

# OWNER-OCCUPIED HOUSING REHABILITATION PROGRAM GUIDELINES

Effective February 1, 2005

## INTRODUCTION

The **Owner-Occupied Housing Rehabilitation Program Guidelines** set forth the guidelines of the rehabilitation program available to qualified citizens and provides the basis for decisions, operating procedures, and policies in the day-to-day administration of the Owner-Occupied Housing Rehabilitation Program.

The Owner-Occupied Housing Rehabilitation Program may be funded with HOME and Lead Based Paint Hazard Control Grant Program funds.

## PURPOSE

The City of Toledo's (COT's), Owner-Occupied Housing Rehabilitation Program has three (3) major goals and objectives:

1. The program will provide decent, safe, sanitary, and lead safe housing for owner-occupants of single-unit dwellings. These dwelling should be located within designated blocks identified by a community development corporation (CDC) or on the COT's program waiting list.
2. HOME funds will be restricted to homes that require less than \$25,000 worth of rehab (**excluding**: lead-based paint hazard control work; **including**: appraisal, title work, contingency, recording fees, origination fee, etc.) to address all outstanding code violations and incipient work to minimize any other major replacement of structural or mechanical systems for the Period of Affordability (5, 10, 15 years).
3. Lead funds will be restricted to homes that require less than \$18,000 worth of lead-based paint hazard control work.

## ELIGIBILITY

1. Be an owner-occupant who has been the owner of record and occupied the single-unit dwelling for at least one year.
2. Must be the head of a household whose **total household income** does not exceed 80% of Toledo's area median income.
3. Must reside in a home within the COT that is located within designated blocks that are immediately adjacent to either TPS schools, previous CHDO housing development

projects or future CHDO housing development projects, or that is currently on the COT Owner-Occupied Housing Rehabilitation Program waiting list.

4. Have adequate homeowner's hazard insurance to cover all liens and encumbrances by the real estate for the Period of Affordability.
5. Must be current on all obligations owed to governmental entities or applicable agencies including, but not limited to, real estate taxes, child support, federal/state/local income tax, unemployment compensation, worker's compensation, and unpaid collection judgments/liens.
6. Attend a home maintenance/lead poisoning prevention class prior to execution of any contract.
7. Applicants are not eligible if they have participated in the COT's Rehab Program within the last fifteen (15) years, or if there is an outstanding loan with the COT. Property that has changed ownership may be eligible notwithstanding the fifteen (15) year criteria.

## **FINANCE PLAN**

1. **Only code items will be addressed and funded through the program.** The maximum loan amount must be less than \$25,000 (**excluding**: lead-based paint hazard control work; **including**: appraisal, title work, contingency, recording fees, origination fee, etc.) to address all outstanding code items. Contingency will be in the amount of fifteen (15%) of the accepted construction bid. If code items and incipient items exceed \$25,000, the applications will be cancelled.

Financing of rehab work shall be funded using the following format:

### **Deferred Payment Loan (DPL)**

Interest Rate: 0%

Period of Affordability: 5, 10, 15 years

Due Date: The entire outstanding principle balance, plus any interest, or other charges or advancements made by the COT under the terms of the mortgage securing this Note, shall be immediately due and payable in full upon the happening of any of the following events:

- a) The sale; lease; or other transfer, change of ownership, or change of title of any kind or nature (including sale by land contract) of the mortgaged property, or any part thereof, without prior written consent of the COT>
  - b) Death of the undersigned
2. **All** lead hazards must be addressed and shall be funded with a Grant. If the lead hazard control work exceeds \$18,000, the application will be cancelled.

## **APPLICATION/PROCESSING PROCEDURES**

The loan package shall include: application, verifications, credit reports, lien search, after-rehab appraisals, and cost estimate. The loan committee, based upon underwriting criteria set below, will screen all applicants for loan approval.

## **LOAN UNDERWRITING CRITERIA**

### 1. **Valuation**

An “*after-rehab*” appraisal will be performed on the property and no loan will be provided with a total loan-to-value ratio that would exceed 100% of the *Sales Comparison Approach* value.

### 2. **Income/net family assets and affordability**

Household income cannot exceed eighty percent (80%) of the Toledo area median income adjusted for household size (Income Limits). Total household projected income is used when calculating annual gross income. Income will be calculated using the “Part V Annual Income” definition (24 CFR Part 5.609) - [www.hud.gov](http://www.hud.gov) - **Calculating Income Eligibility**.

#### **Affordability**

**Housing-to-Income Ratio (HIR)** – The ratio of housing expenses (PITI) to gross monthly income shall not exceed 45%.

**Debt-to-Income Ratio (DIR)** – The ratio of total indebtedness to gross monthly income shall not exceed 45%.

### 3. **Credit History**

The credit history of applicant(s) shall be examined to determine ability to manage money. An applicant must demonstrate financial responsibility.

Bankruptcies must have been discharged at least two (2) years prior to applying to the program and the applicant may not have any more than three (3) payments that are 60+ days late and no payments that are 90+ days late since the discharge.

For revolving and installment debt, the applicant may not have more than three (3) payments that are 60+ days late in the last year and no payments that are 90+ days late in the past year.

The applicant may not have more than two (2) mortgage payments that are 30+ days late and none that are 60+ days late in the past year.

Medial payments may not be considered in reviewing the applicant’s credit rating.

Debt that will be paid off within six (6) months of applying for the loan will not be considered in the debt ratio, but will be considered as part of the overall credit worthiness of the applicant.

Applicants will be required to adhere to deadlines provided by the Owner-Occupied

Housing Rehabilitation Program. If the applicant fails to adhere to these deadlines, the application may be cancelled.