

Planning & Development Department

Community Development Division



Community Housing Services Program Overview & Application



(Revised 06/04/15)

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City of Moline
Community Development
Housing Opportunities & Programs



A. Introduction

The Moline Community Housing Services (CHS) program is designed to aid and assist low or moderate income homeowner-occupants of substandard single-family dwellings with homeowner rehab assistance (eligible items defined later in manual).

Aid and assistance will come from the Community Development Block Grant Funds. This grant is a forgivable loan with a maximum of \$4,999 for non roof assembly items and \$10,000 for roof assembly items from the date of final (approved) inspection. A Recapture Agreement will be recorded at the Rock Island County Recorder's Office for a period of 5 years for each occurrence. At the end of the fifth year, the release documents will be prepared by City staff and will be available for pick up at our office. It will be the homeowner's responsibility to record and pay the recording fee that will remove the recapture from the property.

The Owner agrees to repay to the City the Repayment Amount if one or more of the following Recapture Events occurs before the end of the recapture period:

- the Owner sells, conveys or transfers title to the Home for consideration;
- the Owner refinances the Home in a manner such that it is not a Permitted Refinancing (as defined below).

The following events are **not** Recapture Events:

- transfer to a spouse as a result of a divorce;
- a transfer by operation of law to a surviving spouse upon the death of a joint tenant Owner;
- a transfer by will; or
- a Permitted Refinancing.

The term "**Permitted Refinancing**" means a refinancing that lowers the interest rate of the first mortgage loan on the Home, decreases its term or lowers the monthly payment of the loan; it does **not** include a refinancing that increases the outstanding balance of the first mortgage loan, increases the interest rate on the loan or allows the Owner to receive money as a result of the refinancing. Any Permitted Refinancing must be approved by the City, in writing, in advance. **No cash back is allowed.**

If a Recapture Event occurs, the Owner shall pay to the City the amount of the Grant reduced by one sixtieth (1/60th) of that amount for each full month the Owner has occupied the Home during the term of this Agreement.

In the event the Owner wishes to have the City subordinate, the following applies: Subordination of all liens originated as loans or grant through the City of Moline will be considered in cases involving refinancing of homeowner's first mortgage only when the following conditions are met:

- Refinancing will be allowed only if the mortgage product is a fixed rate that fully amortizes over the loan terms. No adjustable or non-standard mortgage products are permitted.
- The refinancing is for a lower interest rate than the existing first mortgage.
- The new loan amount will be less than the current loan amount plus closing costs.
- Cash out is only allowed for home improvement purposes. Documentation to support the amount is required.
- The City will not subordinate to a reverse mortgage.
- Closing costs for the refinance must be within the industry's standard.

The City requires a five (5) business day notification to process and prepare subordinations.

All releases and subordinations are reviewed on a case by case basis; the City has full discretion over decisions for repayment and/or subordinations.

In order to be considered for program assistance, all interested parties shall request to have their name, address of the subject property, and any and all other pertinent information as may be requested by the City placed on the program waiting list. Once an applicant's name and address of primary residence has been placed on the program waiting list, there shall be no trading, exchanging, or bumping of the initial applicant with another person(s) and the same shall be the case with a subject property listed on the program waiting list in terms of no trading, exchanging, or bumping. All recipients shall meet the federal income guidelines limit established each year by Housing and Urban Development (HUD) as defined later in the manual.

B. Eligibility

Qualified recipients shall be low and moderate-income homeowner-occupants of single-family dwellings living within the city limits of Moline. Assistance provided or anticipated to be provided shall only be utilized by the household in which the primary applicant (person whose name is on the program waiting list) resides at the time of assistance and for the recapture period thereafter. In addition to the preceding, program assistance shall only be provided to the residence in which the primary applicant resides as identified by the address on the program waiting list. This program currently does not provide assistance to multi-family units. Multi-family units will only be considered on a case by case basis upon receiving state funding from the Illinois Housing Development Authority.

C. Income Eligibility

A homeowner's total income must not exceed federal income limits set by HUD for the Moline area. Household income is defined by the IRS 1040 adjusted gross income received by all household members over the age of 18. Income will not be collected from full-time college students (please see ii-2 below).

Composition and Sources of Income and Assets

i. Family Income includes, but is not limited to:

1. Wages, salaries, tips, etc (includes income of **ALL** adults 18 years of age or older).
2. Taxable interest
3. Dividends
4. Taxable refunds, credits or offsets of State and local income taxes. There are some exceptions – refer to Form 1040 instructions
5. Alimony (or separate maintenance payments) received
6. Business income (or loss)
7. Capital gain (or loss)
8. Other gains (or losses) (i.e., assets used in a trade or business that were exchanged or sold)
9. Taxable amount of individual retirement account (IRA) distributions. (Includes simplified employee pension (SEP) and savings incentive match plan for employees (SIMPLE) IRA.)
10. Taxable amount of pension and annuity payments
11. Rental real estate, royalties, partnerships, S corporations trusts, etc.
12. Farm income (or loss)
13. Unemployment compensation payments.
14. Taxable amount of Social Security benefits
15. Other income. (Includes: prizes and awards; gambling, lottery or raffle winnings; jury duty fees; Alaska Permanent fund dividends; reimbursements for amounts deducted in previous years; income from the rental of property if not in the business of renting such property; and income from an activity not engaged in for profit).

ii. The following are not considered income:

1. Income from employment of children (including foster children) under the age of 18 years.
2. Income from **full** time college students. **Proof of enrollment will be required.**
3. Payments received for the care of foster children.
4. Lump sum additions to family assets, such as inheritances, insurance payments, capital gains and settlements for personal or property losses (see i-5 above).
5. Amounts received or reimbursed specifically for medical expenses.
6. Income of a live-in aide (verification required).
7. Amounts received by a disabled person under a Plan to Attain Self-Sufficiency (PASS) program.
8. Amounts specifically excluded by Federal statute as published periodically in the Federal Register.

iii. Assets are defined as:

1. Cash
2. Marketable securities, bonds, capital gains
3. Inheritance, lump sum insurance payments (including Worker's Compensation settlements).
4. Settlements for person or property damage.

5. Equity in real estate, excluding the equity in an owner's principal residence when that owner is participating in an owner-occupied rehabilitation project. (See also iv-4 below).
6. Other personal property which is readily convertible into cash.

iv. Assets do not consist of:

1. IRA accounts and similar pension plans.
2. Ordinary household effects readily convertible to cash such as furniture, fixtures, etc.
3. Reasonable transportation.
4. The equity in a housing co-operative unit, or the equity in a manufactured in which the family resides.

2015 Annual Income Guidelines

Household Size AMI's	Limit	1	2	3	4	5	6	7	8
	80%	\$37,250	\$42,600	\$47,900	\$53,200	\$57,500	\$61,750	\$66,000	\$70,250

Type of Structure - The structure to be improved must be a single-family dwelling where only one family resides.

Location of Property - Dwellings must be located within the City of Moline.

Ownership and Occupancy – The property must be owned and occupied by the applicant.

v. **Eligible Items and Rehabilitations Standards**

(Note: All eligible items must meet City's current adopted federal, state and local codes.)

1. **Drain Tile/Sump Pump**: Installation of drain tile/sump pump.
2. **Electrical**: Size of service and present wiring must meet or be brought up to the Electrical Code.
3. **Foundation/Concrete**: Repair or replacement of basement foundation wall(s) and/or concrete.
4. **Gutters/Downs**: Aluminum, seamless must meet City Code.
5. **Accessibility**: Assist homeowner with disabilities and make their home accessible for daily use. Includes accessibility ramps.
6. **Heating**: Repair or replacement must meet the Code.
7. **Insulation**: Contractor must provide information as to the type of material, square footage in attics and sidewalls, and R-factor rating. A total of R-38 in the attic and R-13 in the sidewalls is the desired range. [Insulation shall meet the current Energy and Building codes.](#)
8. **Plumbing**: Repair or replacement must meet the Plumbing Code.

9. **Roof:** Must meet the requirement of the Building Code.
10. **Water/Sewer Service:** Repair or replacement as ordered by the City Water Department.

vi. Eligible Items Under the Emergency Forgivable Loan Criteria

This program provides **one-time ONLY emergency funding assistance** for titled homeowners of record, who are experiencing a problem with their domicile that poses an imminent threat to the health and safety of the residence and meets our pre-determined eligible emergency items. This problem must have occurred without warning and not from creation of negligence of mankind. **Our emergency forgivable loan program is not meant nor does it have the funding to cover every emergency situation that may arise.** This program will only assist with repairing or replacing the listed emergency item; not other items that may obstruct or are attached to the item.

Situations that meet our program's criteria will not result in the titled homeowners of record being placed on a waiting list. Help is available immediately after required documents are submitted and deemed adequate, environmental review is completed and household income is verified; subject to available funding.

Eligible Emergency Items

1. **Accessibility** issues related to handicapped/disability condition(s) of an occupant.
2. **Frozen water lines** or water line breaks as determined by an Illinois Plumbing Inspector or the Moline Water Division.
3. Repairs of inoperative or **dangerous furnace or furnace replacement** during the heating season (October 1st - March 31st), as determined by a registered mechanical contractor. Written confirmation from a licensed Moline mechanical contractor or utility company is required.
4. Major emergency **roof repairs** will be considered to qualify as an "emergency" situation and potentially eligible when one or both of the following situations are present and have been identified by a qualified City building inspector or their designee:

Structural damage to the home has occurred as a result of a damaged roof system that has resulted in an immediate life- safety issue as per the city's Building code; and/or

A damaged roof system has caused or is contributing to an electrical hazard that presents a life-safety issue as per the City's Building and/or Electrical Code.

5. **Sewer line breaks** as determined by an Illinois Plumbing Inspector or the Moline Sewer Division.
6. **Medical Emergency** – The Program Manager has the discretion to advance a person to the top of the CHS Program waiting list when a person in the household has been diagnosed with a life threatening condition. The improvements to be undertaken must alleviate the negative environmental effects of the life threatening medical condition and must be eligible CHS program activities. The CHS request must be supported through medical records and written verification by the diagnosing medical physician. All documentation must be submitted to the Program Manager in writing and upon request; documents will remain in the possession of the City for the duration of the project.
7. **Electrical** – Repair or replacement of non-compliant weather head. Written confirmation from a licensed Moline electrical contractor or utility company is required.
8. **Water heater** – Repair or replacement of an inoperable water heater. Written confirmation from an Illinois licensed plumber is required.

D. PROCEDURES

STEP 1

Application

An application will be mailed to the homeowner to the address initially given to the Community Development Division. **The homeowner shall complete and review the application prior to submitting it along with the required documentation within the allowed time. The homeowner must provide all information regarding his or her income, household and property information. Households must provide all documentation required that is on the checklist accompanying the application. If there is documentation that cannot be provided the application will be rejected.**

STEP 2

Income Certification, 4506-T & Social Security Verification

The Community Development Division will review all supporting income documentation provided and complete an Income Certification which must be signed by the homeowners prior to a contract being executed. By signing the Income Certification the homeowner(s) are verifying that all income documentation given to the Community Development Division is true and correct. All household members over the age of 18 are also required to complete a 4506-T (Request for Transcript of Tax Return). This form will be faxed directly to the IRS to verify all income that was filed. If any household members received Social Security benefits a Social Security verification form must also be completed and signed. This form will be mailed to the local Social Security Administration Office to verify all Social Security benefits.

STEP 3

Pre-Inspection

Once the application has been received, reviewed and approved, a pre-inspection request will be sent to the city inspector. The inspector will advise if rehabilitation assistance is needed and meets the programs eligible items criteria.

STEP 4

Work Write-Up/Environmental Review Record (ERR)

Once the pre-inspection has been completed, the City Inspector will generate a work-write up. The work write-up will be given to the Program Manager. The appropriate ERR will be completed prior to the commitment of funds.

STEP 5

Bid Proposals

Upon receipt of the work-write up the Program Manager will generate an Invitation to Bid packet which will be placed on our website www.moline.il.us for dissemination to known contractors. The Community Development Division office will accept comparable bids for the work to be considered, one of which must be acceptable to the City of Moline. Bids must be submitted in itemized detail and given to the Community Development Office in a sealed envelope. Bids provided by the Homeowner will be rejected.

Note: Under extreme circumstances one bid will be allowed as long as the bid does not exceed 10% of the in-house cost estimate. A timeframe of 24-48 hours is allowed to ascertain bids. Invoices and supporting documentation shall be kept in file.

STEP 6

Contractors

The City of Moline has a list of approved contractors. All approved contractors have completed an application and have submitted proper licenses, insurances and bond. If the homeowner would like to request a bid from a contractor that is not on the approved contractor list, they will have to notify the City of Moline. The City of Moline will then get in contact with the contractor and mail them an application with a list of required documents that needs to be turned into the Community Development Division. **As of April 22, 2010 all contractors must be registered as a "Renovation Contractor" under the US Environmental Protection Agency.**

STEP 7
Bid Opening/Bid Review/Award

All contractors will have ten calendar days to submit their bid proposal. Once all bids have been received a bid opening will be set up. Bids will be reviewed to ensure they are all competitive. If all bids are competitive, the project will be awarded to the lowest responsible and responsive bidder. At time of bid opening, the lowest responsive bidder's contractor registration will be verified to ensure their license, insurance and bond are up to date prior to awarding the contract. A pre-construction meeting will be set up immediately after awarding the project to a contractor.

STEP 8
Pre-Construction Meeting

Prior to commencing work (including emergencies), the City of Moline will set up a pre-construction meeting with the homeowner, contractor and the City inspector. During this meeting the scope of work, work schedule and any questions will be discussed. All parties must be present in order to conduct the pre-construction meeting. During the pre-construction meeting, the following forms must be signed in order for work to be authorized:

1. Owner Occupied Construction Contract w/Scope of Work
2. Rehabilitation Contract
3. Pre-Construction Contract
4. Warranty
5. Promissory Note
6. Re-Capture Agreement
7. Notice to Proceed
8. Equal Opportunity & Debarment
9. Permits & Inspections
10. Waiver of Payment
11. Error & Omissions/Compliance Agreement
12. Other

STEP 9

Permits

Once the contractor has been awarded the job, he/she must obtain a permit in his/her name before any work commences. The contractor will sign the Permits and Inspection Form stating they will obtain a permit prior to work beginning. A copy of the stamped final permit or inspection record must accompany the Contractor Payment Request Form and the Invoice.

STEP 10

Change Orders

In the event of any unforeseen change orders the contractor must notify the Program Manager for approval. If the Program Manager approves any change orders he/she will document such change in the appropriate project file. Without such prior approval from the Program Manager, change orders will not be allowed and therefore will not be paid. All homeowners are required to sign off on any change orders presented to the Community Development Division. Any change order must be approved by the Homeowner, Contractor, Construction Inspector and Program Manager.

STEP 11

Final Inspection

Upon completion of the work, it is the responsibility of the contractor to contact Building/ Inspections to request a final inspection. The purpose of the final inspection is to make certain that the work is performed in accordance with the work write-up. If contractor installed work is found to be unsatisfactory or incomplete the City Inspector will notify the contractor. The City will require the contractor to perform further work until the job has been satisfactorily completed and will require additional inspections. Non-responsive contractors, who fail to make the client whole, will not be allowed to bid on all future grant programs.

STEP 12

Certificate of Completion

If all work is found to be satisfactorily completed, the City trade inspector or construction inspector will sign off on the Certificate of Completion provided by the Community Development Division. The Certificate of Completion must be signed by contractor and homeowner prior to issuing payment to the contractor. The Certificate of Completion is a document certifying that all work has been done according to the work write up and that it has been done to the satisfaction of the homeowner.

STEP 13

Final Payment

After a satisfactory final inspection and an executed Certificate of Completion, the final payment will be made. The contractor must supply the City of Moline with a detailed

invoice in order to receive payment. City staff will review detailed invoices and approve before processing. Lien waivers will need to be submitted before final payment is made. In the case of a partial payment, a lien waiver up to date is required. The City will directly pay all contract payments to the Contractor.

STEP 14

Release of Recapture Agreement

The City of Moline's Community Housing Services program utilizes a Recapture Agreement, which is recorded at the Rock Island County Courthouse. The Recapture agreement is executed at the time of the pre-construction meeting. The homeowner agrees to reside at their property for the next five years in order to receive rehabilitation assistance under the CHS Program. The five year period begins once all final inspections (approval) are completed and approved.

In the event a homeowner wishes to sell or refinance their property within the five (5) year recapture period, the homeowner must repay a pro-rated amount back to the City. It will be the homeowner's responsibility to inform their lender/mortgage officer of the current lien placed on their property. Because the City of Moline has a recorded lien against the property, the lender handling the closing will most likely be alerted once the title search is pulled and reviewed. Once City staff is contacted by the lender/mortgage officer, staff will review the homeowner's file to determine forgiven amount and pro-rated recapture amount. The City will be allowed a minimum of five (5) business days for staff to prepare a letter to the lender indicating the project completion date, total rehabilitation amount received, monthly forgiven amount, to-date forgiven amount and pro-rated recapture amount on the date of closing. Staff will prepare a Release of Recapture Agreement and will deliver said document to the lender or closing title agency upon receipt of the recaptured funds. Recaptured funds will be delivered in the form of a check made out to the City of Moline. It is the homeowner's responsibility to pay for any recording costs associated with the Release of Recapture Agreement. Any funds recaptured will be considered and recorded as program income.

The Owner agrees to repay to the City the Repayment Amount if one or more of the following Recapture Events occurs before the end of the recapture period:

- the Owner sells, conveys or transfers title to the Home for consideration;
- the Owner refinances the Home in a manner such that it is not a Permitted Refinancing (as defined below).

The following events are **not** Recapture Events:

- transfer to a spouse as a result of a divorce;
- a transfer by operation of law to a surviving spouse upon the death of a joint tenant Owner;
- a transfer by will; or
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The term “**Permitted Refinancing**” means a refinancing that lowers the interest rate of the first mortgage loan on the Home, decreases its term or lowers the monthly payment of the loan; it does **not** include a refinancing that increases the outstanding balance of the first mortgage loan, increases the interest rate on the loan or allows the Owner to receive money as a result of the refinancing. Any Permitted Refinancing must be approved by the City, in writing, in advance. **No cash back is allowed.**

If a Recapture Event occurs, the Owner shall pay to the City the amount of the Grant reduced by one sixtieth (1/60th) of that amount for each full month the Owner has occupied the Home during the term of this Agreement.

In the event the Owner wishes to have the City subordinate, the following applies: Subordination of all liens originated as loans or grant through the City of Moline will be considered in cases involving refinancing of homeowner’s first mortgage only when the following conditions are met:

- Refinancing will be allowed only if the mortgage product is a fixed rate that fully amortizes over the loan terms. No adjustable or non-standard mortgage products are permitted.
- The refinancing is for a lower interest rate than the existing first mortgage.
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- The City will not subordinate to a reverse mortgage.
- Closing costs for the refinance must be within the industry’s standard.

The City requires a five (5) business day notification to process and prepare subordinations.

All releases and subordinations are reviewed on a case by case basis; the City has full discretion over decisions for repayment and/or subordinations.

The City of Moline maintains a tracking spreadsheet for the Recapture Agreements filed against the properties assisted under the CHS Program. Staff will notify homeowners by writing when their recapture period has been satisfied. Staff will prepare the Release of Recapture Agreement and will deliver to the homeowner upon satisfaction of the five (5) year lien requirement. It is the homeowner’s responsibility to pay for any recording costs associated with the Release of Recapture Agreement.

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Application begins on the following page.

