

Chapter 7: Loan Administration

A. Outreach and Public Information

The Housing Program Manager is responsible for identifying areas within the County with low-to-moderate income that are eligible for certain programs and contacting the local municipality to assist in outreach. As an example, Milwaukee County Home Repair may place an article in a village newsletter or provide brochures to code enforcement staff of a community.

B. Application and Pre-Screening Interview

Any person who contacts the Home Repair Division for rehabilitation assistance will be given a pre-screening interview, whether in person or on the telephone, which includes a thorough explanation of the program requirements and process. At this time, staff shall inquire as to the applicant's household size, provide income limit for household size, property location, and ownership information.

C. Initial Processing of Applicants

After pre-screening interview, if the applicant appears to be eligible, Home Repair Clerical staff shall begin the application process by reviewing and gathering the following information over the phone:

- Application – intake of basic household information
- Overview of income and other supporting documentation needed for all household members 18 years or older
- Overview of application packet, which includes Release of Records Form, Conflict of Interest Form, and Lead Paint Disclosure Form.

Application and packet will be sent to the homeowner(s) via USPS Mail and/or email. Note of date sent shall be made on Case Notes form.

Home Repair Clerical staff shall follow up with potential applicants and make a note on the case notes form:

- 30 days after sending the application and packet
- If no response is received within 60 days of sending the application and packet, the applicant will receive a letter that we are canceling their application. A copy of the letter will be saved in their digital file.
- If applicants contact Home Repair Clerical Staff after receipt of 60 day letter, application is eligible to proceed.
- If applications are cancelled prior to income qualification, Contact Log and any other documentation will be scanned and saved in the client's digital file.

Upon receipt of application materials and supporting income documentation, Home Repair Clerical staff will:

- Create a project file. The file shall include the application materials received from the applicant, case notes form, bid tracking sheet and a file checklist.
- Complete a title search
- Verify Fair Market Value of property via municipality assessment records

Once the file is completed, Home Repair Program Staff shall:

- Review application materials, income documentation and other supporting documentation
- Complete an income worksheet and preliminary deck sheet. The income worksheet shall be completed in accordance with 24 CFR Part 5 and using the "Technical Guide for Determining Income and Allowance for the HOME Program" published by HUD.

Housing Program Manager then reviews application materials and income calculation worksheet. Housing Program Manager will provide guidance on funding source, loan limitations and/or any concerns with Home Repair Inspection Staff.

Home Repair Inspection Staff shall contact client(s) to set up an initial meeting. The purpose of this meeting will be to review the program and process in more detail and complete a preliminary inspection of the work to be completed.

After initial meeting with the applicant, Home Repair Inspection Staff will meet with Housing Program Manager to discuss the house and/or property repairs. If work required exceeds loan or debt limits, the application may be denied.

If the applicant is deemed not eligible, Housing Program Manager will prepare and mail a formal letter to the applicant explaining the denial of eligibility.

D. Initial Property Assessment

Inspection Staff will prepare an environmental review report (ERR) for the property. Documentation will be kept in applicant's file. If the ERR indicates an issue, work to mitigate must be included in the loan.

If the property is a local or national designated landmark or in a historic district, the work will have to comply with local jurisdiction.

If the loan is expected to exceed \$5,000, a lead risk assessment will be performed on the property. Results of the lead risk assessment will be reported to the owner(s) upon receipt of the test results following HUD protocols (DHS 163).

At this time, a Uniform Physical Conditions Standards inspection will be completed.

NOTE: At time of Risk Assessment and UPCS inspection, applicant may be referred to Wisconsin Focus on Energy for eligibility for their program to assist with work that we reduce energy expenses.

E. Scopes of Work and Bid Request Procedures

Inspection Staff shall prepare scopes of work that identify the required/requested work. The scope of work shall detail the specifications of the work to be done and the desired performance measures. The scope may also include components identified through the lead risk assessment, UPCS, and ERR reports.

Once the scopes of work are prepared, HRIS will submit the scope(s) of work to the owner(s) for review. If the scope(s) of work are authorized, the owner(s) will sign Scope Sign Off. Once Scope Sign Off is received by HRIS, scope of work will be sent to contractors for bid.

NOTE: Property owners are ineligible to bid on their own work, be their own contractor, or be paid for any work from County loan funds. Funds are not eligible for material cost only for the homeowner.

Bid Requests will be prepared by the Home Repair Inspection and Clerical Staff. Bid requests include the property information, owner(s) contact information, subcontractor information, lead certification information, and the scope of work. A cost breakout will be requested from the contractor at the time of bidding as necessary depending on circumstances of the project.

Bid requests are sent to MCHRP approved contractors who are able to complete the work according to the scope. See Chapter 12: Contractor Qualification Policy for Home Repair for more information.

After sufficient bids are received, Home Repair Inspection Staff will summarize the bid information. Federal regulations (per OMB Circular A-87) require that the bids establish that chosen contractor is providing work for a reasonable cost.

Home Repair Inspection Staff will discuss project costs, project contingency, and proposed loan and term with owner(s).

At this time, if the Owner(s) have requested additional work to be completed by a contractor(s), the Owner(s) will be advised that a SEPARATE agreement must be put in place between the Owner and the Contractor. Milwaukee County Home Repair will not be party to an Escrow Agreement with the clients.

F. Home Repair Review Board

Once the scope of work and bids have been accepted by the Owner, the loan will be submitted for approval to the Home Repair Review Board (HRRB). The Housing Program Manager shall present the income worksheet, deck sheet, description of work and bid amounts, loan amount, and lead grant amount according to Home Repair Policies. Approval requires majority of Home Repair Review Board members.

If loan is approved, HRRB members shall sign the deck sheet.

If loan is denied, a letter will be sent to the applicant including reasons for denial. The decision of Home Repair Review Board is final.

See Chapter 10: Miscellaneous Procedures, Section J: Denial of Loans by Home Repair Review Board.

G. Formal Agreement Signing and Closing

Following the HRRB's approval, Home Repair Inspection Staff will: verify contractor's eligibility (current insurance, certifications and run a SAMs report), schedule a closing, ensure contractor's availability, and prepare the following documents:

1. An Agreement including an Order to Proceed, a copy of the contractor(s) scope and bid request and any other attachments;
2. The Promissory Note (with one copy);
3. The Home Repair Lien (with two copies);
4. Loan and/or Grant Agreement(s) (with one copy of each);
5. Borrower's Right to Rescind (with two copies);

At the closing, the Owner will be given a copy of each loan document and two copies of the borrower's Right of Rescission. Upon signing the receipt of the Right of Rescission, the owner(s) have three business days in which to cancel their loan with Milwaukee County.

Owner(s) and Contractor(s) will meet with Home Repair Inspection Staff for execution of the Agreement. Pre-construction meeting will occur at the Agreement signing facilitated by the Home Repair Inspection Staff. A copy of the Agreement, Order to Proceed, and Pre-Construction Meeting Notes will be sent to the contractor(s) and Owner(s) following the signing.

At Loan Closing, Home Repair Inspection Staff will review and sign a notification/release to be named as "additional insured" on the client(s) homeowner insurance policy. The notification will be sent to insurance company.

If no cancellation notice is received within three business days, the following shall occur:

- Lien will be sent to be recorded with the Office of the Registrar of Deeds by Clerical Staff
- Loan information will be entered into Loan Ledger and IDIS by Housing Program Manager
- Home Repair Clerical Staff shall prepare payment coupons and send to owner(s).
- Insurance Request form shall be sent to the owner(s)' insurance company to be named as additional insured by Home Repair Clerical Staff

H. Inspections(s) and Changes to Work

While the project is in progress, Home Repair Inspection Staff shall visit the property and monitor the work that is being completed.

During the project, changes to the scope of work may be needed. No changes, alterations, additions, deletions, or substitutions shall be made to the scope of work without express prior consent from Home Repair Inspection Staff. All proposed change orders by the owner(s) and/or contractor(s) must be reviewed by Home Repair Inspection Staff.

Home Repair Inspection Staff will review the proposed change order(s) with the owner(s) to determine how a change order will be funded. Funding options for a change order include:

- Contingency remaining in loan
- Personal funds from owner
- If neither of these two options work, see Ch. 10 Miscellaneous Procedures, Section D. In Production Loan Modifications

A Change Order form will be used for changes to the scope(s) of work. The Change Order shall be reviewed and signed by all parties. Signed Change Order forms will be placed in their project file.

If the Change Order is funded by personal funds from the Owner, this shall be noted on the Change Order form for documentation purposes and clearly stated that the additions to the project will be funded by the Owner. At this time, Home Repair Inspection Staff will recommend that a SEPARATE Agreement/Contract is put into place by the Contractor for the additional work. Milwaukee County is not party to any separate agreement/contract for additional work.

I. Project Completion

When the work according to the scope is completed, the Home Repair Inspection Staff will complete the following at the client's home:

- If lead remediation work was completed as part of the project, the contractor shall prepare the property for lead clearance testing in accordance with HUD Guidelines and Wisconsin Administrative Code DHS 163. Lead clearance testing will be completed by Home Repair Inspection staff following HUD protocols. Results of the lead clearance will be reported to the Owner upon receipt of the test results following HUD reporting guidelines and DHS 163.
- A final inspection and walk through of the work completed. This may include a punch list of items that need to be completed by the contractor prior to authorization of payment.
- A final UPCS Inspection form

J. Project Payments(s)

Project payments will be processed after:

- The project is completely finished
 - A progress payment may be requested by the contractor (see below)
- The home passes lead clearance
- A final inspection by Home Repair Inspection Staff is completed

No more than two progress payments can be made to one contractor. Milwaukee County will withhold 10% of each invoice amount on a progress payment. Due to funding regulations,

Milwaukee County can only pay for materials to be installed that are on site (i.e. windows, doors, siding, etc) and project components that are fully completed.

To process a payment (progress or final), the contractor must submit the following information to Home Repair Inspection Staff:

- Owner's Payment Authorization Form – top portion of form to be completed and form signed by contractor
- Invoice including company name and address, date, invoice number, description of work completed and amount. Invoices cannot be dated prior to the completion of work.
- Conditional Waiver of Lien
- Proof of permit
 - Copy of **Paid** permit application and/or copy of actual permit from the municipality is required.
 - In the event a permit is not required by the municipality, a written statement shall be submitted by the contractor.
 - If the project was a **lead abatement** project, a copy of the application and permit information sent to the State is required.

Once the payment information above is received by Home Repair Inspection Staff, staff will schedule a final inspection with the owners to review the work completed. If satisfied with work completed, the owner(s) shall sign the Owner's Payment Authorization form.

All payments must be authorized by the contractor, owner(s), Home Repair Inspection Staff and the Housing Program Manager.

K. Closing a Project File

When the scope(s) of work are completed and the last invoice is paid for the loan/grant, the following shall occur:

- Home Repair Program Manager shall adjust the client's account in Loan ledger any remaining contingency funds shall be used to reduce the outstanding balance.
- Home Repair Program Manager shall update IDIS with final project costs including program delivery
- Home Repair Clerical staff shall send an updated account statement to the homeowner(s) reflecting the credit to their loan account.
- All Home Repair Program Staff shall save project related emails to client's digital file.
- An internal audit of file will be completed by Home Repair Program Staff. This will be to ensure checklist is completed, all documents are organized within the file, and emails are saved.
- Upon completion of all of the items above, Home Repair Clerical Staff shall create a CD containing the client's digital file. CD will be kept in the client's paper file.

L. Loan Repayment and Compliance

1. Repayment

Loan payments will be made by homeowner(s) following the Due Date noted on their Promissory Note.

Payments are sent to a lockbox at the bank for deposit. After deposits are complete, a summary of the day's lockbox is available online. After receipt of lockbox information, Home Repair Clerical staff shall enter the payment in Loan Ledger.

2. Homeowner's Insurance

The Home Repair Clerical Staff shall verify that all outstanding loan clients are current and up to date with homeowner's insurance. Insurance information shall be updated annually as notice is received by client's insurance company.

Chapter 8: Lead Based Paint

All Milwaukee County Home Repair projects are required to comply with HUD's lead-based paint hazard reduction regulations (24 CFR Part 35) along with State and EPA Guidelines. Per HUD rules, housing assisted by our program must be lead-safe upon completion of the work. Exceptions to this may be made for emergency work or other defined circumstances. See appendix for additional information on statutes, regulations and guidelines related to lead based paint.

- A. **All work** disturbing lead-based paint in a pre-1978 home shall be done by contractors certified as Lead-Safe Renovators at minimum.
- B. All applicants shall review EPA published lead pamphlet. Owner shall be given a lead notice and pamphlet, receipt of pamphlet shall be put in the file.
- C. The following chart show requirements based on the rehabilitation hard costs, less lead work in pre-1978 homes.

< \$5,000	Lead-safe work practices (Lead Safe Renovator) & clearance testing in pre-1978 home where 2 sq. ft. or more of painted surfaces are disturbed.
\$5,000 to \$25,000	Risk Assessment, Lead-safe work practices (Lead Safe Renovator), and clearance testing.
> \$25,000	Risk Assessment, Lead Abatement (Abatement Company, Supervisor/Workers), Notification to the State of Lead Reduction Activity, Clearance.

- D. Projects that are estimated to cost at or above \$5,000 require lead testing (Lead Risk Assessment) if constructed prior to 1978. Samples of potential lead hazards throughout the interior and exterior of the home will be taken by state licensed Home Repair Program Staff.
- E. Analysis of samples taking during Lead Risk Assessment will be completed by a state recognized lab. Samples collected by MCHR PS shall be dropped off or picked up by ACL Laboratories.
- F. Upon receipt of test results, a written report will be provided to the homeowner(s) detailing the testing areas, results and a narrative of hazards that shall be remedied. Components of the property that tested positive for lead-based paint will be included in the scope(s) of work for the project.
- G. For homes that were constructed prior to 1978, by statue, any window job is by definition a lead job, regardless of results of the Lead Risk Assessment.
- H. The deck sheet shall show the amount of housing rehabilitation costs, excluding the cost of lead remediation, to determine the lead regulations that will apply.
- I. Grants are available to assist in remediating the lead hazards that were found as part of the Lead Risk Assessment. As of August 2016, the lead grant amount available is up to \$12,000. Remediation costs above this amount become part of the loan.
- J. All projects disturbing paint shall pass lead clearance test after rehabilitation. A written Lead Clearance report will be provided to the owner.

- K. Per State Statute, a record of all lead-based paint testing shall be sent to the State on a quarterly basis.

Chapter 8A: Lead Remediation Loan Program

A. Loan Guidelines

1. Annual income limit will be 125% of HUD's Annual Median Income.
2. The maximum loan that will be made is \$50,000. The limit may be increased by the Home Repair Review Board at its discretion under special circumstances.
3. Loans will have a compounding interest of 3%.
4. The loan limits are subject to debt limit constraints:
 - a. Have no greater than a 40% housing cost burden.
 - b. Have a debt-to-income ratio not greater than 65%.
 - c. Loan up to 110% of property value.
 - d. Applicants can have up to a 55% housing cost burden and at least 2x the loan amount in equity.
5. Loan payments:
 - a. Maximum term of a loan is 20 years (240 payments).
 - b. Loans shall have at least a \$25 minimum payment.

B. Property Requirements

In order to be eligible for a Lead Remediation Loan, a residential property must:

1. Be owner-occupied on a permanent year-round basis.
2. Have all real estate taxes and special assessment paid or under an approved payment schedule.
3. Have mortgage payments in a current state and be free of all judgements and liens which the County at its discretion believes may adversely affect its collateral position.
4. Have a hazard insurance policy, with coverage equal to the total debt against the property or the full replacement value.
5. In the sole judgement of the Home Repair Program Staff, be structurally sound and in a readily maintainable condition.

C. Applicant Requirements

1. In order to be eligible for a Lead Remediation Loan, a household:
 - a. Be the fee simple owner of the property or have title to a property subject to a mortgage(s).
 - b. Have ownership and reside in the home for at least 12 months.
 - c. Provide all financial data and other relevant information necessary to document the household eligibility and give the Home Repair staff permission to obtain verification of such information from appropriate sources.
 - d. Be current on utility bills and property taxes.
 - e. No active bankruptcy.
 - f. Have adequate income to make requirements, equity to support the loan and meet the requirements listed above in Loan Guidelines.

D. Annual Income

1. Total household income shall include income from all sources of the head of household, spouse, and each additional family member sharing the household who is at least 18 years of age.
2. Income items to be submitted shall include:
 - a. Gross amount before any deductions; net income from the operation of a business; interest and dividends; full amount of regular, long term payments received from Social Security, annuities, insurance policies, retirement funds, pensions, disability, etc.; payments in lieu of earnings; public assistance; and, periodic and determinable allowances (alimony or child support).

NOTE: The Home Repair Review Board will use their discretion to revise the eligibility and/or program requirements as needed.