



## Small Cities Development Program *Owner Occupied Housing Improvement Program*

### Fact Sheet

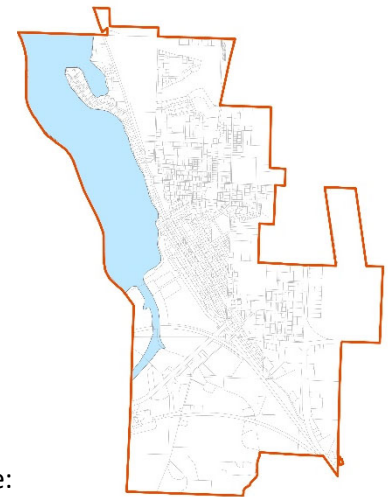
The City of Ortonville has received grant funds to provide 0% interest deferred housing improvement loans to 16 income eligible homeowners living within the **city limits of Ortonville**. These are funds that help the city of Ortonville improve their housing stock for Low to Moderate Income persons.

#### **Timeline**

The program will take applications until approximately April 1, 2025, or when funds run out, whichever comes first. The timeline to complete projects can take 12 – 30 months, depending on the project size and scope, so start early!

#### **If you are eligible, what would you need to do to receive these funds?**

1. Submit a complete application with supporting documents to the UMVRDC in a timely manner.
2. Work with the Southwest Minnesota Housing Partnership (SWMHP) housing inspector, decide what improvements to make and find a contractor.
3. Sign contracts and enable the contractor to work on your home.
4. Pay any matching funds that you would be responsible for. These would include:
  - Any project cost above \$25,000
  - 10% of the total project cost if you fall in the Tier 2 income guidelines
  - Filing fee (\$46)



City Limits of Ortonville

#### **Deferred loan amount**

**Maximum Loan** - The maximum housing improvement assistance is \$25,000 and is offered through a 0% “Deferred” loan over 7 years or 84 months. The program allows for two funding levels based on the household’s income, Tier 1 and Tier 2.

##### ***Tier 1 Financing***

50% area median income or less applicants are eligible for 100% SCDP Deferred Loans not to exceed \$25,000.

##### ***Tier 2 Financing***

Over 50%-80% area median income applicants are eligible for 90% SCDP Deferred Loans not to exceed \$25,000.

**Minimum Loan** – Housing Improvement assistance is intended to utilize as much of the \$25,000 deferred loan as possible. Smaller projects may be referred elsewhere or held until the end of the program.

**Matching funds** - For those in Tier 2, matching funds of 10% of the total project cost will be required. Also, for both Tier 1 & 2, for any project costs over \$25,000, matching funds will be required.

**A deferred loan is a loan with no monthly payments, which will be forgiven 1/7th per year or will revert into a grant if the property does not change ownership within 7 full years. The balance is reduced by 1/7th each year that the homeowner lives in the home.** If the property is sold before the 7-year deferment period, the



outstanding balance of the loan is paid to the city.

**Eligibility Requirements**

**Ownership** - The applicant must own or be purchasing a single-family home within the city limits of the city of Ortonville.

Homes that are NOT eligible include:

- Single-wide Mobile Homes
- Homes with Reverse Mortgages
- Minnesota Urban and Rural Homesteading (MURL) homes
- Homes held in trust
- Homes with transfer on death deeds
- Homes within a 100-year flood plain
- Homes with contract for deeds and life estates unless they can show that all owners qualify for the income limits
- Homes with an existing SCDP loan that has not yet expired or paid off

**Occupancy** – The owner must occupy the home to be improved as their primary residence. The owner must have owned and resided in the property for at least 6 months before construction work starts.

**Real Estate Taxes** – The owner must be current with property taxes.

**Insurance** – The owner must have property insurance for the loan’s full term and must insure at least the amount of the rehabilitation.

**Income** –Eligibility for the housing improvement program is based on household size and income with guidelines set annually by HUD. To be eligible for housing repairs, your gross household income (before taxes) must be below the limits set by HUD for your County.

2022 Big Stone County HUD Income Limits - Gross Household Income		
Household Size	Tier 1: 50% or less	Tier 2: over 50% - 80%
1	\$29,200	\$46,700
2	\$33,350	\$53,350
3	\$37,500	\$60,000
4	\$41,650	\$55,650
5	\$45,000	\$72,000
6	\$48,350	\$77,350
7	\$51,650	\$82,650
8	\$55,000	\$88,000

**Eligible Improvements** - Improvement that are permanent and necessary are eligible. Examples include roofing, foundations, siding, heating units, electrical, plumbing, and other health and safety items. Additions are not allowed.

**Housing Quality Standards (HQS)** - Each improvement must be made in compliance with all applicable, health, fire prevention, building, housing and energy codes and standards. The property **must** comply with local nuisance standards and meet HQS after completion of the rehabilitation work. If funding sources will be inadequate for the home to meet HQS, the home will be deemed unsuitable for rehabilitation.



## HOUSING IMPROVEMENT PROCESS

The program will follow the guidelines as laid out below:

- 1. Application:** An Applicant completes the owner-occupied application, signs supplemental documents and provides proof of ownership of their property, current insurance policy, proof that the real estate taxes have been paid and third-party income verification. This information is submitted to the UMVRDC. ***All households will be served on a first come first serve basis.***
- 2. Application Approval:** The UMVRDC verifies that the Applicant meets income and property requirements.
- 3. Property Inspection:** The SWMHP Housing Inspector will identify any housing problems, will inspect the property to identify health & safety, energy efficiency and building code deficiencies. The SWMHP Housing Inspector will work with the Applicant to determine what repairs should be done. **LEAD RULES AND REGULATIONS APPLY.**
- 4. Scope of Work:** The SWMHP Housing Inspector will develop a scope of work and prepare bid packets. The applicant will receive the bid packets and solicit bids to eligible contractors. Please note, only licensed general contractors are able to provide a bid. In some instances, the contractor must have a Minnesota Department of Health Lead Supervisor license.
- 5. Bid Awards:** The SWMHP Housing Inspector will meet with the owner in person or over the phone and review the bids after receipt of bids from the contractor. The owner will then accept or reject the bids which have been submitted.
- 6. Repayment Agreement:** The Applicant enters into a repayment agreement with the City to accept the conditions of the loan. The repayment agreement is filed at the County Recorder's office. This is when any matching funds will need to be paid.
- 7. Proceed to Work:** The SWMHP Project Manager sends a letter notifying the contractor that work may begin at the owner's property.
- 8. Payments:** Contractors will receive payments can be made when all/part of the work has been completed. In order to receive payment, the contractor must submit a lien waiver, a billing statement, and a signed completion certificate (all furnished). After the SWMHP Housing Inspector inspects the property and the Applicant signs permission, payment can be made to the contractor.
- 9. Project Completion:** Upon completion, a final inspection is done, and the project is closed.



## What to expect and not to expect from this SCDP Home Improvement Program

### Things that Homeowners do in the Home Improvement Program

1. The housing program staff will help homeowners during the home improvement process, but homeowners are responsible for making the choices and doing the work listed below.
2. Homeowners provide the program staff with necessary information promptly.
3. Homeowners, **not the program staff**, choose contractors to put together bids.
4. Homeowners, **not the program staff**, select the contractor to do the work on the house.
5. Homeowners sign home improvement contracts with the selected contractor.
6. Homeowners request and approve payments to their contractors.
7. Homeowners are part of inspecting and approving work performed by their contractors
8. Homeowners work with contractors to settle disagreements during the job.
9. Homeowners contact their contractors to ask them to correct problems covered by contractor warranties during the first year after the job is completed.

### Things Homeowners should think about before Taking out a Home Improvement Loan

1. Not all the work that homeowners want to be done can always be done.
2. Repairs will correct health and safety problems, but they may not solve all problems in your home.
3. Don't expect all floors, walls, ceilings, doors, windows, etc. to be completely plumb, level, and square when work is done.
4. It can be stressful living in a house while a contractor is performing the work.
5. Very few times in life is anyone completely satisfied with things they buy or have repaired. Buying a house or having a house repaired is no different.
6. Houses always need improvements after a project is done. It would be a good idea to save at least \$50 a month to help cover the cost of future repairs and maintenance.
7. Finally, the **program staff** is not the contractor and cannot guarantee that homeowners will be satisfied with the work done by the contractors.
8. After the loan is finalized, you will not be allowed to take cash out with a loan refinancing or take out a reverse mortgage without penalties.