

Chapter LAD 4

**HOUSING AND NEIGHBORHOOD CONSERVATION
DEFERRED PAYMENT LOAN PROGRAM**

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LAD 4.01 Statutory authority. The statutory authority for the enactment of chapter LAD 4 is s. 22.42 (2) (b) 4., Stats.

History: Cr. Register, April, 1979, No. 280, eff. 5-1-79.

LAD 4.02 Definitions. (s. 22.42 (1), Stats.) (1) "Department" means the department of local affairs and development.

(2) "Deferred payment loan" means a secured loan bearing no interest which is repayable upon transfer of the property as provided in section LAD 4.11, which may only be used to finance a rehabilitation described in section LAD 4.08 for housing described in section LAD 4.09 and, which may not exceed the amounts prescribed in section LAD 4.10.

(3) "Maximum income eligibility level" means 50% of the median income for a family of 4 or less (as determined by the U.S. department of housing and urban development) in the family's county of residence plus 5% for each family member in excess of 4 up to a total of 8.

(4) "Sponsor" means any town, village, city or county in this state, or any community action agency or housing authority under ss. 59.075, 66.395, or 66.40, Stats., which has been authorized to be a sponsor by a resolution of a county board for the unincorporated area of that county or which has been authorized to be a sponsor for an incorporated municipality by a resolution of the governing body of that municipality.

History: Cr. Register, April, 1979, No. 280, eff. 5-1-79.

LAD 4.03 Powers and duties of the department. In addition to all other powers and duties in this chapter, the department shall have the following powers and duties:

(1) The department shall make grants to sponsors. The selection of sponsors for grants and the amount of each grant shall be based on the following criteria:

(a) The extent to which a demonstrated local need exists for deferred payment loans, based on

1. The condition of housing in the area, and
2. The absolute and relative size of the eligible population.

(b) Evidence of a sufficient local demand for deferred payment loan funds to justify the creation of a loan program.

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(c) The extent to which the sponsor can demonstrate a commitment to the successful operation of a deferred payment loan program and assure its proper administration.

(d) The willingness of local lenders to provide installment loans under the housing and neighborhood conservation program.

(e) Evidence that contractors are available and willing to perform the rehabilitation work.

(f) If a reinvestment neighborhood or area is incorporated as part of the proposal for a grant,

1. The extent to which residents and property owners in the reinvestment area are given an opportunity to provide direction to the program,

2. The extent to which other public or private investments will be targeted to the reinvestment area and,

3. Whether the reinvestment area is of reasonable size and character to enable the housing rehabilitation activity—provided by the housing and neighborhood conservation program and other resources—to make an appreciable impact on the overall housing conditions and trends in the area.

(2) In those instances in which sponsor grant applicants cannot be distinguished on the basis of the criteria in sub. (1), the department shall apply the following secondary criteria to the award of grants and their amount.

(a) The extent to which the sponsor applicant is willing to complement the deferred payment loan program with other existing or proposed funding sources for housing rehabilitation or other housing or community development activity.

(b) The willingness of the sponsor to absorb all or a portion of the program administrative costs locally.

(c) The extent to which the sponsor applicant is willing to provide necessary evaluative data and assist in program evaluation before, during and after the evaluation period.

(3) The department may prescribe the form in which sponsors shall apply for grants. In addition, the department may prescribe such other forms which it deems necessary for the collection of any other information required to be reported by sponsors to the department.

(4) The department may require periodic progress reports from sponsors to evaluate their performance.

(5) The department may by contract require sponsors to meet reasonable performance standards to assure that the deferred payment loan program is effectively and efficiently administered.

History: Cr. Register, April, 1979, No. 280, eff. 5-1-79.

LAD 4.04 Powers and duties of sponsors. In addition to powers and duties of sponsors listed elsewhere in this chapter, sponsors have the following powers and duties:

(1) In order to implement the deferred payment loan program sponsors shall provide public information, account for and disburse loan

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funds, review and screen applicants, select recipients and determine that rehabilitation work has been satisfactorily completed.

(2) In addition to the duties listed in sub. (1) and elsewhere in the chapter, sponsors shall:

(a) Make on-site inspections of properties:

1. Before applications are approved in order to assist applicants for deferred payment loans in determining needed repairs.

2. After work has been completed but before the contractor has been paid in full to assure that the work has been satisfactorily completed.

(b) Assist recipients of deferred payment loans to find contractors and to negotiate the provisions of contracts for rehabilitation work.

(c) Before making a loan, require a written contract signed by the recipient of the deferred payment loan and the contractor which specifies the work to be done by the contractor, which specifies the period during which the work will be done, which specifies the total cost of the work and, which contains a warranty as prescribed by the department.

(d) Commit in the form of deferred payment loans that portion of the grant semi-annually as prescribed in the grant contract between the department and the sponsor.

(3) Sponsors may not charge applicants any application, processing or other fee.

History: Cr. Register, April, 1979, No. 280, eff. 5-1-79.

LAD 4.05 Sponsors' administrative expenses. (1) Sponsors are responsible for all administrative costs, including but not limited to, salaries and office rental, travel and telephone expenses, and cost of legal counseling, technical assistance and the provision of on-site inspections.

(2) The department may make grants to defer all or part of sponsors' reasonable administrative costs.

(3) Portions of the administrative cost of the sponsor's deferred loan program, if any, will be disbursed periodically by the department according to a budget submitted by the sponsor and approved by the department. Disbursements out of the administrative costs allocation will be contingent upon the satisfactory progress of the sponsors' program.

History: Cr. Register, April, 1979, No. 280, eff. 5-1-79.

LAD 4.06 Determination of income eligibility. (1) The department will develop a list of maximum income eligibility levels by county for the purpose of determining eligible applicants for deferred payment loans. The list will provide income eligibility levels based on family size.

(2) Sponsors shall determine an applicant's annual income based on current income as of the date of application. Where the income in question is contributed in substantial part towards the maintenance of the household and where the recipient of such income may reasonably be expected to continue as a member of the household for a substantial portion of the term of the loan, such income shall be included for the purpose of establishing the annual income of the applicant. Annual income shall be based on the gross income from all sources and before taxes or withholding from all household members who are not minors.

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(3) Income of household members shall include:

(a) The gross amount of all wages, salaries, recurrent overtime, commissions, fees, tips, and bonuses.

(b) Net income from the operation of a business or profession as declared by the borrower in Schedule C, F, or E, Part III, as appropriate, of the U.S. internal revenue service form 1040.

(c) Net income from the operation of real property, including net income attributable to the rental of portions of the property to be improved.

(d) Interest, dividends, and other investment income.

(e) The full amount of recurrent periodic payments received from social security, pensions, or other similar annuities.

(f) Periodic public assistance payments, alimony, child support, and any other payments or contributions which are received on a recurrent basis and which may be reasonably expected to continue.

(4) Income of household members shall not include:

(a) Casual, sporadic, or irregular income, non-recurring overtime pay, lump-sum additions to family assets, gifts, or other income which would not ordinarily be included by a lending institution in qualifying an applicant for a loan.

(b) Income received for foster child care.

(c) Income received for educational scholarships, including payments for veterans for educational purposes.

History: Cr. Register, April, 1979, No. 280, eff. 5-1-79.

LAD 4.07 Eligible applicants. (1) In addition to meeting the income eligibility requirements determined under section LAD 4.06, a recipient of deferred payment loans shall:

(a) Occupy the structure to be rehabilitated as a principal place of residence.

(b) Individually, or in aggregate with other individuals who also occupy the structure as a principal place of residence and who are also recipients of the loan, have at least:

1. A life estate in the structure, or

2. A one-half interest in the fee title or in the contract for deed of the structure, or

3. A one-half interest as a vendee in a land contract for the structure.

(c) Use the proceeds of the loan for an eligible rehabilitation as described in section LAD 4.08.

(d) Occupy, as a principal place of residence, eligible housing as described in section LAD 4.09.

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(2) The department may waive or modify the ownership and security requirement in sub. (1) when necessary to permit deferred payment loans for structures on Indian reservations.

History: Cr. Register, April, 1979, No. 280, eff. 5-1-79.

LAD 4.08 Eligible rehabilitation. Deferred payment loans may be made only for rehabilitation which satisfies the following minimal requirements:

(1) The rehabilitation must be a permanent improvement to an existing structure (which maintains the structure in a decent, safe and sanitary condition or restores it to that condition and) which accomplishes any of the following:

(a) Reduces the cost of owning or occupying a dwelling unit.

(b) Conserves the use of energy within the structure.

(c) Extends the economic or physical life of the structure.

(d) Improves the accessibility of residential housing to a handicapped occupant.

(e) Maintains the structure in a decent, safe and sanitary condition or restores it to that condition.

(2) The rehabilitation must be economically viable. The sponsor shall determine economic viability by assuring that the structure will have a reasonable life expectancy after the improvement is made.

(3) The rehabilitation shall not include materials or fixtures of a type or quality exceeding that customarily used in the locality for properties of the same general type as the property to be improved. This section is not intended to prohibit the use of energy conserving materials, devices or designs.

(4) The rehabilitation shall be made in compliance with applicable health, housing and safety codes and standards. However, no application for a deferred payment loan may be denied solely because the improvements fail to bring the property into full compliance with all such codes and standards.

(5) The rehabilitation accomplished with deferred payment loan funds shall not include payment of all or part of any assessments for public improvements. However, the rehabilitation may include bringing a water supply or sewage disposal system into compliance with local, state or federal environmental and sanitary standards.

(6) Deferred payment loan funds shall not be used to refinance or retire existing indebtedness.

(7) The rehabilitation accomplished with deferred payment loan funds shall not be for improvements begun prior to the approval of the application.

(8) The rehabilitation shall be only for housing which meets the requirements of section LAD 4.09.

History: Cr. Register, April, 1979, No. 280, eff. 5-1-79.

LAD 4.09 Eligibility of housing. (1) Deferred payment loans shall only be used for rehabilitation of housing which is:

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- (a) Real property in the state of Wisconsin, and
 - (b) Which has not more than 4 units at least one of which is occupied by the owner of such property as a principal residence.
- (2) Mobile homes or trailers are not eligible for deferred payment loans.

LAD 4.10 Amount of loans. (1) The amount of any individual deferred payment loan may not exceed the lesser of:

- (a) \$7,500 for a structure with one dwelling unit and \$5,000 per unit for a structure with 2 to 4 dwelling units, when the structure is not located within a neighborhood reinvestment area, or
- (b) \$10,000 for a structure with one dwelling unit and \$7,500 per unit for a structure with 2 to 4 dwelling units, when the structure is located within a neighborhood reinvestment area, or
- (c) The actual and reasonable cost of the work performed.

(2) The department may increase the limits in sub. (1) (a) and (b) by up to 10% annually.

(3) Applicants must demonstrate to the sponsor that the cost of the proposed rehabilitation is reasonable by providing cost estimates from 2 contractors for the same work. The second estimate may be waived if it is not feasible to obtain and the sponsor determines that the first estimate is reasonable.

(4) The sponsor shall certify to the department that rehabilitation costs are fair and reasonable for each recipient of a deferred payment loan.

History: Cr. Register, April, 1979, No. 280, eff. 5-1-79.

LAD 4.11 Repayment of loans. (1) Deferred payment loans shall be repayable to the sponsor without interest upon transfer of the property or when such property ceases to be the recipient's principal place of residence. The property is not transferred if it is inherited by a member of the immediate family of the owner and if the person inheriting the property occupies it as a principal residence and meets the income eligibility requirements for a deferred payment loan.

(2) Sponsors must secure repayment of any deferred payment loan through a lien on the property. In the case of a land contract, the vendor must consent to a lien against the property.

(3) If any deferred payment loan funds are used for purposes other than an eligible rehabilitation or if the recipient's application is found to contain a material misstatement of fact, the recipient will be liable for immediate repayment of the entire loan.

(4) Repaid deferred payment loan funds must be used by the sponsor for:

- (a) Additional deferred payment loans, or
- (b) Other housing related activities if the sponsor is not actively involved in housing rehabilitation at the time the loan is repaid.

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(5) The department may waive or modify the method by which loans are repaid to permit deferred payment loans for structures on Indian reservations.

History: Cr. Register, April, 1979, No. 280, eff. 6-1-79.

LAD 4.12 Homeowner labor agreement. An eligible beneficiary may agree to provide some or all of the labor without compensation from the proceeds of the deferred payment loan if the sponsor is satisfied with the beneficiary's skill and ability to perform the work in a reasonable time. In such cases a sufficient portion of the loan may be withheld to cover the costs of labor in the event that paid contractors must be used to complete such improvements. The sponsor may require the staging of the rehabilitation work and, upon successful completion of appropriate initial stages of the work, release all or part of the withheld loan funds for further improvements if satisfied that there is no need to withhold funds to ensure completion of the remaining rehabilitation work.

History: Cr. Register, April, 1979, No. 280, eff. 6-1-79.