

Small Cities Development Program Fact Sheet

Owner-Occupied Housing Rehabilitation Program

Eligibility Requirements:

- **Ownership** - The applicant must own or be purchasing a property within the designated city. Contract for Deeds and Life Estates may or may not qualify depending on if all owners agree to the repayment agreement. **Single-wide Mobile Homes, Reverse Mortgages, Trusts, and Minnesota Urban and Rural Homesteading Program (MURAL) homes are not eligible.** SCDP funds cannot be used for these types of properties or to rehabilitate any residential structure that is within a 100-year flood plain.
- **Occupancy** – The owner occupies the home to be improved as their primary residence. The owner must have owned and resided in the property for at least 6 months before the work starts.
- **Eligible Repairs** - Repairs that are permanent and necessary are eligible. Examples include roofing, foundations, siding, heating units, electrical, plumbing, and other health and safety items. Additions are not allowed.
- **Real Estate Taxes** – The owner must be current with property taxes.
- **Insurance** – The owner must have property insurance for the loan’s full term.
- **Income** – Eligibility for the housing repair program is based on household size and income with guidelines set annually by HUD. To be eligible for housing repairs, your gross household income (before taxes) must be below the limits set by HUD for your County.
- **Average Loan** - The maximum Housing Repair assistance is \$25,000, offered through a mix of “Deferred” and “Repayable” loans. The program allows for two funding levels based on the household’s income eligibility.
 - ****Tier 1 Financing** – The Deferred Loans are 100% forgiven after 10 years, provided the homeowner resides in the home for 10 consecutive years. The balance is reduced by 10% each year that the homeowner lives in the home. If the homeowner moves, the balance is paid to the city. An example would be if a recipient moved after 6 years, the balance of 40% of the deferred amount would be repaid to the city.
 - ****Tier 2 Financing** – 70% of the housing repair cost is a Deferred Loan paid from the grant, with the same details as the 100% financing in Tier 1, stated above. 30% of the housing repair cost is structured as a Repayable Loan repaid to the city. The repayable loan will be amortized at 2% interest with a flexible term to accommodate household affordability with a minimum payment of \$50 and a 10-year maximum term.

Housing Repair Process: The program will follow the guidelines as set forth below.

- **Application** – The applicant will need to complete a full application for the program that requires proof of property ownership, verification of income, and other eligibility requirements.
- **Application Ranking** – All applications submitted that are complete, signed, and accurate; all the requested supporting documents must be included, and each application will be ranked as per the date they arrive. Households that participated in the survey process and requested to be on the waiting list will have the first chance to apply for the funds. After 30 days, the applications will open up to targeted areas. DSI will review applicants for verification of eligibility based on the ranking system. All households will be served on a first-come, first-served basis.
- **Property Inspection** – DSI will inspect the property, identify any housing problems, and work with the applicant to determine what repairs should be done. **LEAD RULES AND REGULATIONS DO APPLY.**
- **Work Write-Up** - The DSI Housing Inspector will develop specifications on the work to be completed and how the work should be done. The homeowner will select the contractor from a list of DSI-approved contractors they would like to bid on their project, and bid packets will be distributed to these contractors.
- **Bid Awards** – DSI will meet with the owner and review the bids after receipt of bids from the contractor. The owner will then accept or reject the bids which have been submitted.
- **Repayment Agreement** - The owner shall enter into a repayment agreement with the City to accept the conditions of the loan. The repayment agreement will be filed at the County Recorder's Office.
- **Proceed to Work** - The DSI inspector will notify the contractor by letter that work may begin at the owner's property. The contractor will be required to secure any necessary building permits.
- **Payments** - Payments to contractors can be made on a full or partial basis as each contractor's work has been completed. To receive payment, the contractor must submit a lien waiver, a billing statement, and a signed completion certificate (all furnished). To make payment, the DSI housing inspector must inspect the property, and the homeowner must give signed permission to pay the contractor.
- **Project Completion** – A final inspection and lead clearance assessment will be done upon completion of the rehab, and then the project will be closed.

Timeline:

- The timeline to complete projects usually is 30 months, depending on the project size and scope.

Resources:

- **DEED Small Cities Development Program**