



CITY OF KETTERING

COMMUNITY DEVELOPMENT DIVISION
(937) 296 - 2441

City of Kettering HOUSING REHABILITATION PROGRAM GUIDELINES

SECTION I: OBJECTIVES OF PROGRAM

- A. Provide financial and technical assistance to homeowners to improve their property to meet the Kettering Housing Rehabilitation Standards.
- B. Preserve the existing housing stock in terms of aesthetics and property values.
- C. Provide a safe, sanitary living environment for all eligible Kettering residents.
- D. Eliminate existing or potential blighting influences and their 'spill-over effect' to adjacent properties and neighborhoods.
- E. Encourage an increased sense of responsibility with regard to property maintenance.

SECTION II: APPLICANT ELIGIBILITY

- A. Applicants must be the owner and occupant of a single-family detached residential property.
- B. The applicant must be the fee simple owner of record; agree to use the property in a lawful manner with regard to occupancy, zoning ordinance, and the property maintenance code; be legally competent; maintain the structure and premises in a decent, safe and sanitary condition pursuant to applicable codes and ordinances; and pay all insurance and property taxes annually.
- C. The applicant, must have total household annual income less than or equal to 80% of the median income level for the Dayton, OH MSA, adjusted annually as reported by the U.S. Department of Housing and Urban Development. The current program income limits are attached and made a part of these guidelines in Attachment A. Items included in annual income are described in Attachment B.
- D. The following will be included in calculating total household income: actual income from

assets, if total assets are \$5,000 or less. If assets are more than \$5,000, the greater of actual income from assets or total assets times passbook rate are counted as earned income. Assets are herein defined in Attachment C.

- E. Applicant shall owe no delinquent property taxes. If applicant is on an approved, current paid to date property tax repayment plan they will be eligible.

SECTION III: PROPERTY ELIGIBILITY

- A. Must be a single unit, owner occupied residential structure. Condominium units are not eligible residences.
- B. Properties occupied by low and moderate-income households, as described on Attachment A Income Guidelines, will be eligible for assistance throughout the City of Kettering.
- C. A property must have an after rehabilitation appraised value no greater than the current HUD approved limits. These are subject to change. Please check with program staff for the current limits.
- D. A property may not receive assistance more than once in 10 years, unless the assistance to the property was not comprehensive in scope or the requested repair was not addressed in the original project. This provision does not apply to properties in which there is a bona fide emergency condition.
- E. The principal amount of the loan, in addition to all other mortgage liens, may not exceed 97% of the after rehabilitation appraised value of the property. A property with a Home Equity Line of Credit (HELOC) will have the full amount of the line of credit considered as a mortgage. A Homeowner with a HELOC can not apply for the program within 6 months of receiving the HELOC.
- F. Properties in the floodway may not be assisted unless it is an emergency situation. If the yard is in the floodway but the house is not, the property may be assisted. Properties residing in the floodplain require flood insurance to be assisted. More information can be provided including a map showing the location of the floodway, floodplain and the property in question when needed.
- G. Properties with Reverse Mortgages, Reverse Lines of Credit, and/or any type of loan with a growing balance will not be eligible for loans. However, the homeowner may be eligible for grants.

SECTION IV: TERMS AND AMOUNT OF LOAN

- A. Because of significant health issues, HUD regulations require that homes built prior to 1978 and involved in rehabilitation undergo testing for lead-based paint hazards. Projects with up to \$4,999 of federal funding require testing painted surfaces that will be disturbed. Projects with \$5,000 or more of federal funding may require the entire property to be assessed for lead hazards. All lead hazards discovered must be controlled or abated as a condition of the City's involvement. The amount of federal funds involved and the nature of the lead hazards will require different rules to be enforced. Emergency repairs and some other circumstances may allow the project to be exempt of the lead rules. The city will pay the cost of initial testing and, as necessary, clearance testing of projects involving lead paint.
- B. The maximum amount of a loan is the lesser of \$50,000, or the amount that when added to all existing mortgage debt equals no more than 97% of the after rehabilitation appraised value of the home. The terms of the loan will be determined based on the type of work required, amount of

the loan, and the capacity of the property owner to repay the loan. If the house cannot be rehabilitated within the established maximum loan amount, the applicant will be notified in writing of their ineligibility and will be provided information regarding potential funding sources.

- C. Funds may be available for emergency repairs to eliminate specific and immediate hazards to health and safety. The applicant must meet the homeownership requirement and income limits of the City of Kettering's Housing Rehabilitation Program.
- D. For all loans, the applicant shall willingly execute a Mortgage in addition to a Promissory Note for the entire loan amount using the rehabilitated property as collateral. The mortgage documents shall be recorded with the Montgomery County Recorder, Dayton, Montgomery County, Ohio. The loan shall become due and payable in monthly installments on the day as provided for in the promissory note. The applicant is expected to pay the recording fees for the mortgage, usually less than \$100. The loan start date will be between 90 & 180 days after the loan closing.
- E. It is expected that the assisted household will pay no more than 30% of their gross income on housing costs. The gross income is the full income before taxes. The monthly housing expenses (i.e., mortgage payment(s); taxes, insurance, and interest also known as PITI) are then calculated and divided to reach a percentage of the gross income. Underwriting methods will be utilized to determine the appropriate and affordable amount of assistance to the homeowner. However each household will have to pay at least \$25 a month if they receive any kind of payment loan.
- F. Additional required documents include subordination policy, HOME written policy agreement, Initial Loan Disclosure and Closing Disclosure and more. Current program staff will have a list of required program documentation.

SECTION V: TYPE OF ASSISTANCE AVAILABLE

The City of Kettering currently offers a 1% interest rate on payment loans. However, when a household cannot afford a loan payment, a deferred loan may be considered or may be in conjunction with a small payment loan. Attachment A provides the maximum income eligibility criteria for each category of loans.

Each qualified property owner may receive a loan from one of the following categories:

Comprehensive: Projects that are comprehensive in nature may qualify for HOME funding. A zero (0%) percent interest declining forgivable loan with 20% of the loan forgivable each year for five years. The low interest loan terms will be determined based on the criteria below. Comprehensive projects are subject to regulatory HOME After Rehab Price Limits. Additionally the definition of comprehensive is that it addresses all of the property maintenance and code violations in the home and major systems will be in good working order for approximately 10 years.

Low Interest Loan:

The standard term for a low interest rate loan is 120 months. Sometimes, terms may be extended to up to 240 months to increase affordability. Households who income qualify for the program and have an ability to pay a monthly loan payment would qualify for a 1% interest rate. A 1% interest rate would require the property owner to make monthly payments on the principal and interest. The monthly payment would be at least \$25.00 per month and would initially be set based on a 10 year loan.

Deferred Loans:

Applicants may qualify for a deferred loan based on the existing housing costs exceeding 30% of gross income. Housing costs include mortgage payment(s), taxes, and insurance. When housing costs are

above 30% of monthly income, an analysis will be performed to see if the client may be eligible for a deferred loan or a partially deferred loan. A deferred loan is loan is when no repayment is required until the property title is transferred or the homeowner no longer resides in the home as a principal residence. No interest charge is levied.

Low Interest/Deferred Combination Loans:

Single family property owners who lack sufficient capacity to make larger monthly payments at the time of the loan closing may qualify for a partially deferred loan. A partially deferred loan is when a payment on a portion of the loan (up to 80%) is postponed. The amount of the loan to be deferred will be based on the ability to pay (ability to pay is primarily determined by analyzing the ratio of debt costs to monthly income). When debt costs are near or exceed 42% of monthly income or PITI is near 30% of gross income, an analysis will be performed to see what the client can afford to pay. The deferred portion of the loan would not accrue interest, but the payment portion of the loan would accrue interest at the 1% interest rate. The 1% interest payment portion will have a minimum payment of \$25.00 per month. The principal balance of the loan on the deferred portion becomes due when the title is transferred or the homeowner no longer resides in the home as a principal residence.

Grant Assistance

Grant assistance, like all other assistance through the City of Kettering's housing rehabilitation program, is subject to funding availability. Those who are under 50% of Area Median Income will qualify for a grant of up to \$10,000.00 in emergency situations. Additionally, accessibility grants of up to \$10,000.00 are available to households to remove architectural barriers related to a disability.

Participant Requirements:

Participants will be asked to provide documentation to verify information provided on their application.

1. Income is verified primarily through two months of paystubs and income tax returns. If self-employed, a profit and loss statement and tax returns are used to verify income. People receiving social security, pensions and other benefits can provide their annual statement.
2. For cash assets over \$5,000 the City of Kettering requires 6 months of bank statements, for other types of assets (like a 2nd home or 3rd car) the City of Kettering will need to verify any income they produce, their value, and the expenses they incur. For cash assets less than \$5,000, the City of Kettering requires 2 months of bank account statements.
3. City of Kettering requests 3rd party verifications and uses other means to verify what you are telling us about your income or assets.
4. Verification of all debts and regular (monthly or quarterly) expenses are needed in the form of the most recent monthly bills. Examples include phone bills, utility bills, credit card bills, alarm monitoring services and more.
5. Provide a copy of the deed to the property, homeowners insurance and any other pertinent information as requested.
6. Additional forms such as: IRS Form 4506, lead forms, photo & story forms, etc. could be required.

The City of Kettering may accept substitutions as a secondary means of verification. Credit reports are not needed.

Income of all adults (18 and over) residing in the home is counted. However, full time dependent student's income is only counted as \$480 of income per year unless they are head of household or spouse. Documentation requirements for the student disqualification of income can be met through course registrations, report cards, or class schedules. Income is calculated based on the last two months & projected ahead for the coming year to meet the income qualifications for the program. An asset calculation will also be done and income generated from assets may increase the monthly income.

Some specific types of assistance may require additional supports or verifications. For example, a person with a disability needing a modification to their home to assist them may require a 3rd party verification saying that the modifications would assist the resident. The City of Kettering doesn't collect protected health information or diagnoses for this program.

Participants will be asked to pay a filing fee at closing if they are receiving a loan of any kind. The fees are typically under \$100.00 but are subject to change.

All persons listed on the deed must sign the grant and/or loan agreements at the time of closing. If a person is no longer residing in the household, they must be removed from the deed.

Financial Counseling:

A participant is eligible to participate in financial counseling through the Homeownership Center of Greater Dayton if they are receiving a loan from the City of Kettering.

If approved, the client will have a 6 month eligibility period during which the grant and /or loan "closing" must happen. If this is not completed during the 6 month eligibility period, the client will have to reapply. Client will have to complete financial counseling and other activities as directed by City of Kettering staff prior to the "closing" and still within their eligibility period.

SECTION VI: ELIGIBLE ACTIVITIES

The City of Kettering offers six types of rehabilitation loans and grants: (A) Comprehensive (B) Emergency (C) Minor Repair (D) Accessibility (E) Lead Hazard Repair (F) Smoke and Carbon Monoxide Alarm Grants (F) Air Quality Improvement Grants. Due to the fact that financial resources are limited, availability of individual programs cannot be guaranteed.

- A. Comprehensive Rehabilitation will follow the City of Kettering Housing Rehabilitation Standards and repairs listed in the chart below in “Priorities A, B, C, D, E, F, G.” Financial assistance is provided in order to remove health and safety hazards, increase energy efficiency, improve accessibility for senior citizens and/or disabled individuals, and/or correct violations to the City of Kettering Property Maintenance Code. No more than 45% of the loaned amount can be used for “non-essential” improvements.
- B. Emergency Repair is designed to address immediate health and safety hazards in the home. An emergency is defined as necessary to safeguard against imminent danger to human life, health or safety or to protect property from further structural damage. Evidence must be obtained to justify the emergency.
- C. Minor Repair is rehabilitation work that does not include all Health and Safety issues or does not comprehensively update the home.
- D. Residential Accessibility – improvements designed to remove material and architectural barriers that restrict the mobility and accessibility of elderly and/or disabled persons.
- E. Lead Hazard Repair – see information in Attachment F.
- F. Smoke and Carbon Monoxide Alarm Grants – Grants available to residents who are not participating in minor or comprehensive rehab programs.
- G. Air Quality Improvement Grants – Grants available to update HVAC systems to improve overall health.
- H. Driveways & other non-house exterior items can’t exceed 45% of the total project.

The following is a list of example home repairs by the importance of items to be addressed:

A. Priority One Health & Safety	B. Priority Two Code Violations	C. Priority Three Energy Efficiency / Conservation & Security	D. Priority Four Deteriorating / Aging Components	E. Priority Five* General Improvements
1. HVAC repair or replacement 2. Electrical repairs or replacement 3. Plumbing 4. Leaking roofs 5. Lead-based paint hazards 6. Environmental hazards	1. Wall and ceiling coverings (exterior & interior) 2. Steps/ handrails, & walking surfaces 3. Bathroom repairs 4. Kitchen repairs	1. Energy-related a. Insulation b. Exterior doors or storm doors c. Windows in disrepair d. HVAC replacement	Components that have an expected life span less than the term of the loan. For example, roofs, HVAC, gutters and downspouts, bathroom and kitchen upgrades	1. Driveways 2. Outbuilding repairs 3. Carpet 4. Painting 5. Service Walk
<p>*Note: <u>Priority Four must be addressed before Priority Five can be considered.</u> Items listed in Priority Five, “General Improvements,” and other improvements that do not affect the principal structure will only be financed if code violations are being addressed in the main dwelling. The cost to repair items listed in this category cannot exceed 40% of the total rehab costs.</p>				

Required Repairs for Comprehensive Projects:

- Repair or replacement of inefficient or dangerous heating systems
- Repair or upgrading of electrical systems and fixtures
- Replacement of defective plumbing, including defective sinks, tubs, and toilet facilities
- Reduction of all lead paint hazards on projects over \$5000 (non-emergency)
- Elimination of all serious insect and rodent infestations
- Creation of safe exit ways

- Hardwired smoke and carbon monoxide alarms
- Removal of all blighted exterior conditions
- Any major system with a useful life of less than 5 years

Some repairs are also ineligible: repairs completed by the owner, room additions and extensions, appliances, most demolition, most furnishings and more. Additionally, flooring can only be replaced with what our program defines as reasonable for the house type. Unless there are extraordinary circumstances, flooring will be replaced with like flooring (IE carpet for carpet, laminate for laminate). Our staff will advise and guide you through the list of repairs that must be included and those that cannot be included.

SECTION VII: PROGRAM PROCEDURES

A pre-application form or phone interview will be made available to provide preliminary eligibility screening by calling 296-3020. An application is typically made available by mail or can be picked up. The application is also online at the Planning & Development Department page on the ketteringoh.org website. Potentially eligible applicants will be invited to set up an appointment to turn in the complete application (at their home or at the City of Kettering offices). Assistance completing the application is available by contacting the Community Development Program Coordinator at 296-3308.

Applications may be submitted throughout the year for all programs contained herein. If funding is not available, applicant may be placed on a wait list or offered other alternatives. Income documentation information is to be collected from any resident of the property. Income documentation is required for the most recent two month period. This is called the “initial eligibility period”. However, program staff are also required to estimate changes to income that could make a household ineligible for the 12 months going forward. Income documentation or updated asset documentation can be requested at any time during program services and can change eligibility status at any time. Income calculations will be done in accordance with HUD 24 CFR Part 5 Definition of Annual Income. In addition, all household members’ income documentation for 2 months will be averaged (if applicable) then multiplied as appropriate in order to calculate the annual income. Please see Attachment A for income limits.

Applications must be complete with appropriate documentation attached:

- copy of homeowner's insurance policy
- property deed
- tax and utility payments
- current pay stubs
- debt statements
- personal regular bills such as cell phone and internet/cable bills
- Verifications of all assets:
- Checking/savings, property, and extra cars, income and expenses listed in the application must be completed as directed. The completed application is to be filed at:

City of Kettering Government Center
 Attention: Community Development Program Coordinator
 3600 Shroyer Road
 Kettering, Ohio 45429

SECTION VIII: Contractor Selection

The City of Kettering provides technical assistance to each participating homeowner. After the homeowner has approved the work specifications, the homeowner will select a contractor to complete the work. The two choices for contractor selection follow:

- A. Owner Hires One General Contractor (generally used option)
- B. Owner Hires a Specialty Contractor and/or a General Contractor

A general contractor, who manages and coordinates his work plus that of any subcontractors that he hires and supervises, completes most housing rehabilitation projects financed by the City of Kettering. This is the preferred method for the Kettering Housing Rehabilitation Program. There are some housing rehabilitation projects that require a specialty contractor.

The following procedures will apply to all housing rehabilitation projects:

- STEP 1:** The City will draft specifications for review and approval by the homeowner. Every project to be accomplished with financing through the Housing Rehabilitation Program will be defined and/or described. Once approved by the homeowner, the City will prepare bid documents that the homeowner will use to secure bids. Homeowners must make every attempt to **secure a minimum of three bids for every project.**
- STEP 2:** The homeowner chooses several contractors to invite to provide bids, except in the case of emergency repairs. The City requires every contractor to have insurance, proper licensing, and understanding of local codes. For the convenience of homeowners, the City maintains a list of contractors qualified for Housing Rehabilitation projects. The City does not recommend or guarantee any contractor on the list. Homeowners will secure bids from at least 3 contractors on the list and may secure bids from qualified contractors that are not on the list. Before the contract is awarded, the contractor will have to provide proof of insurance and his/her tax identification number. It is the homeowner's responsibility to check references and judge whether or not the contractor will provide satisfactory work. This should be done prior to inviting a contractor to bid.
- STEP 3:** Bids from contractors are to be secured by the homeowner within 21 days (three weeks) from the date the bid forms are accepted. It is important that the time requirement be met. Without an adequate number of bids on the specified due date, the project may have to be re-bid, which will extend the project by another three weeks. Homeowners are advised to clearly communicate to contractors that they expect them to inspect the site as soon as possible and emphasize that their bids be returned by the due date.
- STEP 4:** All bids must be written on a line item basis. That is, for each item on the specifications, the contractor must state the price of that item, including materials, installation and finish work. Contractors will provide one sealed bid delivered to the homeowner.

- STEP 5:** The homeowner and City’s Rehabilitation Specialist will meet to open and review the bids. **The lowest bid is required to be chosen.** A note from the homeowner describing why the lowest qualifying bidder is not a reasonable choice is required to choose another contractor. The HUD Field office or Office of Community Development may need to approve the “reasonable choice” documentation before another contractor can be chosen. The winning contractor must have a bid that is within 15% of the Rehabilitation Specialists’ cost estimate.
- STEP 6:** A preconstruction conference is held – often at the applicant’s home. The meeting will include the contractor(s), the homeowner, and City staff. The purpose of the meeting is to review the details of the improvements, i.e. exact materials, methods to be used and time schedule. The general contractor must identify all subcontractors that will be involved in the rehabilitation.
- STEP 7:** The contractor is required to begin the rehabilitation project within 45 days of receiving the Notice to Proceed and complete the project within 70 days of the Notice to Proceed. It is the homeowner’s responsibility to have the work area cleared of personal possessions that might get in the way of the contractor. It is the homeowner’s responsibility to provide oversight as the construction is completed.
- STEP 8:** It should be noted that there is a penalty to the contractor for not completing the project in a timely manner. The homeowner should make note of any weather or supply chain problems that would allow the contractor’s time of performance to be extended. The contractor is subject to a penalty of two percent (2%) of the total contract sum for each week, or part thereof, of delay and/or removal from the project if the contractor fails to complete the work within the time provided.

EMERGENCY& ACCESSIBILITY PROCEDURES

1. Once a client and their emergency and/or accessibility project are deemed eligible; the process of acquiring 3 bids will still be required. Once the lowest bid is selected, the contractor will be sent a proceed order & asked to contact the client w/in 2 business days. Once the work is done, the Rehabilitation Specialist and the client will verify the invoice with a signature.
2. Any work over the available \$10,000.00 in grant funds per project will be accomplished by signing loan paperwork for the balance. All loans require title checks, and non-emergency loans over \$5,000.00 require appraisals to verify equity. However, emergency projects and accessibility projects have been exempted from the equity requirement. The City of Kettering covers the cost of an appraisal using our contracted appraisal company.

SECTION IX: LOAN CLOSING PROCEDURES

- A. Costs associated with a loan. A title search is required for any loan (except forgivable loans) and a real estate appraisal are required for any loan assistance that exceeds \$5,000. The appraisal must be completed for loans over \$7,500.00 and unless there is an existing appraisal less than 6 months old. The City of Kettering covers the cost for a title search and appraisal. The mortgage filing fee must be covered by the homeowner. There is no credit check or other loan costs.
- B. There are some housing rehabilitation projects that require diagnostic testing, such as furnace testing, video evident of sewer and water main issues, etc. In some cases, we request the client to pay for or obtain any diagnostics needed to determine the cause or next steps.

- However, the lead based paint testing that is required will be covered by the City of Kettering.
- C. Contingency Fund Set-aside: The contractor's bid does not include extra funding for tasks not listed in the specifications. When rehabilitating an existing home, it is not unusual to discover unexpected additional problems once the work area is opened up. Examples would be termite damage, rotted underlayment or previous work that is not in compliance with codes and current health and safety standards. Therefore, the loan amount will likely include a contingency amount based on the total work contract – even if some of the funds are grant funds. These funds are only for unforeseen tasks that MUST be completed as a pre-requisite to the work items specified. The funds will not be dispersed without a written change order signed by both the homeowner and the City's Housing Rehabilitation Specialist.
 - D. Upon the successful completion of the pre-construction conference, title search and real estate appraisal (if necessary), and environmental review, the City will arrange for completion of the loan documents. The loan closing will be held at the Kettering Government Center, 3600 Shroyer Road, Kettering, Ohio, unless other special arrangements have been made. The mortgage, promissory note and construction contract will be signed at the loan closing by the homeowner. Participants who are receiving grant funds only will still need to participate in a "closing" and will still sign agreements and contracts.
 - E. The borrower will be responsible for paying the recording fees. These fees can be paid by cash or check at the time of closing. A typical mortgage recording fee is less than \$100.00 but will vary. The community development program coordinator will confirm the amount needed at closing when the closing is scheduled.
 - F. The homeowner has a three business day right of rescission in which the loan may be cancelled.

SECTION X: ADDITIONAL REQUIREMENTS

The applicant qualification process will not extend beyond applicant eligibility determination in which, in the opinion of the City, housing conditions are substandard and/or unsanitary. The City must be able to have access to all rooms and be able to see all wall and floor surfaces. There must be no accumulation of trash, animal feces, garbage, or excess amounts of debris accumulated within the showing unit or on the property. The homeowner must correct existing conditions and/or violations to participate in the rehabilitation program or the application will be placed on hold until such conditions are improved. The City of Kettering reserves the right to utilize a "walk-away" policy.

SECTION XI: CONSTRUCTION PROCEDURES

- A. Procedures for Starting Work:
 - 1. After the three-day right of rescission has expired, a Notice to Proceed order will be sent to the selected contractors.
 - 2. The contractor is required to begin the rehabilitation project within 45 days of receiving the Notice to Proceed.

3. Contractors or owner(s) must notify the City 24 hours before beginning construction.
- B. The contractor ensures that all required permits are secured prior to commencing work. During construction, the City will conduct weekly inspections, and upon completion will conduct a final inspection.
- C. Change orders are discouraged. If a change order to the original contract is necessary, it can only be incorporated into the loan and paid for with contingency funding when approved by **BOTH** the homeowner and the City. Up to 20% of the original contract shall be incorporated into the loan for contingencies. If the full amount of the loan is not utilized for repairs, the remaining balance shall be used to pay down the loan principal. If necessary change orders exceed this contingency fund, the homeowner can apply for an increased loan amount or pay the contractor directly for costs incurred.
- D. It is the homeowner's responsibility to monitor construction daily. The City will be monitoring construction at a minimum of once a week. The City shall attempt to mediate any dispute between the contractor and the homeowner. The possible reasons for disputes include, but are not limited to, the following:
 1. Interpretation of drawings or specifications
 2. The value of additional work or of work omitted
 3. The question of improper workmanship
 4. The question of improper materials

The City will determine if all terms and conditions of the rehabilitation contract have been followed strictly. If the work has not been completed properly, the contractor will be ordered by the City to make the necessary corrections.

After the completion of the necessary corrections and approval by the City, if the homeowner is still not satisfied, he must contact the Better Business Bureau, Dayton, Ohio for their arbitration program as provided in the Owner/Contractor Agreement. The arbitration program is available to either a homeowner or a contractor. The party desiring such arbitration shall give written notice to the effect to the other party, specifying the specific issue that is to be arbitrated. A decision by the arbitrator shall be binding and conclusive upon the parties. Each party shall pay its own attorney fees, if any.

SECTION XII: PAYMENT PROCEDURES

- A. When the contractor is ready for payment; he/she shall submit an invoice for all completed items and arrange a time for the City to inspect the job site to verify all completed items. Completed work is defined as follows: (a) Work that, on a line-item basis, is completed to the homeowner's and City Inspector's satisfaction prior to receiving payment (ex: painting bathroom — the entire bathroom, all trim and doors), and (b) For work items that required a permit, the permit must be closed out. **The invoice must be submitted to the City one week before the Friday payment is expected.**
- B. The invoice shall be on a line item basis corresponding with the line items on the rehabilitation contract.
- C. The invoice must be approved, signed and dated by the homeowner, contractor and City's Rehabilitation Specialist.

- D. The contractor will be paid for **80%** of completed items until final payment, at which time all hold-backs will be released. If there is a dispute between the homeowner and contractor concerning improper workmanship or materials, the Contractor will abide by the conditions in the contract signed between the homeowner and the Contractor which includes arbitration as a remedy for the dispute.

Release of Checks:

1. Checks are issued on Fridays after 1:30 p.m.
2. All contractors will need to sign an Affidavit of Original Contractor in the presence of a notary before the check will be released. The contractor must list any subcontractor or supplier who has not been paid for completed work or material on this affidavit.
3. All contractors will sign a release of lien at the time of final payment.

SECTION XIII: LOAN PAYMENTS

- A. The borrower will direct all payments and inquiries regarding his or her loan to the City of Kettering Planning and Development Department. The City will service all aspects of the loan. Please note: all correspondence and checks must be addressed: Community Development.
- B. All payments are due on the first of the month. In the event that a monthly payment is not received by its due date, a late fee will be assessed pursuant to the loan documents.

SECTION XIV: PROPERTY TRANSFERRED/REFINANCED

- A. If the home is sold, the title is transferred or the applicants no longer occupy the home as a principal residence prior to the full loan repayment, the remaining loan amount is immediately due and payable to the City of Kettering.
- B. The City may subordinate its interest in the property in accordance with the City of Kettering's Housing Rehabilitation Program Subordination Policy (Attachment H). All requests for subordination of the City's mortgage must be made by the homeowner AND at least ten business days prior to the closing.

Federal legislation and regulations establish the rules affecting this Housing Rehabilitation Program. Because the program is designed to benefit low and moderate-income persons, eligible program participants must not exceed the U.S. Department of Housing and Urban Development (HUD) Income Limits. These income limits are established annually. The City of Kettering uses the most up-to-date income limits and therefore will begin using the FY 2023 limits immediately when HUD posts them.

Annual income is the total income from all sources, including any anticipated income to be received within the next 12-month period, of the person(s) residing in the household.

Income Inclusions and Exclusions

Annual income includes:

1. The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
2. The net income from operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or professional may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursed in cash or assets invested in the operation by the household.
3. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as a deduction in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (2) of this section. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the household. Where the household has net assets in excess of \$5,000, annual income shall include the greater of the actual income derived from net household assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.
4. The full amount of periodic payments received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic payment.
5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (but see paragraph (3) under Income Exclusions).
6. Public Assistance. If the Public Assistance (welfare) payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:
 - a. The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities.
 - b. The maximum amount that the welfare assistance agency could allow the household for shelter and utilities. If the household's welfare assistance is reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage.
7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling. The average of what is received over the previous year is what is used to calculate expected income.

8. All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the Family, spouse or other person whose dependents are residing in the unit (but see paragraph (7) under Income Exclusions).

Income exclusions:

1. Income from employment of children (including foster children) under the age of 18 years. Income of dependent children 18 and over (who are full time students) is counted as household income contribution of no more than \$40.00 per month or \$480.00 annually.
2. Payments for the care of foster children.
3. Lump-sum additions to household assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (but see paragraph (5) of Income Inclusion).
4. Amounts received by the household that are specifically for, or in reimbursement of, the cost of medical expenses for any household member.
5. Income of a live-in aide.
6. Amounts of educational scholarships paid directly to the student or to the educational institution, and amounts paid by the Government to a veteran, for use in meeting the costs of tuition, fees, books, equipment, materials, supplies, transportation and miscellaneous personal expenses of the student. Any amounts of such scholarships or payments to a veteran not used for the above purposes that are available for subsistence are to be included in income.
7. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
8. Special one-time grants of public funding such as:
 - a. Amounts received under training programs funded by HUD. Amounts received by a Disabled person that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS).
 - b. Amounts received by a participant in other publicly-assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program.
9. Temporary, non-reoccurring or sporadic income (including gifts).
10. Amounts specifically excluded by any other Federal Statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under the 1937 Act. The following is a list of types of income that qualify for that exclusion:

- a. Relocation payments made pursuant to Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (43 U.S.C. 4636); Note: This conflicts with URA regulations but has not been changed in Part 813.
- b. The value of the allotment provided to an eligible household under the Food Stamp Act of 1977 (7 U.S.C. 2017(b)).
- c. Payments to volunteers under the Domestic Volunteer Service Act of 1973 (42 U.S.A.C. 5044(g), 5058).
- d. Payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626(a)).
- e. Income derived from certain sub-marginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 259(e)).
- f. Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program (42 U.S.C. 8624(f)).
- g. Payments received under programs funded in whole or in part under the Job Training Partnership Act (49 U.S.C. 1552(b)).
- h. Income derived from the disposition of funds of the Grand River Band of Ottawa Indians (Pub. L. 94-540, 90 Stat. 2503-2504).
- i. The first 2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the Court of Claims (25 U.S.C. 1407-1408) or from funds held in trust for an Indian tribe by the Secretary of Interior (25 U.S.C. 117).
- j. Amounts of scholarships funded under Title IV of the Higher Education Act of 1965 including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs, that are made available to cover the costs of tuition fees, books, equipment, materials, supplies, transportation and miscellaneous personal expenses of a student at an educational institution (20 U.S.C. 1087UU).
- k. Payments received from programs funded under Title V of the Older Americans Act of 1965 (42 U.S.C. 3056(f)).
- l. Earned Income Tax Credit Refunds received at any point after January 1, 1991.
- m. Child care subsidies paid for under the Child Care and Development Block Grant.
- n. Any allowance paid under 38 USC 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran.
- o. Any amount of crime victim compensation through the Victims of Crime Act.
- p. Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998.

Assets:

Assets Include:

1. Cash held in savings accounts, checking accounts, safe deposit boxes, homes, etc. For savings accounts, we use the current balance (though we may need an explanation of any recent large withdrawals). For checking accounts, we use an average 6 month balance if the balance. A 3rd party form is sent to the asset holder but is not considered primary source materials or a replacement for bank statements. All accounts must be provided with 6 months of statements.
2. Assets held in foreign countries are considered assets. Stocks, bonds, savings certificates, money market funds and other investment accounts. This includes the cash value of revocable trusts available to the occupant.
3. Equity in real property, other than the one you currently occupy, or other capital investments. Equity is the estimated current market value of the asset less the unpaid balances on all loans secured by the asset and reasonable costs (such as broker fees) that would be incurred in selling the asset.
 - E. IRA, Keogh and similar retirement savings accounts, even though withdrawal would result in a penalty. Contributions to company retirement/pension funds that can be withdrawn without retiring or terminating employment.
 - F. Assets, which, although owned by more than one person, allow unrestricted access by the applicant.
 - G. Lump sum receipts such as inheritances, capital gains, lottery winnings, insurance settlements and other claims. This includes the surrender value of a whole life or universal life policy.
 - H. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.
- i. Mortgages or deeds of trust held by an applicant.
 - J. Assets disposed of for less than fair market value during two years preceding certification or recertification.

Assets Do Not Include:

1. Necessary personal property, except as noted in A.7. Excluded assets include furniture, cars and vehicles specially equipped for persons with disabilities.
2. Interest in Indian trust lands.
3. Assets that are a part of an active business or farming operation. NOTE: Rental properties are considered personal assets held as an investment rather than business assets, unless real estate is the applicant's/tenant's main occupation.
4. Assets that are not accessible to the family and which provide no income for the family.
5. Vehicles especially equipped for the handicapped.
6. Equity in owner-occupied cooperatives and manufactured homes in which the family lives.
7. Term life insurance policies (where there is no value).
8. Equity in cooperatives in which the family lives.

Where an immediate and life threatening danger exists or accessibility to the home is threatened, the City will accept the application and pre-screen the client for an actual emergent activity that qualifies for an emergency status. If there is a probable emergency situation, the client may solicit bids concurrent to applying for the program in full cooperation and communication with staff.

Emergency repair assistance will not prevent the homeowner from making application to the Housing Rehabilitation Loan Program to repair non-emergency or accessibility items.

Emergency repairs and accessibility items include, but are not limited to, such items as:

- Plumbing issues causing systems to back up, unable to drain or flush, leaks, floods and inability to use system which occurred in the last 30 days
- Broken windows and doors, especially if preventing egress, energy efficiency issues or unable to close.
- Hot water tank replacement/repair
- Broken stairs or ramps
- Electrical issues resulting in smoke, char, flickering, or unable to use which happened within the last 30 days
- Roof patching & gutter repairs
- Furnace replacement/repair
- A/C replacement/repair when medically necessary.

Lead Hazard Grant Policies and Procedures

The City of Kettering will provide a grant to cover all of the costs of required lead hazard controls. Primarily, the goal is to prevent and end the poisoning of children in our community from lead poisoning. This is to ease the burden on homeowners who wish to do a project but have unanticipated costs attributed to lead hazards. All participants must still meet the 80% AMI criteria and live in a single family home. The owner has to agree to the testing, lead hazard controls and clearance testing in order to participate. All testing and lead hazard control and abatement work are covered under the grant.

A stand-alone lead hazard control grant may also be offered without additional rehab. This grant may be utilized by a City of Kettering resident with an order from the local health department to abate lead hazards or for any homeowner who is concerned about children under 6 who live or regularly visit the home. All residents in the unit must still meet the 80% AMI income limit per household criteria. The owner has to agree to the testing, abatement work and clearance testing in order to participate. All testing, lead hazard repair and lead hazard control work are covered under the grant.

All standard rehab program policies and procedures apply unless stated otherwise. Below, you can find a link to the most recent approved guidelines:

<http://dev.ci.kettering.oh.us/departments/planning-development/housing-opportunities/rehabbing-a-home/>

Accessibility Policies and Procedures

The City of Kettering offers an accessibility grant of up to \$7,500.00. The accessibility need must be identified by a third party or be obvious to staff based on the use of assistive devices such as wheelchairs. The accessibility grant is able to be used by single family homeowners or renters in Kettering as long as the property owner agrees to the City of Kettering requirements.

All standard rehab program policies and procedures apply unless stated otherwise here. You can find a link to the most recent approved guidelines here:

<http://dev.ci.kettering.oh.us/departments/planning-development/housing-opportunities/rehabbing-a-home/>

Residents who have income under 80% of AMI who own their own single family home or rent a single family home that may be modified with the permission of the owner are eligible for the grant. Proof of equity is not required.

Emergency Policies and Procedures

The City of Kettering offers an emergency grant of up to \$10,000.00. The emergency must be obvious to staff or proven by a contractor (for example a video showing a collapsed underground pipe). The emergency also has to be obvious that it has worsened recently or began recently. For example, we can't replace a roof that has had a growing hole for three years. In that case, it would become a rehab loan program project. The grant is able to be used by single family homeowners under 50% AMI in Kettering only. Residents who own a single family dwelling and have incomes that fall between 50-80% of the Area Median Income can apply for a deferred interest loan. Proof of equity is not required.

All standard rehab program policies and procedures apply unless stated otherwise here. You can find a link to the most recent approved guidelines here:

<http://dev.ci.kettering.oh.us/departments/planning-development/housing-opportunities/rehabbing-a-home/>

Community Development Program **SUBORDINATION POLICY**

Subordination will be considered only in circumstances relating to the needs of the Borrower.

The borrower shall provide, in writing, the request for subordination at least two weeks (ten business days) before the scheduled closing. The request for subordination must provide the following information: current value of the home; current balance of the mortgage; current mortgage rate and reason for the request. Each subordination request must meet the following conditions:

1. The refinancing of the first mortgage must be a tangible benefit to the borrower such as:
 - A) lower interest rate
 - B) removal or buyout of co-borrower from title (with court order or evidence that the co-borrower no longer resides at property)
 - C) to convert from an ARM to a fixed rate
 - D) to eliminate future balloon obligation
 - E) refinance from Interest Only or Payment Option ARM to a fully amortized product
 - F) shorten loan term to accelerate principal reduction
 - G) extend term to decrease payment

2. The amount of the refinanced loan shall be for the amount equal to and not exceeding the outstanding balance of the loan being refinanced plus reasonable and customary closing costs and fees, including:

- A) Credit Reports – only the actual cost identified on the credit report(s) may be charged
- B) Automated Underwriting Fees – The automated underwriting loan review fee cannot exceed the actual amount charged to the lender
- C) Origination Fee – not to exceed 1% of the original principal amount of the mortgage excluding financed mortgage insurance or guarantee fees
- D) \$150 transfer fee
- E) \$150 tax service fee
- F) .25% adverse market fee (conventional loans only)

3. Restrictions:

- A) Under no circumstances should the closing costs total more than 6% of the total loan amount.
- B) Under no circumstances can the homeowner get cash out of through refinancing and be approved to subordinate the City of Kettering loan.
- C) Under no circumstance can the homeowner refinance from a fixed loan to an ARM loan, unless the ARM final interest rate is equal to or less than the current fixed rate.

4. The Mortgagor is performing and complying with all the terms and conditions outlined in the subject Promissory Note and Mortgage, including but not limited to timely loan payments, maintaining the mortgage premises in good repair and in compliance with all governmental requirements.

If the City agrees to consider the requested subordination, then copies of the loan agreement, loan disclosures and associated loan-closing documents must be reviewed by the City of Kettering Planning and Development Department and the Law Department for final determination.

2022 HUD Area Median Income Limits for Dayton, OH area HOME Projects

Household Size	Household Income 80% CDBG CHIP EECBG FTHB HOME	Household Income 50% EME
1	\$47,150	\$29,450
2	\$53,850	\$33,650
3	\$60,600	\$37,850
4	\$67,300	\$42,050
5	\$72,700	\$45,450
6	\$78,100	\$48,800
7	\$83,500	\$52,150
8	\$88,850	\$55,550