

Program Guidelines

For Single-Family Owner-Occupied Housing Rehabilitation



State of Colorado
Department of Local Affairs
Division of Housing
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Single-Family Owner-Occupied Housing Rehabilitation Program

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Appendix A: Funding Allocation Formula

Single-Family Owner-Occupied Housing Rehabilitation Program

1. Summary

These Program Guidelines provide the policies and standards for the management and operation of the Single-Family, Owner-Occupied (SFOO) Housing Rehabilitation Program operated by regional housing organizations funded through grants and program income from the Colorado Division of Housing (DOH). These policies and procedures are based on the federal and state regulations of the HOME and CDBG programs that fund these SFOO projects. It is the responsibility of the regional housing organization to implement revolving loan fund programs in accordance with these policies and procedures. It is the intent of these policies and procedures to create a consistent and equitable Single-Family, Owner-Occupied Housing Rehabilitation Program across the State.

Note: The information and requirements provided in these Program Guidelines supercede previous versions of this document, including the COLORADO DIVISION OF HOUSING REVOLVING LOAN FUND (RLF) POLICIES dated December 12, 2000.

2. Program Outcomes

Single-Family, Owner-Occupied (SFOO) Housing Rehabilitation Programs are designed to improve the quality of housing stock through the completion of various housing rehabilitation measures.

The Outcomes for the SFOO Housing Rehabilitation Program include:

- Preserve, enhance and maintain affordable housing stock through repair and renovation within the community.
- Protect the health and safety of the occupants through the correction of housing hazards.
- Assist homeowners in improving the condition of their homes.
- Allow homeowners to stay in their homes.
- Create and maintain a regional revolving loan fund to assist with future housing rehabilitation projects.
- Develop and sustain a network of local contractors to complete housing repairs and renovations.

3. Program Funding Priorities

The Colorado Division of Housing provides funds for the SFOO Housing Rehabilitation Program through the granting of HOME and CDBG funds to regional housing organizations. These grants are provided through the on-going Colorado Division of Housing Loan/Grant Application process. Prior to 2004, funding levels for the SFOO Housing Rehabilitation Program were determined through the "Funding Formula Allocation" (please see Appendix A).

Current funding priorities include:

- Existing regional housing organizations that are in good standing with the DOH may apply to receive additional program and/or administrative funds on an annual basis to maintain the SFOO Housing Rehabilitation Program in their region.
- Grant funds from DOH for use in the SFOO Rehabilitation Program will be used in accordance with the terms of the contract between DOH and the regional housing organization.
- SFOO Rehabilitation Programs that serve non-entitlement areas of the state receive a priority for funding through DOH.

4. Funding Levels and Program Production

The funding level for each SFOO Housing Rehabilitation Program will be determined by the amount of new grant funds necessary to sustain a level of production, in combination with program income and local financial support, that maintains the financial and management capacity of the program. A sustaining level of production for this program is considered to be the completion of 12 to 20 housing rehabilitation projects a year.

Colorado Division of Housing encourages cooperation and financial assistance from other housing programs such as, but not limited to, Rural Development, Medicaid, Energy Outreach Colorado and the Energy Saving Partners Program (Weatherization).

5. Administrative Cost Ranges

The Colorado Division of Housing will provide grant funds for the administration of SFOO Rehabilitation Programs that utilize program income and/or new DOH grant funds for rehabilitation construction activities.

- Program income is to be used strictly for SFOO Housing Rehabilitation Program activities.
- Reasonable administrative costs to operate a SFOO Housing Rehabilitation Program may be expected to be funded from new DOH grant funds based on a successful DOH Loan/Grant Application.
- Administrative cost ranges for a SFOO Housing Rehabilitation Program completing 12 to 20 rehabilitation projects a year are as follows:

Criteria	DOH Range
Number of FTE's Paid With DOH Grant Funds	1.5 to 3.0 FTE
DOH Administrative Grant Funds Per Unit	\$2,500 to \$4,500 / unit

6. Program Underwriting

The primary underwriting criteria used to determine the continued financial support of the SFOO Housing Rehabilitation Program include: management capacity, compliance with the Revolving Loan Fund Program Guidelines, and the level of local financial and political support for the program. Specific SFOO Housing Rehabilitation Program information reviewed during the funding application process includes:

- Staff Allocation Plan (salaries, personnel, job title, percent of salary paid from program).
- Current intergovernmental agreements with all municipalities and counties in the service area.
- Verification of the completion of a public hearing and the submission of public hearing comments.
- Regular review and updating of the Local Program Guidelines.
- Written confirmation of local political and financial support for the SFOO Housing Rehabilitation Program.
- Submission of program budget including specific sources and uses of funds.
- Annual updates of revolving loan fund income and loan portfolio information.
- Submission of the program outreach plan and marketing materials.
- Summary of performance on the last grant (units completed, average cost).

- Equitable distribution of completed projects by population.
- Demographic information of completed projects.

7. Local Support

The local political and financial support for the SFOO Housing Rehabilitation Program is essential to the on-going performance of the program. Eligible evidence of local political support includes:

- Government sponsorship of the DOH Grant Application.
- Letters of support for the program from local governments.
- Letters of support from local service organizations.

While there is no established minimum local financial contribution, each regional housing organization is expected to demonstrate some level of local financial contribution. Eligible local financial contributions include:

- Cash from non-federal, state, or local sources.
- In-kind contributions of personnel, office space, vehicle use, or other program administration expenses.
- Building permit and inspection fee reductions or waivers.
- Construction materials and/or on-site construction assistance.

8. Program Service Area

- Each Revolving Loan Fund Program has a specific geographic territory as defined in the contract between the DOH and the regional housing organization.
- The expansion of existing or new Revolving Loan Fund Program(s) into areas of the State without a current program is encouraged.
- It is expected that funds provided to a multi-county regional housing organization for the Revolving Loan Fund Programs be equitably distributed across the program service area.
- The minimum program service area for a Revolving Loan Fund Program is a single county (if it contains an Metropolitan Statistical Area [MSA]) or two or more rural counties (no MSA in service area). Exceptions from the minimum program service area may granted by DOH upon request.

9. Household Eligibility

Households served through the SFOO Rehabilitation Program must meet the following eligibility requirements:

- Own their home.
- Household income level is at 80% or less than the Area Median Income (AMI) for the county of residence.
- All household members must be legal citizens of the United States.
- Satisfy the loan underwriting criteria established by the regional housing organization.

10. Property Eligibility

The following is a list of housing stock that is eligible for rehabilitation through the SFOO Housing Rehabilitation Program:

- The property must be the household's principle residence.
- Site built, single-family homes.

- Manufactured homes on permanent foundations (or properly tied-down) on land owned by the homeowner.
- Maximum \$3,000 in essential repairs for manufactured housing on rented lots.
- Duplexes.
- Town homes or condominiums.

The following is a list of housing stock that is ineligible for rehabilitation through the SFOO Housing Rehabilitation Program:

- Repairs exceeding \$3,000 on manufactured homes on land not owned by the homeowner (rented lot).
- Rental Housing.

11. Property Value

The value of a property after the completion of SFOO Housing Rehabilitation Program construction activities must not exceed ninety-five percent (95%) of the median purchase price for the county. All liens on the property must be taken into consideration. The total debt on the home should not exceed its value. Two (2) options are available to determine the median purchase prices for the county:

- Use the mortgage limits established through the HUD 203(b) program (FHA Mortgage Limits)
- Perform a local market survey to determine the median purchase price for the county.

12. Field Work Specifications

Housing rehabilitation construction and repair activities completed for each home must include the following procedures:

- Initial Property Inspection - Each home to be completed through the SFOO Housing Rehabilitation Program must be evaluated for compliance with the HUD Section 8 Housing Quality Standards (HQS). The HQS is used as the basis for the initial inspection of the existing property to identify needed repairs and appropriate improvements.
- Rehabilitation Work Write-up - Each property must have a detailed work write-up that describes the planned rehabilitation activities to be completed in each home. The staff of the regional housing organization, with consultation and approval of the homeowner, completes the work write-up.
- Contractor Walk-Through and Bid Opening – Each regional housing organization is expected to have a contractor walk-through and participate in an open bid process that allows for all qualified and interested contractors access to each potential rehabilitation project. Private sector contractors should bid on multiple task housing rehab projects, while single task rehab projects can be coordinated by the Rehab Agency.
- Debar Checks – All successful bidders must be checked against the Excluded Parties Listing System, an on-line debar check located at www.epls.arnet.gov
- Building Code Compliance - All completed rehabilitation activities in each home must meet the construction standards of the locally adopted building code. In the absence of a local building code, the completed rehabilitation activities must meet the standards of the 2003 International Residential Code.
- Housing Rehabilitation Specifications - Each regional housing organization must develop and maintain a written housing rehabilitation standard that defines the quality of materials and workmanship that must be used when a particular repair is made. Rehabilitation Specifications (or construction standards) refer to the quality, durability, and aesthetics of the completed rehabilitation project.

- All rehabilitation activities are to be completed in a professional manner.
- Rehabilitation activities are required, at a minimum, to bring the physical condition of the entire property in compliance with HQS.
- If the cost of the rehabilitation activities necessary to meet HQS is greater than the loan amount or \$24,999 maximum, the staff of the regional housing organization, in consultation with the homeowner, will prioritize the list of rehabilitation activities. It is expected, in some cases, that the maximum loan amount for a given property will not cover the cost of all rehabilitation activities necessary to meet HQS.
- Secondary measures, such as cosmetic repairs and convenience items that may enhance the home or neighborhood, may be installed in a home only after the rehabilitation activities for HQS are completed. No more than twenty percent (20%) of the rehabilitation loan may be spent on secondary measures.

13. Replacement Housing

Replacement housing is an eligible SFOO Housing Rehabilitation Program activity based on the following criteria:

- The costs associated with the repair of the existing home exceed the cost of providing a replacement home.
- The homeowner agrees to the replacement of their home.
- The homeowner has the financial ability (if necessary) to finance the difference between the regional housing organization loan and the total replacement cost.
- The maximum amount of new DOH grant funds and/or program income that may be used for a replacement home loan is \$24,999.
- Exceptions can be made on the maximum of \$24,999 on a case-by-case basis if the project is financially feasible/competitive.
- The use of used or new manufactured housing is encouraged for replacement housing.

14. Environmental Review

Before any funds can be obligated, expended or drawn down from the State, the grantee must complete the appropriate environmental review, submit it to the Division of Housing, and be issued a Release of Funds (ROF) letter from the State. Grantees should review the environmental review guidelines section of the CDBG Guidebook, located on the Colorado Department of Local Affairs website at

www.dola.state.co.us/LGS/FA/CDBG/CDBG-guidebook.htm.

Most SFOO rehabilitation projects will qualify as “Categorically Excluded.” For these projects, the grantee must complete both Exhibit IV-B (also known as the Statutory Checklist) and Exhibit IV-M (Individual Housing Unit Final Environmental Clearance Form). Certain sections of the Statutory Checklist will need to be left blank (specifically the historic protection, floodplain determination and noise standards sections), as site-specific locations of the homes to be rehabilitated are not usually known at the time of grant application. Upon completion of the Statutory Checklist, a determination is made by the grantee and certifying official as to the environmental impact of the project. If no federal laws and authorities are found to be relevant to the project, the certifying official may make a finding that the project is exempt under 24 CFR 58.34(a)(10).

For each individual unit to be rehabilitated, the grantee must **also** complete the Individual Housing Unit Final Environmental Clearance (HUFEC) Form - verifying that the housing units to be rehabilitated have met federal environmental standards for historic protection, floodplain designation and noise standards. Unlike the Statutory Checklist, the HUFEC Form does **not** have

to be submitted to the Division of Housing. The grantee should instead maintain copies of the forms in the environmental review record section of the project file.

Grantees are encouraged to contact Eric Bergman at the Department of Local Affairs at 303.866.4552 or eric.bergman@state.co.us with any questions pertaining to the environmental review process.

15. Project File Documentation

DOH will provide sample forms to grantees upon request.

16. Revolving Loan Fund

The eligible uses and management practices for revolving loan funds established with Colorado Division of Housing grant funds and program income are described in this section. Each regional housing organization is required to comply with these guidelines.

A. Program Income

All revenues (with the exception of loan servicing fees) received by a regional housing organization that result directly from a Single-Family Owner-Occupied Housing Rehabilitation Program subsidized activity are considered program income. Program income includes, but is not limited to:

- Principal and interest payments from homeowner loan payments.
- Proceeds from the sale of acquired assets.
- Additional regulations regarding program income state that:
 - The regional housing organization may not retain more than \$5,000 in program income before requesting additional grant funds. The agency will ensure that fund use is maximized and that balances do not lie dormant.
 - The Colorado Division of Housing retains the right to recapture program income that has been used to fund projects/programs outside the scope of the original use of the funds, unless such use has been approved in advance by the DOH.

B. Program Income Use

Program income derived from revolving loan funds must be used based on the following requirements:

- Program income must be utilized to continue the activity for which initial funding was provided (for example, the SFOO Housing Rehabilitation Program).
- Program income originally derived from a specific program may be used to address other community housing needs if there is no longer demand for the originally funded program. A request to use the revolving loan funds for a different use than the originally funded program must be approved by the regional housing organization board and the Colorado Division of Housing.
- Revolving loan funds cannot be used for regional housing organization capital needs.
- Program income may **not** be used for revolving loan fund program administrative costs.
- If your agency is no longer submitting funding applications to DOH for program administrative costs, your agency may continue to use 20% of program income for administration.

C. Miscellaneous Income

Regional housing organizations that have been designated “nonprofit organizations serving the

development needs of the communities in non-entitlement areas” are not subject to the federal program income requirements regarding CDBG funds. DOH must approve this designation for each Rehab agency (per memo 8/29/2003). If you have received approval to convert your program income to miscellaneous income, your agency is subject to the following:

- Principal and interest payments from homeowner loan payments and proceeds from the sale of acquired assets must continue to be utilized for the same rehab program.
- Miscellaneous income originally derived from a specific program may be used to address other community housing needs if there is no longer demand for the originally funded program. A request to use the miscellaneous income funds for a different use than the originally funded program must be approved by the regional housing organization board and the Colorado Division of Housing.
- Miscellaneous income may **not** be used for regional housing organization capital needs.
- Miscellaneous income may **not** be used for revolving loan fund program administrative costs.
- The regional housing organization may retain more than \$5,000 in miscellaneous income before requesting additional grant funds.
- The Colorado Division of Housing retains the right to recapture miscellaneous income that has been used to fund projects/programs outside the scope of the original use of the funds.
- Miscellaneous income must be administered in accordance with the DOH’s current guidelines for SFOO Rehab program.
- Miscellaneous income must be reported on an annual basis to DOH.
- DOH will not have to report miscellaneous income in HUD’s IDIS database.

17. Lending Requirements

The lending requirements for Colorado Division of Housing new grant funds or revolving loan fund program income are as follows:

A. Equal Opportunity Lender

- The regional housing organization will not discriminate against anyone through the organization’s lending practices or in any other decision making processes due to race, color, religion, gender, disability, family status and/or national origin.
- These requirements apply to all individuals or organizations involved in the SFOO program, including contractors, vendors, and regional housing organization personnel and board members.

B. General Lending Requirement

- All loans are non-forgivable.
- Loans will be either;
 - Amortizing with monthly payments.
 - Deferred and due upon the sale or transfer of ownership of the property or upon the death of the borrower.
- All loans must be secured by a promissory note and deed of trust.
- Loan terms and rates must be consistently applied.
- All loans must be designed to allow for future adjustments in response to changes in the financial capability of the household.
 - A periodic review of the loan portfolio for potential loan adjustments is required every three (3) years.
 - This loan adjustment requirement language must be included in the promissory note.

C. Maximum Loan Amount

- The maximum amount of a SFOO Housing Rehabilitation Program loan is \$24,999 from funds provided by the Colorado Division of Housing (including program income, miscellaneous income and new funds).
- Exceptions to this maximum loan amount will be considered upon written request for approval from the Colorado Division of Housing.

D. Loan Approval

- Loan approval must be based on a review of the potential borrower's ability to repay the loan.
- Credit scoring or other methods of determining the borrowers ability to repay the loan may be used.
- Loan approval terms are encouraged to be as flexible as possible, while maintaining the stability of the loan portfolio.

E. Loan Deferrals

- Up to twenty-five percent (25%) of the value of the SFOO Housing Rehabilitation Loan portfolio may be in deferred loans.
- Regional housing organizations may increase the percentage of deferred loans with approval from the Colorado Division of Housing.
- The regional housing organization's Board of Directors or Loan Committee will establish guidelines concerning the granting of deferred loans, using criteria such as age of household, household income, ability to pay monthly loan payments, and the type of rehabilitation work anticipated.
- Deferral of all or part of a SFOO Housing Rehabilitation Program loan is encouraged for households that do not qualify for an amortizing loan.

F. Loan Fees

- Regional housing organizations may not charge borrowers an origination fee.
- The borrower may be required to pay the costs for a credit report, title work, and/or home ownership counseling.
- The borrower may be charged reasonable late fees and, in the event of delinquency or foreclosure, reasonable legal fees.
- Loan service fee: market rate if using an outside provider; up to \$10/loan/month if service is provided by the agency. The amount paid to the regional housing organization for loan servicing cannot exceed actual costs for providing this service. The service fees can be taken out of payments to the revolving loan fund.
- The regional housing organization may charge a monthly loan-servicing fee, but must demonstrate and justify the cost of this fee. A written cost analysis for the fee charged must be kept on file at regional housing organization's offices and made available upon request by Colorado Division of Housing staff. In addition, a comparison of the private market servicing fee costs must be done and kept on file as well.

18. Local Program Guidelines

Each regional housing organization must establish and implement Local Program Guidelines. The Local Program Guidelines must include information concerning the following:

- Board of Directors roles and responsibilities.
- Loan Committee roles and responsibilities.
- Loan approval/denial policies and procedures.
- Regional housing organization staff roles and responsibilities.
- Household prioritization and eligibility requirements.
- Loan securitization policies.
- Accounting and reporting policies and procedures.
- Contractor solicitation, selection (including debarment check), dismissal, and management policies and procedures.
- Project bid process.
- Project inspections and contractor payment procedures.
- Homeowner and contractor grievance and dispute resolution policies and procedures.
- Marketing and Fair Housing plans.

19. Board of Directors

Each regional housing organization is required to have a Board of Directors. The composition of the Board depends on the nature of the specific housing organization (non-profit, government entity). The Board of Directors is responsible for the overall management of the Revolving Loan Fund Program(s) at the regional housing organization. Board of Director responsibilities include:

- Program policy formulation, review and approval.
- Periodic review of program implementation.
- Grant compliance and reporting.
- Development and Implementation of guidelines for program loans (approval criteria, rates, terms).
- Establishment and oversight of the loan committee.
- The development and implementation of policies on types of loans made from the revolving loan fund.
- Review of grievances and complaints.

20. Loan Committee

Each regional housing organization will have a loan committee that is responsible for the management of the revolving loan fund.

- The loan committee may be the Board of Directors of the regional housing organization or be a separate committee established by the Board of Directors.
- The loan committee should have representation from the entire program service area.
- The loan committee should represent diversified interests and expertise within the program service area such as lending, real estate and human services.
- Loan committee responsibilities include:
 - Review and approval of all loan applications.
 - Determination of loan terms for each proposed loan.
 - Approval of solutions for problem loans.
 - Decisions regarding possible foreclosures.
 - Determination of the standards for the acceptance of applications for assistance.
- Some of the functions of the Loan Committee may be delegated to agency staff. At a minimum, the loan committee will review annually the staff decisions made regarding applicant selection, loan terms, problem loans and foreclosures.

21. Conflict of Interest

- No member of the Board of Directors, the Loan Committee or the staff of the regional housing organization will participate in any decisions that may result in direct personal or financial benefit or interest either for themselves or for those with whom they have family or business ties.
- The Colorado Division of Housing must approve exceptions in writing. An exception may be considered upon full disclosure of the nature of the conflict and a determination is made that an exception will serve to further the purposes of the program.

22. Code of Ethics

Governor Bill Owens adopted the following Code of Ethics in 1999. DOH has chosen to adopt this same code for its SFOO Rehab Program. DOH has included "State Contractors" to the list of those required to follow this code.

Purpose

Public confidence in the integrity of state government demands that public officials demonstrate the highest ethical standards at all times. Those who serve the people of the State of Colorado as public officials should do so with integrity and honesty, and should discharge their duties in an independent and impartial manner. At the same time, qualified individuals should be encouraged to serve in state government and have reasonable opportunities with all citizens to develop private economic and social interests. This Executive Order strives to accomplish these ends by providing standards by which the conduct of all who serve in the Executive Department of the State of Colorado can be measured.

Code of Ethics - All elected officers, appointees, state contractors and employees of the Executive Department:

- Shall serve the public with respect, concern, courtesy and responsiveness;
- Shall demonstrate the highest standards of personal integrity, truthfulness and honesty and shall through personal conduct inspire public confidence and trust in government;
- Shall not use public office to bestow any preferential benefit to anyone related to the officer, appointee or employee by family, business or social relationship;
- Shall not disclose or use or allow others to use confidential information acquired by virtue of state employment for private gain;
- Shall not accept any compensation, gift, payment of expenses or any other thing of value which would influence him or her to depart from the faithful and impartial discharge of his or her duties;
- Shall not accept any compensation, gift, payment of expenses or any other thing of value as a reward for official action taken;
- Shall not engage in outside employment unless: (1) the outside employment is disclosed to their board of directors or, in the case of an employee, the employee's immediate supervisor; and (2) the outside employment does not interfere with the performance of state duties;
- Shall not use state time, property, equipment or supplies for private gain;
- Shall not knowingly engage in any activity or business which creates a conflict of interest or has an adverse effect on the confidence of the public in the integrity of government;
- Shall carry out all duties as a public servant by exposing corruption or impropriety in government whenever discovered;
- Shall support equal access and employment opportunities in state government for all citizens of the State of Colorado;
- Shall comply at all times with the standards of conduct set forth in title 24, article 18 of the Colorado Revised Statutes.

23. Administrative Procedures

A. Accounting

Regional housing organizations must have a system to track the loans and payments in the revolving loan fund. This system may be automated or manual. At a minimum the following items should be available on the system:

- Name and address of borrower
 - Principal amount
 - Term and interest rate
 - Date of loan closing
 - First and last payment due date
 - Amount of monthly payment
 - Sources and percentage of funds used for loan
 - Delinquent payment notations
 - Default flags
 - Payoff amount calculation
 - Borrower demographics
- Documentation – The following documents are required for each revolving loan fund program.
 - *Loan Committee Proposed Loan Summary Sheet* – A summary that provides anonymous borrower information to the regional housing organization Loan Committee should include the following information:
 - Borrowers income.
 - Work or activity to be undertaken.
 - Proposed term and interest rate, including the payment amount.
 - Ratio calculation to estimate ability to make payments within each of the options.
 - *Boilerplate Loan Approval/Denial Letters* – Each of these letters require Loan Committee approval. The loan committee also determines who signs these letters and who should be the contact in the event of an appeal of the loan decision.
 - Loan Servicing - The regional housing organization must utilize a loan servicing system that, at a minimum, can perform the following:
 - Accepts and logs current payments.
 - Splits payment into principal and interest.
 - Splits payment into appropriate funding source(s).
 - Splits payment into program and administration.
 - Has the ability to accept extra payments.
 - Recognizes loans that are delinquent or in default and issues late letters.
 - Prepares a year-end statement for the borrower's tax returns.
 - Summarizes loan portfolio information upon request and for annual reports to DOH.
 - Default/Foreclosure - The regional housing organization must define:
 - Stages of delinquency or default (30 days late, 60 days late, etc.).
 - Steps to be taken at each stage of a delinquency action.
 - A workout process for curing deficiency.
 - The foreclosure process.

B. Reimbursement Procedures

Reimbursement by DOH for SFOO activities may only occur if:

- The activities occur after the execution date of the DOH contract, and
- The activities are being completed according to the policies and procedures contained within these guidelines.

In order to receive reimbursement for activities covered by the DOH grant, regional housing organizations need to do the following:

- Complete and sign 3 copies (all 3 need original signatures) of the “Request for Payment” form supplied by the assigned DOH asset manager.
- Attached one copy of back-up documentation for each job for which reimbursement is being requested. Back-up documentation should include a copy of the Work Write-Up, which lists the property address and owner name, as well as a description of the rehabilitation work that has been completed.
- Administrative cost drawdowns should be spread over the term of the contract. The grantee does not have to spend down to \$5,000 the administrative funds before submitting a request for more administrative dollars. However, all administrative costs may not be drawn down at the beginning of the contract term.
- For HOME grantees, the regional housing organization must also complete and attach for each home the HUD-40094 “Rental/Homebuyer/Homeowner Rehab Set-Up Report” available at <http://www.hudclips.org/cqi/index.cgi>. Note: Later, the HUD-40096 “Homebuyer/Homeowner Rehab Completion Report” will also need to be completed on each home before the DOH contract is closed.
- The packet containing the above documents is mailed to the assigned asset manager. Once received by DOH, reimbursement requests take two to three weeks to process and mail to the grantee.

C. Quarterly and Annual Reporting

The DOH requires that all grantees with active contracts submit a quarterly financial report and a quarterly narrative report. The assigned asset manager will provide the report forms to the grantee.

All regional housing organizations that have revolving loan funds containing funds originally from Colorado Division of Housing grants must submit an annual report indicating the status of the revolving loan funds. This report is required for all regional housing organizations that have received Colorado Division of Housing funds, regardless of whether the organization has an active contract for a SFOO Housing Rehabilitation Program.

The revolving loan fund portfolio information must include the following:

Information	Current Contract	Total Portfolio
Number of loans in program history:		
Number of Rehabs this period:		
Total Number of Rehabs:		
Number of replacements this period:		
Total number of replacements:		
Number of loans in current portfolio:		
Average payment per loan:		
Average monthly RLF payments		
Average yearly RLF payments:		
Number of loans paid off this period:		
Number of loans paid off to date:		
Average repayment time:		
Average age of loan:		
Average interest rate on standard loans:		
Average interest rate given:		
Number of foreclosures:		
Number of delinquencies - 30 days:		
Number of delinquencies – 60 days:		
Number of delinquencies – 90 days:		
Number of deferred loans:		

D. Audit Requirements

Each regional housing organization with a revolving loan fund is required to send a copy of their annual audit to the Colorado Division of Housing.

E. DOH Technical Assistance and Monitoring

The staff of the Colorado Division of Housing provides on-going technical assistance to regional housing organizations to maximize the use of the new grant and program income funds used in revolving loan fund programs. All regional housing organizations will be monitored for compliance with these policies, as well as federal requirements, at least bi-annually. This review will include an evaluation of regional housing organization’s performance in meeting service provision goals, and compliance with local lending guidelines. At a minimum, Colorado Division of Housing staff will monitor the following:

- Loan portfolio information including: portfolio value, total number of loans, number of deferred loans and number of delinquencies.
- Number of amortized and deferred loans completed during the current contract.
- Amount of monthly program income from regularly scheduled loan payments during the current contract.
- Number and amount of loan pay offs during the current contract.
- An evaluation of the regional housing organization in meeting the goals defined in Exhibit D - Project Performance Plan of the Colorado Division of Housing contract.
- On-site visits to completed projects to confirm HQS compliance, workmanship of rehabilitation activities, and household satisfaction.
- Household selection process (income and prioritization).
- Marketing plan implementation.
- File reviews to determine income eligibility and compliance with other applicable regulations.

F. Dispute Resolution Process

Each regional housing organization shall develop an informal hearing process to address disputes concerning the administration or work of the SFOO Rehabilitation Program. The following is a suggested format to conduct informal hearings for dispute resolution.

Informal Hearing

The regional housing organization shall provide the homeowner the right to an informal hearing at the homeowner's request to resolve any disputes concerning the program.

The Executive Director of the regional housing organization will select a Hearing Officer. The Hearing Officer should be someone who understand the basics of the SFOO Rehab program and has no bias concerning the dispute.

The procedure for requesting and conducting a hearing will be provided to each homeowner when they are briefed on the SFOO Rehab Program. If a program dispute occurs, the regional housing organization shall make a reasonable attempt to contact the homeowner to inform them of their right to an informal hearing. Sending a certified letter is viewed as a standard way of informing a family of the informal hearing as well.

Hearing Officer

The Hearing Officer will be responsible to conduct the hearing in accordance with the following guidelines:

- The homeowner or the homeowner's representative will first be given an opportunity to present his/her issues regarding the dispute. The homeowner may present evidence or question witnesses at this time.
- The regional housing organization's representative will then have an opportunity to explain their decision or point of view regarding the issue at hand. The representative may present evidence and question witnesses. The homeowner will have the opportunity to question any agency witnesses at this time also.
- The Informal Hearing is not intended to duplicate procedures under judicial review so the rules of admissibility under such proceedings will not be applied in the course of the hearing.
- The Hearing Officer will issue a written decision within 10 business days of the Informal Hearing. Factual decisions related to the individual circumstances of the participant will be based on the evidence presented at the hearing. A copy of the hearing decision will be sent certified mail to the homeowner. The written decision will contain the following:
 - a. A summary of the decision and the reasons for the decision;
 - b. If the decision is based on money owed, the amount owed shall be stated;
 - c. The date the decision goes into effect.

The regional housing organization or homeowner is not bound to the Informal Hearing decisions. The purpose for having an Informal Hearing is to try to remedy a situation prior

to an action being taken in civil court. Contrary to HUD regulations or requirements, or Federal, State and local law, evidence presented at the Informal Hearing may be considered without regard to admissibility under the rules of evidence applicable to judicial proceedings.

Homeowners Have the Right To

- Examine and copy (at the homeowner's expense) relevant documents before the Informal Hearing
- Present any or all information pertinent to the issue of the Informal Hearing
- Request that the regional housing organization program staff be available or present at the Informal Hearing to answer questions pertinent to the case
- Be represented by legal counsel or other designated representative at his or her own expense (with five days notice to the regional housing organization of the designated person)

Regional Housing Organizations (a.k.a. State Contractors) Have the Right To

- Present evidence and all or any information pertinent to the issue of the Informal Hearing;
- Examine relevant homeowner documents before the Informal Hearing
- Be notified if the homeowner intends to be represented by legal counsel or another party
- Have its attorney present; and
- Have the staff person familiar with the case present.

24. Advertising and Marketing

Each housing development organization is expected to track demographic data, develop and maintain affirmative marketing and advertising programs that assist in meeting the minimum program production goals and further fair housing opportunities, as well as advancing the use of the program by all qualified households across the entire program service area. The advertising and marketing plan will include:

- Regional housing organization staff responsibilities concerning advertising and marketing.
- Training procedures for all staff and Board members responsible for advertising and marketing.
- Marketing strategies that may include:
 - Brochures
 - Speakers bureau
 - TV and radio advertisements
 - Realtors
 - Contacts at senior centers,
 - child care facilities, and social services offices
 - Church groups
 - Yard signs

- Banks and other local lenders
- Contractors Local building code departments
- Procedures designed to measure the success of each marketing strategy.

25. Lead-Based Paint Requirements

All revolving loan fund programs that use Colorado Division of Housing new grant funds and/or program income must comply with the lead-based paint requirements as required through the HUD regulations found in 24 CFR Part 35.

26. DOH Approval Process on a Case-by-Case Basis

If a regional housing organization wishes to request a waiver to these guidelines, DOH will accept these requests on a case-by-case basis. SFOO Rehab Program contractors must submit the request in writing to either their asset manager or housing developer. DOH staff must review the request with the appropriate Program Manager. A written response to the SFOO Rehab Program contractor is required within 72 hours of their request.

Appendix A: Funding Formula Allocation

This information is provided as a reference to the funding formula allocation that was used to determine the funding level for the SFOO Housing Rehabilitation prior to 2004.

Determination of Funding Allocation

SFOO Rehabilitation

The maximum amount of annual funding allocated to each agency will be determined according to a combination of two factors: the base funding allocation and the formula funding allocation.

A. BASE FUNDING ALLOCATION. The base funding allocation may be awarded to agencies that provide services to an inclusive geographic region of the state. Agencies are strongly encouraged to assist in making services available to all non-entitlement areas in the state. Where applicable, agencies will work in collaboration with entitlement communities within the service area. The base funding allocation will be awarded to those agencies that fulfill these objectives as determined by DOH.

B. FORMULA FUNDING ALLOCATION. The formula funding allocation is based upon three factors:

- The number of households below 80% of AMI in the non-entitlement portions of the service area
- The number of houses that were constructed prior to 1959 in the non-entitlement portions of the service area
- The number of square miles included in the service area

Prior to contract renewal, agencies will submit service provision goals, which need to be approved by DOH. Such goals will include projections of the following: the budget for administration; the number of homes to be rehabilitated; the number of homes to be demolished and replaced; the number of homes to receive emergency repairs and the anticipated revenue during the coming year from loan payments and payoffs. If local service providers choose to prioritize households to be served (e.g. elderly, disabled, very low income), these priorities will be provided and also approved by DOH.

Program Capitalization

Continued capitalization is contingent upon the availability of funding to DOH and the quality of program implementation by the local agencies. All income from loan payments and loan payoffs will revolve back into the RLF. This income will be the foundation for self-sufficiency. Agencies are strongly encouraged to augment capital resources through the leveraging of additional local, state, federal and private funds.

SFOO REHAB

The capitalization target for all existing programs will be seven times the 1995 agency allocation. The capitalization target for new programs will be seven times the first year's allocation. If an agency increases its service area to include a geographic area that has not been served previously, the agency capitalization target will be increased by seven times the formula allocation for the new area. Agencies found to be in substantial compliance will continue to be funded until the capitalization target is reached unless there is a significant reduction in federal funds available to DOH.

All funds awarded by DOH after 1990 for SFOO rehabilitation, demolition/replacement and emergency repairs will count toward the capitalization target. The DOH objective is to assist agencies in achieving a reasonable level of self-sufficiency. Agencies with loan portfolios in excess of the capitalization target and with adequate income to rehab 12 homes per year are regarded as achieving a base level of self-sufficiency. On a case-by-case basis, the level of capitalization may be adjusted. Upon realizing the capitalization target, agencies may apply for additional SFOO funding. Such requests will require substantive justification (i.e., demand for and ability to rehab more than 12 units per year) in order to be funded. Those applications will also be weighed competitively with other regional housing priorities.

HOPA - It is the intent of DOH to assist in the capitalization of agencies in order to support the realization of self-sufficient HOPA programs.