

SONOMA COUNTY COMMUNITY DEVELOPMENT COMMISSION

HOUSING REHABILITATION PROGRAM DESIGN

OWNER-OCCUPIED AND RENTAL PROPERTIES

I. INTRODUCTION

A. Purpose & Objectives:

1. The purpose of the Housing Rehabilitation Program is to maintain residential properties within Sonoma County (County) which are occupied by low-income households.
2. The primary objective of the Program is to provide decent, safe and sanitary housing for low-income residents of Sonoma County through the correction of actual or potential health and safety problems in existing structures.
3. The secondary objectives of the Program are: 1) to preserve Sonoma County's affordable housing stock; and 2) to assist in the process of neighborhood revitalization.

B. Authority:

1. The five members of the Sonoma County Board of Supervisors, acting in their capacity as Commissioners, form the governing body for the Community Development Commission (Commission). This Program Design, containing the policies which form the framework for the Housing Rehabilitation Program, has been adopted by the Commissioners. No revisions may be made hereto without the express action of the Commissioners.
2. The Executive Director of the Commission is hereby granted the authority to make exceptions to the policies contained in this Program Design to the extent necessary to provide assistance required to correct health and safety hazards that are deemed an imminent threat to the occupants' physical well-being.

C. Program Funding:

Funding for this program will primarily be from Community Development Block Grant (CDBG) and Redevelopment funds as designated from time to time by the Sonoma County Board of Supervisors/Sonoma County Community Development Commission.

II. ELIGIBILITY

The Commission shall not discriminate in the provision of financial assistance because of race, color, national origin, religion, sex, familial status or disability.

- A. Conflict of Interest: No member of the governing body of the County of Sonoma, participating city, or the Community Development Commission and no other official or employee or agent of the County government, participating city, or Commission who exercises any policy decision-making functions or responsibilities in connection with the planning and implementation of the Community Development Block Grant and Redevelopment programs shall directly or indirectly be eligible for the housing rehabilitation program.
- B. Ownership & Residency: The applicant must be the legal owner of the real property, or the registered owner of the mobile home, to be rehabilitated.
1. For owner-occupied properties, the property must be occupied by the owner as his or her principal residence.
 2. The name of non-occupant parents, ex-spouses and/or children may be on the title to the property in addition to the name of the owner-occupant(s). No other non-occupants may be listed on the title.
 3. Applicants who occupy and control a residential property through a revocable or irrevocable trust, a life-estate or other similar arrangement through which the applicant and/or one or more non-occupant parents, ex-spouses and/or children are trustees or hold title to the property, shall be eligible for a loan if the applicant has the legal right to encumber the property.
 - a. If the trustee and/or other non-occupant on title is not the parent, ex-spouse and/or child of the applicant, the applicant will not be eligible for financial assistance under this program.
 - b. If the trust, life estate or other arrangement requires the trustee or other non-occupant on title to approve any encumbrance on the property, the trustee or other non-occupant on title will be required to co-sign the rehabilitation loan documents and shall be equally liable to repay the loan.
- C. Eligible Properties: Subject to funding availability, CDBG loans may be made for improvements to mobile homes, single-family, and multifamily residential properties located within the unincorporated areas of the County of Sonoma or within the boundaries of the participating cities and town. Redevelopment loans may be made for improvements to mobile homes, single-family and multifamily residential properties in designated redevelopment areas in the unincorporated areas of Sonoma.

1. Mobile homes must be legally sited.
 2. Properties which have benefited previously through a Commission grant or loan program may be eligible for the program upon the review and approval of the Commission Director or his/her designee and if all prior loans are fully repaid.
 3. Secondary residences (e.g. summer homes, guest cottages not used as rentals) are not eligible for the program.
 4. Condominiums and co-housing units are not eligible. Townhouses are not eligible for CDBG assistance, but may be eligible for Redevelopment assistance.
- D. Displacement: Rental property owners shall provide certification of the following:
1. The proposed rehabilitation work will not cause permanent displacement of any of the tenants currently residing at the project.
 2. No tenant has been, nor will be, forced to move from the project so that the project may qualify for the Housing Rehabilitation Program.
- E. Income and Asset Limits: All occupant households must demonstrate income eligibility.
1. Eligible properties shall be occupied by low- income households with incomes not to exceed 80% of median area income adjusted for family size. At least 51% of the units in a multifamily complex and one unit in a duplex must be occupied by income-eligible tenants.
 2. Median area income is determined by the U.S. Department of Housing and Urban Development (HUD) and the California Department of Housing and Community Development (HCD).
 3. Household income is computed as defined in Section VIII.
 4. There shall be a cap on the level of assets allowed for program eligibility for owner-occupied properties.
 - a. Household assets cannot exceed 200% of median area income for a household of one person* except as provided for below.
 - b. Elderly and/or permanently disabled households may have assets not exceeding 400% of median are income for a household of one person*.

*As of April 1, 2005, the median area income for a household of one was \$52,200.

III. LOAN TERMS AND CONDITIONS

The Commission will offer amortized and deferred-payment loans with below-market interest rates. Each of these is described in greater detail below.

- A. Amortized Loans: Only amortized loans will be offered to rental property owners. Amortized loans will be offered to eligible, owner-occupant, low-income households with incomes up to 80% of median area income who are able to afford the regular monthly payments on the loan. The owner-occupant household will be considered able to afford monthly payments on an amortized loan if their total monthly housing costs are less than 30% of their gross monthly income. Monthly housing costs shall be defined as the sum of all mortgage payments including the rehabilitation loan payments, property taxes, homeowner's insurance, homeowner's association dues, and utility costs. Housing costs for mobile home owners shall also include the monthly park space rent. Utility costs shall include gas, electricity, other heating fuel, water, sewer, garbage, and shall be calculated using allowances established by the Sonoma County Housing Authority.
1. Term: All amortized loans will be for a 20-year term. Except as allowed under Section VII B, amortized loans shall be due and payable in full prior to 20 years should one or more of the following occur: 1) the borrower dies; 2) the property or any interest therein is sold, conveyed or transferred; 3) the borrower no longer occupies the property as his or her principal residence for reasons other than medical treatment, disability, education, family matters or similar situation which the Commission Director or his/her designee approves in writing and which requires a temporary alternate residence; or 4) the borrower does not make payments when due or is in default on any other loan condition.
 - a. A borrower may prepay the outstanding loan balance, or any portion thereof, at any time without penalty.
 - b. All payments on the amortized loan shall be applied first to the interest due and then to the principal balance of the loan.
 2. Interest: The annual interest rate for amortized loans is 3%.
 3. Loan Amount: The maximum amount of an amortized loan is \$50,000 for a single-family house or mobile home on owned land and \$24,000 for a mobile home on a rented space. Loans for multifamily units are set at a maximum of \$25,000 per unit. Exceptions may be made in cases where hazard mitigation is required as a condition for the rehabilitation work.
- B. Deferred-Payment Loans: The Commission shall offer loans on a deferred-payment basis to eligible, owner-occupant, low-income households with incomes

at or below 80% of median area income who cannot afford monthly payments on an amortized loan at the time of application. The applicant household will be considered unable to afford monthly payments on an amortized loan if their monthly housing costs, as defined in Section III.A, exceed 30% of their gross monthly income.

1. Term: The loan term shall be 20 years. No payments shall be required prior to the twentieth anniversary of the loan, however, except as allowed under VII B, the deferred-payment loan shall be due and payable in full prior to 20 years should one or more of the following occur: 1) the borrower dies; 2) the property or any interest therein is sold, conveyed or transferred; 3) the borrower no longer occupies the property as his or her principal residence for reasons other than medical treatment, disability, education, family matters or similar situations which Commission Director or his/her designee approves in writing and which require a temporary alternate residence; and 4) the borrower is in default on any other loan condition.
 - a. At the beginning of the twenty-first year, the deferred-payment loan is due and payable in full.
 - b. A borrower may repay the outstanding balance of the loan, or any portion thereof, at any time without penalty.
A borrower may choose to make irregular, periodic payments on the deferred-payment loan. All such prepayments will be credited first to the interest due and then to the principal balance of the loan.
2. Interest: Interest will be simple interest. Interest shall accrue on the unpaid principal balance from the date on which the Promissory Note is executed. The annual interest rate for deferred payment loans is 3%.
3. Loan Amount: The maximum amount of a deferred-payment loan is \$50,000 for a single-family house or mobile home on owned land and \$24,000 for a mobile home on a rented space. Exceptions may be made in cases where hazard mitigation is required as a condition for the rehabilitation work.

C. Relocation Requirements: Owners of rental properties must agree to comply with all applicable federal and state relocation laws and regulations.

1. If temporary relocation of tenants is required during rehabilitation, the borrower shall be responsible for locating comparable temporary housing which is suitable, decent, safe and sanitary.
2. The rental property owner shall be responsible for paying all reasonable out-of-pocket expenses incurred by the tenants in connection with the temporary relocation including the cost of moving to and from the

temporarily occupied housing and any increase in monthly rent and utility costs at such housing.

3. The rental property owner shall deposit sufficient funds into an approved escrow account to fully cover the estimated temporary relocation costs of the project. The Commission shall issue payments from the escrow account to the tenants, or to the rental property owner if payment has already been made to the tenants, for reimbursement of all reasonable out-of-pocket relocation expenses incurred.

D. Affordability Restrictions:

1. For any substantial rehabilitation assisted with Redevelopment funds, a covenant will be recorded restricting continued occupancy of the property to low- or very-low income households for forty-five (45) years for owner-occupied property and fifty-five (55) years for rental property as required by California Community Redevelopment Law. Substantial rehabilitation is defined as rehabilitation, the value of which constitutes 25% or more of the after rehabilitation value of the dwelling, inclusive of land value. Said covenant shall run with the land.
2. For non-substantial rehabilitation of owner-occupied single-family properties assisted with Redevelopment funds, a purchase option will be recorded in favor of the Commission for fifteen (15) years. Single-family property is defined as having only one unit. For mobile homes, the purchase option period shall be for five (5) years. The Commission will exercise the option if (a) the owner decides to sell the property during the term of the option, (b) the Commission identifies a qualified buyer, and (c) the Commission has adequate funding to support, if needed, said buyer's acquisition of the property at market price. If the Commission does not exercise the option, the seller can sell the property on the open market. The specific terms of the purchase option shall be detailed in an Option Agreement, available in template form for prospective borrowers to review.
3. For non-substantial rehabilitation of rental properties assisted with Redevelopment and/or CDBG funds, a covenant will be recorded restricting continued occupancy of the units to low- and very low-income households for twenty (20) years. Said covenant shall run with the land.

IV. ELIGIBLE IMPROVEMENTS

- A. Eligible Improvements: Improvements must be of a permanently fixed nature. Repairs and improvements should be completed in the following priority order.
1. Improvements to correct health and safety hazards, including lead hazard removal, and to maintain the structural integrity of the building.
 2. Repairs to correct cited code violations.

3. Repairs to correct other code items.
4. Repairs to correct incipient code items.

B. Ineligible Improvements:

1. Items which exceed the Commission's established moderate quality standards for fixtures, windows, floor coverings, finishes, and other items.
2. Improvements of a recreational nature are not eligible.
3. Luxury improvements.

C. In no event shall the Commission approve loans for work unless all identified items described in IV.A:1 and 2 are corrected as a result of the work carried out in conjunction with the Commission's loan.

D. The Commission shall not approve loans for work required to repair a condition for which the applicant has received, or will receive, an insurance settlement or funds from another source (such as FEMA or SBA) to pay for the repair except to augment the insurance or other funds in cases where such funds are insufficient to make the required repairs in compliance with all applicable codes or ordinances.

E. All work funded in whole or in part by the Commission is subject to the permit processes of the State, County and/or city in which the property is located.

1. All work must be done according to standards acceptable to the Sonoma County Permit and Resource Management Department, the State of California Department of Housing and Community Development, and/or the building inspection department of the city in which the property is located.
2. The proper permit(s) shall be obtained for all work which requires such permit(s). The cost of permits may be part of the loan.

F. "Self-Help" work by the owner-occupant may not be a part of the contract or loan. No "volunteer" assistance is allowed primarily for liability reasons.

V. LOAN PROCEDURES

A. Application Process:

1. All loan applications will be processed and evaluated on a first-come, first-served basis. Applications will be considered for assistance based upon the order of receipt of completed applications by the Commission. An

application will be considered to be complete when all required information has been supplied by the property owner(s) and tenant households. If the property is located in a Redevelopment Area, available Redevelopment funds will be used before using CDBG funds.

2. All applicants will complete a pre-application and furnish rehabilitation staff with all required verifications. The information in the pre-application will be used to determine the applicant's initial eligibility for assistance.
 3. After initial eligibility has been established, a thorough inspection of the property will be carried out by Commission staff. If necessary, additional tests and/or inspections by third parties will be conducted. A rough scope of work and cost estimate will be developed based on the inspection(s), tests and consultation with the property owner.
 4. After review and acceptance of the rough scope of work by the homeowner, Commission staff will prepare a formal loan application.
- B. Loan Approval: Commission staff shall exercise sound underwriting practices in all loan transactions.
1. In all instances, the Commission's underwriting standards will be employed in a consistent, equitable manner. The Commission will at all times utilize sound judgment in making loans to ensure that the public funds are adequately protected. The Commission's underwriting standards will normally follow private lending practices but may in some cases be more lenient.
 2. Loan applications shall be subject to normal commercial underwriting criteria by the Commission. Such criteria may include, but are not limited to: credit reports, appraisals, title reports, cash-flow analyses, etc.
 3. The following services may be provided to all applicants. There will be no charge for these services if the Commission does not approve the loan. If the applicant makes a voluntary decision not to proceed with the loan after approval, and if there is no other reason why the project cannot proceed, the owner may be requested to reimburse the Commission for all direct costs incurred. Charges for the following may be included in any loan made:
 - a. Appraisal of the market value of property.
 - b. Credit report on each owner of the property or, if ownership of the property is held in trust, a credit report on each trustor and trustee.
 - c. HCD title search for mobile homes and/or preliminary title report and title insurance for real estate.

- d. Structural pest control and other inspections or tests necessary to determine property condition.
 - e. Lead and asbestos risk assessment(s).
4. The following underwriting criteria will be used to evaluate each application:
- a. Loan applicants must be the legal owner of the real property, or the registered owner of the mobile home, and must have the authority to encumber the property.
 - b. A preliminary title report shall be obtained for all real estate loans (all loans except mobile homes on rented land).
 - c. A formal title search will be conducted by the California Dept. of Housing and Community Development for all mobile home loans.
 - d. Owner-occupants receiving deferred payment loans are exempt from the credit history requirements of this section. A consumer credit report will be obtained for all other owners, trustors or trustees of the property. Key factors to be considered in reviewing the credit history are the borrower's ability to manage financial affairs and budget for debt and necessities.
 - e. At the discretion of the Commission Director or his/her designee, a loan may be approved despite isolated instances of slow payments or even more significant past problems, based upon careful analysis of the contributing causes and circumstances. The owner's demonstrated ability to reestablish a good credit standing, to maintain a good repayment pattern on housing-related debts, and to build equity in the property are all factors to be considered.
 - f. Unreported income, outstanding judgments, unreported property liens and poor credit ratings indicate that an applicant is a poor risk for the loan program. Unreported income is fraudulent and will result in denial of a loan.
 - g. Property taxes and mobile home registration fees must be current in order for an applicant to be considered for a loan and must be paid when due during the life of the loan.
 - h. Property insurance, including fire (and flood if applicable), will be required during the life of the loan. If an applicant does not have sufficient insurance to cover the amount of the Commission's loan and all senior liens or the value of the improvements whichever is less, or if the policy has lapsed, deficiencies must be corrected as a

condition of loan approval. The Commission shall be named on the policy as mortgagee/loss payee for the full term of the loan.

- i. For single-family, and multifamily dwellings, loans may be made that result in a loan-to-value ratio of up to 100%. Property value may be established using the current tax assessment, at a base value of \$200,000, or through an appraisal prepared by a State licensed or certified real estate appraiser, which ever is greater.
- j. For mobile homes, loans may be made that result in a loan-to value ratio of up to 100%. The value of the mobile home will be established through a property appraisal prepared by a State licensed or certified real estate appraiser.
- k. For properties assisted with Redevelopment funds, the after-rehabilitation value of the property shall be presumed to equal the property value as determined above, plus the total cost of the rehabilitation work to be completed under this program.
- l. Senior liens on any property will be allowed only if:
 - i. The loan is not negatively amortized.
 - ii. The loan terms do not contain provisions for any balloon payment which would come due during the term of the Commission loan; and
 - iii. Open lines of credit are calculated as the maximum credit available to the borrower for purposes of determining loan-to-value ratio.

- 6. Each application will be summarized and a recommendation for loan approval or disapproval will be made to the Commission's Director or his/her designee. The recommendation will include the maximum recommended loan amount and repayment terms.
- 7. The Commission Director or his/her designee will make the final decision on each application.
- 8. Discretion of Commission Staff: It shall be within the purview of the Commission Director or her/his designee, to disapprove any loan application at any stage of processing through any formal or informal action which is consistent with sound underwriting practices and fair housing lending procedures.

- C. Loan Documents: After selection of the contractor by the property owner, Commission staff will prepare loan documents including the Fair Lending Notice, Promissory Note, Deed of Trust and/or Mobile Home Security Agreement, Truth-

in-Lending Disclosure, Notice of Right of Rescission and Request(s) for Notice of Default and Sale.

1. All legal owners of the real property, and all registered owners of the mobile home, shall execute all loan documents.
2. Non-occupant parents, ex-spouses and/or children who are listed on title to the property will be required to co-sign the rehabilitation loan documents and shall be equally liable to repay the loan. Spouses and registered domestic partners shall sign the loan documents unless title is clearly held as the owner's sole and separate property.
3. Any owner contributions necessary for completion of the rehabilitation project shall be placed in the Commission's rehabilitation escrow account for disbursement to the contractor, or in payment of other loan costs, on behalf of the property.

VI. CONSTRUCTION

- A. Competitive Bidding: After a loan is approved, Commission staff will coordinate the competitive bidding process to obtain fixed-price bids from qualified, licensed contractors.
 1. The Commission shall determine whether a contractor is qualified through a pre-screening process. All contractors must submit a contractor application on the required forms to the Commission at, or prior to, the time of submitting their first bid.
 2. The property owner may select any responsible contractor whose bid does not exceed 110% of the Commission staff's in-house cost estimate.
- B. Construction Contract: The Commission staff will coordinate contracting for all work funded through the rehabilitation loan or with owner contributions to the project, manage the contracts, inspect the work and approve and disburse payments.
 1. The contract for the rehabilitation will be executed by the owner and the contractor. The Commission staff will provide the contract form.
 2. The Commission staff shall assist the owner in the control, supervision and direction of the work to be performed under the contract.
 3. Changes to the services to be provided under the contract and amounts to be paid pursuant to the contract may be made only by written change order by and between the owner and the contractor and only upon written approval of the Commission's Executive Director or his/her designee.

4. During the period of performance of the contract, the owner shall not enter into any additional agreements with the contractor, whether written or verbal, without the written approval of the Commission's Executive Director or his/her designee.
5. Commission staff will inspect each project during construction to assure that work is progressing in a timely manner and that it is being carried out in accordance with the Scope of Work.
 - a. Phase inspections will be made by Commission staff prior to the disbursement of payments to the contractor. Any work requiring a building or other permit must also have written approval by the State, County and/or city building inspector.
 - b. The owner must accept all work before payment may be authorized, except payment awarded by arbitration or legal judgment.
6. Upon satisfactory completion of all work called out in the contract, the property owner shall sign the Notice of Completion (except in the case of mobile homes) which shall be recorded in the Sonoma County Recorder's Office.

VII. LOAN ADMINISTRATION and COLLECTIONS

- A. Subordination: The Commission will subordinate the loan to a new loan only in the case where the owner wants to refinance the first mortgage and the owner will not take any cash out of the property nor will the Commission's financial position in the property be negatively impacted in any way.
- B. Transfer and Assumption: CDBG owner-occupied rehabilitation loans provided through this program cannot be transferred to, or assumed by, future owners of the property except in the case of transfer to an occupant spouse, registered domestic partner, or child. Such occupant spouse/domestic partner/child must provide certification of occupancy. Redevelopment and CDBG loans for rental properties may be assumed by subsequent purchasers of the property at the discretion of the Commission's Executive Director or his/her designee.
- C. Amortized Loan Collections: The borrower shall make regular monthly payments directly to the loan servicing agent as specified by the Commission. The Commission Director shall have the authority to select an outside loan servicing agent or to collect loan payments in-house. A loan servicing fee will be collected with each monthly payment.
- D. Deferred-Payment Loan Collections: The borrower shall make full repayment of the loan when due directly to the Commission.

1. Recipients of deferred-payment loans will be allowed to make periodic prepayments directly to the Commission in order to reduce the amount of their indebtedness.
2. Elderly and Disabled Borrowers: At the beginning of the twenty-first year, the loan due date may be extended for households which qualify as elderly (over 62 years of age) and/or permanently disabled provided that: 1) the borrower is still the owner-occupant of the property; 2) the borrower is not in default of any of the loan terms; and 3) the dollar amount of any senior liens does not exceed the dollar amount of senior liens in effect when the Commission loan was recorded; and 4) the borrower will pay a loan modification processing fee of \$500, which fee may be financed in the principal balance of the deferred-payment loan. The deferred-payment loan's new term and interest rate will be the less stringent of those contained in this Program Design or those which may be in effect at the time the loan modification is approved by the Commission. This provision shall apply retroactively to all housing rehabilitation loans made by Commission, notwithstanding any terms to the contrary that may be contained in the promissory note for any loan.
3. Elderly and Disabled Mobile Home Owners: In the unusual instance where the fair market value of the mobile home at the time the loan is due is less than the total amount due to the Commission plus any superior lien against the property, it shall be the Commission's policy to forgive the difference between the fair market value and the Commission's loan balance plus any superior lien.
 - a. At the discretion of the Commission's Executive Director or his/her designee, the fair market value of the property shall be determined by either: 1) the purchase price paid pursuant to a sale of the property; or 2) a qualified licensed real estate appraiser whose fee shall be paid by the Commission.
 - b. If repayment is made prior to the time the loan is due according to the terms of the Promissory Note and any other loan documents, or if a loan becomes due through borrower's default of the loan terms, this provision shall not apply.

E. Loan Defaults

1. If a borrower appears to be in default of one or more of the loan terms contained in the Promissory Note, Deed of Trust, Mobile Home Security Agreement or any other loan document, the Commission Director shall consult with the Office of the Sonoma County Counsel.

2. If the Commission Director determines that the borrower is in default of one or more of the loan terms, the Commission Director, with the advice of County Counsel, shall initiate foreclosure proceedings.
 - a. The Commission may contract with a trust deed service company to carry out a Notice of Default and Sale on behalf of the Commission.
 - b. If the loan is reinstated, any expenses will be the responsibility of the owner as a condition of reinstatement.
3. If the property goes to sale pursuant to this section, the sale proceeds minus the amount of any senior liens and the Commission's foreclosure costs shall be credited against the outstanding loan balance.
 - a. If the sale proceeds minus the amount of any senior liens and the Commission's foreclosure costs exceed the amount of the outstanding loan balance, the excess funds shall first be used to pay any valid claims of junior lien holders and any proceeds remaining thereafter shall be forwarded to the borrower.
 - b. If the sale proceeds minus the amount of any senior liens and the Commission's foreclosure costs are less than the amount of the outstanding loan balance, the Commission shall seek a deficiency judgment for the difference by submitting the matter to Sonoma County Central Collections.

VIII. DEFINITIONS

Applicant/Co-Applicant: Any member of the household who is listed on title to the property and who will be accepting responsibility for repayment of any loan made by signing the required loan documents.

Assets: Assets of the applicant and household members shall be considered in determining household income. Household assets include:

1. Amounts in savings and checking accounts. (The greater of the current amounts or the average balance for the last 2 months in savings and checking accounts.)
2. Stocks, bonds, savings certificates, money market funds and other investment accounts.
3. Equity in real property (other than the applicant's principal residence) or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset.
4. The cash value of trusts that are available to the household, not including irrevocable trusts.

5. Annuities in the applicant's name that could be liquidated.
6. Assets, which although owned by more than one person, allow unrestricted access by the applicant.
7. Lump-sum receipts such as inheritances, capital gains, lottery winnings, cash from sale of assets, insurance settlements, and other claims.
8. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.
9. Cash value of life insurance policies.
10. Household Assets Do Not Include:
 - a. Personal property (except as noted in #9 above).
 - b. Interest in Indian trust lands.
 - c. Assets not accessible by the household (e.g.: irrevocable trusts).
 - d. Assets that are a part of an active business or farming operation.
 - e. Retirement plans which, if withdrawn, would result in a penalty.

Below Market Interest Rate: An interest rate lower than the interest rate generally accepted for use by commercial lenders at the time of consideration.

Code Standards: All applicable housing, planning, fire prevention, building, zoning, health codes, and other pertinent local ordinances.

Disabled Household: A household in which any applicant or co-applicant is physically or mentally disabled. It may include two or more disabled persons living together, or one or more of these persons living with one or more live-in-aides or other household members.

Elderly Household: A household in which any applicant or co-applicant is 62 years of age or older. It may include two or more persons 62 years of age or older living together, or one or more of these persons living with one or more live-in-aides or other household members.

General Property Improvements: Items not specifically required by code which will generally improve the appearance and/or livability of the property and the neighborhood.

Gross Income: The total income of the household, before any withholdings are taken.

Household: A single person or a collective body of two or more persons living together in one housing unit as their common home and sharing common income.

Incipient Code Violations: An incipient code violation exists if, at the time of inspection, it is thought that the physical condition of an element in the structure will deteriorate into an actual code violation within one year. Examples are an old roof which is beginning to leak or a furnace which can reasonably be expected to become inoperative or hazardous because of its age or condition.

Income: All income from persons in a household must be included in the household income. Except as noted below*, income from minors/dependents is not included in household income. Annual household income includes:

- Annual gross amounts of wages, salaries, tips and commissions.
- Net annual income from operation of business or profession.
- Net annual income from rental of real or personal property.

If one or more of the bedrooms of an owner-occupied single-family property is/are rented to non-household members, the non-household members' incomes shall not be included in income calculations for the owner's household. However, the rent paid to the owner shall be included in income calculations for the owner's household.

- Actual or imputed annual income from assets.

If household assets are below \$5,000, actual income earned from assets will be added to the household income.

If household assets are \$5,000 or more, the actual income earned from assets will be compared to an imputed income earned figure arrived at by multiplying the total assets by HUD's imputed income rate, also known as the passbook rate. This rate is periodically adjusted by HUD. The current HUD passbook rate is 2%, and may be adjusted from time to time. The higher of the actual income earned or the imputed income earned figures will be added to the household income.

- Annual income from periodic payments such as Social Security, insurance, retirement funds, pensions, alimony, or child support.
- Annual amount of payment in lieu of earnings, such as unemployment, disability, worker's compensation.
- Annual amount of public assistance allowances or grants.

Total annual income divided by 12 equals monthly income. The income shall mean the anticipated income of a person or family for the twelve-month period following the date of determination of income.

*Survivor's Social Security, SSI, other public assistance or disability payments and pension payments paid to a minor/dependent are the only types of income received by a minor/dependent which are included in the household income.

Minor/Dependent: Members of the household (other than the applicant or co-applicant[s]) who are under 18 years old or who are full-time students and live at home, or who are disabled in such a manner as to require on-going dependency.

Mobile Home: For purposes of this program, a mobile home is defined as a transportable structure, designed for use as a dwelling, whose minimum exterior dimensions are 8 1/2 feet wide and 32 feet long measured from wall to wall.

Non-Household Member(s): A single person or a collective body of two or more persons who rent one of the bedrooms of a single-family house or mobile home and who do not share common income with the owner-occupant household.

I HAVE READ AND UNDERSTAND THE INFORMATION PRESENTED IN THIS PROGRAM DESIGN FOR THE HOUSING REHABILITATION PROGRAM.

Date

Property Owner Signature

Date

Property Owner Signature