

**Memorandum
Community & Economic Development Department**



To: Thomas Thomas, City Manager
Subject: CDBG Policies & Procedures Manual
Date: March 26, 2015

The City's current CDBG Policies & Procedures Manual dates from 2007 and is past due for updating. The HUD monitoring visit in 2013 determined that several of the activities defined in the current manual are no longer compliant with their National Objectives and that the entire manual should have been updated in 2011-2012. As HUD funding continues its slow and steady decline, demand for service increases. City staff has been challenged with doing more with less, while HUD increases restrictions, documentation and reporting frequency.

The housing rehabilitation program is generally divided into three categories. Roofs (the most popular and utilized), emergency and non-emergency. Each of these three programs are further divided into either repayable or forgivable loans, based on household income, as determined each year by HUD's income guidelines. Slight changes to the roof and emergency programs are proposed, including increases in dollar amounts per project and aligning the types of projects with HUD National Objectives. A chart on the opposite side of this page may help to explain the current and proposed programs.

The non-emergency program will replace the targeted rehabilitation program. This was a first-come, first-served program which was very problematic. Applicants would stand in long lines in front of City Hall before normal business hours to be among the first to apply and many of the program projects are no longer allowed by HUD. The non-emergency program that will replace the targeted rehabilitation program with types of projects which are intended to be more proactive and encourage homeowners to seek replacement of and upgrades of major appliances such as water heaters and furnaces, before they become emergencies. Energy efficiency is a major national objective of HUD and this program is intended to do just that.

The Policies & Procedures Manual is a component of a larger CDBG program document CED staff is drafting, but with the onset of warmer weather and the construction season, it was felt to move forward with adoption of this portion in order to begin serving the residents of Rock Island as soon as possible.

RECOMMENDATION: Approval of the draft CDBG Policies & Procedures Manual as proposed by CED staff, allowing for minor modifications by the City Attorney and the Chicago HUD Office.

Submitted by: Jeffery A. Eder, Assistant City Manager / CED Director
Ben Griffith, Planning & Redevelopment Administrator

Approved by: Thomas Thomas, City Manager

CDBG Housing Repair Loan Programs

CURRENT PROGRAMS				PROPOSED PROGRAMS			
RDPL	Roof Deferred Payment Loan	\$6,000 maximum	Replace deteriorated roofs	RLFP	Roof Loans Forgivable	\$7,000 maximum	Replace deteriorated roofs
RSPL	Roof Standard Payment Loan			RLPP	Roof Loans Payable		
TRFL	Targeted Rehabilitation Forgivable Loan	\$5,000 maximum	Demolition of dilapidated garages, gutter replacement, sidewalks and driveways	NEFP	Non-Emergency Loans Forgivable	\$4,000 maximum	Water heater upgrade, furnace/boiler upgrade, chimney tuck pointing, demolition of dilapidated garages, replacement of gutters
TRPL	Targeted Rehabilitation Payment Loan			NEPP	Non-Emergency Loans Payable		
EDPL	Emergency Deferred Payment Loan	\$10,000 max for furnace	Water line breaks, sewer line breaks, electrical services, roof damage, water heater replacement, furnace/boiler replacement, handicapped ramp/access	ELFP	Emergency Loans Forgivable	\$10,000 maximum	Water line breaks, sewer line breaks, electrical services, roof damage, water heater replacement, furnace/boiler replacement, handicapped ramp/access
ESPL	Emergency Standard Payment Loan	\$7,000 max for water/sewer line breaks \$5,000 max for handicap accessibility		ELPP	Emergency Loans Payable		

APPENDIX L

City of Rock Island Housing Repair Loan Program Policy and Procedure Manual

Community and Economic Development Department
Planning and Redevelopment Division
1528 Third Avenue
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I. INTRODUCTION

A. Background

This policy and procedure manual summarizes program operation, eligibility, administration, management and oversight associated with the City of Rock Island's Housing Repair Loan Program (HRLP). The HRLP is made possible by the Community Development Block Grant (CDBG) program.

Since 1975, the City of Rock Island has received an annual allocation of CDBG funds from the United States Department of Housing and Urban Development (HUD), as authorized by the Housing and Community Development Act of 1974. The primary objective of the Act is the development of viable urban communities.

The City's Consolidated Plan identifies needs, priorities, and funding sources to further HUD's goal of developing viable urban communities. The most recent Consolidated Plan for Rock Island is available online at: www.rigov.org/cdbg.

The City's highest priority identified in the Consolidated Plan is to promote, increase, and maintain homeownership for low- and moderate- income (LMI) households. The HRLP was created to address this priority.

B. Statement of HRLP Program Objectives

Mission: To promote decent housing by providing financial and technical assistance to LMI homeowners. This assistance will encourage compliance with the City's safety standards and preserve, improve and revitalize the City's housing stock.

Objectives:

- To ensure that homes are maintained in decent, safe and sanitary conditions by requiring that recipients alleviate hazardous or potentially unsafe conditions.
- To provide LMI homeowners with an affordable financial mechanism to bring their homes into compliance with city codes.
- To extend the life of the home and reduce maintenance costs for LMI homeowners by discouraging deferment of maintenance and encouraging adoption of energy-efficient features.
- To improve the appearance and property values of the City's neighborhoods by assisting homeowners to eliminate blighted and unsightly conditions, wherever possible.

C. Eligibility

All HRLP assistance activities satisfy the primary national objective of the CDBG program: to benefit low- and moderate-income (LMI) persons. Furthermore, the LMI housing category (LMH) qualifies activities that are undertaken for the purpose of providing or improving permanent residential structures which, upon completion, will be occupied by LMI households.

In order to meet the LMH national objective, structures with one unit must be occupied by a LMI household. If the structure contains two units, at least one unit must be LMI occupied. Structures with three or more units must have at least 51 percent occupied by LMI households.

D. Program Design

The HRLP is designed to provide technical and financial assistance for housing rehabilitation by offering low-interest or forgivable loans. These loans are only available to qualified LMI homeowners residing within the corporate limits of the City of Rock Island. Approved rehabilitation activities are designed to bring owner-occupied homes into compliance with property standards as specified in the City's Building Codes and Ordinances.

E. Funding Availability

The City's citizen participation process involves all stakeholders into the annual CDBG funding allocation process. This process schedule and more information is available online at: www.rigov.org/cdbg.

Once the annual citizen participation process is complete, the City awaits the final allocation letter from HUD to learn the exact amount awarded for that year. In the past, this letter has been received both before and after the beginning of the new HUD program year (April 1). If the final award letter is not received by April 1st, City staff will continue to proceed with announcements of the programs anticipated to be available (as indicated in the Annual Action Plan submitted to HUD) and begin to accept applications for these programs. Ideally, no new entitlement funds will be committed to HRLP projects until the final budget amounts are established. Due to a limited construction season window the HRLP staff, along with the CDBG administrator, will monitor and seek guidance from HUD on when final funding amounts can be anticipated. City staff is advised to hold off on spending new, anticipated entitlement funds until substantial assurance is received from HUD that funds will be available for the upcoming year. Carryover funds from prior years and program income (revolving loan income) can be utilized while waiting for assurance of new entitlement funds.

F. Annual Program Announcement

In March of each year, the Housing Loan Officer and Construction Officer are responsible for advertising the programs approved by Council to the public. Forms of notification include:

- Press release to the print and broadcast media.
- Notification posting on the City of Rock Island website (www.rigov.org)
- Mailing letters to individuals that applied or expressed interest in applying for programs in the previous year but were not approved due to lack of funds or other reasons.
- Mailing letters to individuals that have requested in writing to be notified when the programs and/or applications are available to the public.

G. HRLP Program Administration

The Planning and Redevelopment Administrator will administer the HRLP as an inter-agency sub recipient of the CDBG Program. The CDBG Administrator, CED Director, and Planning and Redevelopment Administrator are jointly responsible for monitoring the budget process and authorizing when funds can be committed to projects. These three individuals are primarily responsible for the management, oversight, and coordination of the HRLP. The CED Director has the final authority for all HRLP-related items. Please see attachment 1 for further details on the procedures required for successful HRLP program administration.

II. FINANCIAL MECHANISM

A. Financing Instrument

Approved HRLP projects will be financed by providing the homeowner with either a 3% interest rate loan with variable terms or a forgivable loan, based on household income documentation received. Both of these financial products are secured by a 5-year lien placed on the rehabilitated property.

B. Financing Limits

Please see section XX below for further information on limitations for each HRLP program.

C. Property Lien

A lien will be placed on the property for the total project costs financed by the City. The lien is for a period of 5 years on forgivable loans or a variable term on repayable loans based on the repayment terms of the loan. The lien period begins the date the final loan documents are executed. If the property is sold or title is transferred during the lien period, the full amount of the lien will become due and payable immediately. If the homeowner or homeowners' surviving spouse does not transfer the title within the lien period, then no repayment will be due and the lien will lapse with all claims to the property terminated at that time.

The City of Rock Island may declare an application eligible for a waiver of the lien if one of the following conditions is met:

- A) If the home owner is forced to sell the rehabilitated property to meet health care and/or nursing home expenses.
- B) If other extenuating circumstances occur, as deemed appropriate by the City of Rock Island.

At the time of loan closing, the homeowner will be required to pay a \$45 recording fee to cover the costs to formally release the lien at the lien expiration period and when all debt is satisfied.

D. Subordination of Lien

A subordination of lien for HRLP participants wishing to refinance their mortgages or obtain second mortgages for the purpose of reducing housing costs or making additional home repairs is allowable.

To obtain a subordination of lien, the homeowner, lender, or financial institution must submit a request in writing to the Housing and Loan Program Officer along with a processing fee of \$25. The request should include:

- Current and proposed mortgage figures,
- Name of the homeowner,
- Property address,
- Legal description of the property,
- Date and document number of the lien,
- Amount of the lien,
- Copy of the Good Faith Estimate,
- Name, address and contact person of the financial institution providing the new mortgage, and

- Amount of the refinanced or second mortgage.

Upon receipt of the request and payment, it will take approximately five (5) or more business days to process and authorize the lien subordination. The City cannot guarantee processing of requests for subordination in less than five (5) business days.

The City reserves the right to disapprove a request. This may occur if the refinanced mortgage will be substantially greater than the current mortgage amount, if the equity in the home will be reduced below acceptable levels, or for other reasons as may be deemed appropriate.

E. Release of City Liens

The City of Rock Island Mayor and City Council may authorize the Planning and Redevelopment Division to release any tax lien if the property has been sold and received a tax deed for the property. "See Resolution No. 15-2011."

F. Waiver of Foreclosure

The City of Rock Island may declare an applicant eligible for a waiver of foreclosure or other collection actions when one the following conditions are met.

- 1) If the purchaser is forced to sell the rehabilitated property to meet health care and/or nursing home expenses;
- 2) If other extenuating circumstances occur, as deemed appropriate by the City of Rock Island.

III. ELIGIBLE HOUSEHOLDS AND PROPERTIES

To be eligible to participate in the HRLP, applicants must meet all of the following guidelines:

Preliminary Application Process:

The preliminary application packet identifies the programs available, income limitations, due dates, bidding process and technical assistance contact information. The packet also includes an application for the homeowner to complete and return for both the Roof Loan Program and the Non-Emergency Loan Program. A preliminary application is not required for the Emergency Loan Program. Packets are available year-round. Interested households may pick up application packets from the Community & Economic Development Department on the 2nd floor of City Hall located at 1528 Third Avenue, Rock Island, IL 61201. Interested parties can also call (309) 732-2900 and ask for an application to be mailed or e-mailed to them. Non-English speaking residents and sight-impaired may call (309) 732-2900 for accommodations. Preliminary applications are due back to the City upon completion.

This preliminary application serves multiple purposes. The first is for staff to determine what program and loan type the project is eligible for. Based on the application information provided, a preliminary determination is made on whether the loan will be forgivable or repayable. Once the loan program and loan character are identified, the applicant will be placed on the waiting list for the corresponding program and notified of the status of their application.

A. Residency and Ownership

The applicant must own the home and occupy the property needing repairs. Ownership will be verified through a title search, property tax identification, and homeowner insurance. This

verification will be completed prior to approval of the project. The property must be located within the corporate limits of the City of Rock Island and must comply with one of the following categories:

- 1) Single-family detached unit.
- 2) Multi-family attached unit (townhome/condominium)

If repairs are needed to common elements of the multi-family attached unit, such as roofs, all homeowners must agree to make the repairs through a notarized document. If only one unit is participating in the HRLP, HRLP- funded repairs shall be limited to the eligible unit only. However, the non-HRLP participant may be included in the project if they agree to pay for half the common element; this requires written approval by the CED Director and Planning and Redevelopment Administrator. If both units are participating in the HRLP, the cost of the HRLP-funded repairs to the common elements will be divided equitably between the two units. If the other unit has replaced the roof within the past five (5) years, a roof replacement may be approved for the HRLP-funded unit, if the homeowner agrees to use the same contractor used by the adjoining unit.

- 3) Single-family or multi-family attached unit residential property that is also used as a place of business and is required to operate the business.

B. Household Income

To qualify for the HRLP, the applicant household's total adjusted gross income (AGI) for the 12-month period prior to the date of the application must be identified as LMI within the current program year income limits system established by HUD. This income limit system is based on household size and is specific to the Davenport, IA-Moline, IL-Rock Island, IL metropolitan statistical area. See final page of this appendix section for an example of the most recent HUD Income Limit table. This table is updated annually by HUD therefore it is important to verify that the most recent table is being used.

To qualify as a **low-income household**, the household's total AGI must be less than or equal to 50% of the maximum income level for the low-income household limit. To qualify as a **moderate-income household**, the household's total AGI must be greater than the 50% maximum income level for the low-income household limit but less than or equal to the 80% maximum income level for the moderate-income household limit.

The following definitions shall be used in the determination of a household's total AGI:

- 1) **Adjusted Gross Income** shall be defined as adjusted gross income reported to the Internal Revenue Service on Internal Revenue Service (IRS) Form 1040, Line 31 for annual federal income tax purposes; or the gross amount on the paystub for one month; or benefits statements from the Social Security, or retirement benefits. This definition also includes income received from tips, gross business income, income from sales and expenses of property, interest and dividends, rents, royalties, annuities and pensions. Deductible contributions to an IRA, Keogh or SEP Retirement Plan; 50% deduction of self-employment tax liability; health insurance deduction for self-employment; alimony paid; moving expenses and penalties on premature withdrawals from savings are excluded from income.
- 2) **Total Adjusted Gross Income for the household** shall be defined as the sum of the total adjusted gross income of each household member aged 18 or over. A **household member** shall be defined as any person occupying the housing unit as a permanent resident as of the

date of application, regardless of that person's relationship to the homeowner or other members of the household. Persons living outside the home will not be considered to be household members unless they are a college student living in a dormitory but are claimed as dependents on a resident household member's income tax form.

C. Other Requirements

- 1) **Taxes and Fees Owed and City Conflicts** – Any tax assessments, fees, or utility bills owed by the applicant to the City of Rock Island or County of Rock Island must be paid in full prior to loan closing. Any unresolved conflicts or pending code enforcements actions from the City of Rock Island also must be resolved before the loan can be closed.
- 2) **Insurance Coverage** - To be eligible for participation in the HRLP, all homeowners must maintain adequate insurance coverage on their home. Adequate insurance coverage is a minimum of \$25,000. The insurance must cover the period during which the rehabilitation activities will take place. Applicants will be asked to provide proof of insurance along with other application documents. “SEE REFERENCE THREE”.
- 3) **Environmental Review** - Grantees who receive CDBG funds must complete an environmental review of all project activities prior to obligating CDBG funds. This requirement also applies to projects funded with CDBG generated program income. See the City of Rock Island's main CDBG policies and procedures manual for further information related to environmental reviews and corresponding requirements. Staff may proceed to obtain and submit bids prior to environmental clearance, but shall not execute any contract for work to be performed until environmental clearance has been obtained. No CDBG funds shall be obligated for any rehabilitation project that has not received environmental clearance.
- 4) **Lead-Based Paint Requirements** - All repair projects should be in compliance with federal requirements for the use of CDBG funds for residential rehabilitation per Lead Safe Housing Rule (24 CFR 570.608 and part 35).
- 5) **Labor Standards** – Construction work that is financed in whole or in part with CDBG funds must adhere to certain federal labor standards requirements. The prime or general contractor is responsible for full compliance with applicable requirements, including compliance requirements for all employers/subcontractors on the project. Detailed information on these requirements can be found in the “Basically CDBG” manual.
- 6) **Procurement** – When CDBG sub recipients elect to hire a contractor, whether to administer a program, complete a task or do construction, those contractors must be procured competitively. For detailed information on this requirement, please refer to 24 CFR 85.36 in its entirety as well as any applicable state or local procurement laws.
- 7) **Conflict of Interest** - The City of Rock Island will abide by the Conflict of Interest regulations related to procurement as stated in 24 CFR 570.611 of the federal CDBG entitlement program regulations. Further information on this can be found in the City of Rock Island's main CDBG policies and procedures manual.
- 8) **Homeowner's Equity** – The applicant must own and occupy their single-family detached house, townhouse, or condominium unit within the corporate boundary of the City of Rock Island. The applicant must have owned and occupied the home for at least six months prior

to initial application. Proof of paid current property tax and homeowner's insurance must also be provided.

- 9) **Non-Resident Owners** - The applicant should have clear title to the property. If an owner's name appears on the title who is not an occupant of the property, and the applicant does not want the non-occupant owner's income to be included in the determination of household income, the non-occupant owner must submit an affidavit stating that he/she has not lived in the property for the previous 12 months, that the non-occupant has not contributed to expenses related to the property for the previous 12 months, and that the non-occupant is aware of and agrees to the repairs being considered and all HRLP requirements, including placement of a lien on the property at the conclusion of the rehabilitation project.
- 10) **Contract Purchase** - Homeowners purchasing the home on contract are eligible for HRLP. The purchase contract must be filed at the Recorder's office in Rock Island County. Contract payments must be up to date and the owner of the contract shall provide notarized authorization allowing the City of Rock Island to place a mortgage on the home under contract.
- 11) **Necessity to comply with building codes** – All construction activities shall comply with all building codes and ordinances adopted by the City of Rock Island. Please visit www.rigov.org/index.aspx?nid=645 for further detail on the current codes.

IV. REHABILITATION PROJECT COST ELIGIBILITY

The following items will be considered eligible project costs to be paid for with HRLP funds:

- 1) **Hard Costs** – Hard costs are costs of labor, materials, supplies and other expenses required for the rehabilitation of the property, including costs for the repair or replacement of principal fixtures and components of existing structures.
- 2) **Soft Costs** – Soft costs are fees for professional services and development costs, including surveyor's fees, fees for architectural services, document procurement fees, lead-based paint risk assessment, clearance inspection fees, building permit fees and other fees for services deemed necessary to establish the applicant's eligibility or to complete the rehabilitation project. Soft costs shall not constitute more than 20% of the total project costs.

Items not eligible for repair with CBDG funds include, but are not limited to the following; normal home maintenance, remodeling or decorating; repair or replacement of furnishings, including carpeting, draperies, interior painting or wallpapering, windows, or siding. Items which are in need of extensive repair, such as roofs, water heaters and furnaces, shall not be repaired but will be evaluated for replacement. Repair or replacement of bathroom fixtures will not be eligible even if the condition is resulting in significant water leakage or loss. No room additions or conversions will be considered for repairs.

V. HRLP PROGRAM DETAILS

A. General Rehabilitation Programs Offered:

Roof Loans Forgivable (RLFP): This program offers a five-year forgivable loan to replace deteriorated roofs. Forgivable loans are only available if the household income is less than the

50% median income limits set by HUD. A maximum of \$7,000 can be loaned per residence with an additional 10% contingency budgeted for unexpected project overages.

Roof Loans Payable (RLPP): This program offers a five-year repayable loan to replace deteriorated roofs. Repayable loans are available to households with an income less than the 80% of AMI but not less than the 50% AMI. The program terms will vary depending on the roof cost, as well as the homeowner's financial situation. A maximum of \$7,000 can be loaned per residence with additional 10% contingency budgeted for unexpected project overages.

Non Emergency Loans Forgivable (NEFP): This program offers a five-year forgivable loan for various items including but not limited to: water heater upgrade, furnace/boiler upgrade, chimney tuck pointing, demolition of dilapidated garages, and replacement of gutters. The income qualification is 50% less than the median income limits set by HUD. The maximum loan dollar amount is \$4,000.00 per residence with additional 10% contingency budgeted for unexpected project overages.

Non Emergency Loans Payable (NEPP): This program offers a five-year repayable loan for various items including, but not limited to: water heater upgrade, furnace/boiler upgrade, chimney tuck pointing, demolition of dilapidated garages, and replacement of gutters. The income qualification for a repayable loan is 80% below AMI but not less than 50% of the AMI. The maximum loan dollar amount is \$4,000 per residence with additional 10% contingency budgeted for unexpected project overages.

B. Emergency Loan Programs Offered:

Emergency Loans Forgivable (ELFP): The emergency loans are extended to help residents eliminate an immediate life-safety threat from unexpected water line breaks, sewer line breaks, electrical service or roof damage. This program also can replace a hot water heater that is beyond repair, furnace that is beyond repair, handicapped ramps/access for the disabled and special cases that pose a threat to life-safety or liability to the residents of the City of Rock Island. Applications will be addressed on a case-by-case basis and will be documented to show the necessity to exceed the maximum amount. Evaluations will be based on life-safety and/or liability. Each case will be reviewed and approved by the Planning and Redevelopment Administrator and CED Director. The maximum loan amount is \$10,000 with additional 10% contingency budgeted for unexpected project overages. In certain cases, the bid may exceed the maximum of \$10,000, which may be approved by the Planning and Redevelopment Administrator and CED Director. The qualifying income guidelines for the emergency forgivable program are household incomes that are 50% of AMI or below.

Emergency Loans Payable (ELPP): The emergency loans are extended to help residents eliminate an immediate life-safety threat from unexpected water line breaks, sewer line breaks, electrical service or roof damage. This program also can replace a hot water heater that is beyond repair, furnace that is beyond repair, handicapped ramps/access for the disabled and special cases that pose a threat to life-safety or liability to the residents of the City of Rock Island. Applications will be addressed on a case-by-case basis and will be documented to show the necessity to exceed the maximum amount. Evaluations will be based on life-safety and/or liability. Each case will be reviewed and approved by the Planning and Redevelopment Administrator and CED Director. The maximum loan amount is \$10,000 with additional 10% contingency budgeted for unexpected project overages. In certain cases, the bid may exceed the maximum of \$10,000, which may be approved by the Planning and Redevelopment Administrator and CED Director.

The income guidelines for this program are household incomes that are 80% or below AMI but greater than the 50% of AMI.

The City of Rock Island will make emergency grants to correct existing code violations that pose an immediate and critical danger to the health and safety of the occupants, and in some cases adjacent neighbors, such as water and sewer line repairs. Barrier removal and/or correction of materials, exterior entrance, sidewalks, driveways and wheel chair ramps which restrict mobility and/or accessibility for elderly and/or severely handicapped persons are eligible projects. These projects will only be authorized if the household includes a person(s) who is elderly and/or disabled. Examples of repairs or installations that may be authorized under this category include replacement or new construction of wheelchair ramps, and cement sidewalks. A letter from an attending physician may be required.

When informed of a possible emergency situation, the Construction Officer is responsible for inspecting the dwelling to verify that an emergency situation exists (if this has not already been done by the Inspections Department). If the construction officer determines that an emergency situation exists, the homeowner will be asked to complete an application to determine eligibility. Once an emergency situation has been identified and approved, the project will receive top priority for funding assistance and completion of rehabilitation work.

C. Rehabilitation Approval Requirements

To be approved for rehabilitation, all homes must meet the following general requirements:

- 1) **Structural Soundness** - To be approved for rehabilitation, the basic structural components of the home must be sound.
- 2) **Extension of Usable Life** - The rehabilitation activities to be approved should extend the usable life of the home by at least five (5) years.

The HRLP Construction Officer is responsible for evaluating each application and determining whether these requirements are met.

D. HRLP Project Priorities

Once approved for a program, HRLP applications will be prioritized in order of the following criteria:

- 1) **Health and Safety** - Hazardous conditions or conditions potentially threatening to the health or safety of the occupants and in some cases, adjacent residents. These conditions will receive the highest priority and must be addressed before any other projects may commence.
- 2) **Code Violations** - Items in violation of the building codes and ordinances adopted by the City of Rock Island. These conditions will receive the next highest priority.
- 3) **First in, First out method based on date received for all remaining applications regardless of program**

E. Rehabilitation Items Requiring Special Approval

- 1) **Driveways, Sidewalks and Patios** – No work shall be performed on the sidewalk, driveway or patio on the homeowner's property unless determined by the Construction Officer to be

a trip hazard, barrier to mobility or the household includes a person(s) who is mobility-impaired.

- 2) **Garage Structure** - Costs for demolition of a garage structure may be eligible if the building is determined by the Construction Officer to be blighted in unsafe condition or structurally unsound.
- 3) **Air Conditioning** - The cost of installation or repair of air conditioning systems shall be allowed only in the case of severe medical problems or handicap which is fully documented by a written statement from an attending physician and doctor's records showing treatment for the medical conditions over an extended period of time. No room or individual air conditioners shall be eligible for repair or purchase.
- 4) **Handicap Ramp** - The cost of installing a ramp to make the house accessible for a resident with severe disabilities shall be allowed with documentation by a written statement from an attending physician.
- 5) **Special Cases** - To be determined on case-by-case basis and is an imminent threat to life-safety or homeowner's liability.

VI. **CONTRACTOR REQUIREMENTS**

Repair work will be performed by qualified private contractors selected through the procurement process described in the City of Rock Island's Main CDBG Policy and Procedures Manual.

A. **Contractor Recruitment**

It shall be the responsibility of the Construction Officer to identify and qualify contractors. The City of Rock Island Housing Repair Loan Program will maintain a list of approved contractors. This list shall not constitute an endorsement of any company or individual, nor shall the Planning and Redevelopment staff provide any verbal endorsement of any company, contractor, or individual. Contractors must agree to comply with federal, state, county, local and other laws pertaining to fair employment practices.

B. **Contractor Qualifications**

- 1) All contractor's wishing to participate in the City of Rock Island Rehab Programs, must meet "Contractor Selection/Qualification Guidelines for Housing Rehab Programs." See REFERENCE THREE for further detail.
- 2) **General** - The contractor must furnish the City of Rock Island the business name, name of current owner of the business, owner's current business address, current business phone number, social security number or Federal tax identification number, and W-9.
- 3) **Insurance** - The contractor must provide proof of current insurance. Minimum insurance requirements are as follows:
 - a. Comprehensive General Liability and Property Damage.
 - **General Liability:** \$300,000 for injuries, including accidental death to any one person, and subject to the same limits for each person, in any one accident;

- **Property Damage:** \$100,000 per incident, for damage to property in any one accident; aggregate limit of \$300,000; or **Combined Single Limit (CSL)** of \$500,000.
- b. **Workers Compensation and Employer's Liability:** \$100,000 per person. This requirement may be waived if the business owner will be the only person working on the project and meets the requirements for Comprehensive General Liability Insurance.
- 4) **Licensing and Bonding** - The contractor must provide proof of current City of Rock Island contractor's license, and any other licenses required for the type of work proposed (roofer, plumber, electrician, general contractor, etc.). Contractors will not be required to have a current City of Rock Island Contractors License in order to bid a job, but will be required to obtain such a license prior to the commencement of construction activities on the project. Contractors must also have a \$10,000 bond on file with the City's Inspection Division.
- 5) **Business and Personal References** - It shall be the Construction Officer's responsibility to obtain and check business and personal references.

C. Contractor Responsibilities

Contractors who accept Rehabilitation projects shall be expected to adhere to the following conditions:

- 1) **Contract and Warranty** - The City of Rock Island shall provide the Contractor and homeowner with a written contract specifying the work to be completed and payment to be rendered. The contract shall be a two-party agreement between the homeowner and contractor. It shall include a minimum one-year warranty for labor and appropriate warranties for materials and parts. The contractor shall not be authorized to begin the project until the Construction Officer on behalf of the City of Rock Island and homeowner have executed the contract.
- 2) **Project Start Date** - The contractor will not start the project until submitting all required documents, obtaining all required licenses and permits, and receiving an Authorization to Proceed executed by the City and homeowners. Payment for required building permits and licenses shall be the responsibility of the contractor, unless otherwise stated in the contract. No deposits or down payments will be permitted.
- 3) **General Responsibilities** - The contractor will be expected to complete the agreed-upon work in a professional workman-like manner and in a timely fashion according to a schedule agreed upon by the homeowner and the contractor. The contractor will provide all labor, materials, equipment and other supplies necessary to complete the project. The work shall be completed in a mutually acceptable fashion, without damage to the homeowner's property, according to contract specifications and in compliance with applicable city codes and laws. The site shall be left in a clean and orderly condition when work is not taking place. The contractor shall be responsible for repairs of damage to surrounding work areas that were caused by the contractor or subcontractor.
- 4) **Project Changes** - In case the contractor, in the course of making repairs, identifies additional undiscovered damage or necessary work, the contractor shall immediately inform the Construction Officer. Additional work conducted without written authorization of the Construction Officer will be disqualified for payment.

- 5) **Final Inspection Approval/Complaint Resolution** - The contractor agrees to notify the Planning and Redevelopment Division when the project is completed, so that an Inspection may be scheduled with the Construction Officer. The Construction Officer will contact the contractor if it is determined that additional work is necessary to complete the project in a satisfactory manner. The contractor will make any additional repairs necessary within fifteen (15) days from the date of notification. No payment will be released prior to Final Inspection approval by the City's Inspection Division. Additionally, if the work passes inspection, but is found by the homeowner to be defective prior to release of payment to the contractor, the Construction Officer shall re-inspect the work. If the re-inspection reveals defective or deficient work, the Construction Officer will inform the contractor, who will correct the problems within fifteen (15) days from the date of notification. If the contractor fails to make the required corrections, the City may withhold payment.
- 6) **Payments** – The contractor agrees to submit an invoice to the Construction Officer for the work completed. The invoice should be made out to the "City of Rock Island". Payments made out to the contractor will be placed on the next available payment schedule after the invoice has been received and approved for payment.
- 7) **Final Waiver of Lien** - Prior to receiving payment, the contractor will provide the City of Rock Island with an executed Final Waiver of Lien. No payments shall be released prior to recording of a Final Waiver of Lien.

The above terms and conditions shall be conveyed to the contractor by the Construction Officer and/or City of Rock Island.

D. Refusal/Termination of Contractor Services and/or Removal from City's Licensed Contractor Listing

The City of Rock Island shall have the absolute right to terminate the contractor's services for any reason at any time during the course of the project. If any portion of the project has been completed at the time of the termination of services, the Construction Officer will examine the completed work and determine what portion of the contract has been fulfilled. Payment to the contractor shall be a pro-rated portion of the contractually agreed upon amount, based on this determination.

The City shall have the right to veto the use of a particular contractor and/or to remove a contractor's name from the Approved Contractor List provided to program participants. Removal will occur if the contractor has committed one or more of the following offenses:

- 1) Failure to supply required business information.
- 2) Failure to maintain the required level of insurance coverage.
- 3) Failure to obtain the required licenses and permits.
- 4) Evidence of unfair, illegal or discriminatory employment practices.
- 5) Excessive un-cleanliness or damage to a homeowners' property or adjacent property or public right-of-way during the course of a project.
- 6) Failure to complete projects in a timely fashion.
- 7) Failure to complete a project in accordance with specifications.
- 8) Evidence of poor workmanship or completed work not in compliance with adopted city codes.
- 9) Failure to correct uncompleted or inadequately completed work within a reasonable time.

- 10) Rude or inappropriate behavior to a homeowner, adjacent property owner, or city employee.

VII. TERMINATION OF CONTRACT/LOAN DUE TO APPLICANT CONDUCT

The qualified property owner (borrower) will have thirty (30) days to pay the entire outstanding balance of a **Housing Rehabilitation Loan**, plus interest, to the City of Rock Island when an applicant's or a borrower's eligibility has been terminated of a loan declared to be in default for:

- 1) **Obstruction of Assigned Personnel:** If an applicant/property owner fails to provide access to the subject property or in any manner obstructs the staff member assigned to:
 - a. Prepare the work write-up.
 - b. Prepare the estimated cost of housing rehabilitation report.
 - c. Inspect, review and obtain any necessary documents or materials.

The applicant/property owner shall be informed of his/her obstruction in writing and the application for assistance shall be rejected. If the applicant has been approved and work is in progress when the property owner fails to provide access to the subject property or in any manner obstructs either the staff assigned to supervise the construction or the contractors hired to do the construction, the property owner shall be informed of his/her obstruction in writing and be given ten (10) days to remedy the obstruction. If the property owner fails to remedy the obstruction, the loan, rebate or grant shall be terminated and any funds expended shall be due and payable to the City.

- 2) **Abuse and/or Wasting of a Rehabilitated Structure:** If at any time during the term the rehabilitation assistance was approved under the City's housing loan programs, the Community and Economic Development Department determines that the qualified property owner or applicant has allowed and/or is allowing a rehabilitated dwelling structure to be abused and/or wasted, the City of Rock Island may require the immediate and complete repayment of the housing rehabilitation loan. The City may institute foreclosure proceedings as allowed by the laws of the State of Illinois, and/or any other action deemed necessary in order to protect its investment and/or maintain the quality and/or condition of the structure.
- 3) **Fraud:** If at any time an act of fraud is discovered to have been perpetrated by the applicant, that person's eligibility to receive and/or obtain rehabilitation assistance under the terms of the City's Housing Rehabilitation Programs shall be terminated. If the act of fraud is not perpetrated and/or discovered until after loan closing or the Letter of Commitment was issued for the grant/rebate programs, the loan or commitment shall be terminated and the City shall require any funds, which have already been expended to be repaid in full.

VIII. DISCRIMINATION

The staff members of the CED Department shall not be allowed to discriminate in any manner against or for a property owner who shall apply for any rehabilitation assistance under the terms of these programs.

IX. CONFIDENTIALITY

The City of Rock Island and its employees shall maintain the confidentiality of all applicants and participants in the CBDG programs. Confidentiality shall apply to the applicant's identity and location of the subject property, as well as application documents and any other released data or materials received by the City of Rock Island to determine the applicant's eligibility.

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Attachment 1

HRLP Administration Processes

Sub-recipient Agreement

An agreement between the CDBG Administrator and the HRLP staff will be signed at the beginning of each program year. This agreement will state all Federal requirements that are to be followed throughout the program year. To reference a template of the sub-recipient agreement, please see the "Managing CDBG" handbook written by HUD. The CDBG Administrator is responsible for creating, personalizing and executing these agreements with the HRLP staff.

Application Process (Managed by Housing Loan Officer)

1. Receipt of pre-application from customer.
2. Schedule appointment from pre-application.
3. Meet with applicant to fill out complete application
4. Verify Title through Laredo software (roughly 1994 through current year) to verify ownership and identify any liens or judgments on the property.
5. Verify Credit Report through www.CredcoServices.com to verify identification of applicant
6. Verify Property Taxes through www.rockislandcounty.org to verify paid to date
7. Compute debt ratio percentage to look at the strength of the applicants finances
8. Submit application and funding proposal to Planning and Redevelopment Administrator for approval.
9. Once approved by Planning and Redevelopment Administrator, the file is forwarded to the Construction Officer
10. Construction Officer will contact approved bidding contractors through the procedures described in Attachment Three and determine date due for bids and schedule bid opening.
 - a. If bidding is not undertaken, Construction Officer will review two estimates for consistency in estimates and qualifications of contractor.
11. Once bids are received and opened, determination of whether the bid exceeds the maximum loan amount is done.
 - a. If the bid does not exceed the maximum loan amount then the process moves along to the next step.
 - b. If the bid exceeds the maximum loan amount then the applicant is responsible for paying the excess amount plus 10% of excess amount to apply toward the total contingency withheld. If the applicant is able to cover this excess, they will pay this amount immediately and the money will be placed into a City of Rock Island account and held for distribution upon the project completion. If the applicant is unable to cover this excess, the project will not move forward.
12. A loan approval sheet is prepared (see ATTACHMENT FOUR). This approval sheet is signed by the CED Director, Planning & Redevelopment Administrator, Construction Officer and Housing Loan Officer.

13. The Housing Loan Officer contacts the applicant and schedules a loan closing (lasting approximately one hour). Applicant, Construction Officer and Housing Loan officer will be present at closing.
14. The loan packet is reviewed with the applicant and all necessary documents are signed.
15. After loan closing, staff is responsible for making two copies of each of the following documents in the packet(one for applicant, one for City files):
 - a. Truth-in-Lending
 - b. Loan commitment
 - c. Loan note
 - d. Mortgage and Right of Rescission notice
 - e. Scope of Work write up
 - f. Contract
 - g. Debarment form
 - h. Proceed Order (3 copies - Contractor, Applicant, City) – Construction Officer is responsible for delivering the original proceed order to the Contractor.
16. After HRLP project is completed, the mortgage is recorded at the Rock Island County Recorder's office using erecordingpartners.com. Once confirmation is confirmed via email, print out recorded copy attached in email plus copy of email itself which shows date and time recorded. Add recorded first page to original mortgage and include in file along with original note.
17. Follow up to ensure that file is complete: Checklist completion—HUD Contractor's Report, Housing Program Summary Report for City Council, Insurance Excel Spreadsheet, Govern, Excel Spreadsheet, contact insurance company to add City as loss payee/Second Mortgagee.
18. File in file cabinets.

Expenses

Eligibility of expenses for the CDBG program are itemized in the most recent version of "Guide to National Objectives and Eligible Activities for CDBG Entitlement Communities" as published by HUD.

The City of Rock Island currently uses the GEMS accounting software. In order to see the current status of the HRLP accounts in GEMS, the following reports can be pulled:

FMS Reporting > Quick Reports > Expenditure Report Sorted by Project (currently on page 3 of the reports)

You must enter in the following information:

- Date From: 01/01/2015
- Date To: 12/31/2015
- Project: EF = 6214; RF = 6216; NF = 6215; EP = 6218; RP = 6220; NP = 6219; Finance Set-Up = 9101; Banking Services = 6217
- Fund: EF, RF, NF = 242; EP, RP, NP, Finance Set-Up, Banking Services = 581

Grant: April 1, 2015 – March 31, 2016 = 510

All forgivable loans are paid out of Fund 242 which uses Entitlement funds (replenished every year with new funds). All repayable loans are paid out of Fund 581 and are considered revolving loan funds.

Income Receipt

All repayments (principal and interest) received from repayable loans are to be receipted into Fund 581 and is reported as program income characterized as revolving loan funds in IDIS.

File Management – Paper & Electronic

Please see ATTACHMENT FIVE for checklist.

IDIS Project/Activity Management – Programmatic Expenses

Projects set-up in IDIS will be by Program Description (i.e. Roof Loan Forgivable, Roof Loan Payable, etc).

Activities set-up in IDIS will be by address. Every address will be opened and closed separately in IDIS.

Documentation Required

According to “Basically CDBG” manual published by HUD, each project/activity file should include the following documentation:

- Eligibility of the activity;
- Evidence of having met a national objective;
- Sub recipient agreement, if applicable;
- Any bids or contracts;
- Characteristics and location of the beneficiaries;
- Compliance with special program requirements, including environmental review records;
- Budget and expenditure information (including draw requests); and
- The status of each project/activity.

LMH Housing Documentation Required

In addition to the main documentation required for each project/activity, the following records must be maintained for projects/activities that are using LMH as a national objective:

- A written agreement with each landlord or developer receiving CDBG assistance. The agreement must specify:
 - Total number of dwelling units in each multi-unit structure, and
 - The number of those units which will be occupied by LMI households after assistance.
- Total cost of the activity, including both CDBG and non-CDBG funds
- The household size, ethnicity and income eligibility for each of the LMI households occupying assisted units

Accomplishments for LMH activities include the number of owner occupied units rehabilitated, including the number of these units occupied by the elderly.

Slum/Blight Spot Basis Documentation Required

Files should include the following:

- Description of the specific condition of blight or physical decay addressed by the activity

Household Income Documentation Required

The following documents, or appropriate combination thereof, shall be used by City staff to verify household income for all applicants:

- Paycheck stubs
- State and federal income tax returns
- Pension
- Benefits letter
- Stipend
- Alimony
- Child support
- Dividends and/or annuities
- Structured payments

Record Retention Period

Under the uniform administrative requirements of the CDBG regulations, grantees and sub recipients are required to retain CDBG records for a period of not less than four years. For sub recipients, the record retention period begins from the date of the submission of the CAPER in which the specific activity was reported on for the final time rather from the date of submission of the final expenditure report for the award.

Access to Records

HUD and the Comptroller General of the United States, or their authorized representatives, have the right to access grantee and sub recipient program records. This right is not limited to the retention period. Requirements regarding public access to records include:

- CDBG grantees are required to provide citizens with reasonable access to records regarding the past use of CDBG funds, consistent with applicable state and local laws regarding privacy and confidentiality; and
- The Consolidated Plan regulations require that grantees provide citizens, public agencies and other interested parties with reasonable and timely access to information and records relating to the jurisdiction's Consolidated Plan and the use of assistance under the programs covered by the Consolidated Plan.

CDBG Allocation Process

Please refer to the City's main CDBG Policies and Procedures manual to find details on how the City's overall application and allocation process works. The HRLP submits two applications for Entitlement funds, one for staffing and support costs and another application for programmatic costs (loan money and credit checks). City Council normally finalizes the allocation recommendations for the upcoming program year (April 1st-March 31st) in September of each year yet final Entitlement allocation amounts from HUD are announced in the Spring/Summer each year (after the program year has already started).

Reporting Requirements

Consolidated Plan

The CDBG Administrator is responsible for making sure that the Consolidated Plan is completed accurately and timely. The Consolidated Plan is prepared by the City of Rock Island every five years and describes needs, resources, priorities and proposed activities to be undertaken with respect to CDBG funds. An approved Consolidated Plan is one which has been approved by HUD.

HRLP staff is responsible for making sure that their proposed activities for the next five years are included in this analysis in order to continue being funded.

Annual Action Plan

The CDBG Administrator is responsible for making sure that the Annual Action Plan is completed accurately and timely. This document serves as an annual application to HUD for funding and must reflect the proposed activities that are in the Consolidated Plan. If a new activity is being proposed for funding, the Consolidated Plan must be amended. Further information on what triggers a Consolidated Plan amendment can be found in the City's main CDBG Policies and Procedures manual. Information on HRLP staff and support costs are detailed in the Annual Action Plan as well as the expected accomplishments for each activity. A majority of the information used for the Annual Action Plan will be used from the applications submitted for funding for that program year. It is the HRLP staff responsibility to make sure that the proposed accomplishments are adjusted with the final allocation amounts. Also, it is the HRLP staff responsibility to track accomplishments on a 5-year basis to ensure that the Consolidated Plan goals are being met. If they are not, then a possible amendment to the Consolidated Plan may need to be made.

Drawdown Requests

Drawdown requests should be made on a routine basis from HRLP staff to CDBG Administrator. The information that should be included in these drawdown requests include:

- Funds budgeted for project;
- Funds received in drawdowns to date;
- Funds obligated in most recent period and to date;
- Funds expended in most recent period and to date;
- Cash on hand (including program income identified as such); and
- Previous drawdowns requested but not yet received.

Quarterly Progress Reports

Quarterly accomplishment reports are due to the CDBG administrator from sub recipients by the following dates: April 15, July 15, October 15, and January 15. These progress reports should contain the following information: track actual project accomplishments, obligations, and spending patterns against planned operations and accomplishments.

Consolidated Annual Performance and Evaluation Report (CAPER)

The CDBG Administrator is responsible for making sure that the CAPER is completed accurately and timely. This performance report is gathered to meet three basic purposes:

1. Provide HUD with necessary information to assess each grantee's ability to carry out its programs in compliance with applicable regulations and requirements;
2. Provide information necessary for HDU to report to Congress; and
3. Provide grantees with an opportunity to describe its program achievements with their citizens.

This is an important process for the HRLP staff to participate in. All HRLP activities done during the program year need to have their files reviewed, funds drawdown properly, activity in IDIS closed-out and accomplishments reported. This is done for every address that receives loan funding, all administrative costs and other direct program costs. The activity review and close-out process should be done consistently throughout the year to save time at year-end when the CAPER is due. CAPER data collection for HRLP involves the following:

- The activity's name, matrix code, description and location
- The national objective being met
- The amount expended during the program year
- Activity status and specific units of accomplishments, including compliance with the applicable national objective, during each program year.

HUD Form 4710 – Semi-Annual Labor Standards Enforcement Report

The City of Rock Island must report to the Department of Labor on all covered contracts awarded and on all enforcement actions taken each six months. HUD collects the reports from its client agencies and compiles a comprehensive report to Department of Labor covering all of the Davis-Bacon construction activity. The semi-annual report for (HUD-4710) and instructions (HUD-4710i) are available on HUD's website: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips. You can also find a copy of the form and instructions on www.hudexchange.info and do a basic search for HUD-4710.

The Housing Loan Officer is responsible for filling out this form in Microsoft Word as it pertains to the rehabilitation activities and submitting to the CDBG Administrator for review within a reasonable amount of time before the report due date. Once the CDBG Administrator reviews and approves, the Housing Loan Officer is responsible for submitting this form electronically to the email addresses listed below.

Form 4710 is reported semi-annually covering time periods from October 1 to March 31 (due April 3rd) and April 1 to September 30 (due October 3rd). This report is filled out in Microsoft Word and emailed to the following: Roxanne.a.volkmann@hud.gov; chicagoCPDquestions@hud.gov; jerry.deese@hud.gov; eder.jeff@rigov.org; hollerud.randy@rigov.org; griffith.ben@rigov.org; and grunewald.dena@rigov.org

Form HUD 60002: Section 3 Summary Report

Section 3 of the Housing and Urban Development Act of 1968, as amended, requires the provision of opportunities for training and employment that arise through HUD-financed projects to lower-income residents of the project area. Also required is that contracts be awarded to businesses that provide economic opportunities for low and very low-income persons residing in the area. Amendments to Section 3 in 1992 included requirements for providing these opportunities in contracts for housing rehabilitation, including lead-based paint abatement, and other construction contracts.

Section 3 applies when a housing construction, housing rehabilitation or other public construction project or activity exceeds certain thresholds. Contractors and subcontractors providing services on projects for which the total amount of the housing and community development assistance exceeds \$200,000 and the amount of the contract or subcontract exceeds \$100,000 are required to comply with Section 3. If a grantee receives housing or community development assistance for a covered project that is funded in part with CDBG funds, Section 3 requirements apply to the entire project or activity.

Typically, HRLP activities do not trigger Section 3 requirements but it is important that City staff are aware of the Federal requirements in order to recognize when projects do trigger Section 3. Also, HUD documents state that while projects may not fall under Section 3, recipients are encouraged to comply with the Section 3 preference requirements.

Form HUD 60002 is due annually on the Section 3 Reporting System available on www.hud.gov. This reporting system has been inoperative for a long period of time and a 2nd notice issued July 25, 2014 indicates to HUD funding recipients that the system is still down and grantees will be notified when it will be back in order. The notice also indicates that no one will be penalized for not submitting their reports since this reporting system is unavailable.

Form 2516 (also referred to as MBE form): MBE/WBE Outreach

Section 281 of the National Affordable Housing Act requires each participating jurisdiction to prescribe procedures acceptable to the Secretary to establish and oversee a minority outreach program. The program shall include minority and woman-owned businesses in all contracting activities entered into by the participating jurisdiction to facilitate the provision of affordable housing authorized under this Act or any other federal housing law applicable to such jurisdiction. Therefore, minimum HUD standards require that each participating jurisdiction's outreach effort to minority and women-owned businesses be:

- A good faith, comprehensive and continuing endeavor;
- Supported by a statement of public policy and commitment published in the print media of the widest local circulation;
- Supported by an office and/or a key, ranking staff person with oversight responsibilities and access to the chief elected official; and
- Designed to utilize all available and appropriate public and private sector local resources.

Form 2516 is reported semi-annually covering time periods from October 1 to March 31 (due April 10th) and April 1 to September 30 (due October 10th). This report is filled out in Microsoft Excel and emailed to the following: candice.a.cain@hud.gov; chicagoCPDquestions@hud.gov; jerry.deese@hud.gov; eder.jeff@rigov.org; hollerud.randy@rigov.org; griffith.ben@rigov.org; and grunewald.dena@rigov.org

Policies and Procedures update

HRLP staff will review the HRLP policies and procedures on an annual basis.

Sources for information

Websites to reference for further questions on Federal Policies and/or recommended procedures:

www.hud.gov

www.hudexchange.info

http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips

www.ecfr.gov

Entitlement CDBG Specific Manuals (all can be found through search resources on hudexchange.info):

Basically CDBG

Guide to National Objectives and Eligible Activities for CDBG Entitlement Communities

IDIS for CDBG Entitlement Communities

CDBG Crosscutting Issues Toolkit

Managing CDBG: Guidebook for CDBG Grantees on Sub recipient Oversight

Playing by the Rules: A Handbook for CDBG Sub recipients on Administrative Systems

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“ATTACHMENT TWO”

TRACKING PROPERTY INSURANCE

EXCEL SPREADSHEET

Location: S://CED/Planning/Rehab/INS.CHART

SPREADSHEET HEADINGS

DATE:

- New loan—date of mortgage or loan closing
- Renewal—effective date of policy renewal

INSURANCE COMPANY:

- New loan—enter insurance company name, agency name, agency phone number, expiration date of insurance
- Renewal—update expiration date of policy if all other information is the same; if not, update all applicable information; file paper copy in case file in file cabinets (If case file cannot be located, forward renewal notice to Housing Program Officer)

OWNER:

New loan—name on case file label

ADDRESS:

Address on case file label

AMOUNT OF LOAN:

Loan type, forgiveness date, any other information as appropriate

Insurance Tracking

CDBG / Other Rehab Programs

1. Insurance binders, cancellations, modifications are received daily. The Housing Loan Officer enters them into the Insurancechart.xls spreadsheet to keep track of the details.
2. Routine renewals or new policies are entered as such on the spreadsheet. The insurance form is placed in the case file and the previous version is discarded.
3. If the policy is cancelled, without notice of a replacement policy, then a letter is sent 7–10 days later reminding the client of the need to keep insurance in force.
4. If there is no response, a second letter is sent 7 days later that has stronger language and mandates coverage.
5. If there is still no response, the case is sent to the City Attorney for a letter identifying the default and the need to remedy it by a specified date. Provide details regarding note amount, copy of the mortgage and a form letter asking the City Attorney to pursue remedies at law.

Note: The form letters are found in the following folder: S://CED/Planning/Rehab/bkletter

OVERVIEW

PROPERTY INSURANCE PROCEDURES FOR NEW LOANS AND LOANS WITH EXPIRED COVERAGE

It is required that all housing program participants have insurance coverage for housing program properties. This coverage must be valid (up to date and in force) and the City of Rock Island is to be named as a loss payee/second mortgage on the policy.

New loan: When a new loan is completed, the insurance company is mailed a letter requesting the City of Rock Island be listed as a lien holder. Generally the insurance agency will fax the revised policy information to The City of Rock Island showing the City as a lien holder.

Renewals: Insurance may lapse and be reinstated shortly thereafter. For this reason, when a cancellation notice is received, the information is noted on the Excel spreadsheet and the paper copy is returned to the Housing Officer. Generally within two weeks a reinstatement notice will be received. When reinstatement notice is received the insurance information is updated on the Excel spreadsheet and the reinstatement notice is forwarded to the Housing Officer.

If a cancellation has not been reinstated in one month, a letter is sent to the property owner reminding them of the requirement for property insurance.

If the property owner does not respond, a second letter is sent to the property owner, then a third letter, then an acceleration notice. If there is no response to the acceleration notice, a certified letter is sent stating the file has been forwarded to the City Attorney for action.

When a mortgage is satisfied, the insurance company should be notified so that the loss payee/second mortgagee clause can be removed from the policy, as the City no longer has an interest in the policy.

PROPERTY INSURANCE CANCELLATION NOTICES

EXCEL SPREADSHEET

Location: S://CED/Planning/Rehab/INS.CHART

1. Locate entry in spreadsheet.
2. Highlight address in red
3. When renewal/reinstatement notice is received, update entry as appropriate and remove color highlight from entry

Paper copy:

1. Write date of receipt in visible location.
2. On lower right corner, initial and make a checkmark denoting the excel spreadsheet has been updated. If no initials or checkmark are located on paper copies, assumption will be made that the above cancellation procedures listed above have not been completed.
3. Forward cancellation notices to the Housing Officer.
4. When a renewal/reinstatement has been received, forward it to Housing Officer.

“ATTACHMENT THREE”

Contractor Selection/Qualification Guidelines for Housing Rehabilitation Programs of the Planning and Redevelopment Division Community and Economic Development Department of the City of Rock Island, Illinois.

I. DEFINITIONS

- A. **Contractor** - A term used to apply to both general contractors and subcontractors.
- B. **Contractor Guidelines** - A shortened term used to refer to "Contractor Selection/Qualification Guidelines for Housing Rehabilitation Programs by the Planning and Redevelopment Division, Community and Economic Development Department, City of Rock Island, Illinois."
- C. **General Contractor** - A contractor, who contracts to undertake an entire rehabilitation job under the City's housing rehabilitation programs, using subcontractors and supervising them as needed while taking full responsibility for the job.
- D. **Subcontractor** - A contractor who contracts to undertake one or more phases of a rehabilitation job under the City's housing rehabilitation programs, with the City or some other contractor acting as general contractor.
- E. **City** - The City of Rock Island, Illinois; specifically, with reference to the housing rehabilitation programs, is represented by the staff of the Planning and Redevelopment Division of the Community and Economic Development Department. References to the City in these guidelines refer to that staff, its policies and programs as approved by the City Council.
- F. **Housing Loan Officer** - A member of the staff of the Planning and Redevelopment Division, Community and Economic Development Department of the City, who processes applications for rehabilitation assistance, including the financial portion.
- G. **Construction Officer** - A member of the staff of the Planning and Redevelopment Division, Community and Economic Development Department of the City, who prepares work write-ups manages bids and contract documents, and supervises construction.
- H. **Planning and Redevelopment Administrator** - a member of the staff of the Planning and Redevelopment Division, Community and Economic Development Department of the City, who supervises the housing rehabilitation staff.
- I. **Community and Economic Development Director** – the supervisor of the Community and Economic Development Department.

II. CONTRACTOR QUALIFICATIONS

- A. Prospective contractors must complete a Contractor Information Form.
- B. References and credit will be checked.
 - 1. Contractors must have satisfactory client references.
 - 2. Judgments against a contractor must be released prior to program participation.
- C. Liability insurance coverage is required and a certificate of insurance must be provided.
 - 1. \$100,000 each occurrence/\$300,000 aggregate bodily injury, including death.
 - 2. \$100,000 property damage.

- D. No contractor will be added to the City's list of qualified contractors until requirements of II-A, B, and C are met.
- E. Prospective contractors must be bonded and licensed as required by the City Inspection Division, and Community and Economic Development Department.
- F. Contractors must complete work in a manner which meets City Rehabilitation Specifications and all adopted City codes.
 - 1. Quality work is required.
 - 2. Timely completion of work is required.
- G. Contractors are required to furnish a current address and phone number where they may be contacted.
 - 1. Change of address and/or phone number must be reported immediately.
 - 2. At any time that contractor's address and phone number are incorrect and the Planning and Redevelopment Division cannot contact the contractor, that contractor will be dropped from the list(s) of contractors until the required information is furnished to the Planning and Redevelopment Division.
- H. It is the contractor's responsibility to notify the Construction Officer and the homeowner of any delays or absences from the job once a proceed order has been issued.
- I. Working hours shall be from 8:00 a.m. to 5:00 p.m., Monday through Friday unless other arrangements are approved by the homeowner and the Construction Officer.

III. CONTRACTOR DISQUALIFICATION

- A. Failure by a contractor to meet the above qualifying criteria shall result in disqualification from further participation in the program.
- B. Additional reasons which may be grounds for contractor disqualification:
 - 1. Repeated and substantiated homeowner complaints.
 - 2. Failure to honor the warranty as specified in the contract with the homeowner, or failure of the contractor to supply homeowner with warranties on products with warranties exceeding one year.
 - 3. Failure of a contractor to resolve warranty issues will result in withholding work write-ups and bidding until issues are resolved or disqualification has taken place.
 - 4. Repeated credit problems.
 - 5. Unprofessional or un-businesslike contract negotiation or implementation.
 - 6. Discovery of fraud, life-threatening irresponsibility, or other immediate incapacity.
 - 7. Repeated failure to bid with or without notification to the City.
- C. Prior to execution of the contract, the homeowner may request rejection of a contractor for good and substantiated reasons. The City will approve or deny this request.

IV. NOTICE OF DISQUALIFICATION

- A. Contractors considered for disqualification shall be notified of such pending disqualification in writing. The notice shall include at a minimum:
 - a) Reason for pending disqualification.
 - b) Maximum time frame for abating disqualifying item(s).
- B. Mailing of Pending Disqualification Notice –The "Pending Disqualification Notice" shall be mailed or hand-delivered to the latest known address or whereabouts of the contractor. No further notice shall be required.
- C. Disqualification Notice.
 - 1. All contractors not abiding with those items listed in IV-A, in the specified time, will be disqualified.
 - 2. The "Disqualification Notice" shall be delivered in the same manner as IV-B.
- D. Immediate Disqualification -The City retains the right to disqualify any contractor immediately when fraud, life-threatening irresponsibility or other immediate incapacity is evident. The City also retains the right to disqualify immediately a contractor who cannot be contacted (see II.G.) or one who has repeatedly failed to bid (see III.B.6).
 - 1. No "Pending Disqualification Notice" is required.
 - 2. A "Disqualification Notice" shall be delivered in the same manner as IV-B.
- E. Reinstatement of Contractor -Reinstatement of any contractor after disqualification will be at the sole discretion of the city.

V. CONTRACTOR SELECTION

- A. Loan cases with a Construction Officer cost estimate not exceeding \$15,000 may be bid by subcontractors participating in the program with the City serving as the general contractor.
- B. Loan cases with a Construction Officer cost estimate exceeding \$15,000 shall be bid by general contractors; the City shall not serve as a general contractor.
 - 1. General contractors must furnish for the City a list of the subcontractors they propose to use on that job when they submit the bid. The City will then approve or deny the list.
 - 2. If the contract awarded to the general contractor requires a change in subcontractor(s), the general contractor must notify the City before the new subcontractor begins work. Proposed subcontractors may be rejected by the City for good and substantiated reasons.
 - 3. General contractors are required to show that subcontractors meet appropriate licensing and bonding requirements and that they meet liability insurance coverage requirements as stated in II-C.
- C. The City will establish and maintain a list of qualified general contractors and lists of qualified subcontractors by trade.
 - 1. The initial order of each of these lists will be by random lot.
 - 2. New contractors shall be added to the bottom (i.e., following current last name) of the appropriate list.
- D. Bidders shall be selected from the list(s) according to a rotating process.

1. The first three names on the list will be invited to bid on the current loan case.
 - a) If general contractors are bidding on the loan case, subcontractors may be given the names of the bidders, if they so request.
 - b) If more than one case is being bid at the same time, the first case will be bid by the first three contractors on the list; the next case by the next eligible contractors on the list, etc.
2. In addition to the contractors invited to bid as described in V-D-1 above, the loan applicant(s) may invite any other contractor(s) of his/her choice to bid.
 - a) Contractor(s) may obtain work write-ups and qualifications guidelines from City Hall, 1528 3rd Avenue, Rock Island.
 - b) Bids will be accepted from contractors who are not already on the qualified bidders list (see V-C), only if they furnish a completed and signed Contractor Information form and a certificate of insurance in the proper amounts (see II-C) no later than the submission of the sealed bid. Information and forms are available from City Hall, 1528 3rd Avenue, Rock Island.
3. Bids shall be submitted in sealed envelopes to the Planning and Redevelopment Office, City Hall, 1528 3rd Avenue, Rock Island, Illinois 61201, no later than 5:00 p.m. on the date specified on the work write-up.
4. Late bids will not be accepted.
5. Bids will be opened at 9:00 a.m. on the first working day after the bid is due.
6. After the bid opening, the successful bidder will not be allowed to bid on another rehabilitation job unless approved by the city.
7. After two proposals to bid, the contractor will rotate to the bottom of bid list and the next contractor in line will move to the top of the list.
8. When a contractor is requested by the City to bid on a job, the contractor may decline to bid one job (pass) and still remain at the top of the list. This pass will be treated as if the contractor had submitted an unsuccessful bid.
 - a) If a contractor passes twice in a row, he/she will be placed at the bottom of the list.
 - b) If a contractor fails to notify the City of his/her intent to pass within two working days of the request to bid, the contractor will be placed at the bottom of the list.
 - c) Contractors who repeatedly decline to bid or fail to notify the City of their intent to pass may be dropped from the contractor list at the discretion of the City.
9. When a contractor is already under contract for or has been awarded the bid for a total of two (2) rehabilitation jobs through City programs, the contractor will not be invited to bid on a new job until no more than one contract remains open unless approved by the City.
 - a) The contractor shall retain his/her place on the list and not be placed at the bottom for this reason unless the contractor is in violation of the terms of one or both of these open contracts.
 - b) This restriction applies to all City rehabilitation programs.

- c) If a contractor has been dropped from the City's list(s) of qualified bidders, the City reserves the right to refuse to accept a bid from that contractor even if that contractor would otherwise qualify under V-D.
- E. The policy of the City, in general, shall be to award the contract(s) to the lowest qualified bidder(s)
 - 1. Bidders may be disqualified at the discretion of the City, as having bid too low, if a bid is more than 10% lower than the Construction Officer's cost estimate.
 - 2. Any or all bids may be rejected at the discretion of the City for good cause.
 - 3. Each bidder is required to bid each line item in the work write-up individually (if a general contractor) or each line item of the relevant trade (if a subcontractor).
 - 4. The City retains the right to delete any line item(s) after bidding is complete.
 - 5. The City retains the right to negotiate modifications to the contract with the successful bidder in each case.
 - 6. If the Construction Officer judges a change order to be excessive, the City reserves the right to obtain other bids.
 - 7. Payments to contractors shall be made in accordance with the provisions in the Contract. Payments will be made after the inspection division's final inspection, approval by the Construction Officer(s) of the completed work, and approval by the Planning and Redevelopment Administrator and the Community and Economic Development Director is completed.
 - a) No more than 75% of the total contract (less the usual 10% retainer) may be paid in progress payments. The final payment will be made only after final inspection and approval and after all punchlist items have been completed, inspected, and approved.
 - b) There shall be no more than a total of two-progress payments and one final payment on a contract totaling \$15,000 or less (total of three payments).
 - c) The total number of payments on a contract in excess of \$15,000 may be increased by one payment for each \$5,000 or portion thereof. (Examples: Maximum of four payments on a contract for \$18,000; maximum of five payments on a contract for \$24,900.)
- F. Each general contractor shall be required to furnish to the City the Federal Employer Identification Number for the general contractor's firm and for all subcontractor's firms.

VI. EMERGENCY PROGRAM CONTRACTOR SELECTION

- A. Bidders shall be selected from the emergency subcontractor lists (established as in V-C). Bidders for emergency loan cases shall be selected according to a rotating list process.
 - 1. The first three names on the list will be invited to bid on the current emergency loan case.
 - a) In cases where the cost estimate is \$500 or less, only one bid will be required with the contractor on the top of the rotating list to be asked to bid. If the City judges the bid to be reasonable and the work can begin immediately, a contract will be written. However, if the contractor cannot begin in a timely manner, the contractor will be considered to have passed, and the next contractor on the list will be contacted.

- b) If more than one case is being bid at the same time, the first case will be bid by the first two contractors on the list; the next case by the next two contractors on the list, etc.
 2. In addition to the contractors invited to bid as described in VI-A above, the emergency loan applicant(s) may invite any other contractor(s) of his/her/their choice to bid.
 - a) Contractor(s) may obtain work write-ups and qualifications guidelines from the Construction Officer at City Hall, 1528 3rd Avenue, Rock Island, Illinois 61201.
 - b) Bids will be accepted from contractors who are not already on the qualified bidders list (see V-C) only if they furnish a completed and signed Contractor Information form and a certificate of insurance in the proper amounts (see II-C) no later than the time of submission of the sealed bid. Information and forms are available from the Construction Officer at City Hall, 1528 3rd Avenue, Rock Island, Illinois 61201.
 - c) If a contractor has been dropped from the City's list(s) of qualified bidders, the City reserves the right to refuse to accept a bid from that contractor even if that contractor would otherwise qualify under VI-A.
 3. Where the nature of the emergency requires immediate attention, telephone bids may be solicited and accepted with written verification to follow.
 - a) When practical, bids shall be submitted in sealed envelopes to the Planning and Redevelopment Office, City Hall, 1528 3rd Avenue, Rock Island, Illinois 61201, no later than 5:00 p.m. on the date specified on the work write-up.
 - b) Late bids will not be accepted.
 - c) Bids will open at 9:00 a.m. on the first working day after the bid is due.
 4. After two proposals to bid, the contractor will rotate to the bottom of bid list and the next contractor in line will move to the top of the list.
 - a) When the City requests a contractor bid on a job, the contractor may decline to bid one job (pass) and still remain at the top of the list. This pass will be treated as if the contractor had submitted an unsuccessful bid.
 - b) If a contractor passes twice in a row, he/she will be placed at the bottom of the list.
 - c) If a contractor fails to notify the City of his/her intent to pass within two (2) working days of the request to bid, the contractor will be placed at the bottom of the list.
 - d) Contractors who repeatedly decline to bid or fail to notify the City of their intent to pass may be dropped from the contractor list at the discretion of the city.
- B. In general, the policy of the City shall be to award the contract to the lowest qualified bidder.
 1. Bidders may be disqualified, at the discretion of city, as having bid too low if a bid is more than 10% lower than the Construction Officer's cost estimate.
- C. Any or all bids may be rejected at the discretion of the City
- D. Each bidder is required to bid each line item in the work write-up individually, or each line item of the relevant trade.
- E. The City retains the right to delete any line item(s) after bidding is complete.

- F. The City retains the right to negotiate modifications to the contract with the successful of each project.
- G. If the City judges a change order to be excessive, the City reserves the right to obtain other bids.
- H. Payments to contractors shall be made in accordance with the provisions of the Contract after inspection and approval by the City of completed work and approval by the Planning and Redevelopment Administrator.
- I. Each contractor shall be required to furnish to the City the Federal Employer Identification Number for his/her firm.

VII. Distribution Procedure for Program Funds

- A. The City of Rock Island Planning & Redevelopment Division (CED) is to inspect all work and approve payouts for work completed.
- B. The City will secure a waiver of lien for all labor and/or materials from the contractor and/or suppliers.
- C. The City will secure approval from the borrower/owner for the rehabilitation work completed and authorized for disbursement by having the borrower/owner, Planning & Development Administrator, Construction Officer, and Housing Program Officer sign the Final Contractor Payment Request. The borrower/owner shall execute a Disposition of Funds and an updated note and mortgage if applicable.

ATTACHMENT FOUR



AMERICAN BANK
NEW LOAN INFORMATION SHEET

Loan No	
Property Owner Name	
Property Owner Name	
Property Address	
Billing Address	
Telephone No.	
Fax No	
Loan Type	
Approval Date	
SSN Owner	
SSN Co-Owner	
Birth Date Owner	
Birth Date Co-Owner	
Loan Amount	
Interest Rate	
Term of Loan	
Monthly Payment	
No. of Payments	
Closing Dates	
First Payment	
Interest Start Date	
Maturity Date	
Set up with American Bank	

City of Rock Island New Loan Information Authorized by:

Date: _____

Housing Loan Officer



Loan Processing Checklist

- Applicant
- Type of Loan
- Address
- Lead-Based Paint Notice
- Verification Forms
- Homeowner Insurance
- Property Taxes/Ownership
- Privacy Policy
- Credit Report
- "Before" Pictures
- Inspection
- Work Write-Up
- Cost Estimate
- Section 106 Review
- Lead Forms
- Environmental Review
- Debarment Forms
- Loan Approved
- Loan Closing/Pre-Construction Conference
- Contract Signed by Homeowner
- Contract Signed by Contractor
- Final Inspection/Evaluation
- "After" Pictures
- Lien Waiver
- Disposition of Funds
- Mortgage Recorded
- Loan Reports/Council Spreadsheet
- Govern Files Updated/Excel Spreadsheet
- Contract Report/HUD Form
- New Loan Form/Finance
- Deferred Loan Spreadsheet
- Insurance Spreadsheet/Listed as a Lien holder
- Loan Set up/ American Bank



**CITY OF ROCK ISLAND
COMMUNITY & ECONOMIC DEVELOPMENT
PLANNING & REDEVELOPMENT DIVISION**

APPROVAL ACTION

APPLICANT'S NAME: _____

PROPERTY ADDRESS: _____

LOAN TYPE/NUMBER: _____

PROJECT COST: \$ _____

VENDOR NAME & NUMBER: _____

CONSTRUCTION OFFICER:.....
(date)

HOUSING PROGRAM OFFICER:.....
(date)

PLANNING & REDEVELOPMENT
ADMINISTRATOR:.....
(date)

COMMUNITY & ECONOMIC
DEVELOPMENT DIRECTOR:.....
(date)

PROTOCOL FOR DELINQUENT LOANS

30 DAYS LATE: A letter and phone call to update the situation.

60 DAYS LATE: Second letter and again contact by phone if possible.

90 DAYS LATE: Third letter will be sent by certified mail, before turning over to the City Attorney and beginning the Acceleration of the Loan.

“SEE ATTACHED LETTERS”

INSURANCE COMPANY: Contact insurance company at the 30 day delinquency mark to verify that insurance is still valid on the home.

PHYSICAL INSPECTION OF THE PROPERTY: The Housing Loan Officer or the Construction Officer will conduct a “drive” by inspection of the property before the 30 day letter is posted in the mail.

DRAFT



February 3, 2014

Mr. Joe Public
1528 3rd Streets
Rock Island, Illinois 61201

Re: 1313 Us Street

Dear Mr. Public:

As of June 12th, your May payment has not been received. Have you forgotten? Please check your records. If you have already sent your payment, please disregard this notice and accept our thanks for your payment. If you have any questions or need assistance, please telephone me at 309- 732-2907.

Sincerely,

Randy L. Hollerud
Housing Program Officer



June 12, 2014

Mr. Joe Public
1538 3rd Street
Rock Island, Illinois 61201

Dear Mr. Public:

Regretfully this letter is being sent to you since previous efforts to obtain payment of your account have been unsuccessful. Please call me **as soon as possible** because this matter is in need of your undivided attention. Since the last letter, two payments have been missed with regards to the property referenced above. It is a condition of your mortgage with the City that you maintain the payments on your property. If I do not hear from you by July 16th, 2014 your mortgage may become due and payable in full.

If you have any questions, Please contact me at 309-732-2907.

Sincerely,

Randy L. Hollerud
Housing Program Officer

Date: 00/00/2014

Mr. Public
1528 3rd Street
Rock Island, Illinois 61201
Re: 1528 3rd Street, Rock Island, Illinois 61201

NOTICE OF ACCELERATION

Please be advised that you are in violation of your Note to the City of Rock Island secured by a Mortgage dated September 18, 2013, on the real property referenced above. A payment has not been received in over **90 days**.

Unless the payments are brought to date or other arrangements are made by **August 5, 2014**, you will be in default. All sums due and owing, pursuant to the Note and Mortgage, will be immediately due and payable. The City may commence any action authorized by the Note and Mortgage, including foreclosure by judicial proceeding and sale of said property.

This communication is intended to inform you that the funds are now due and payable in the amount of **\$4,708.50**.

You may have the right to Reinstate after Acceleration. You may have the right to assert defenses to the acceleration and foreclosure proceeding, including the non-existence of a default.

Please contact me at (309) 732-2907 within ten (10) days of receipt of this letter to make payment arrangements. If we do not hear from you, our office will have no other alternative but to take further legal action through the City Attorney's office.

Sincerely,

Randy L Hollerud
Housing Program Officer



NOTICE

Date

Name

Address

Rock Island, Illinois 61201

RE: 1003 Us Street, Rock Island, Il 61201

Dear Name:

As it is a condition of your mortgage with the City that 1) you maintain your payments on your property and 2) multiple notices have been sent to your attention including a Note of Acceleration dated (date), this matter has been turned over to the City Attorney for action.

If you have any questions, feel free to contact me at 309-732-2907.

Sincerely,

Randy L Hollerud
Housing Program Officer

2015 HUD INCOME LIMITS

30% AREA MEDIAN INCOME LIMITS

Number of Persons Per Household	1	2	3	4	5	6	7	8
Maximum Income	\$14,000	\$16,000	\$20,090	\$24,250	\$28,410	\$32,570	\$36,730	\$40,890

50% AREA MEDIAN INCOME LIMITS

Number of Persons Per Household	1	2	3	4	5	6	7	8
Maximum Income	\$23,300	\$26,600	\$29,950	\$33,250	\$35,950	\$38,600	\$41,250	\$43,900

80% AREA MEDIAN INCOME LIMITS

Number of Persons Per Household	1	2	3	4	5	6	7	8
Maximum Income	\$37,250	\$42,600	\$47,900	\$53,200	\$57,500	\$61,750	\$66,000	\$70,250

**To qualify for an Emergency Deferred Payment Loan, Roof Deferred Payment Loan, or a Non-Emergency Forgivable Loan, the median income must be equal to or less than 50% based on family size.

**To qualify for an Emergency Standard Payment Loan, Roof Standard Payment Loan, or Non-Emergency Forgivable Loan, the median income must be anywhere from 51% to 80% based on family size.

DRAFT