



City of Orem Critical Home Repair and Housing Rehabilitation Program Policies and Procedures

Approved January 16, 2020

Amended March 26, 2020

Amended June 8, 2021

Introduction

This manual sets forth policies and procedures for the City of Orem Critical Home Repair and Housing Rehabilitation Program (Program). Funding is provided mainly through the Community Development Block Grant (CDBG) received through the United States Department of Housing and Urban Development (HUD). The Program is administered by the City of Orem's Community Services Department and a vetted Consultant, Kenyon Consulting, Inc., and is designed to provide for low-income home owners (making less than 80 percent of the Area Median Income) in need of critical home repair and home rehabilitation within the City of Orem. This manual shall be revised as new policies and procedures are established.

Purpose

The purpose of the Program is to improve the condition of housing, improve neighborhoods, and the quality of life in the City of Orem by providing a means through which low-income home owners living in the City may obtain financial and technical assistance to repair and/or rehabilitate their homes and properties. The methods to be used consist of offering grants and long-term or deferred zero percent interest loans for improvements necessary to bring residential properties to a community standard, make general property improvements, and provide technical assistance to home owners, including defining the scope of work of the residential repair and/or rehabilitation, bidding the work, and construction oversight.

General Program Information

The goal of the Program is to provide repair and rehabilitation opportunities for eligible low-income households, to increase code compliant housing stock within the City, and to improve the quality of neighborhoods in the City of Orem. The program seeks to give assistance to households who otherwise would not be able to perform necessary repair and/or rehabilitation work, while ensuring a long-term success. Program funding will be provided as a grant and/or zero percent interest deferred or low-payment loan which will be secured by a promissory note and trust deed either in first or second position (if there is a primary lender) on the property.

The City of Orem will provide homeowners grant and/or loan funding up to \$15,000 to repair critical damage to homes or eliminate specific and immediate hazards to health, safety, and/or sanitation. Homeowners can also replace or repair windows, electrical, plumbing, fixtures, or roofs, paint exterior or interiors, do necessary remodeling, put in ADA improvements, and do additions (based on need). The program will be available to all homeowners (single family, multi-family, and mobile homes) making less than 80 percent of the Area Median Income (based on HUD's yearly MSA numbers) living in the City of Orem. Projects costing \$5,000 or more are preferred. Lower cost projects will be looked at on a case by case basis and will need to be approved by the Loan Committee.

Funding is not guaranteed. Due to limited funding, those with the most critical need(s) and/or those that have less ability to secure funding or resources to meet their need(s) will be considered first for program funding.

All grants and/or loans will be approved by the Loan Committee. The five member Loan Committee is made up of employees from various City Departments and selected by the City of Orem Community Services Office.

The Program must comply with the Fair Housing Act and shall be administered and assistance rendered to participants and prospective participants without discrimination on the basis of race, color, national origin, religion, gender, disability, familial status, or any other protected class. The Program must comply with Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, which provides that only United State Citizens, United State Non-Citizens (permanent resident status), and “qualified aliens” are eligible for public benefits. To ensure compliance, the Program follows guidance provided by the United States Department of Justice and the United States Department of Housing and Urban Development.

Grants and loans will be available as follows:

Homes appraising at or below the HUD HOME Sales Price Threshold (currently \$330,600)

Families making 25 percent or less of the Area Media Income (Total household income based on HUD’s yearly MSA numbers)

- \$7,500 grant, no repayment required.
- Additional funding needs (\$15,000 total cost) – 10 year loans at 0% interest or 0% deferred loans due at sale of home, change in ownership on property, or if the home becomes a non-homeowner occupied rental.

Families making 50 percent or less of AMI (Total household income based on HUD’s yearly MSA numbers)

- \$5,000 grant, no repayment required.
- Additional funding needs (\$15,000 total cost) – 10 year loans at 0% interest or 0% deferred loans due at sale of home, change in ownership on property, or if the home becomes a non-homeowner occupied rental.

Families making 51 to 80 percent of the AMI (Total household income based on HUD’s yearly MSA numbers)

- 10 year loans at 0% interest or 0% deferred loans due at sale of home, change in ownership on property, or if the home becomes a non-homeowner occupied rental.

Homes appraising above the HUD HOME Sales Price Threshold (currently \$330,600)

Families making up to 80 percent of the AMI

- 10 year loans at 0% interest or 0% deferred loans due at sale of home, change in ownership on property, or if the home becomes a non-homeowner occupied rental.

As a condition of any loan, the property must remain the owner’s principal place of residence. Loans will be called due and payable upon any change of home owner occupancy and/or change of ownership in the property. Loans will also be called due if the owner gives, abandons, leases, or rents any part of the property except for a legal accessory apartment. If the owner does not repay these funds, the City of Orem may foreclose under the Deed of Trust. Delinquent loan payments are subject to late fees and/or the City of Orem delinquency policies. The City of Orem will only subordinate to the primary lender on the home, taking second position in most cases.

Any and all subordination requests will be reviewed and approved or denied by the Loan Committee. A loan may be called due and payable if the homeowner refinances a first mortgage and takes cash out as part of the refinance.

Owners that have reverse mortgages on their properties will only qualify for grant funding and will need to make 50 percent AMI or less to qualify for this type of funding. Loans cannot be provided on homes with reverse mortgages.

An applicant's total monthly debt ratio (housing and other debt) will be considered as a qualifying factor for the program. Generally, applicants will not qualify if their current total debt ratio exceeds 43 percent of their gross monthly income. Some exceptions will apply and will be up to the Loan Committee's discretion.

Homeowners that have received a grant and/or loan from City of Orem in the past for their current property will only be able to qualify for loan funding. Homeowners can only receive one grant and one loan for a particular property from the City of Orem.

All properties are subject to inspection for the minimum life and safety standards. All homes built prior to 1978 are additionally subject to meeting lead-based paint safety requirements. If warranted, lead abatement will be required to be included in the project scope of work and added to the cost.

An applicant may be declared ineligible for assistance where evidence exists of low pride of ownership in his/her property which is not primarily attributable to the age of the home, their low income status and/or the physical inability to properly maintain the home or site. Conditions which may warrant a denial of assistance include but are not limited to:

- Evidence of unsanitary conditions caused by animal urine or feces.
- Illegal or improper use of the property.
- Yards that are not maintained, have junk, and are causing a vision detriment to the neighborhood.
- Excessive damage to the home or fixtures not attributable to normal wear and tear.
- Conditions of clutter or unseemliness in or around the home when such conditions constitute a potential health and safety hazard.

Application Process

1. The applicant(s) must be a home owner in an owner-occupied single family home, multi-family unit, and mobile home within the Orem City limits.
2. An eligibility review and loan qualification will be performed to ensure that the applicant(s) meet the requirements of the program.
3. Potential applicants must deliver a fully-completed application for the City of Orem Critical Home Repair and Housing Rehabilitation Program with all the listed documentation in the application's checklist to the City's Community Services Manager. An incomplete application will not be accepted. The application package includes, but not may not be limited to:
 - a. Fully completed application. All property owners/mortgage holders must be included in application and sign for credit consent.

- b. Proof of ownership (trust deed, warranty deed, or property tax notice)
 - c. Copy of most recent mortgage statement, if applicable.
 - d. Proof of current homeowner's insurance.
 - e. Copies of most recent checking and savings statements.
 - f. Copy of driver's license.
 - g. Copy of Social Security card
 - h. Proof of U.S. Citizenship/Permanent Residency Status
 - i. Proof of income for all adults (18 years and older) in the household , including but not limited to:
 - i. 12 months of check stubs or three months of check stubs and W-2
 - ii. SSI/SSDI yearly benefit letter and/or any retirement income letter
 - iii. Most recent 1040 tax form
 - iv. Proof of alimony and/or child support
 - v. Proof of self-employment (provide the last two years of tax returns)
 - j. Conflict of interest disclosure if necessary.
4. The City's Community Services Manager will review application for completeness, verify that the homeowner has not had previous loans and/or grants with the City of Orem on the current property, and then send the application to the Consultant for eligibility determination. This eligibility determination includes:
- a. Property ownership;
 - b. Verification for household income;
 - c. Eligible type of property;
 - d. Proof of U.S. Citizenship, U.S. Naturalization, or Permanent Residency;
 - e. Credit report (credit will be pulled on all applicants and co-applicants); and
 - f. Value of property
5. When the eligibility determination and loan qualification is verified and completed:
- a. An inspection will be conducted of both the interior and exterior of the home by the Consultant.
 - b. The Consultant will put together a cost estimate.
 - c. The Consultant will present the loan application to the City of Orem's Critical Home Repair and Housing Rehabilitation Program Loan Committee for review and approval (including applicant income and credit information, grant and loan amounts, scope of work, and condition of the property).
 - d. The Loan Committee will approve or deny the application.
 - e. If application is approved, the Loan Committee determine the grant and/or loan amount and decide whether the loan will be deferred or amortized.
 - f. If loan is denied, the City of Orem Community Services Manager will send a letter to the applicant notifying them of the denial and providing reasons for the denial.

Rehabilitation Process

- 1. Upon approval of loan:
 - a. The Consultant will notify the homeowner and proceed with the project.
 - b. An environmental review will conducted by the Consultant.
 - c. A lead test will be conducted if the home was built prior to 1978 if warranted by the project scope. Lead abatement will be required as part of the project if necessary.

- d. A description of work will be prepared on the project by the Consultant and confirmed with the homeowner before sending out the bids.
- e. The Consultant will bid the project in accordance to City of Orem Purchasing Ordinance.
- f. The Consultant will review the qualified bids and contact any needed due diligence.
- g. The Consultant will prepare a final description of work based on approved loan amount and will review scope of work and qualified bid(s) with the applicant(s) for approval.
- h. Once approved, the Consultant will notify selected contractor. The Consultant will also notify contractors not selected.
- i. The Consultant will prepare a homeowner agreement for applicant(s) signature.
- j. If applicant is receiving a loan or deferred loan, the Consultant will prepare the necessary closing paperwork and work with local title company and applicant(s) to close on loan.
- k. The Consultant will secure contractors and have necessary agreements and paperwork signed. The Consultant will also make sure contractors are currently licensed by the State of Utah, have a Data Universal Numbering System (DUNS) number, are registered with the SAM.gov (System of Award Management) database and are not debarred, use E-verify, have a current business license, and have proper insurance.
- l. The Consultant will oversee the project and make sure it is completed in a timely manner and follows the scope of work.
- m. Once completed, the Consultant will complete a walkthrough of the project with the homeowner to make sure it meets homeowner satisfaction. The Consultant will make sure appropriate lien waivers are signed.
- n. The Consultant will then submit invoices for payment to the City of Orem's Community Services staff.
- o. The Consultant will provide the City of Orem's Community Services staff all the needed paperwork for the file.
- p. The City of Orem's Community Services staff will set up file and send loan information to City of Orem's Finance office if applicable.
- q. The City of Orem's Finance staff will service the loans.
- r. Once a loan has been paid off, the City of Orem Community Services staff will work with the title company to reconvey the deed of trust to the homeowner. The cost of reconveyance will be charged to the homeowner.