVE GRANTS PAYMENT REQUESTS & REQUIREMENTS

- Grantee may request funds with a minimum request of \$5000.00
- Program income must be spent prior to requesting grant funds
- For those Grantees that are on reimbursement (county pays up front) consider sending, at a minimum, monthly requests



# ACTIVE GRANTS PAYMENT REQUESTS & REQUIREMENTS

Request for Disbursement must also include:

- Invoice on contractor letterhead
- Must be dated and signed by contractor
- Includes a brief description of services provided
- Contractor's Payment Request must be signed by contractor, inspector/program administrator and homeowner
  - If homeowner will not sign and the inspector and program administrator determine a payment should be made-a statement to this effect will be accepted
- Grant Account Transaction Journal
- Working Account Transaction Journal



# ACTIVE GRANTS PAYMENT REQUESTS & REQUIREMENTS



- The amount being requested for a contractor payment should be the amount approved by the homeowner (unless there is a dispute)
- Invoices and payment requests submitted should total the amount of the draw
  - If payments are reduced or split-this needs to be noted on the contractor payment request
- Change orders do not need to be submitted with the draw

# ACTIVE GRANTS PAYMENT REQUESTS & REQUIREMENTS

Submit back up documents and Request for Disbursement to:

- Grant Specialist

Submit Request for Disbursement in Excel format to:

- DOA DEHCR Fiscal
  - They do not need the back up documentation



# ACTIVE GRANTS COMPLETION CERTIFICATE

Division of Energy, Housing and Community Resources  
Financial Certificate of Completion



**FINANCIAL CERTIFICATE OF COMPLETION**  
Wisconsin's Community Development Block Grant Program

A. NAME OF UGLG:
B. DEHCR GRANT AGREEMENT #:

C. FINAL STATEMENT OF COST AND COMPUTATION OF GRANT BALANCE					
Project Activity By Budget Item (1)	CDBG Budget (2)	CDBG Funds Drawn (3)	CDBG Funds Pending (4)	Total CDBG Costs (5)	Grant Funds to Be Canceled (6)

D. CERTIFICATION OF UGLG		
It is hereby certified that all activities undertaken by the UGLG with funds provided under the <i>Grant Agreement</i> identified in B above have, to the best of my knowledge, been carried out in accordance with the <i>Grant Agreement</i> ; and that the amounts set forth in this instrument are, to the best of my knowledge, true and correct as of this date.		
Date Signed	Typed Name and Title of UGLG's Chief Elected Official	Signature of UGLG's Chief Elected Official

E. CERTIFICATION OF DEHCR		
Date Signed	Typed Name and Title of DEHCR Authorized Official	Signature of DEHCR Authorized Official
	Division of Energy, Housing and Community Resources	

# PROGRAM OUTLOOK

# PROGRAM OUTLOOK

CDBG RLF program income held at local level is increasing

- Cash on hand has increased by approximately 8.2 million dollars since March 2016
- Multiple layers of RLF's (Town, Village, County, Region) duplicates efforts and can be confusing for providers from other programs and agencies and applicants

HUD has an expectation that RLF's "re-loan" the RLF balance annually

# PROGRAM OUTLOOK

The State of Wisconsin has a shortage of affordable housing units

- Creates a significant barrier for LMI working families

Affordable housing not being created by private funds

- Overlooked because of high development and construction costs
- Developers unable/unwilling to cover these costs without passing on costs to renter or buyer

# PROGRAM OUTLOOK

DEHCR would like to work with Units of Local Governments (UGLGs) to create affordable housing units.

In order to create a pool of funds to accomplish this DEHCR is considering discontinuing the Small Cities CDBG RLF Housing Program.

- All RLF funds would be returned to the State
- All eligible applicants will be served by the Regions – with no lapse in service

# PROGRAM OUTLOOK

The funds will be awarded on a competitive basis to UGLG's to develop units or subgrant funds to eligible sub-recipients to develop.

- Entitlements are not eligible for these funds.
- Funds will be granted or provided as a forgivable loan.



# PROGRAM OUTLOOK

- Can be used in support of new housing
  - Infrastructure
  - Land acquisition, clearance, and demolition
  - In limited situations new construction
- Can be used to convert existing structures into affordable housing
- Income limits and affordability period will apply
- Rental units must have 51% of projects/units occupied by LMI households
- Rent cannot exceed the HUD established FMR for the geographical area

End of Training  
Thank You!