

Louisiana Housing Corporation funds Recipients to assist eligible homeowners to rehabilitate or reconstruct their homes. In this role, the Recipients are responsible for screening homeowners for eligibility and administering the rehabilitation of the home in compliance with HOME Program requirements.

This chapter discusses HOME requirements including:

- ❑ Eligible Recipients and activities,
- ❑ Forms of financial assistance,
- ❑ Eligible costs,
- ❑ Cost and assistance limits,
- ❑ Eligible properties,
- ❑ Eligible homeowners, and
- ❑ Affordability period.

LHC HOME funded Recipients should use this chapter as their guide to successfully carry out their activities.

ELIGIBLE RECIPIENTS AND ACTIVITIES

The HOME Program and LHC rules and regulations define both eligible Recipients of the LHC homeowner assistance program, as well as the eligible activities these Recipients may undertake.

- ❑ Eligible Recipients are State Recipients and Sub-recipients.
 - State Recipients are defined as units of local government that carry out a HOME program activity on behalf of LHC
 - Public agencies and/or nonprofit organizations that administer all or a portion of LHC's HOME program are called Sub-recipients.
- ❑ Eligible Recipients must identify eligible households for their programs upfront and submit the information on the identified eligible households to LHC for review.
 - Note that this requirement does not relieve the Recipient of finalizing the eligibility of both the household and the unit once the Recipient has been approved to participate by LHC's Board of Directors.

- That is, Recipients must collect information from the homeowner to document the eligibility of the household (see discussion on Eligible Beneficiaries below) and the property (see discussion on Eligible Properties below).
- They must also be able to document compliance with all the other program requirements discussed in this chapter.
- Eligible Recipients must comply with the following performance standards and expend:
 - 25% of HOME allocation within 90 days of Notice to Proceed;
 - 75% of HOME allocation within one year of Notice to Proceed; and
 - 100% of the HOME allocation within 18 months of the Notice to Proceed.

Eligible Activities

LHC's homeowner assistance program allows for rehabilitation and reconstruction of owner-occupied properties where the homeowners can document ownership through fee simple title. Refinancing may be done in some cases as part of individual rehabilitation assistance to homeowners.

- **Eligible rehabilitation activities:** to be eligible for LHC HOME funds, the repairs to the existing structure of the home must address all health, safety and property code problems identified at inspection.
 - Rehabilitation must be performed according to LHC's written property standards which include both written rehabilitation standards (methods and techniques), as well as the State code.
 - Any unit receiving assistance under the program must also be brought up to the applicable local code. See the Property Standards section below for further information on property standards requirements.
- **Ineligible rehabilitation activities:** because rehabilitation work funded by HOME must address **all** health, property code and safety problems, the Recipient may not undertake special purpose or limited homeowner repair programs such as:
 - Weatherization programs;
 - Emergency repair programs; or
 - Handicapped accessibility programs.

- ✓ Weatherization, emergency repairs, and accessibility are only permitted if the property will be brought up to all the applicable property standards. In other words, weatherization, emergency repairs, and accessibility can be included in the overall scope of the rehabilitation work if it is part of a larger scope of work to bring the property to applicable property standards.
- **Eligible reconstruction activities:** reconstruction is defined as the rebuilding, on the same lot, of housing that is standing on a site at the time of application approval by the LHC Board of Directors. The dwelling must also be owner-occupied at the time of LHC approval.
 - Reconstruction is considered homeowner rehabilitation even though this activity involves construction of a new housing unit, so long as the following requirements are met:
 - The number of housing units on the lot are not decreased or increased as part of a reconstruction project.
 - Note that the number of rooms per unit may be increased or decreased.
 - An existing substandard unit of manufactured housing is replaced with a new or standard unit of manufactured housing.
 - LHC defines reconstruction that involves replacing an existing manufactured housing unit with a newly constructed housing unit, as “homebuyer housing development” and not “owner-occupied rehabilitation/reconstruction”.
 - Recipients are replacing manufactured housing units with newly constructed housing units must meet the relevant homebuyer requirements in Chapter 7: Homebuyer Housing Program – Homebuyer.
 - The project meets LHC’s minimum requirements for reconstruction and utilized LHC’s approved house plans for all single-family reconstruction projects. The details of this requirement are discussed in Property Standards section.
- **Eligible refinancing activities:** in combination with either rehabilitation or reconstruction assistance, HOME Program funds may be used to refinance an existing mortgage loan with a current balance of five thousand dollars (\$5,000) or less.
 - Refinancing is eligible for existing secured debt if:
 - ✓ The housing is owner-occupied;
 - ✓ HOME funds are loaned for rehabilitation; and

- ✓ Refinancing allows the borrower's overall housing costs to be reduced and the housing is made more affordable.
- HOME funds **cannot** be used to refinance Federal debt (e.g. FHA loan).

FORMS OF FINANCIAL ASSISTANCE

There are two forms of financial assistance that can be provided: forgivable loans and repayable loans. LHC established standard loan terms and requirements that must be used for each type of loan.

Types of LHC Loans

- Eligible homeowners may receive one of two types of loans described below:
 - **Forgivable loans:** these loans are forgiven on a prorated basis each month over the term of the loan.
 - ✓ The interest rate on forgivable loans is 0%.
 - ✓ A forgivable loan requires no monthly repayment, but must be repaid if the homeowner fails to maintain compliance with all terms and conditions outlined in the loan agreement. For example, failure to maintain the unit as the homeowner's principal residence.
 - **Repayable loans:** these loans will either be in the form of a deferred payment loan or require monthly repayment of principal and interest.
 - ✓ The interest rate on repayable loans is disclosed in the NOFA.
 - ✓ Loan terms will coincide with the LHC required affordability period (5, 10, 15 or 20 years) as determined by the total amount of the per unit HOME investment to the homeowner.

Loan Documentation and Payments

- In all cases where HOME Program assistance is provided, a promissory note will be executed along with a mortgage and deed restriction will be recorded as a lien against the property's title with the clerk of court in the Parish where the project is located.
- Although Recipients administer the homeowner rehabilitation/reconstruction program, LHC provides the direct HOME assistance to the homeowner.
 - As such, all monthly mortgage payments on repayable loans shall be paid by the homeowner to LHC at the following address:

**Louisiana Housing Corporation c/o
Accounting Department
2415 Quail Drive**

Baton Rouge, LA 70808

ELIGIBLE COSTS

Eligible costs under the HOME Program may include the hard costs and soft costs of rehabilitation as well as project-related soft costs, as defined below. Recipients must ensure only these eligible costs are incurred.

Hard Costs

- ❑ Eligible hard costs are listed below in Exhibit 4-1. These are the actual costs associated with the rehabilitation (renovation, remodeling, and repair) or reconstruction of owner-occupied housing units.

- ❑ Garages are eligible homeowner rehabilitation construction costs in the following circumstances:
 - Attached garages may be rehabilitated with HOME funds, in conjunction with rehabilitation of the residential living space.
 - Detached garages may only be rehabilitated with HOME funds if the structure has documented existing health and safety code violations and is performed as part of the rehabilitation of the housing unit.
 - For reconstruction, garages may be constructed if attached to the dwelling unit.
 - Detached garages are permitted only if the structure is required by local ordinance or to accommodate a person with disabilities, and has received prior written approval by LHC.
 - The reconstruction of a garage without a dwelling unit as part of the project is ineligible.

- ❑ The cost of the rehabilitation must be reasonable compared to the value of the house (i.e., the level of rehabilitation is intended to allow continued owner occupancy for at least the affordability period as regulated by the LHC HOME Program).

Soft Costs

- ❑ Eligible soft costs are listed below in Exhibit 4-1. These soft costs are usual, reasonable, and necessary for the completion of a rehabilitated owner-occupied housing unit.

Program and Project Administrative Costs

- ❑ LHC allows Recipients to budget for program and project costs.
 - Program and project administrative costs are limited to 10% of the final allocation amount for the proposed owner-occupied rehabilitation/reconstruction program.

- Recipients must submit an itemized budget for program and project administrative costs as a part of their initial application.
 - Administrative costs are eligible only for costs associated with the homeowner rehabilitation units.
 - Project-related soft costs are eligible only for costs directly associated with the HOME Program funded development and must be allocated on a prorated basis among HOME Program assisted units when combined with other funding sources.
 - LHC expects that the majority of the 10% allotted to administration and project-related soft costs will be incurred as project-related soft costs.
 - Finally, a certification of costs must be submitted with all requests for program administration and project-related soft costs.
- Program and project administrative costs are defined briefly below. For a complete discussion and reference resources, see Chapter 2: Administrative and Management Overview.
- **Administrative costs** include those costs that are general across the entire administration of the program. Examples are listed below:
 - ✓ Staffing costs such as labor hours, including overhead fringe benefits, related to the following activities:
 - ✓ Ensuring compliance with HOME Program requirements;
 - ✓ Preparing reports and other documents for LHC;
 - ✓ Coordinating the resolution of program monitoring and audit findings; and
 - ✓ Providing public information on the program.
 - ✓ Charging project delivery soft costs to units that do not end up being HOME-assisted.
 - **Project-related soft costs** include costs that are specific to individual project addresses, i.e.:
 - ✓ Staffing costs such as labor hours, including overhead fringe benefits, related to the following activities:

- Processing applications;
 - Ensuring other federal requirements are met such as a project-specific Environmental Review; and
 - Preparing work specifications, performing inspections, and developing cost certifications.
 - Other costs such as development of written agreement and mortgage documentation, and underwriting specific to a project.
- Administrative and project-related soft costs must be supported by the following source documentation and maintained on file by the Recipient:
- **Invoices:** Copies of invoices highlighting the costs to be reimbursed. All invoices must be supported by a canceled check, a copy of the bank statement or other proof of payment. Each invoice should, at a minimum, include vendor identification, a description of the services received, the quantity (hours, units, etc.), and the price for services received. Handwritten invoices will not be accepted.
 - **Authorized signature:** All invoices must have an authorized signature of the Recipient’s executive authority or their designee. The authorization must also include payment approval, verification of satisfactory services, and the relevant month for costs incurred and date.
 - **Copies of subcontracts,** as applicable. A copy of any subcontracts for professional services (i.e., consultants, architects, contractors, etc.) must include a description of the services being provided, detailed cost breakdown of the service rendered and the payment schedule or terms.

Note: While a change order that results in an increase to the project budget does not increase either the administrative or project delivery soft cost amount, a reduction in the project budget will result in a decrease of administrative or project delivery soft costs.

EXHIBIT 4-1: HOME-ELIGIBLE HOMEOWNER REHABILITATION COSTS

HARD COSTS	SOFT COSTS
<ul style="list-style-type: none"> ▪ Meeting the rehabilitation standards ▪ Meeting applicable codes, standards and ordinances ▪ Essential Improvements ▪ Energy-related improvements 	<ul style="list-style-type: none"> ▪ Financing fees ▪ Credit reports ▪ Title reports and updates ▪ Architectural/engineering fees, including specifications and job progress inspections

<ul style="list-style-type: none">▪ Lead-based paint hazard reduction▪ Accessibility for disabled persons▪ Repair or replacement of major housing systems▪ Site improvements and utility connections▪ Demolition and reconstruction	<ul style="list-style-type: none">▪ Flood Insurance – Up to one year▪ Recordation fees, transaction taxes▪ Legal and accounting fees▪ Appraisals▪ Lead-based paint testing, risk assessments and clearance▪ Surveys
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COST AND ASSISTANCE LIMITS

LHC places cost and assistance limits on LHC funded owner-occupied rehabilitation/reconstruction activities. These limits are discussed in detail below and are applicable to all HOME program Recipients and their activities.

- ❑ Costs on all LHC assisted owner-occupied rehabilitation/reconstruction units are limited to the maximum per unit subsidy limit (as established under section 234 of the National Housing Act (12 U.S.C 17151 (d) (3) (ii) for elevator-type projects that ply to the rea in which the housing is located.
- ❑ Projects with total development costs that exceed the FHA 234 limits are ineligible for assistance
 - LHC shall provide no less than \$1,000 nor more than \$40,000 per unit in HOME funds to assist in owner-occupied rehabilitation/reconstruction.
- ❑ Units with costs that exceed LHC subsidy limits may still be eligible for assistance, so long as
 - There are other funds available, evidenced by a commitment letter, to cover the difference between the total development budget and the HOME assistance limit, and
 - The total development budget per unit does not exceed the limits established in accordance with FHA Section 234 limits.
 - ✓ It is strongly recommended that each project consist of groupings of at least five (5) houses in close proximity to one another.
 - Actual assistance to projects will depend upon determination of need to achieve program objectives.
- ❑ **Recipients are obligated to contact LHC as soon as there are any changes in project size/scope, cost or financing sources at any point during the project.**

ELIGIBLE PROPERTIES

Eligible and ineligible properties under the program are defined below. Recipients must ensure these requirements are met prior to application, as well as post application

Eligible Property Types

- ❑ To be eligible for HOME assistance, a property must be:
 - Occupied by an income-eligible homeowner; and
 - The owner's principal residence.
- ❑ Checkboxes will be used in administrative documents to identify the property type. The following property types may be included under the program for either rehabilitation or reconstruction:
 - ✓ Traditional single-family housing that is owned fee simple (structure may contain one to four dwelling units);
 - ✓ A manufactured housing unit, including a mobile home or trailer, is eligible **only for reconstruction**.
 - ✓ If the HOME-assisted unit qualifies for reconstruction, the unit must be located on land that is owned by the manufactured housing unit's homeowner and permanently affixed to a foundation.

Ineligible Properties

- ❑ The following are ineligible for either rehabilitation or reconstruction:
 - Properties that are not owner-occupied (i.e. vacation homes);
 - Rental properties; or
 - Manufactured housing units (mobile homes or trailers) are **ineligible for rehabilitation**.

Maximum Property Value

- ❑ The value of the assisted property *after rehabilitation/reconstruction* must not exceed the 95% of the area median purchase price, for the type of property being assisted.
 - ✓ Determining both pre- and post-rehabilitation/reconstruction value: To establish project eligibility, the Recipient must establish the pre- and post-rehabilitation value prior to initiating work on a unit. The after-rehabilitation value may be

established by an appraisal conducted by a professional certified by the Louisiana Real Estate Appraisal Board at no less than the residential level.

Property Standards

- ❑ As with all HOME-assisted properties, properties that are rehabilitated/reconstructed with HOME funds must meet certain standards. This section briefly discusses the standards that apply to properties rehabilitated/reconstructed with HOME assistance. (For full information on standards for all HOME-assisted properties, see Chapter 3: General Requirements and Chapter 11: Construction Management.)
- ❑ Standards applicable to both rehabilitation and reconstruction projects:
 - LHC Construction Performance Manual Sections I and II,
 - the International Code Council (ICC),
 - all applicable State and local property codes, and
 - Zoning ordinances.
- ❑ Standards applicable to rehabilitation projects only:
 - Rehabilitation standards, the method, materials and techniques used in the renovation, remodeling and repair of a unit, and
 - Louisiana Energy Code.
- ❑ Standards applicable to reconstruction projects only:
 - Energy Star standards,
- ❑ Louisiana State Uniform construction code (LSUCC).
 - LSUCC is available on the internet at <http://lsucc.dps.louisiana.gov/>
- ❑ LHC Asset Management Division approved house plans for all single-family reconstruction projects
 - LHC's plans require a minimum of:
 - ✓ 1,000 square feet heated and cooled for two bedroom houses; and
 - ✓ 1,200 square feet heated and cooled for three bedroom structures.

- Different plans may be permitted provided the plans are comparable to LHC approved plan(s) and are approved by the appropriate LHC staff prior to bidding and submission of application for funding.
- Additional requirements applicable to reconstruction projects only:
 - Survey of the property is required prior to the start of construction showing existing and proposed building locations; and
 - Permanent utility hook-ups and permanent foundations for replacement of manufactured unit under reconstruction.
 - Each applicant must include the following: (a) a letter or evidence from the soil conservation office showing the type of soil in the area of the proposed construction, (b) provide supporting documentation that proposed foundation method and materials used during construction will exceed the requirements for that specific soil condition, and (c) identify roles and responsibilities of the person/parties ensuring compliance of proposed recommendation.

Lead Based Paint

If the dwelling unit was built prior to 1978, the Recipient must comply with the rehabilitation requirements of the Lead Safe Housing Rule (24 CFR Part 35, Subpart J). The purpose of the regulation is to identify and address lead-based paint hazards before children are exposed to lead.

- The requirements of the Lead Safe Housing Rule depend on the level of assistance provided to the unit. The summary below provides a brief overview of the regulations. For more information, see <http://www.hud.gov/offices/lead/>.
- For units with a level of assistance less than \$5,000, paint testing must be conducted on all painted surfaces to be disturbed or replaced during the renovation, or it must be presumed that all these painted surfaces are coated with lead-based paint. Safe work practices must be employed during the rehabilitation work, and upon completion, a clearance examination of the worksite is required. Clearance of the worksite is required prior to the unit being reoccupied.
- For units with a level of assistance over \$5,000 and up to \$25,000, lead hazards must be identified by a risk assessment (or presumed to be present) and then addressed through interim controls or standard treatments, Proper safe work practices, trained staff, and unit clearance are also required.

- For units with a level of assistance over \$25,000, lead hazards must be identified through a risk assessment (or presumed to be present) and addressed through abatement by a certified abatement contractor. Clearance is required.
- The *level of assistance* is defined as the lesser of the *per unit Federal assistance* or the *per unit hard costs of rehabilitation*. When calculating the per unit hard costs of rehabilitation, do not include the lead hazard reduction costs.
- All homeowners must receive the lead-based pamphlet, *Protect Your Family From Lead in Your Home*, as well as other relevant information pertaining to the rehabilitation work. The Recipients must have documented evidence that this notice was provided.

Rehabilitation/Reconstruction Management

This section summarized the construction management responsibilities of the Recipient. For additional information, please see Chapter 11: Construction Management.

- **Scope of work:** Recipients must determine the scope of rehabilitation/reconstruction projects upfront, prior to project application for LHC funds.
 - LHC’s Inspection Checklist and Work Write-up Template should be used.
 - ✓ These forms can be requested from the LHC Asset Management Department.
- **Bid solicitation:** Construction bids must be solicited and obtained prior to approval of LHC funds and provided for review.
 - LHC requires documentation and submission of the following materials related to solicitation of bids:
 - ✓ Copies of advertisements for bids,
 - ✓ Proof of publication, and
 - ✓ Bid tabulation worksheets.
 - As part of the bid process, Recipients must request the following current documents:
 - ✓ Contractors Louisiana State License,
 - ✓ General Liability Insurance,
 - ✓ Builders Risk Insurance, and

- ✓ Contractor's ability to obtain a Payment and Performance bond or Irrevocable Letter of Credit (reconstruction only).
- Contractors that do not have the State contractor's license or cannot obtain a builder's risk insurance policy, and payment and performance bond for the full amount of the construction contract are not eligible to bid on any rehabilitation/reconstruction projects funded under LHC's HOME Program.
- Also, construction bids must be good for 90 days from the date the Recipient's application is received by LHC.
- **Pre-construction conference:** A preconstruction conference is required between the Recipient, the homeowner, the construction contractor, and an LHC representative.
 - LHC requires the use of the Pre-construction Conference form (available on LHC's website) to document that a Pre-construction Conference occurred.

At the time of the pre-construction conference, the following agreements must be executed prior to the pre-construction conference:

- A written agreement between the homeowner and contractor, and
- A separate written agreement between the Recipient and the homeowner.
- ✓ These agreements are standardized by LHC, so Recipients must use the sample agreements provided by LHC.
- **Progress inspections:** Inspections are required at specified stages of project development and must be conducted prior to approval of draw requests. Each rehabilitation project is unique and will require a progress inspection schedule to be worked out between the general contractor and inspection personnel prior to issuance of a notice to proceed. On reconstruction projects, progress inspections will take place at the following stages:
 - ✓ **Phase 1: Foundation and site prep**, including excavation, rebar reinforcing, wire mesh, termite treatment, rough-in plumbing, earth work, water proofing (vapor barrier), footing and slab work.
 - ✓ **Phase 2: Major systems**, including: plumbing top-out, electrical rough-in, framing, roof, interior wall systems, exterior wall systems, ventilation, and insulation.

- ✓ **Phase 3: Build out**, including: flooring systems, painting, doors, cabinets, HVAC, electrical top-out, and appliances.
- ✓ **Phase 4: Final inspection**, LHC shall pay for the initial final inspection and one additional inspection (punch list or retainage). Should the general contractor request a final inspection, and if repairs agreed to by the contractor and inspector on behalf of LHC, are incomplete, the general contractor shall be responsible for additional inspection fee(s) until the project has been successfully approved. LHC staff shall reduce the final pay request and/or the retainage payment for the amount of the additional inspection fee(s) (to include inspector's mileage) incurred by the general contractor.
- Certifications for plumbing, electrical, HVAC, Certificate and Release of Liens, and final inspection are required at the completion of the construction work. The Recipient will be required to maintain this documentation and provide to LHC upon request.

ELIGIBLE BENEFICIARIES

Homeowners must meet eligibility requirements, including household income and proof of ownership. Recipients must ensure these eligibility requirements for the properties proposed to be assisted are met prior to application.

General Eligibility

- To be eligible for HOME funds, Recipients must ensure the homeowner to be:
 - Low-income; having an annual (gross) household income that does not exceed 80 percent of the median for the area, adjusted for family size;
 - Owner-occupant of the property as their principal residence at the time of LHC Board approval;
 - Complete a Homeowner Loan Application (provided as a form by LHC); and
 - Provide proof of paid real estate taxes (no delinquencies).
 - Provide proof of hazard insurance or quote no less than the value of the unit after rehabilitation.
- Finally, the Recipient must complete the IDIS "Homeowner Set Up and Completion Form (form provided by LHC). **Note**, that until project completion, only the "set up" portion of the form must be submitted to LHC.
 - Upon project completion, the "completion" portion of the form must be filled out.

- At project completion, if there is any information that has changed from the “set up” section of the form, the Recipient must provide the correct, updated information prior to submitting the complete project completion form and request for final disbursement.

Income Eligibility Requirements

- ❑ LHC has determined that homeowner income eligibility must be in compliance with Part 5 (Section 8) Program definition for annual income.
- ❑ Recipients are required to use income verification forms, including statements, unemployment compensation statements, and other appropriate source documentation, must be reviewed to determine annual (gross) income.
- ❑ Eligibility is based on anticipated income during the next 12 months.
- ❑ Income verifications must be completed before HOME assistance is provided.
 - Income need not be re-examined at the time HOME assistance is actually provided unless more than six months has elapsed since the initial verification by the Recipient staff.

Ownership Requirements

- ❑ The homeowner must provide proof of fee simple title and owner occupancy of the proposed unit for rehab for the past three (3) consecutive years.
 - A family or individual owns the property if they have fee simple title to property, and there are no restrictions or encumbrances that would unduly restrict the good and marketable nature of the ownership interest.
 - If refinancing is involved, a mortgage history letter on the current lien is due at the time of application submission to LHC.
 - An executed and recorded warranty deed in the name of the owner is required as proof of ownership. To ensure proper ownership, a title search must be performed prior to funding the activity.
 - Existing mortgages may be acceptable, but will be reviewed for acceptability on a case-by-case basis provided documentation is submitted for mortgagee showing current loan status.
 - The homeowner must provide proof of hazard insurance at an amount sufficient to cover replacement of the structure prior to release of retainage for all housing projects.
- ❑ Life estates, land installment contracts, or contracts for deeds are not eligible forms of ownership.

AFFORDABILITY PERIOD TERMS AND CONDITIONS

LHC requires an “affordability period” for homeowner and rehabilitation projects. During this “affordability period” (Loan or grant term), homeowners must maintain the unit as their principal residence and abide by certain rules in the event of a refinancing or change in ownership. Recipients must ensure these requirements are disclosed to homeowners prior to application and then met post application.

- ❑ The loan terms and conditions (“affordability period”) for homeowner rehabilitation loans are summarized in the table below.

Total Loan Amount	Loan Term
\$1,000 - \$15,000	5
\$15,000 - \$40,000	10
Over \$40,000 +	15
Reconstruction	20

Principal Residence Requirement

- ❑ During the “affordability period”, the homeowner must maintain the unit as their principal residence and as a result, may not rent out their unit to another household.
- ❑ Recipients should have a method for annual principal residence verification. Some options include:
 - Certified letter sent to the homebuyer
 - Verification of hazard insurance on the property; and/or
 - Review of annual tax records.

Prepayment and Refinancing

- ❑ For the outstanding HOME loan, it is acceptable for the homeowner to prepay LHC.
- ❑ With LHC’s prior approval, the homeowner may refinance their first mortgage (i.e., the non-HOME debt) during the “affordability period”.
- ❑ LHC permits refinancing only to allow the owner to obtain a lower interest rate.
 - Owner cannot receive cash proceeds from the transaction, and
 - Total indebtedness does not exceed the value of the property.

Changes in Ownership

- With LHC's prior written approval, the HOME Program loan may be assumed by a new owner if the new owner satisfies the requirements to properly obtain title and will meet the following requirements:
 - Must be low-income (i.e., income is equal to or less than eighty percent (80%) of area median income, adjusted for family size);
 - Will occupy the property as the principal residence; and
 - Must be certified by LHC as eligible to receive HOME Program assistance.
- In cases where an owner-occupant dies before the end of the "affordability period and/or a HOME Program promissory note is paid in full, the following remedies will be exercised by LHC.
 - **HOME Program loan with no heirs:** If LHC has the first position on the property, and an heir qualifies to become an owner-occupant, with LHC's prior written approval, the heir may purchase or have title transferred to them.
 - **HOME Program loan with heirs:** If LHC has the first position on the property, and an heir qualifies to become an owner-occupant, with LHC's prior written approval, the heir may purchase or have title transferred to them.
 - ✓ If an heir does not qualify as eligible to receive HOME Program assistance, the heir will have the opportunity to sell the property to an income eligible borrower or in the case of sale of the property to a non-income eligible borrower, the heirs will be required to pay off any remaining balance of HOME Program funds.
 - ✓ If an heir does not sell the property, LHC will foreclose and seek to sell the property to an income eligible borrower.
 - **Loan repayment conditions with heirs:** If LHC has the first position on the property, the heirs will have the option of paying off the loan. If the heirs are unable to pay off the total loan and qualify as an eligible owner-occupant, the heir may assume the loan upon verification of eligibility and ability to repay the loan according to terms negotiated between LHC and the heir(s).
 - In the event of the death of owner-occupant(s) on homeowner rehabilitation forgivable loans, (\$25k or less), during the LHC-imposed affordability period, LHC will prepare a Release of Lien forgiving the remaining loan balance.

- ✓ **Note:** In the situations previously described, heirs should consult an attorney and adhere to legal processes regarding estates to properly obtain a deed to the property.

- In the case where the original owner(s) does not fulfill his/her/their obligation of the LHC loan agreements, the owner or mortgagor may elect the following options regarding the original LHC loan:
 - Relinquish the property to LHC in lieu of foreclosure.

 - Transfer of ownership to an eligible applicant

- ✓ Mortgagor should first consider an eligible immediate *family member(s)*.
 - If immediate family does not meet the qualification, the mortgagor may recommend another eligible buyer.

- ✓ Mortgagor must:
 - Provide LHC with a written notice of intent, within 90 days of non-compliance, to vacate the property including an explanation; and
 - Maintain and/or bring mortgage payment(s) and real estate taxes current until the completion of the LHC approved transaction; and
 - Keep in force a current hazard insurance policy at the minimum loan amount that identifies LHC as a loss payee.
 - The transfer of ownership will be completed through an executed and recorded warranty deed.

- ✓ The Potential Borrower(s) must:
 - Complete a HOME application to buy and/or assume a HOME funded property. This application will verify that the proposed borrower meets the eligibility requirements of the HOME Program based on household size and income; and

 - Provide a title search on the property and a credit report on the borrower and be able to meet all requirements of the title company's ability to provide LHC with a title policy on the closing or transfer of ownership.

 - All expenses of a search, title update, and any legal documents, outside of the LHC prepared lien documents of the promissory note, mortgage and deed restriction will be at the expense of the Mortgagor and/or proposed borrower.

- ✓ LHC will:

- Work with the mortgagor and/or designated legal representative in facilitating the transfer providing that the legal representative has the sole right to accept or deny any and all offers;
- Allow up to 90 days in completing the transfer. Extensions may be granted on a case-by-case basis at the sole discretion of LHC.
- Prepare the promissory note, mortgage, and deed restriction of the remaining unpaid balance affordability period at the time of the proposed transfer of ownership/closing date; and
- Pay for the approved closing service fees, recording fees of the LHC prepared lien documents and title policy issued by the title company.

