Trust Fund Single Family Rehabilitation Program (SFR) with Roof Only Option (SFR-R)

Best Practices Webinar
Introduction to the IHDA Community Affairs Team

Lukas Johnson
312-836-5208
Ljohnson@IHDA.ORG

Carmen Williams
312-836-5349
Cwilliams@IHDA.ORG

Monica Enriquez
312-836-7431
Menriquez@IHDA.ORG

Email Contact:
TFSFRINFO@IHDA.ORG
Presentation Objectives

- Eligibility Requirements
- Construction Guidelines
- Terms of the Owner Agreement
- Program Documents and Reporting Requirements
- General Guidelines
- Feedback and Questions
Staying Current

Review IHDA Website:
  • Use program forms from appendices
Read through:
  • Program Manual
  • Funding Agreement
  • Owner Agreement
  • Construction Agreement
Section 1: Eligibility Requirements
Eligibility – Ownership Requirements

- Owner-occupied
  - All homeowners must live in the home
- Homeowners cannot own more than one home
  - No investment properties allowed
- Fee simple title only
  - Trusts, contracts for deed, and cooperatives are not eligible
Eligibility – Ownership Requirements

- No contractor or tax liens
- Home is also used as a business? It may not be eligible
  - Check with IHDA staff before reserving funds and doing a full intake with homeowner
- **NEW**- submit full tract search with pre-approval documents
Eligibility – Income Requirements

• Complete the Income Calculator with the homeowner prior to making a reservation in MITAS.
  ❖ Enter the AMI group into MITAS based on the results of the income calculator.
• The IHDA Income Calculator User Guide provides instructions on how to use the Income Calculator correctly:

Eligibility – Income Requirements

**Income Calculator Tips:**
- Click on boxes and hover your mouse over the “Household Member” and “Adjusted Income” pages of the income calculator, to see helpful hints.

**Example:**

<table>
<thead>
<tr>
<th>DISABILITY DEDUCTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unreimbursable disability expenses in the coming year:</td>
</tr>
<tr>
<td>[$] -</td>
</tr>
<tr>
<td>Do these expenses allow another household member to work or pursue education?</td>
</tr>
<tr>
<td>Who?</td>
</tr>
<tr>
<td>Income of this household member:</td>
</tr>
</tbody>
</table>

This expenses include attendant care and auxiliary apparatus costs (i.e., wheelchairs, ramps, adaptations to vehicles, etc.)
Eligibility – Income Requirements

- Paystubs and supporting docs must be kept in applicant file
- Calculate overtime pay by entering:
  - average hours worked/hourly rate in job/position
  - overtime average hours worked/hourly rate in job/position
- Regular OT
  - Average hours worked from last three (3) paystubs in Income Calculator
Eligibility – Income Requirements

**Dependent Deduction**

- Per the HUD Part 5 definition of income, only one parent may claim the child as the dependent deduction. That parent would also count the child as a household member.
Eligibility – Income Requirements

Inclusion Note:

- Alimony and Child Support:
  - Periodic and determinable allowances, such as alimony and child support payments should be included when determining household income.

Example – Child Support Garnished from Wages

George Graevette pays $150 per month in child support. It is garnished from his monthly wages of $950. After the child support is deducted from his salary, he receives $800. The owner must count $950 as George’s monthly income.
Section 2: Construction Guidelines
Construction Guidelines

**Contractor Licenses**
- IHDA staff may request relevant licenses and insurance for contractors at any time

**Competitive Bidding and Pricing**
- IHDA may do the following to ensure fairness:
  - Compile averages for all soft costs, 3rd party vendors, etc.
  - Perform desk reviews and examine third party costs
  - Request RFPs for participating contractors

**Termite Inspection**
- Must be done for all properties, including roof only
  - For roof only projects, only the roof and other areas affected need to be inspected
Construction Guidelines – Lead Testing

- Must follow IDPH guidelines
- Risk Assessments:
  - All pre-1978 buildings must be tested for lead and receive a risk assessment
    - XRF machine testing or paint samples is testing required
    - For SFR Projects (Up to $45,000), the whole home must be tested.
    - For SFR Roof only projects, only the rehab areas need to be tested (Roof, Soffit, Fascia, etc.. that are affected by the rehab work)
Construction Guidelines – Lead Testing

- LBP contractor payment requests must be reasonable
- If a project tests positive for lead, must pass clearance
- If clearance report fails, contractor must pay the cost for second clearance test. IHDA will not reimburse a second clearance test.
- IHDA may request lead inspection reports at any time
- IHDA may request RFPs/bids for contractors at any time
Section 3:
Terms of the Owner Agreement
All documents included in the Owner Agreement must be executed:

**Owner Agreement (Exhibit C to Funding Agreement):**
- Executed by grantee and homeowner during Pre-Construction Conference
- Kept in applicant’s file

**Note (Exhibit A)**
- Executed by homeowner during Pre-Construction Conference
- Reflects ‘up to’ amount of loan, $45,000 or $16,500
- Project Completion Certificate will indicate actual loan amount
- Sent directly to IHDA after it is executed
Owner Agreement – Execution of Legal Documents

**Mortgage (Exhibit B):**
- Executed by homeowner during Pre-Construction Conference
- Reflects ‘up to’ amount of loan, $45,000 or $16,500
- Project Completion Certificate will indicate actual loan amount
- Sent for recording immediately after it is executed

**Owner Affidavit (Exhibit C):**
- Executed by grantee and homeowner during Pre-Construction Conference
- Kept in applicant’s file

**Rehabilitation Construction Contract (Exhibit G):**
- Executed by contractor and homeowner during Pre-Construction Meeting
- Kept in applicant’s file
Terms of the Owner Agreement – Conduct of Work

**Contract Price, Payment, and Acceptance of Work:**
- Grantee pays contractor after completion of work and release of all liens

**Terms of Contract:**
- Contractor shall begin work within ten (10) business days of signed contract
- Grantee will make final determination about the scope of work completed
Terms of the Owner Agreement – Construction

Change Orders
- Change orders totaling over 10% of the cost estimate must be approved by IHDA prior to construction
- Must be in writing and approved by the sponsor and owner before they are modified
- Owner must understand and agree to cooperate with the sponsor and contractor(s)
Terms of the Owner Agreement – Construction

Change Orders

• Sponsor shall authorize:
  ❖ Only change orders necessary for the correction of building code violations identified during the course of the project
  ❖ Changes necessary to complete the project in a workmanlike manner
Terms of the Owner Agreement – Construction Mediation

Conduct of Work

• All work must be performed in a workmanlike manner to suit owner and sponsor in accordance with plans/scope of work, permits and applicable codes.
• If work fails to meet these standards, contractor will redo job at their expense.
• Premises must be kept clean and orderly during the project.
Terms of the Owner Agreement – Construction Mediation

**Termination of Contract**

- Owner or Sponsor may terminate contract upon ten (10) business days’ written notice due to:
  - violation of the terms of contract by contractor
  - bankruptcy or insolvency of the contractor
Terms of the Owner Agreement – Construction Mediation

Owner Responsibilities

The Owner Shall:

• Owner shall not interfere with project
• Not assume role of inspector and shall report all complaints or problems to the contractor and sponsor
• Notify sponsor and contractor in writing of all breaches of contract
• Notify contractor of items owner wishes to salvage for personal use and owner shall store or dispose of items
Terms of the Owner Agreement – Construction Mediation

Cooperation

• The owner shall cooperate at all times with the sponsor and contractors and will do all acts necessary to facilitate the project.
• Agreement violations shall be deemed an “Event of Default”.
  ❖ Sponsor or IHDA may give written notice of an Event of Default to the Owner, as provided in Paragraph 11 in the Agreement.
Note:

• Promissory Note is not recorded. If recorded, grantee must record the release at grantee’s expense.
• Will always state $16,500 (SFR-R) or $45,000 (SFR)
• Actual loan amount is evidenced in the Project Completion Certificate.
Terms of the Owner Agreement – Loan Information

**Junior Mortgage**
- Loan shall be evidenced by a Promissory Note and secured by a Junior Mortgage
- Will always state $16,500 (SFR-R) or $45,000 (SFR)

**Servicing**
- IHDA will send release of mortgage after the end of the affordability period
- Homeowner must record release
Terms of the Owner Agreement – Loan Information

Net Proceeds Language

• Owner shall repay IHDA the amount of the loan reduced by one-sixtieth (1/60th)/one thirty-sixth (1/36th) out of net proceeds for each full month the Owner occupied the property, if any of the following occurs:
  ❖ Home is sold or otherwise transferred (other than by inheritance):
    • to a co-owner of the home, or
    • by operation of law upon the death of a joint tenant owner, or
    • to a spouse as a result of a divorce of co-owners
  ❖ Home is no longer the principal residence of the Owner
Section 4:
Program Documents
Program Documents

**Special Notice**

- Informs homeowners that they have been awarded up to $16,500 for roof repair through the SFR-R program, or $45,000 through SFR program for home repairs
- Informs homeowners that their actual loan amount will be included in the Project Completion Certificate
- Does not need to be recorded, send a digital copy with payout package
Contractor Documents

**Sworn statement**
- Should include information for the general contractor and all subcontractors

**Lien Waivers**
- Needed for each subcontractor’s completed work
Contractor Documents

Contractor Payment Request Form

- Must include:
  - Change orders
  - Payment #
  - Total contract amount
  - Contractor amount paid to date

Project Delivery Worksheet

- Should reflect actual hours and actual wages
- IHDA will review for consistency
Contractor Documents

**Project Completion Certificate**

- A lien will have already been placed on the home whether homeowner signs off on this document or not
- The actual loan amount will be reflected here, which is noted in the Special Notice document
Contractor Documents

Certificate of Occupancy (See Owner Agreement)

- Certifies building is suitable for occupancy and in compliance with building codes
- If applicable to your municipality, obtain from your local government agency or building department
- Issued by a local government agency or building department
- Include in Final Payout package
Section 5:
Record Retention and Reporting
Record Retention

Requirements (See Owner Agreement)

• Sponsor shall retain documents for not less than five (5) years after Termination Date (as defined in Paragraph 11 hereof)
• Sponsor will maintain adequate books, records, and supporting documents for all loan files
Reports to IHDA

**Audit**
- Sponsor shall provide IHDA with Annual Audited Financial Statements within nine (9) months of the end of the prior fiscal year

**Quarterly Status Reports**
- Sponsor shall provide quarterly status reports by the 15th day of the month following the end of such quarter
- These reports are a good way to track your progress, to ensure you are able to spend funds before the end of the program
Reports to IHDA

Quarterly Reports Timeline:

<table>
<thead>
<tr>
<th>Reporting Period</th>
<th>Report Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarter 1</td>
<td>5/1/2019 – 07/31/2019</td>
</tr>
<tr>
<td>Quarter 2</td>
<td>08/1/2019 – 10/31/2019</td>
</tr>
<tr>
<td>Quarter 3</td>
<td>11/1/2019 – 1/31/2020</td>
</tr>
<tr>
<td>Quarter 4</td>
<td>2/1/2020 – 04/30/2020</td>
</tr>
<tr>
<td>Quarter 5</td>
<td>5/1/2020 – 07/31/2020</td>
</tr>
<tr>
<td>Quarter 6</td>
<td>08/1/2020 – 10/31/2020</td>
</tr>
<tr>
<td>Quarter 7</td>
<td>11/1/2020 – 1/31/2021</td>
</tr>
<tr>
<td>Quarter 8</td>
<td>2/1/2021 - 4/30/2021</td>
</tr>
</tbody>
</table>
Section 6: General Guidelines
General Guidelines

**Loan Reservations**

- Reserve loans in MITAS when you have a qualified applicant.
- Reservations may be cancelled, if necessary.
  - If you cancel a loan, please let us know immediately and share the reason as to why the loan was cancelled.
- Send Pre-approval request when you are ready for construction.
General Guidelines

PDF Forms
• Use fillable forms
• If not using fillable forms, type info onto forms. Do not handwrite information.

IHDA
• The acronym for Illinois Housing Development Authority is “IHDA,” not “IDHA.”
• Spell out “Illinois Housing Development Authority” on the Homeowners Insurance.
General Guidelines

Additional Information
• Applicants may switch from SFR-R to SFR if health and safety issues are discovered and additional work needs to be done outside scope of work
• Total funding may not exceed $45,000 per home
  ❖ SFR and SFR-R total assistance cannot be combined for one home
General Guidelines

**Bank Account**

- Sponsor is encouraged to maintain a separate bank account for each program
- Sponsor will pay any fees and costs charged or incurred by bank in connection with the bank account
Section 6: Feedback and Questions
Grantee Feedback

- What issues/roadblocks are you encountering?
- Any suggestions you would like to share with other grantees?
Questions?
Thank you for attending.
We look forward to working with you!