

## CHAPTER 5. CPD REHABILITATION PROGRAMS

5-1 Rehabilitation Programs - General. Each Field Office should be reviewed for compliance with specific program requirements outlined in the sections which follow for CDBG Rehabilitation, and the Rental Rehabilitation, Section 312 Rehabilitation Loans, and Urban Homesteading Programs. In addition, reviewers should follow the guidance in paragraphs 1-5 through 1-9 as well as review the following generic rehabilitation performance concerns.

- A. Comprehensive Monitoring. For grantees selected for comprehensive monitoring.
  - 1. Are all rehabilitation programs in which the grantees are participating being monitored for compliance with program requirements?
  - 2. Determine if the following generic issues are adequately covered in monitoring letters.
    - a. The responsiveness of programs (including non-Federally funded rehabilitation financing) to community needs identified in the HAP.
    - b. The effective use and coordination of CPD rehabilitation programs administered so as to maximize the potential of each.
    - c. The efficiency of program design, including associated administrative costs.
    - d. Production progress in all programs administered.
    - e. Management of construction to ensure timely completion and high quality work.
- B. Technical Assistance
  - 1. Has the Field Office made appropriate use of the technical assistance resources available?
  - 2. Do staff coordinate with, accompany, and properly follow up on contract consultants?

## 5-2 Community Development Block Grant Funded Rehabilitation

- A. Productivity. Determine whether the Field Office has

reviewed each CDBG Entitlement grantee in accordance with CPD Notice 89-04, "Productivity Guidelines for Community Development Block Grant Entitlement Single Family Rehabilitation Programs," and notified each grantee of its performance and whether improvement is needed.

- B. Limited Versus In-Depth Monitoring. Determine if each Entitlement grantee where applicable has received either a limited rehabilitation monitoring review or an in-depth monitoring review in the past year. If not, when was each grantee's CDBG rehabilitation program last reviewed?

1. Did the limited review include the following?

- a. A review of the effectiveness of local program administration.
- b. A review of the quality of rehabilitation construction.
- c. A review of individual case files.
- d. Property inspections (a minimum of three).

2. Did the in-depth review include requirements of Chapter 6 of the CPD Monitoring Handbook, 6509.2 REV-4?

- C. Housing Quality Standards. Determine whether monitoring reviews include property inspections for compliance with Housing Quality Standards for units counted toward HAP goal achievement.
- D. Lead-Based Paint. Determine whether the Field Office is monitoring grantees for compliance with the regulations on lead-based paint.
- E. Streamlining. Determine the degree to which the Field Office has provided technical assistance to grantees to streamline CDBG funded rehabilitation programs.

- F. Lump Sum Management. Although new lump sum drawdown agreements were eliminated after September 30, 1989, Field Offices should be reviewed to determine whether they are tracking the progress of existing lump sum agreements in accordance with regulations in effect at the time of execution, under 24 CFR 570.513. Specifically, are field staff:

1. Keeping a log of current lump sum agreements?
2. Checking to determine if the first loan was made within 45 days of execution of the agreement?
3. Checking to determine that there has been substantial disbursement of the funds within 180 days?
  - a. (1-year agreements = 1/2 of funds)
  - b. (2-year agreements = 1/4 of funds)
4. Ensuring that benefits promised in the agreement (e.g., leveraging, administrative costs) are being realized?

#### 5-3 Rental Rehabilitation Program (RRP)

- A. Program Description Review. Ensure that the Field Office has completed reviews within 30 days of receipt of submission.
- B. Coordination with Housing on Section 8 Assistance
  1. Determine whether CPD and Housing have coordinated and agreed upon the level of voucher assistance needed by RRP grantees.
  2. Determine whether grantees have been informed of the current policy with regard to the use of vouchers for RRP families.
- C. Cash and Management Information (C/MI) System
  1. Determine if the system is used as a management tool for monitoring, program management and the reallocation process, i.e., do staff have identification numbers and use the terminal for up-to-date information on grantees?

2. Determine if Field Offices are using the reports to monitor progress of committed projects, i.e. are pre-rehab reports filed, are initial draws made in a timely way (to ensure that construction has, in fact, started), are projects being completed in a timely way, and are funds for projects which are cancelled with disbursements returned to HUD in a timely manner?
3. Ensure that the Field Office is actively closing

grants as they become available for close-out.

4. Ensure reports are distributed to grantees on a timely basis each month.

D. Reallocation of Funds

1. Determine whether the Field Office is aggressively reallocating funds from non-performers to grantees that can make use of the funds, looking not only at commitment/completion levels but also at the statutory and regulatory requirements.
2. Ensure that grantees which have had funds deobligated are offered the technical assistance necessary to improve their commitment rate to an acceptable level.

- E. Monitoring. Determine whether Field Offices are monitoring grantees in compliance with the CPD Monitoring Handbook, Chapter 16, and are paying specific attention to low-income benefit, affordability, large family (2+ bedrooms) production and whether completed units meet Housing Quality Standards. (This latter criteria should include inspections of a sample of completed projects.)

F. Tenant Assistance

1. Determine if Field Offices are monitoring to ensure grantees have appropriate tenant assistance plans and Memorandums of Understanding with their PHAs.

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2. Determine if Field Offices are monitoring to ensure that tenants are being provided assistance for which they are eligible (e.g. are low income tenants receiving vouchers), and referring issues to the Relocation Specialist as appropriate.

5-4 Section 312 Rehabilitation Loans

- A. Program Assistance to Local Processing Agencies (LPAs). To ensure that assistance appropriate to the need is being provided to LPAs, review:

1. The number and length of site visits, workshops and training sessions for LPA staffs. Are LPAs selected for monitoring based on risk analysis?
2. The quality of the monitoring letters. Do they cover technical and managerial aspects of the program? Do they address the integration of the

program into the LPA's other rehabilitation activities?

3. Complaint letters from borrowers and contractors. Are complaints resolved expeditiously and in a fair manner?

B. Oversight of Individual Loans. To ensure that each loan adheres to Section 312 Program requirements, review the following:

1. A sample of individual loan packages to determine that the following are met.
  - a. Only owner-occupants at 80 percent of median income and below received loans at the three percent interest rate.
  - b. Investor-owner loans have an interest rate appropriate to the date the loan was approved, (i.e., the Federal Treasury interest rate for the same week).
  - c. The required support documentation for a multifamily application (form HUD 6243) is in the file.
2. Was Headquarters' concurrence given prior to approval on loan applications of \$200,000 and above?

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C. Oversight of General Program Administration. To ensure that the LPA's performance is properly monitored, check the review provided to the Regional Office by the Headquarters evaluation team which identifies each LPA's performance on delinquency rate, status of project construction and number of loan cancellations. The Field Office should have a plan for improving poor performers' programs.

D. Servicing

1. Ascertain the Field Office's experience in working with LPAs to reduce the loan delinquency rate. Are the "delinquent city" reports available and shared with the respective cities.
2. Ascertain the Field Office's experience with the master servicer (CMS, Inc.) and the general servicer (FNMA and/or GC Services).
  - a. Has the Field Office received complaints from LPAs and/or borrowers? What is the

nature of the complaints? Is it a servicing problem or a construction problem?

- b. If there are problems/complaints with the servicers, has the Field Office contacted Headquarters to resolve issues.

#### 5-5 Urban Homesteading Program

##### A. Assistance to Local Urban Homesteading Agencies (LUHAs)

1. Review the extent, nature and quality, of technical assistance being provided each LUHA.
2. Review whether the Field Office is monitoring its grantees in compliance with Chapter 6 of the CPD Monitoring Handbook, particularly in the areas of low income benefit, timely conditional conveyance (less than 1 year from LUHA acquisition), and annual inspection to ensure 5 year residency.
3. Identify any special efforts being undertaken to assist LUHA's that have experienced performance problems.

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4. Determine the extent to which each LUHA has been assisted in overcoming delays in conditionally conveying properties to homesteaders within one year of transfer.

##### B. Fund Accountability

1. Determine the coordinator's role in reallocating or recommending for reallocation Section 810 funds from non-productive programs to productive programs, or in returning 810 funds to the Regional Office or Headquarters for reallocation. Is outreach to prospective LUHAs with affordable properties being done and are close-out goals set for LUHAs who no longer have such properties available? Is the data readily available from Property Disposition to help make these determinations?
2. Determine whether the quality of a LUHA's program is considered in addition to the number of properties acquired when reallocation decisions are made.
3. Review whether the coordinator is approving exceptions for properties valued over \$25,000 on a case-by-case basis and consulting

with Headquarters on requests for properties over \$35,000.

4. Determine if the coordinator is approving alternative uses for properties that are infeasible for homesteading. When the LUHA has been negligent and properties cannot be homesteaded, determine if the coordinator is requiring repayment to the Section 810 account.
5. Determine whether closing documents are being reviewed for eligible charges to the Section 810 account.
6. Determine whether the end of fiscal year reconciliation with RAD is accomplished in a timely manner.

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- C. Coordination with Other Offices. Determine the degree to which the coordinator has been able to establish a productive, professional relationship with the following:
  1. Property Disposition staff in the Field Office and, if appropriate, in other offices within the Field Office's jurisdiction.
  2. The Veterans Administration and/or FMHA representative(s) for the area, to assure the efficient and expeditious transfer of properties to LUHAs, and that interagency agreements regarding a LUHA's right of first refusal are being followed.
  3. Regional Accounting Division staff.
  4. Headquarters/OUR staff and Regional staff person assigned to the Field Office.

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