



**Owner-Occupied
Residential
Rehabilitation
Loan Program**

**Procedural Guidelines
Revised – May 08**

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DEFINITIONS:

- A. Owner-Occupied Residential Rehabilitation Loan: “Residential Rehabilitation Loan” or “Loan” means the commitment of funds on behalf of recipients for the purpose of making eligible improvements to eligible properties, as described in Sections III and IV of these Procedural Guidelines.
- B. Program Administrator: The “Program Administrator” is defined as the agency contracted by Washington County to administer the Owner-Occupied Residential Rehabilitation Loan Program for the County.
- C. Recipient: “Recipient” means an individual or household meeting the requirements of Section VI who applies for and receives a Loan.
- D. Family: “Family” means all persons living in the same household who are related by birth, marriage or adoption.
- E. Household: “Household” means all the persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.
- F. Assets: “Assets” means the assets of household members as determined in accordance with Section VI–D.
- G. Disabled Person: "Disabled" means any adult that meets the bureau of the Census' Current Population Reports definition of "severely disabled." "Severely disabled is defined as a person classified as having a severe disability if they: (a) used a wheel-chair or had used another special aid for six months or longer; (b) are unable to perform one or more "functional activities" or need assistance with an "ADL or IADL"; (c) are prevented from working at a job or doing housework; or (d) have a selected condition including autism, cerebral palsy, Alzheimer's disease, senility or dementia, or mental retardation. Also, persons who are under 65 years of age and who are covered by Medicare or who receive SSI are considered to have a severe disability.
- H. Accessibility Improvements: “Accessibility Improvements” include structural, air conditioning, exterior, bathroom and other improvements to a dwelling, which are necessary to enable a Handicapped Person to function independently in a residential setting, or to become employed or to participate in the community.
- I. Interim Controls: A set of measures to temporarily control lead-based paint hazards. Interim control methods must be completed by qualified workers using lead-safe work practices.
- J. Risk Assessment: A comprehensive evaluation to identify lead-based paint hazards. It must include a visual assessment and dust sampling. Depending on the situation, it may also include occupant and owner interviews, paint testing

and soil sampling. The risk assessment report identifies lead hazards and appropriate interim control. A certified risk assessor must conduct the assessment.

I. CONDITIONS GOVERNING ADMINISTRATION

- A. Amendments: Directives: These Procedural Guidelines may be amended or supplemented from time to time, by Washington County as deemed necessary and in accordance with all HUD regulations, by issuance of revised pages, which shall be effective as of the date of issue, or such later date as the amendment shall specify. Administrative memoranda may also be issued, by the Washington County CDBG/HOME Grant Coordinator, which discuss policy interpretations, clarification of procedure, and other administrative matters. These administrative memoranda may also be used by the Washington County CDBG/HOME Grant Coordinator to consent to a variance of any of the rehab program's rules and regulations on a case by case basis, so long as said variance doesn't violate Washington County policies or HUD program regulations.
- B. Federal and State Regulations: Nothing in these Procedural Guidelines shall be construed in such a manner as to conflict with, alter, or amend any federal or state regulation applicable to the conduct of the Program Administrator's business, affairs or functions.
- C. Administrative Subcontracts: The Program Administrator may enter into agreements with other entities for the purpose of obtaining assistance in the performance of certain administrative tasks with respect to the delivery of Loan funds.
- D. Delivery of Loan Funds: The Program Administrator must disburse funds to contractors for completed work, in compliance with Sections II-B and X-B.
1. The Program Administrator will be reimbursed by Washington County for Loan amounts as outlined in Section X.
 2. The Program Administrator may make and deliver Loans having a total Loan amount not to exceed the amount stated in Section VII-N.
- E. Administrative Costs: Washington County has exercised the option to allow the Program Administrator to administer the program within the County. The Program Administrator will administer the program for at a flat rate of \$ 2,125.00, said rate to be negotiated on an annual basis.
- F. Statement of Warranties: The Program Administrator hereby makes the following warranties with regard to the Loan program.
1. The Program Administrator is legally authorized and constituted to administer the Owner-Occupied Residential Rehabilitation Loan Program in the State of Minnesota.

2. No payments, fees, or remuneration of any type whatsoever have been solicited or received from any Loan Recipients or applicants.
3. That after reasonable inspection, the Program Administrator has no knowledge that any improvement covered by the Loan is in violation of any applicable zoning law or regulation.
4. Washington County shall maintain documentation accounting for all funds received through the collection of clients as prescribed in the Mortgage and Promissory Note. Such funds must be submitted to Washington County since they are identified as program income. Washington County shall allocate the funds for reuse.
5. If, as to any Loan disbursed by the County, any of the warranties contained in Section II-G are in fact untrue in any respect, then the County may, at its option, take whatever action it deems necessary, including legal action, to recover from the Program Administrator and/or the recipient of the Rehab Funds so disbursed in violation of such warranties.
6. All work performed on lead-containing surfaces must conform to lead-safe practices and be completed by workers who are either supervised by an EPA-certified abatement supervisor or be performed by workers trained in lead-safe work practices. If abatement options are specified in the work write-up, the contractor must hire an EPA-certified and state-licensed abatement contractor and submit proof of their current state license.

G. Expediency of Loan Processing: Loans shall be processed in a reasonable length of time in an efficient and accurate manner. Each Loan shall be completed within six months, from start to finish, unless otherwise authorized by Washington County. The Mortgage and Promissory Note shall be filed by Program Administrator upon submission of the completion certificate.

II. RESPONSIBILITIES OF PROGRAM ADMINISTRATOR

A. Outreach and Public Information: The Program Administrator will be responsible for the promotion of the Owner-Occupied Residential Rehabilitation Loan Program at the local level. The Program Administrator must exercise care in avoiding any advertising or outreach method that may be deemed to systematically exclude potentially eligible applicants. Access to program materials may not be denied to any person for any reason.

The program should include efforts to reach those persons who traditionally would not have been expected to apply for housing programs. In order to develop an affirmative marketing program, the Program Administrator should review its normal outreach methods to determine how the methods currently in use can be improved to reach out to persons who otherwise might not apply for assistance under the Loan Program.

B. Inspection of Properties: The Program Administrator shall be responsible for carrying out a minimum of two inspections of each approved property.

1. One inspection shall be accomplished prior to the submission of the Loan Package to determine the following:

- a. That all necessary improvements are listed in a Property Inspection Report, as described in Section VII-G.
 - b. That the Scope of Improvements shall be developed by the Program Administrator from the Inspection Report. The work shall be bid in accordance with the technical specifications; and,
 - c. That the structure, upon completion of necessary repairs, will be reasonably livable, safe, habitable, energy efficient, and meet minimum Section 8 Existing Housing Quality Standards; and,
 - d. That the structure upon completion of necessary repairs will be economically viable, such that the amount of the Loan may be amortized over the expected remaining life of the property in an economically prudent manner. The amount of the Loan should not exceed \$12,500.00.
2. The Program Administrator will, if necessary, conduct an interim inspection of the property. Partial disbursement of funds may be authorized at this time if requested by contractor.
 - a. Interim inspections will be conducted by the Program Administrator; and,
 - b. The Program Administrator then determines that the specific work for which payment is requested has been completed in a satisfactory manner; and,
 - c. An inspection log must be completed by the inspector and a partial Completion Certificate executed by all parties for the work completed.
 3. After completion of all work, the second mandatory inspection shall take place to determine that all work has been completed in a satisfactory manner and final disbursement of funds will be authorized.
 - a. A final inspection will be conducted by the Program Administrator; and,
 - b. The Program Administrator then determines that the specific work for which payment is requested has been completed in a satisfactory manner; and,
 - c. An inspection log must be completed by the inspector and a final completion certificate executed by all parties for the work completed.
- C. Application Selection Criteria: The Program Administrator will implement a first come, first served basis for applicant selection. Such a selection process will govern the selection of applicants for Loans in the event that the number of applicants exceeds the number of Loans that can feasibly be awarded, either within one or more target groups (if a targeting plan has been established) or within the entire population to be served by the housing rehab program (if no targeting plan has been established). It is imperative that each inquiry and application be dated. This dating will be the only device available to the Program Administrator for recording the priority ranking of the applicants.

In applying the first come, first served process, the Loan Administrator must adhere to the following guidelines:

1. The first come, first served process must be uniformly applied during the entire funding year.
2. No eligible applicant shall be rejected on the basis of judgments as to personal character or life-style.
3. The Program Administrator will allow for the consideration of applications on an emergency basis by utilizing the Prior Approval System outlined in Section XII
4. Where no funds are available for assistance to eligible homeowners, the following procedure shall be used:
 - a. Explain to the homeowner that the funding for the current year has been either depleted or allocated.
 - b. Inform the homeowner of other possibilities, which may include the MHFA Rehabilitation Loan Program, the MHFA Low-Interest Loan Program, and other local, state and federal programs.
 - c. Place the homeowner on a waiting list until additional home improvement funds are obtained.

D. Preparation of Scope of Improvements and Costs Estimates: The Program Administrator may provide assistance to the homeowner in obtaining bids for rehabilitation, at the homeowner's request. The Program Administrator must provide the homeowner with a copy of the Scope of Improvement as described in Section VII-H of these Procedural Guidelines.

E. Preparation of Loan Package: The Program Administrator shall be responsible for the thorough and accurate completion of all program documents, as specified in Section VII of these Procedural Guidelines. The Program Administrator will provide assistance to the Applicant in preparing the Loan Package. Such assistance could include a personal visit by the Program Administrator to the home of the Applicant, or to any location which is accessible to the Applicant. Assistance will also be given, when needed; to complete necessary tasks required completing the Loan Package, i.e. soliciting bids for Loan Improvements.

F. Requests for Changes in Loan Amount: At the discretion of the Program Administrator, an expenditure of funds in excess of the approved Loan amount may be submitted to the county in the event of justifiable improvements. The Program Administrator must submit increases in the Loan amount, according to the following procedures:

1. All requests for increases must be submitted on an Amendment Request Certificate, signed by the homeowner, Contractor, the Program Administrator and receive county approval; and,
2. The Program Administrator shall inspect the property to determine that the increase is justified; and,

3. The Program Administrator shall submit a written request for amendment, itemized as to change in work and/or costs. Any dollar amount increase will be reflected on the Mortgage and Promissory Note.

When a new contractor is chosen, a Contractor-Homeowner Warranty agreement will be signed by the Contractor and Homeowner. The County will issue authorization for those Loan amount increases which meet the eligibility criteria set forth in Section IV of these Procedural Guidelines. Such authorization will be given on the Amendment Request Certificate through the signature of Washington County CDBG/HOME Grant Coordinator.

- G. Disbursement of Funds: The Program Administrator shall bear the responsibility of disbursing funds to Contractors who have performed work as described in the Bid Sheets.

The Program Administrator shall make no disbursement for any work completed until the property has been inspected and a Completion Certificate has been signed according to the procedures set forth in Section XI of these Procedural Guidelines.

The Program Administrator shall make no disbursement of funds until the contractor has completed, and given to the Program Administrator, a sworn Contractor Statement and all Lien Waivers from subcontractors.

- H. Prohibition of Service Fee Charges: The Program Administrator shall not charge an applicant or recipient any application, processing or other fee with exception to the Lead Risk Assessment fee, Lead Clearance Test fee, and the county filing fees.

III. ELIGIBLE PROPERTIES

Loan Funds shall be used to enable Recipients to improve properties which meet the following criteria:

- A. The property must be located within Washington County (with exception to the following communities: Marine on St. Croix, Denmark Township, and Grey Cloud Island Township), must be used primarily for residential purposes, and must contain no more than one dwelling unit. (Properties located in the City of Dellwood are eligible on July 1st, 2007)
- B. The property to be improved must not be in violation of applicable zoning ordinances.
- C. Loan Funds must be used to finance only improvements on existing structures.
- D. The property to be improved must be a single-family, permanent structure. Mobile homes are not eligible. Condominiums, Townhouses and Duplexes are only eligible for interior repairs.
- E. A property shall not be eligible until after ten years for a second Owner-Occupied Residential Rehabilitation Loan, or after the property is sold to another qualified person who has applied for funding, except in extraordinary circumstances as determined by Washington County.

- F. The property to be improved with Loan Funds must be reasonably efficient with respect to energy consumption. Where the property is not reasonably efficient with respect to energy consumption, Loan Funds must be used, to the extent necessary, to increase such efficiency. Energy-saving features shall include, but not be limited to, installation or upgrading of ceiling, wall, floor, and duct insulation; storm windows, doors, caulking and weather stripping, which are consistent with the energy standards as promulgated as part of the State Building Code. Such improvements need not bring the housing into full compliance with such energy standards.
- G. All properties being improved must contain adequate smoke alarms following completion of the rehabilitation work, per HUD regulations and State Building Codes.
- H. Washington County will not rehab any property located in a flood zone way. The County will examine each property as to location and sign a statement as regards to the flood zone way.
- I. The property value as established by the County Assessor's *most recent* taxable market value cannot exceed \$212,000.00 (as of 03-01-07) for households of (4) people or less. This is determined by 75% of the Federal 203 (b) FHA mortgage program limits and may be adjusted annually. Property value limits for households of (5) or larger is set at **249,000.00**, this limit is determined by **90%** of the Federal 203 (b) FHA mortgage program limits, and may also adjusted annually on March 1st.
- J. Total cost of rehabilitation and all existing debt on the property may not exceed 90% of the market value established by the County Assessor.

IV. ELIGIBLE IMPROVEMENTS

Improvements made with Loan Funds shall satisfy the following requirements:

- A. Each improvement must be a Permanent General Improvement. Permanent General Improvements shall include such alterations, renovations, or repairs upon or in connection with existing structures, which correct defects or deficiencies in the property directly affecting the building code, safety, habitability or energy consumption of the property. A Permanent General Improvement must be economically viable in terms of a determination that after the improvement is made:
 1. The structure will have remaining useful life such that the amount of the Owner-Occupied Residential Rehabilitation Loan may be amortized over such life in an economically prudent manner. The amount of the Loan shall not exceed \$12,500.00.
 2. For the term of the Mortgage and Promissory Note, the lien must be collectable. Thus, all existing mortgages, contract for deeds, and other encumbrances must not exceed 90% of the value of the property as stated in the County Assessor's office.
 3. The structure will be reasonably livable, safe, and habitable. Permanent General Improvements shall not include materials, fixtures, or landscaping

of a type or quality exceeding that customarily used in the locality for properties of the same general type as the property improved.

- B. Each improvement must be made in compliance with all applicable health, fire prevention, building and housing codes and standards; application for a Loan for property occupied by the owner shall be denied if the improvements will not bring such property into full compliance with all such codes and standards. Further, when work is done on any system within the house, upon completion of the work that entire system must meet applicable codes and standards; however, the entire structure may contain other systems, on which no work was done, which are not up to applicable codes and standards.
- C. Loan funds may be used for the portion of improvements located on the property which will bring an individual water supply system or an individual sewage disposal system (including septic systems) into compliance with local, state or federal environmental and sanitary standards provided no public utility service is available.
- D. No Loan funds shall be used in whole or in part for the purpose of refinancing or paying off an existing indebtedness. All such funds must be used to finance improvements begun after application for such funds. No improvements are eligible if begun before the issuance of a Proceed to Work Order.
- E. All contracts covering all or any portion of an improvement must contain an Washington County approved warranty of workmanship and materials.
- F. Washington County may approve special improvements only in the described circumstances indicated below:
 - 1. Bedroom additions may be allowed in cases of severe overcrowding. For the purpose of this Program, a dwelling will generally be considered “overcrowded” if there is an average of more than two persons per room (excluding bathroom and kitchen) in the dwelling, or as otherwise approved by the County.
 - 2. Bathroom additions may be allowed in cases of inadequate indoor bathroom facilities only if no other space in the structure is appropriate for such facilities.
- NOTE:** In cases of applicants with impaired mobility, requests for room additions will be reviewed in compliance with Procedures for Loans including Accessibility Improvements, as outlined in Section XII.
- G. Demolition of outbuildings is not allowed unless and only when such clearance is required by the local building code.
- H. Reconstruction of sidewalks and driveways are allowed only on private property and only if existing conditions are a clear and imminent safety hazard.

- I. Water drawn from a valid well must be potable (safe for drinking) and must be free of sand, grit or other materials which might damage the pump or plumbing. Water need not be free from minerals that may make it cloudy nor must it be free from odor. **NO FUNDS WILL BE DISBURSED BY THE PROGRAM ADMINISTRATOR UNTIL WATER IS STRUCK.** It is an eligible improvement to connect a house to City water and/or sewer.
- J. Exterior finishing (painting or siding) is allowed only to the extent that there is deterioration of current exterior finishing, or in the event of excessive lead levels. Exterior finishing requested solely for cosmetic purposes will not be approved.
- K. Where property is not reasonably energy efficient, Loan funds must be used to the extent necessary, to increase such efficiency. Energy saving features shall be consistent with the energy standards promulgated as part of the State Building Code, but such improvements need not bring the house into compliance with such energy standards.
- L. Smoke detectors must be installed in all dwellings being improved with Loan funds, unless detectors are already properly installed. At least one detector is required per level and per bedroom. If smoke detectors are already properly installed, they must be reported on the Inspection Report by statute.
- M. Where the house numbers are not present or are not installed to applicable city codes and ordinances, they shall be installed properly.
- N. The Program Administrator must inspect to identify the existence of immediate lead-based paint hazards on all residential structures to be rehabilitated.

V. LEAD TREATMENTS

- A. Soil Treatment for Lead Hazards: Repair Standard
 - 1. Play Areas: All identified play area shall be tested for lead content. Any soil over 400 ppm shall be covered with a reinforced landscape cloth and at least 4" of lead-free soil (less than 200 ppm).
 - 2. Perimeter Bare Soil: All perimeter soil in excess of 2000 ppm shall be covered with a reinforced landscape cloth and 4" of lead-free (less than 200 ppm) soil. If the grade will not accept the additional soil, the area shall be rototilled to a depth of 12".
- B. Exterior Lead Hazards: Repair Standard for all exterior paint shall be stabilized using lead-safe practices. The replacement standard is if less than 10% of the exterior surface contains lead, these components shall be replaced or the paint removed to create a lead-free exterior.
- C. Lead-containing windows shall be replaced whenever the budget allows.

- D. Interior Standards: Lead-Containing walls, trim, doors, and cabinets that can be replaced for an additional cost of 15% over the expected repair cost shall be replaced or enclosed with gypsum. All other components shall be stabilized.

VI. ELIGIBLE RECIPIENTS

The Program Administrator must deny the application of any applicant that does not meet all the requirements set forth in these Procedural Guidelines including the requirements of income, assets, eligible properties and eligible improvements.

A. Ownership

1. The applicant must individually or in aggregate have at least one (1) year current property ownership by:
 - a. A life-estate;
 - b. A full interest in the fee title;
 - c. A full interest as purchaser in a contract for deed with respect to the structure to be improved and must occupy such property as their principle place of residence.
2. All individuals occupying the structure to be improved as their principle place of residence and/or having an ownership interest in such structure must join in the application.
3. For the purpose of this program, ownership shall be based on the information recorded in Washington County Recorder's Office.

NOTE: All individuals listed on the title, their spouse, fee owners and remaindermen must sign the Mortgage and Promissory Note.

4. To be eligible to receive a Loan, the applicant must be current on contract for deed payments, mortgage payments and property taxes on the property to be improved. If any of these payments are in arrears, they must be made current before the application can be approved for funding.
5. Loans will not be granted to properties with existing reverse-mortgages.
6. Loans will not be granted to households that currently have outstanding loan balances with Washington County.

B. Household Gross Annual Income

Section 8 Income Calculation guidelines as published in 24CRF part 5 of HUDs regulations are to be followed when calculating household gross annual income.

1. Gross annual income includes:

- a. Any public assistance, including, but not limited to Welfare, AFDC, SSI and Unemployment Compensation;
 - b. Salaries (including commissions, bonuses, overtime pay and tips);
 - c. Alimony and/or Child Support;
 - d. Interest and dividends;
 - e. Pensions and Annuities, including P.E.R.A. and Social Security;
 - f. Rental income and farm rental income;
 - g. Estate or Trust income;
 - h. Business for profit, self-employed individuals, including farmers and day care/babysitting;
 - i. Gains from the sale of property;
 - j. Interest payment received from properties being sold on Contracts for Deed;
 - k. Partnership;
 - l. Miscellaneous income;
 - m. Rent paid by any adult living in the household who does not have an ownership interest in the property or a formal legal or blood tie to other adult household members.
 - n. Income of any adult living in the household who does not pay rent.
2. Gross annual income is the income derived from all sources before tax or withholding, of all members of the household in a housing unit (including adult members of the household who do not have an ownership interest in the property, a formal legal or blood tie to other adult household members) for at least nine (9) months of the year or who are claimed as dependents for federal income tax purposes.
 3. Gross annual income for persons having fixed incomes shall be based upon annualized weekly or monthly income as of date of verification. For persons other than those on fixed incomes, annual income is the anticipated annual earnings of the applicant as of the date of verification.
 4. Gross annual income for a person who is only temporarily earning the limit or less is to be projected on what that person can reasonably be expected to earn when normal circumstances resume. Verifying the income the applicant was earning before the temporary situation occurred can make this projection.
 5. Anticipated annual income cannot be based on a temporary condition such as unemployment. The Program Administrator will review previous employment and wages so as not to commit funds to an applicant who has demonstrated a great earning potential. Unemployment is viewed as a temporary condition subject to change and must be checked carefully so as not to discriminate against the truly needy.
 6. Any income determination that results in a net LOSS of income must be considered as \$0 income. That is, an income loss from one source may

not be subtracted from a separate source of income for the purpose of determining total Household Gross Annual Income.

7. Any Loans, including VA Benefits, which are paid directly to the individual, must be included as income. Loans or scholarships that are paid directly to an educational institution are not included as income, nor are educational loans.
8. Projected bonus and/or overtime will be determined by the Program Administrator through contacting an employer. The amount may be based on prior years' figures or average amounts awarded to other employees with the same status. The most recent IRS tax return may also be used for these purposes.
9. Self-employed persons must submit a signed copy of the most recent IRS tax returns for the prior 3 years, as sent. The Program Administrator will determine gross annual income by determining business income for a period of 12-months. Normal out-of-pocket business expenses such as office rent, telephone, etc., are generally deductible items. Property or equipment depreciation is not deductible.
10. Renter's income shall be included in Gross Income. Household income must be eligible upon submission.
11. Applicants must have a source of verifiable income to ensure that housing and property tax payments can be kept current.
12. Income verification must be updated to within 90 days previous to the loan closing. Household Gross Income must be eligible upon loan closing.

C. Income Limits:

Eligibility for funding is based on gross annual income and financial assets, as reported on the federal tax statement. Income limit's are 60% of area median income as reported by the Department of Housing and Urban Development and are as follows:

<u>Family Size</u>	<u>60% AMI</u>
1	\$33,000
2	\$37,680
3	\$42,420
4	\$47,100
5	\$50,880
6	\$54,660
7	\$58,380
8+	\$62,160

D. Asset Determination

1. Recipient's Asset Limit: The gross assets of the recipient, excluding the residential property to be improved, shall not exceed \$15,000.00 (as calculated in the Homeowner Application for Loan), retirement accounts up to \$100,000 are exempt from the programs asset limit.
2. "Gross assets" for purposes of the Owner-Occupied Residential Rehabilitation Loan Program shall be defined as the current market value of an item listed minus existing indebtedness on that item. For purposes of the Owner-Occupied Residential Rehabilitation Loan Program, assets shall include the following items:
 - a. Cash on hand;
 - b. Cash in checking accounts;
 - c. Cash in savings accounts, including accounts held in trust;
 - d. The cash value of life insurance policies;
 - e. The cash value of securities or U.S. Savings Bonds;
 - f. The current market value of all interest in real estate, not including the structure to be improved and a parcel of real property of not more than two (2) acres on which the structure is located. Included in this determination is any land in which any resident of the household holds title or is selling on Contract for Deed. The value of the Contract for Deed property shall be defined as 100% of the outstanding balance on the contract.
 - g. All other property exclusive of household furnishings, clothing, and one vehicle. This section includes but is not limited to: farm equipment, boats, snowmobiles, motorcycles, farm stock and additional vehicles.
 - h. If the applicant owns a business, in full or part, and that business is incorporated, then the business equipment is not a personal asset. If the business is not incorporated, the business equipment is then considered a personal asset.

E. Complaint Procedures:

1. Homeowner must contact the Program Administrator's staff person and try to resolve the problem informally.
2. If the problem cannot be resolved informally, homeowner must put the grievance in writing and submit it to the Program Administrators' Director within thirty (30) days of initial complaint. The Program Director must respond in writing to the client's complaint within five (5) working days.

3. If the client is not satisfied with the response of the Program Administrators' Director, the client may appeal to the Washington County CDBG/HOME Grant Coordinator. The CDBG/HOME Grant Coordinator will have the final ruling in resolution of the matter.

VII. LOAN APPLICATIONS

The Program Administrator shall obtain the following documents to be included in the Loan Package for review and approval:

A. Homeowner Application for Loan

The application shall be completed in full by all adult household members, signed and dated by the Recipient and provide:

1. Household information
2. Income information
3. Property information
4. Assets determination: All assets listed on the Homeowner Application must be verified. The following is a list of acceptable forms of asset verification evidence:
 - a. Written verification from banks, insurance companies or other asset holders.
 - b. Written verification by the Program Administrator that the asset documents have been viewed. Verification must list document viewed, the date the document was viewed and the signature of the Program Administrator employee who viewed the document.

B. Screening Intake

This form shall be completed by the Recipient and provide:

1. List of repairs or concerns about property identified by Recipient
2. Health and/or disabilities

C. General Release Disclaimer

The disclaimer shall be signed by the Recipient for use by the Program Administrator to obtain private information in regards to eligibility.

D. Subordination Policy

The Program Administrator must provide the Recipient with a copy of the County's Subordination Policy and must explain the policy to the Recipient. The Recipient must sign a copy of the Subordination Policy and return it the Program Administrator.

E. EPA Acknowledgement of Receipt/Relocation Waiver

The waiver shall be signed by the Homeowners/Tenants and person-sending pamphlet.

F. Bid Process Selection

The Program Administrator shall be responsible for:

1. Informing Recipient of their rights to choose any contractor for bidding; or
2. The option of using the Program Administrator's bid process.

G. Property Inspection Report

1. A copy of the initial inspection report must be included in the Loan Package. Report forms must include the following items:
 - a. General condition of the structure
 - b. Structural soundness
 - c. Plumbing systems including: water supply, waste disposal, fixtures and piping system
 - d. Heating systems
 - e. Roof
 - f. Energy efficiency including: insulation, infiltration, windows, doors and ventilation
 - g. General exterior conditions
 - h. General interior conditions
 - i. Lead Hazard Reduction Plan
 - j. Electrical
2. An explanation should be provided for any deficiency that appears on the inspection report. The inspection report must be signed and dated by the inspector performing the inspection.
3. It is the intent of the Rehabilitation Loan Program to conduct inspections to find violations of code, health, safety, weatherization, and to provide loans to eligible low- and moderate-income residents of Washington County, to make necessary repairs which the applicant would otherwise be unable to afford.

H. Scope of Improvements

This is a listing of all eligible improvements, set in bid form. The recipient will be given a copy and Contractors shall bid on this form.

I. Contractor Bid Packet

A bidding packet may be prepared containing no more than for Scope of Improvements, with space provided for the bidding. Each packet will be mailed to no more than five contractors from the Program Administrator's approved contractors list. Upon Recipient's request an choosing, additional general

contractors may bid. All contractors must be licensed and insured and lead certified, if applicable.

Before going to a property to write up a bid, the contractor must make an appointment and, upon entry, present a business card to the recipient.

J. Bid Process

If the homeowner elects to utilize the Program Administrator's bid process to obtain bids, the Program Administrator must provide the homeowner with a written form outlining the process. Said process must be approved in advance by the Washington County Community Services Department, and must meet HUD guidelines for procurement.

If the homeowner chooses to obtain bids independently of the Program Administrator, the homeowner must obtain a minimum of three (3) complete bids from licensed contractors. The lowest complete bid will be selected.

In cases where the homeowner elects not to accept the lowest bid, the homeowner is responsible for funding the amount that exceeds the low bid. The homeowner will need to pay the contractor and submit a copy of the check to the Program Administrator before construction starts.

Any additions to bid, due to error or omission on scope, will be added as an alternate with the work and price clearly stated. Such amounts will not be included in the bid for purpose of determining low bid, but will be reviewed later by the Community Services Department.

The names of all subcontractors and lower-tier contractors must be provided at the time the contract is signed. A detailed breakdown of work to be done on electrical and plumbing systems is required.

Building permits are required. Contractors must report if permits are not required before they begin a job. Contractors who do not obtain all required permits before starting a job will be subject to fines from the City and may be barred from bidding future projects. Contractors are required to be State-licensed and insured. Minorities are encouraged to apply. All contractors are checked for debarment from any Federal programs.

Contractors are to notify the Program Administrator when they begin work on a project. Contractors must call City Inspectors for appropriate inspections. An amendment form shall be completed for any changes. The amendment must be approved before work is started.

Work shall be completed within the time frame specified on the Contractor-Homeowner Contract. The Program Administrator may grant an extension under certain circumstances.

K. Contractor-Homeowner Contract

Each contractor selected to carry out improvements must sign a warranty of workmanship and materials provided by the Program Administrator for the protection of the homeowner. This warranty is contained in the Contractor-Homeowner Contract. All Contractor-Homeowner Contracts, accompanied by bids, must be included in the Loan Package.

L. Income Verification

All sources of income listed on the Homeowner Application for Loan must be verified and updated by the Program Administrator. Household Gross Annual Income is the income from all sources before taxes of all residents of the household as calculated in Section VI-B. EVIDENCE OF SUCH VERIFICATION MUST BE INCLUDED IN THE LOAN PACKAGE. The following is a list of the acceptable forms of income verification evidence:

1. Written verification from employers or other income providers.
2. Copies of two (2) most-recent checks or check stubs.
3. Written statements by the Outreach Worker that the documents verifying the income have been viewed. Such statements must include a statement of the actual document viewed, the date the document was viewed and the full name of the individual who viewed the document.
4. Copies of the two (2) most recent years' Federal Tax Returns, as filed. The returns must be re-signed at the time of submission to the Program Administrator.
5. Statements of deposit from bank.
6. Copies of deposit slips indicating the deposits of a particular check.
7. Income derived from rent must be verified by the renter in writing or by examining copies of checks or rent receipts.

NOTE: The date of document used in verifying income may not be more than 90 days previous to the date of approval, except Federal Tax Returns.

M. Title Verification Form

1. Program Administrator must obtain the following information from the Registrar of Deeds regarding each property:
 - a. The full name of all owners of record, including first name, last name, middle name or initial and additional names which appear in the records, such as maiden names.
 - b. A determination of the system under which the property is recorded – either Torrens or Abstract.

2. Upon obtaining this information, the Program Administrator must determine that the applicant's, individually or in total, have a qualifying interest in the property consisting of at least:
 - a. A valid life estate. Such life estate must be recorded and must appear in the records of the County; or
 - b. A full interest in the fee title. Such interest may be subject to a mortgage; or
 - c. A full interest as a purchaser in a contract for deed with respect to the structure being improved.
 - d. No pre-existing reverse mortgage(s) associated with the property.
3. In addition, the applicants must occupy the property as their principle place of residence. To consider a property as one's principal place or residence, an individual must:
 - a. Reside in the property at the time of application (except where extraordinary circumstances have made the property temporarily uninhabitable).
 - b. Occupy the property for at least 9 months of the year.
4. For the purpose of complying with ownership requirements, the recipient may have a combined interest in such property with the ownership interest of other individuals occupying the property as their principal place of residence.

N. Mortgage and Promissory Note

The Mortgage and Promissory Note must be included in the Loan Package. As specified in the provisions of the Mortgage and Promissory Note, the recipient shall be required to notify the County immediately upon the sale, transfer, conveyance or cessation of residency of the property.

1. Each Loan shall be subject to a Mortgage and Promissory Note which provides that in the event that the property upon which the improvement is located is sold, transferred, or otherwise conveyed by the Loan recipient, or in the event that such property ceases to be the recipient's principal place of residence, then the recipient shall repay said Loan to Washington County, as outlined in the Mortgage and Promissory Note signed by the homeowner at the time the Loan was originated in Washington County shall place a lien on the homeowner's property to the extent permitted by law, for such repayment.

Any such repayment shall be made to Washington County no later than the 30th day following such sale, transfer or other conveyance, or following the date upon which the real estate ceases to be the principal place of residence.

2. Execution of the Mortgage and Promissory Note

In order to create a valid lien on the property, the Program Administrator must exercise extreme care in the execution of the Mortgage and Promissory Note document. Any inaccuracy or omission may have a negative effect on the validity of the lien.

Prior to the submission of the Loan package, the Program Administrator shall ensure the completion of the following sections of the Mortgage and Promissory Note only:

a. *Property Description*

The property description must be clear, legible, accurate and complete. Care must be taken to ensure that the description is exactly as it appears in the property records. If the applicant owns property other than on which the structure to be improved is located, only the description of the property on which the structure is located should be included.

b. *Signatures*

The signatures of all owners of record must be included on the Mortgage and Promissory Note. Names and signatures of all owners of record must be exactly as they appear on the property record.

The following details the signature requirements for particular property ownership situations:

1. Any JOINT TENANCY—signatures of all joint tenants are required.
2. Property held by ONE SPOUSE—signatures of BOTH spouses are required.
3. Property held in LIFE ESTATE—signatures of the applicant (life estate holder) and signatures of sufficient remaindermen to comprise at least 1/3 interest. (Example: if there are 12 remaindermen in title, the signature of four (4) of them are required to comprise 1/3 interest, assuming equal interest for all).

4. Property being purchased on CONTRACT FOR DEED—signatures of all Contract for Deed purchasers and the fee title holder (and spouse or others, as applicable) of the property; and the signatures of any intervening vendees of the Contract of Deed.

c. *Notarization of Signatures*

1. All required signatures must be notarized, including the “mark” of a signatory who is unable to write.
2. All dates in the Mortgage and Promissory Note shall be the submission date of the Proceed to Work Order.

The Mortgage and Promissory Note shall be filed with the Recorder’s Office at Washington County, upon completion of the project, in such a manner as to create a valid lien against the property, on all properties improved with Loan Funds, provided that law permits the creation of such a lien. It is the responsibility of the Program Administrator to record this Mortgage with the proper recording office.

NOTE: If any Loan Funds are used for purposes other than an eligible improvement upon eligible property or if the Recipient’s application is found to contain a material misstatement of fact, the Recipient shall be liable for repayment of all or part of the originally approved Loan Funds. In addition, any fraudulent use of funds may subject the recipient to fines and/or imprisonment under the Minnesota Criminal Code.

O. Proof of Mortgage

Letter or statement from a bank showing that the mortgage is current, along with the outstanding balance.

P. Contractor’s Bid

All approved improvements to be done to the residence shall be listed with Contractor performing the work indicated and the associated costs.

1. This form lists the work to be done by item and Contractor, performing a breakdown of costs by item and Contractor.
2. The total of the cost for work to be performed shall be listed where indicated. The maximum Loan amount shall not exceed the lesser of:
 - a. \$12,500; or
 - b. The actual cost of the work performed.

Q. Proceed to Work Order

This form states the approved Loan amount, date of approval and gives the authorization for the work to begin. The contractor will be sent an executed form and a copy of his/her expected bid (including any outlined changes to the original bid).

R. Amendment Request Certificate

This form outlines all changes to the approved Loan amount, either additions or subtractions. It must be signed by the Contractor, the Homeowner, the Program Administrator, and approved by Washington County.

The amendment will be processed in the following manner:

1. The General Contractor will request an amendment. The Contractor will contact the Program Administrator with the request.
2. The Program Administrator will review the request and generate an amendment form, if deemed appropriate. If it is determined that the amendment is justified, the Program Administrator will sign the amendment form.
3. The Contractor will be notified that the work has been approved and the amendment will be placed in the client file.
4. A new amendment form will be executed for any/each additional changes.

Washington County must approve any amendment that brings the loan amount over \$12,500.00. Approvals to exceed the \$12,500.00 are extremely rare and not likely to be granted.

S. Completion Certificate

The Homeowner, the Contractor and Program Administrator shall sign this form when the Loan work undertaken by the Contractor is completed. The original certificate is to be kept in recipient's file. For projects with lead work required, a Clearance Report will also have to be submitted to the file.

For procedures in the event of a Homeowner refusing to sign a Completion Certificate see Section XI.

T. Contractor Evaluation/Complaint Record

An evaluation shall be sent to the Homeowner, by the Program Administrator, to complete as to their perception of the quality of work and professionalism of the contractor.

VIII. GENERAL REQUIREMENTS FOR ALL REHABILITATION ACTIVITIES

- A. All HQS deficiencies, as noted on the initial inspection log, must be corrected by a licensed contractor.
- B. Homeowners may elect to complete any non-HQS required corrections and/or improvements. Any work that the homeowner elects to complete themselves must be completed, with a final inspection having taken place prior to any rehab work being performed by the contractor.

- C. All work must be completed and pass inspection prior to issuance of final payment for the project.

IX. **GENERAL REQUIREMENTS FOR ALL REHABILITATION ACTIVITIES WITH LEAD**

A. Notification

1. Distribution of a lead hazard information pamphlet, and
2. Disclosure of lead-based paint and lead-based paint hazards, and
3. Notice of lead hazard evaluation, and
4. Notice of lead hazard reduction and Clearance Report.

Time Requirements. Posting or delivering notices of lead hazard evaluation/reduction activity must be completed within 15 calendar days of the date the Program Administrator receives the evaluation report, and again when notified reduction work is complete.

B. Lead Hazard Evaluation

1. The type of lead hazard evaluation activities required depends on the dollar level of Federal assistance.

C. Lead Hazard Reduction

1. **Safe Work Practices.** Safe work practices are required for all work to repair paint, paint stabilization, interim controls, standard treatments, and abatement activities conducted during rehabilitation, including those that are described as options.
2. **Clearance.** Clearance is required after lead hazard reduction activities have been completed to ensure that the unit is safe for occupancy. A certified risk assessor, paint inspector, or clearance technician must perform clearance procedures. These procedures must include a visual inspection and sampling and testing for lead-contaminated dust. ACCAP must conduct any required post-abatement cleanup.
3. **Permissible Delays.** A required lead hazard evaluation or reduction activity may be delayed for a reasonable time when weather conditions are unsuitable for conventional construction activities.

D. Lead Requirements

1. **Lead Hazard Evaluation.** A Risk Assessment must be conducted prior to rehabilitation to find lead-based paint hazards.
2. If lead-based paint or lead-based paint hazards are detected during the evaluations on interior surfaces of the dwelling units or on exterior surfaces to be disturbed by rehabilitation, interim controls must be implemented to reduce lead-based paint hazards.

X. ACCEPTANCE PROCEDURES

A. Review of Loan Packages

1. The Program Administrator will process applications using the first-come, first-served criteria established by the County as required in Section II-C of these Procedural Guidelines. The Program Administrator's objectives are to encourage necessary improvements whereby the structure will be reasonably livable, safe, habitable and energy efficient, upon completion of rehab work.
2. Applications will be accepted as follows:
 - a. Applicants must request a Loan application utilizing the Program Administrator's application form (said form must be approved by Washington County). Loan Packages shall contain all of the documents listed in Section VII of these Procedural Guidelines.
 - b. Program Administrator will review the individual packages using the qualifications as outlined in Section VI. Program Administrator may return unacceptable packages for correction and resubmission, or may hold them until the necessary information is provided.
 - c. The decision of the Program Administrator will be final; however, appeals may be made in those cases where applicants believe they were not treated equitably. Appeals shall be in written form submitted to the Program Administrator outlining the applicant's concerns. The Program Administrator will review the concerns and reply in written form to the applicant within five (5) days. If after this review, disagreement is still evident, the Program Administrator shall contact Washington County to mediate the situation as to eliminate potential confrontations.

XI. COMPLETION AND DISBURSEMENT PROCEDURES

A. Completion Procedures

Loans will not be considered closed until the following steps are completed:

1. *Inspection of Property:* All improvement work, as specified in the Contractor's Bid must be inspected for completeness, conformity to specifications, and quality of workmanship. A copy of the inspection log must be submitted to the County before any disbursements are made.
2. *Completion Certificate:* following the final inspection and successful completion of work, the Homeowner, the Contractor who performed work on the property, and the Program Administrator must sign the Completion Certificate.

In the event the Homeowner will not sign the Completion Certificate, payment can be issued to the Contractor provided the Contractor, the Inspector and the Program Administrator all sign the Completion Certificate indicating that the work was done properly, and a letter written by Program Administrator is attached, outlining in detail, the situation resulting in the Homeowner refusing to sign the Completion Certificate.

B. Disbursement Procedures

No disbursement of funds shall be made until the following documents are obtained by the Program Administrator:

1. A Completion Certificate signed by the Contractor, Homeowner, Inspector and the Program Administrator.
2. The inspector's log verifying all items have been completed.
3. Lien Waivers and Sworn Contractor Statements, as appropriate, from the contractor, sub-contractor, and lower-tier contractors, equaling the amount of the work performed.

XII. PRIOR APPROVAL GUIDELINES

A. Washington County may, from time to time, authorize a Prior Approval for the purpose of making Home Improvement Loan funds more readily accessible to eligible applicants under extraordinary circumstances.

B. The following conditions shall apply to a Prior Approval:

1. Applications are received in the form of acceptable Loan Package as set forth in Section VII.
2. Applications meet all eligibility requirements as set forth in Section VI.
3. In addition to the other verifications required in the Procedural Guidelines, the Program Administrator shall also provide verification that:
 - a. The dwelling unit contains defects or deficiencies which, if left uncorrected, would render the unit immediately uninhabitable; or that
 - b. Such defects are the direct result of occurrences which include but are not limited to: natural causes such as floods, tornados, fires, blizzards and storms; or mechanical failures such as burst pipes and furnace breakdowns; or that

- c. Extraordinary circumstances force the work to proceed immediately for a delay will greatly increase the cost of the work and/or delay in approval will force a postponement of the work until a much later date than necessary in normal circumstances, i.e. changing weather conditions.
- C. Additional information may be required which will aid in the determination of the compelling merits of each case. All decisions shall be made by Washington County at its sole discretion.

XIII. PROCEDURES FOR LOANS INCLUDING ACCESSIBILITY IMPROVEMENTS

A. Eligible Accessibility Improvements

1. *Structural Improvements:*
Construction, installation or modification of ramps, handrails, kickplates and door widths; repair or replacement of doors; relocation of doorways; installation of lever-action hardware; construction or expansion of rooms.
2. *Exterior Improvements:*
Construction of exterior ramps, railing, walkways, landings and porch extensions; site grading and other site improvements.
3. *Bathroom Improvements:*
Installation of elevated water closets, grab bars, shower stalls, tub seats, hand-held showers, accessible sinks, electrical outlets, medicine cabinets and other accessories; modification or expansion of bathroom area to allow a five-foot turning radius.
4. *Kitchen Improvements:*
Construction, modification or replacement of cupboards or shelves to provide access to sinks, cook tops, ovens or storage areas; installation of accessible electrical outlets and switches, lever-action hardware, hardware, garbage disposal; insulation of hot water pipes; modification or expansion of kitchen area to allow for a five-foot turning radius in the work space; installation of "lazy susans" in cupboards; replacement of floor covering in order to improve wheeling surface.
5. *Other Improvements:*
In exceptional circumstances, installation of central air-conditioning and/or stair glides or electric lifts when the Disabled Person's doctor verifies the need for such improvements. Improvements that are not determined to be eligible as Accessibility Improvements may be funded under the other provisions of these Procedural Guidelines.

B. Requirements for Participation

Loans may be made to Disabled Persons for Accessibility Improvements only if the conditions of Section VI (except the portion thereof relating to Eligibility of Improvements) of these Procedural Guidelines have been fully satisfied.

C. Amount of Loan for Accessibility Improvements

See Section II.

D. Responsibilities of the Program Administrator

With respect to Loans for Accessibility Improvements, the Program Administrator shall:

1. Be governed by the general conditions set forth in Section II of these Procedural Guidelines;
2. Assist the Disabled Person with the preparation of the Application form, upon request. Such assistance may include a personal visit by the Program Administrator to the home of the Disabled Person, or to any other reasonable location that is accessible to the Disabled Person.
3. Carry out the duties required of the Program Administrator pursuant to Section II of these Procedural Guidelines, including the duty to complete the Loan Package for Accessibility Improvements. A complete Loan package for Accessibility shall include all required materials.
4. Ensure a standard procedure for compiling the accessibility portion of the Loan. In addition to all the documents described in Section VII, a Loan package including Accessibility Improvements must include the following:
 - a. An accessibility Improvements Inventory containing a description of the Accessibility Improvements to be made;
 - b. A letter describing:
 - 1 The level and specific type of disability experienced by the Disabled Person, signed by a licensed physician; and,
 - 2 The specific Accessibility Improvements requested by the physician.
 - c. Bids from Contractors
 - d. Drawings, if applicable
 - e. Any other materials requested.

XIV. PROCEDURES FOR EMERGENCY REHABILITATION

Recipients requesting emergency repair, shall be eligible for program funding provided:

1. The recipient is unable to secure a loan, insurance claims, or assistance from other service and/or governmental agencies.
2. The recipient has made application and has been determined to be eligible under the existing income and property requirements.
3. The emergency work is necessitated by extraordinary circumstances relating to damages to the property as a result of events beyond the control of the homeowner, failure of plumbing, heating, or electrical systems, or defect in the roof or foundation systems.
4. The homeowner has submitted to the Program Administrator, a minimum of two (2) contractor bids within two (2) weeks of receipt of the work write-up. The bid period may be extended at the discretion of the Program Administrator.

XV. GENERAL CONDITIONS RELATING TO LOANS

A. Equal Opportunity/Affirmative Action Requirements

It is the policy of Washington County to provide equal access to employment, programs, and armed services without regard to race, color, creed, religion, age, sex, handicap, marital status, affectional preference, public assistance, criminal record or national origin. All programs financed through or administered by the Program Administrator will contain equal opportunity/affirmative action requirements in the Procedural Guidelines.

All participating communities programming Community Development Block Grant monies for housing rehabilitation Loans will adhere to the equal opportunity/affirmative action statement above. The spirit of this statement will still govern areas not specifically mentioned in this statement. If an applicant or Loan recipient believes they have been discriminated against they should contact the Program Director for the Program Administrator.

- B. The Program Administrator shall have full responsibility for program implementation including public information, reviewing and screening applicants, choosing recipients, and assuring that work will be satisfactorily completed.
- C. No application, processing, or other fees shall be charged to an applicant, with the exception of Lead Risk Assessment fees, Lead Clearance Test fees, and County filing fees.