



City of Cudahy Neighborhood Loan Program Manual

(Revision B dated 02/24/2015)

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City of Cudahy
NEIGHBORHOOD IMPROVEMENT LOAN PROGRAM MANUAL

HOME IMPROVEMENT LOANS:
Duplex Conversion Loans, Attic Improvement Loans

1. PROGRAM ADMINISTRATION

A. BACKGROUND

The City of Cudahy has compiled various reports and information that address the cities neighborhoods, looking at the mix and condition of its housing stock and surrounding quality of life factors. These reports and information and an understanding of Cudahy's housing conditions, support the need for proactive programs that serve as a catalyst for enhancing Cudahy's aging housing stock, increasing the rate of owner-occupied housing units, and increasing the number of housing units with three or more bedrooms in Cudahy.

This Neighborhood Improvement Loan Program Manual has been modeled off a similar program located in Shorewood, Wisconsin. The City of Cudahy gratefully acknowledges the Village of Shorewood and their staff for their assistance in the explanation of their program and assistance in the preparation of the implementation of a program in Cudahy Wisconsin.

A Neighborhood Improvement Loan Program (the program) has been established offering home improvement loans for attic improvements and conversions of a two-family dwelling to a single-family. Loans are for one- and two- family dwellings.

B. PROGRAM RULES

The Community Development Authority shall have administrative oversight of the Program as the Cities Housing Authority. Program administration will be provided by the City of Cudahy and Community Development authority Shared Staff.

Preliminary eligibility based upon preliminary loan applications shall be processed, but not approved, by the agreed upon bank Program Administrator. The Planning and Zoning Department and City Treasurer's Staff appointee shall further verify eligibility, initiating the underwriting process following approved inspections for the home improvement loans.

City of Cudahy and Community Development Authority staff shall provide monthly updates to the Common Council, and an annual report to the first regular meeting of the Common Council held in May of each year. A program evaluation shall also be completed when the total programs funds have diminished to \$100,000. The Planning and Zoning supervisor may temporarily suspend acceptance of applications to seek clarification from the Common Council as needed.

The program shall function as an interim program for 24 months upon full program approval by the Common Council. All repaid loan funds received during the 24 month period shall revolve back into the original fund to be redistributed.

C. PROGRAM OBJECTIVE

The primary objectives of this program are to:

1. Increase the number of housing units with three or more bedrooms.
2. Maintain and increase the number of owner-occupied housing units.
3. Eliminate housing conditions that are detrimental to public health, safety and welfare.
4. Converse the existing housing stock.

The intent of the home improvement loan is for funding repairs and improvements to properties where it would otherwise not be possible.

D. RECORDS

The Planning and Zoning Department shall maintain records of housing, loan activities, including loan applications and related documents. All personal finance information will be maintained as confidential records except those records subject to Wisconsin Open Record Law.

Each project file will contain (if applicable):

A completed loan application form	Program Administrator
Written Application	Program Administrator
Fax Form	Program Administrator
Evidence of fair market value of home (Tax Bill or Appraisal within one year)	Program Administrator
Property inspection reports (before and after)	City
Accepted bid by bonded and insured contractor(s)	Applicant
Contractor Work Completion Agreement	City
Change order requests in writing	Applicant
Contractor Payment Requests	City
Check Copies	City
Contractor Termination form	City
Annual Ownership Verification	City
Lending Related Documents	
A Notice of Right of Recision (3 day refusal)	City
A Truth-In Lending Disclosure Statement	Program Administrator
Copy of Mortgage Note & Recorded Mortgage	Program Administrator
Residential checklist	Program Administrator
Authorization to Terms and Condition of Loan	Program Administrator/Branch
Insurance Notification (Signed Agreement)	Program Administrator
Transunion Credit Report	City

E. PROGRAM AREA

The program area is the entire City of Cudahy.

F. OUTREACH

Information regarding the various housing programs will be made available throughout the community. The Program Administrator and City Staff will monitor the need for advertising.

II. TYPES OF LOAN AVAILABLE:

We will offer two types of loans:

A. DUPLEX CONVERSION LOANS AND ATTIC IMPROVEMENT LOANS

1. Maximum loan amount of \$20,000 for Duplex Conversions, and maximum of \$20,000 for Attic Improvement Loans.
2. Loan repayment shall be made in accordance with Section VIII B subject, however, to earlier repayment if (a) the housing unit ceases to be the borrower's principal place of residence; or (b) the property is sold; or (c) the property is refinanced. At the occurrence of any of these events, repayment will become due in full. One spousal transfer will be allowed at continued terms. If property transfers to heirs, repayment is not accelerated if: a) the property's equalized value remains below program eligibility limits at the time of the loan transfer, and b) if the heir resides in the mortgaged dwelling as his or her principal residence.
3. The Planning and Zoning Department shall be given written notice within 30 days of change of ownership or change in occupancy. Failure to provide such notice shall require full repayment for City loan amount and all incurred loan closing costs.
4. A lien will be taken in the name of the city of Cudahy against the property in the amount of the loan to ensure repayment of the loan. If financing needed, a HUD1 statement must be provided and list the City of Cudahy and all future lien holders. The note will contain the terms and conditions outlined in this manual required for the type of loan being obtained
 - a) A mortgage will be required of the borrower for a duplex conversion or attic improvement loan as security for the loan. The note and mortgage will require: that the mortgagor have title to the property; that no fixtures may be removed and a grant of a security interest to the City in all fixtures (or a specific schedule of fixtures); mortgagor to pay all taxes and assessments when due; in the event of default, allows the City to declare the entire balance due and seek foreclosure and collect all costs and expenses including but not limited to reasonable attorneys fees and in event of foreclosure, such costs to be added to the judgment; as additional security upon or after a default, consent to appointment of a receiver of the mortgaged property and all rents for the mortgaged property are assigned to the City; an environmental warranty shall be provided to the City; and if applicable require a statement that the note and mortgage were incurred in the interest of the mortgager's marriage or family. This is a summary of some of the terms of the mortgage. The actual terms of the mortgage shall govern.

5. Prior to rehabilitation work, each building rehabilitated with loan proceeds shall be insured by the property owner against loss by fire and other perils, in an amount approved by the City.
6. The property cannot be scheduled for acquisition or demolition.

III. ELIGIBILITY REQUIREMENTS

Eligibility is determined in two phases for home improvement loans. Initial eligibility verification is performed by the Program Administrator determining dwelling type, property values, home ownership, occupancy loan-to-value ratio and debt-to-income ratio. Following preliminary verification, the City will pull credit and a City building inspector reviews contactor bids submitted by the homeowner and inspects the property for eligible work. The Chief Inspector or his designee shall inspect the premises before any bids are solicited. The Program Administrator is notified by City staff if work is approved or not approved.

A. PRELIMINARY ELIGIBILITY APPROVAL

1. Duplex Conversion, multifamily non-conforming, and Attic Improvement Loans must be owner-occupied housing.
2. Qualifying properties are based on maximum value of the property except for Duplex Conversion Loans.
 - a. The maximum value for single family dwellings must be below the most current 12 month average price of a three-bedroom single family dwelling in Cudahy, determined using fair market value.
 - b. The maximum property value for two-family dwellings must be below the most current 12 month average purchase price of a two-family dwelling in Cudahy, determined using the fair market value. There are no value limits for Duplex Conversion Loans.
3. Qualified properties must be one or two-family dwellings, multifamily non-conforming converted to owner occupied single family or duplex owner occupied.

B. ADDITIONAL ELIGIBILITY REQUIREMENTS

1. The applicant must be legally able to mortgage, pledge or assign equitable title to the property to the City of Cudahy, as required by the loan security provisions as set forth in this manual.
2. Property taxes must be paid up to date before any home improvement work can begin.
3. For home improvement loans, a letter report shall be obtained to provide evidence of title and the amounts of mortgages or liens on the property. The Program Administrator shall review the evidence of title and the mortgage and lien amounts to determine if the title is proper and that there is sufficient mortgage-free investment by the owner to ensure payment of the loan.
4. Loans shall not be approved if the total of the existing indebtedness in the property plus the total value of the loan to be provided would exceed 100 percent of the property's fair market values.
5. To be eligible for home improvement loans, a property must be a permitted and / or conforming use under the City's zoning ordinances and located within the limits of the City.

C. ELIGIBLE WORK FOR HOME IMPROVEMENT LOANS:

Following the determination of an applicant's eligibility for the Program, the Planning and Zoning Department staff will conduct a preliminary inspection of the subject property. Specific home improvements could include:

1. Duplex Conversion Loan

Building improvements must result in a dwelling classified as a single-family.

a. Eligible Work.

Electrical or plumbing

Installation or modification of interior stairs

Necessary work on load-bearing or partition wall changes

Structural access changes

Requires removal of second utility meters and exterior doors.

When completed, letter will be required from the home owner that the facility is now single family, requesting the city to recognize as such. This letter, upon receipt, will be distributed by city staff to the Assessor, Clerk/Treasurer, and utilities.

b. Ineligible Work

All work not directly necessary for a conversion, determined by the Building Inspector

2. Attic Improvement Loan

All work must contribute to new habitable space

a. Eligible work

Weatherization and insulation

Electrical or plumbing

Installation or modification of interior stairs

Necessary work on load-bearing or partition wall changes

Structural wall or roof-line changes

Upper level window additions

Access changes

b. Ineligible Work

Purchase, installation or repair of furnishings including appliances

Addition of any wall opening that is not deemed necessary as a part of required illumination and fire code requirements.

All work not directly related to attic improvements as determined by the Building Inspector.

All improvements must be attached to the property and permanent in nature. All rehabilitation work must comply with applicable codes of the City of Cudahy. NOTE: It is the property owner's responsibility to ensure the proper building permits are issued prior to work commencing.

IV. APPLICATION PROCEDURES

Property owners interested in obtaining a home improvement loan may obtain application forms and information concerning the Program from the Program Administrator or from the Planning and Zoning Department staff. Applications are taken Monday through Friday, 7:30 am – 4:30 p.m. Loan applications and information may be mailed upon request. It is anticipated that the hours of operation of the Program Administrator will be Monday thru Friday 9:00 am to 5:00 pm and Saturday 9:00 am to noon.

A. LOAN APPLICATION

Each prospective applicant who expresses an interest in participation in the Program will make an appointment with the Program Administrator. The prospective applicant will be informed of the specific information needed at the initial interview. During the initial interview, The Program will be explained and the prospective applicant will be furnished with written information concerning the requirements for home improvement loans. Upon request the applicant will also be given a copy of the Neighborhood Improvement Program Loan Manual from the City of Cudahy which explains program eligibility.

The Program Administrator/Branch will assist property owners as necessary in completing the application. The property owner shall submit the application and supporting information to the Program Administrator. All personal financial information shall be kept confidential. The prospective applicant will authorize requests for financial verification up to and including income, assets, outstanding liabilities and mortgage balances and employment.

No work undertaken, whether completed or incomplete, no materials ordered, and no contracts entered into prior to the approval of the loan application will be eligible for payment.

Elected officials are not eligible to receive loans through the program either for themselves, or members of their family. For the purposes of the Cudahy housing program “family” means:

Spouse

Fiancée Fiancé

Children and Children in Law

Brothers and Brothers in Law

Sisters and Sisters in Law

Parents and Parents in Law

Anyone who receives more than 50% of their support from the program (e.g. adopted child, foster child)

B. VERIFICATION OF INFORMATION

After the initial review has been held, the Program Administrator will verify the information provided regarding the applicant’s current fair market value of the home except for Duplex Conversion loan applications. Initial verification of fair market value and preliminary eligibility will be determined prior to an initial property inspection. Preliminary eligibility verifies credit worthiness, loan-to-value and debt-to income ratios.

C. PROPERTY INSPECTION for Duplex Conversion and Attic Improvement Loans

1. The applicant must submit two contractor bids of the proposed work within 60 days after preliminary loan approval from the Program Administrator. Bids will not be accepted for work completed by applicant(s) who may be a licensed contractor.
2. The applicant will arrange with the Planning and Zoning Department staff for an inspection to be made of the property for which the loan is being sought. The two contractor bids shall be submitted to the Planning & Zoning Department before an inspection is performed.
3. On the basis of the inspection, made jointly by the staff and the applicant, an inspection report and work write-up will be prepared by City staff in accordance with the guidelines for eligible work activities set forth in this manual. The inspection report and work write-up will also identify code violations and other deficiencies which may be eligible under the Program and improvements which the applicant wishes to undertake.
4. After satisfactory bid and work proposals have been obtained, an agreement will be reached between the staff and the applicant as to the extent of the rehabilitation work required and / or proposed to be performed.
5. Loan recipients will be required to pay all permit and inspection fees necessary for the approved work. Any processing or loan fees charged to the City by the Program Administrator shall be reimbursed to the City by the loan applicant. The list of fees shall be provided to the applicant, current at the time of loan application. The fees due shall be paid to the City of Cudahy at the time the loan transaction is closed. If the applicant closes on the loan and fails to perform the project, the City shall be paid back all closing costs and associated fees applicable to the processing of the loan. The fees may be paid up front to the City of Cudahy or from the loan proceeds.

D. PRIORITY SYSTEM

It is the City's intent to approve and issue loans on a first come, first served basis. When current funds are not available, additional applications will be processed on the basis of the time they were received. All other eligibility requirements must be met. The City will be the location of record for the official waiting list for available funds.

E. LOAN DECISIONS AND ADMINISTRATION

1. Following preliminary loan application approval and property inspection, the Program Administrator is authorized to process new loan and subordination requests under the following circumstances:
 - a. Applicant property fair market value is within the maximum limits in effect at the time of request to qualify for loan.
 - b. The mortgaged property value is sufficient to protect the interest of the City.
 - c. Loans and requests meet the requirements of this manual.
2. Where it has been determined by the City that a loan applicant is related to or has a close personal relationship with a City staff member within the Planning and Zoning Department, the City Manager shall review file information and give final approval prior to initiating the underwriting process.
3. The City makes all credit decisions and loan approvals. The Program Administrator is a processor and is not responsible for making credit decisions or loan approvals or denials.

F. NOTICE OF APPROVAL OR REJECTION

1. Notification of loan approval or rejection will be provided to the applicant in writing by the City. The Program Administrator will be supplied an explanation by the City Chief Inspector for applications rejected following a property inspection for home improvement loans.
2. All loans given within the guidelines of this manual (and supporting documents) will be reported to the Common Council on a quarterly basis.
3. Applications that have been denied by the Planning and Zoning Department staff solely for work determined as ineligible for home improvement loans may modify the project scope and resubmit two bids within 15 days of determination, not to exceed predetermined loan limits. The application will maintain its loan order under eligibility determination from the City staff is made.

V. LOAN UNDERWRITING GUIDELINES

General loan criteria:

1. Residence

Stable residence is important. Postal boxes, general delivery, hotel and motel addresses are not acceptable.

2. Employment and Income

Continuity of employment is important. Stable employment with the same employer is preferred. A change of employment is acceptable if for advancement and in the same field. Self-employed applicants should be in business for a minimum of two years.

3. Debt Ratio

The total monthly obligations, including the new monthly payment, should not exceed 43% of gross income.

4. Credit History

A credit report will be obtained and reviewed in conjunction with the underwriting of the loan. To the extent permitted under the Equal Credit Opportunity Act and based upon the provisions of the Wisconsin Marital Property Law, the credit report and credit history of a nonapplicant's spouse may also be obtained and reviewed. In general, the credit report should reflect a pattern of responsible and satisfactory use of credit, determined by the City. Final credit decisions will be made by the City staff.

The Program Administrator does not have any minimum score requirements. Applicants for credit are individually reviewed. Home Equity Line of Credit payments are calculated using a 12% rate amortized for 180 months. The Program Administrator will not originate a mortgage behind a negatively amortizing first mortgage. In addition the property shall not exceed 100% loan-to-value ratio including the city loan.

VI. SUBORDINATION

The City may be in first, second, or third Lien Mortgage position. The City will not subordinate its position unless a loan is taken in tandem with the loan program, the City will subordinate to bank. If the bank loan is taken subsequent to the program, the City will not subordinate.

VII. CONTRACTING HOME IMPROVEMENT LOANS

A. WORK COMPLETION AGREEMENT

Contractors must complete an Agreement to Complete Work form provided by the Planning and Zoning Departments to ensure timely completion of project, to be completed at the time building and work permits are required.

B. HOME IMPROVEMENT CONTRACTS

Home improvement contracts shall be between the property owner and the contractor. The property owner will select the contractor to whom the contract shall be awarded.

C. WORK PERFORMANCE

All work performed in accordance with all applicable City codes.

D. CHANGE ORDERS

Changes to the project require prior approval from the Planning and Zoning Department. Change order requests must be submitted in writing to include the property owner and contractor signatures.

E. CONTRACTOR INSURANCE

The Contractor shall submit to the Planning and Zoning Department proof of insurance prior to starting any work. The policy must have comprehensive general liability insurance with a minimum of \$500,000 bodily injury and \$500,000 property damage coverage and workers compensation insurance at statutory minimums. This shall be covered and proven during the building permit process.

F. LIEN WAIVER

Payments to contractors will be paid in full when the City of Cudahy receives lien waivers.

VIII. DISTRIBUTION OF FUNDS

A. LOAN CLOSING PROCEDURE

On the date of the loan closing the processing Program Administrator will meet with the applicant to:

1. Review documents involved in the transaction, and
 - a. Secure the applicant's signature on the application documents and Authorization to Terms and Conditions of the loan.
 - b. Have the applicant sign the Note and Mortgage.
 - c. Obtain the applicant's signature on the contractor's Notice to Proceed (City Requirement).
 - d. Have applicant sign the Truth in Lending Disclosure Statement.
 - e. Have the applicant sign the Notice of Right of Rescission, acknowledging Staff has explained the three-day right of rescission and provided two copies of the same.
 - f. Sign other documents as necessary/ applicable
 - g. Receive applicants proof for obtaining insurance for the property.
2. The City shall explain the process for obtaining approval of a change order.
3. The City of Cudahy is not requiring early disclosures to the applicant.

B. LOAN REPAYMENTS

The repayment of this loan shall be over a maximum 10 year period, established from the date of the loan closing. Deferred repayments shall begin at a period beginning 2 years after the closing of the loan. The payment amount shall be at a minimum monthly repayment based on the amount of the total loan and the maximum repayment period. In addition, there shall be no penalty provided to the applicant if the applicant wishes to repay the loan back in its entirety prior to the beginning of repayment requirements or scheduled loan maturity.

For example, on a \$20,000 loan, the repayment amount begun at the beginning of the third year would be calculated at the amount of loan outstanding, divided by the number of years to the conclusion of the loan, divided by 12 months. Under this example, the monthly repayment amount required beginning in the 25th month of the loan would be \$208.34. This calculation is based on a 8 year pay back,

At the time of sale, refinance or when the property is no longer owner-occupied complete loan repayments are due. The Cities lien position guarantees repayment. The City will not subordinate its position to reduce risk.

The Planning & Zoning Department shall be given written notice of change of ownership or change in occupancy by the loan Applicant. Failure to provide notice shall require repayment of all incurred original loan closing costs.

Annual verifications of owner-occupancy and ownership will be performed by city staff.

C. PROGRESS PAYMENTS TO CONTRACTOR

1. The Planning & Zoning Department staff shall approve progress payments to the contractor for work satisfactorily completed following all completed rough and final inspections performed by city inspectors, including satisfaction of the property owner. No more than two progress payments shall be made for each loan. The City of Cudahy will allocate payment to the contractor.
2. Each request for progress payments shall be made on a form provided by the City of Cudahy.
3. Each request for progress payments shall contain:
 - a. The contractor's certification that the work for which the progress payment has been requested has been performed in accordance with the terms of the contract.
 - b. Certification by the building inspector that necessary inspections have been made and the work has been satisfactorily performed in accordance with the contract.
 - c. The signature of the applicant denoting approval of the work for which payment is requested.
4. The building inspector shall advise the applicant of any noncompliance in the work or of an incorrect invoice submitted by the contractor if the work completed is not in accordance with the requirements of the contract and accepted contracted bid. The applicant, with the assistance of the building inspector, shall be required to obtain appropriate corrective action from the contractor. No payment shall be made on the contract until the contractor has satisfactorily completed the necessary action.
5. Upon completion of all work, request for final payment shall be made on the same form as required for progress payments and shall contain the same certification and signatures required for such payments. Requests for final payment shall include a release by the contractor, subcontractor and suppliers of all liens, and a copy of each warranty due the owner for the work.

D. TERMINATION OF HOME IMPROVEMENT CONTRACT

A home improvement contract may be terminated under the following conditions:

1. Poor performance by the contractor and the demonstrated inability to rectify the poor workmanship. The following procedures shall be instituted when negotiating a poor workmanship problem:
 - a. A meeting shall be held at the job site with the contractors, homeowner, and building inspector to attempt to come to a consensus regarding correction of problems.
 - b. On the second request for correction, the building inspector shall contact the contractor by certified mail notifying the contractor that the workmanship is still poor specifying the area that need to be addressed to satisfy the contract. The contractor shall be given a 15 day time limit in which to make the required repairs.
4. Causing undue damages to a homeowner's property and the inability and unwillingness to correct the damages.
5. Irreconcilable differences between the contractor and the property owner.
6. The contractor requests to be removed from the contract.
7. The contractor required license(s) has been suspended.

No payments shall be made for work completed that has not been approved by a city building inspector.

E. CLOSE OUT PROCEDURES

1. The City shall review the project file following close out to determine if all documents have been properly executed and are contained in the file.
2. After all disbursements for each individual loan have been made a revised Note is prepared and signed by the applicant and an additional Mortgage signed and recorded if the reimbursement project cost exceed original loan amounts. Loan totals shall be retained by the City and requesting financial institution.

IX. REUSE OF FUNDS

Funds paid back shall be deposited into the Neighborhood Improvement Loan Program Fund and will be used for housing rehabilitation in a manner consistent with the current Neighborhood Improvement Loan Program Manual.

The Neighborhood Loan Improvement Loan Program Fund shall be audited in the same manner and at the same time as other city funds.

X. AMENDING THE HOUSING PROCEDURES MANUAL

The Common Council may, at any time, amend the Neighborhood Improvement Loan Program manual.



City of Cudahy Neighborhood Loan Process

Legend



