

**Texas General Land Office**

**Community Development and Revitalization**

**Affordability Period Monitoring Process**

**Lead Department:**

Community Development and Revitalization (GLO-CDR).

**Purpose:**

Process for monitoring the affordability period (Single Family Housing Program).

## Summary:

The following information clarifies the GLO-CDR process for monitoring Single Family Housing projects. Texas residents that receive housing assistance are required to comply with the terms of their executed Unsecured Forgivable Promissory Note (the Note). This Note expires on the date of maturity, beyond which the homeowner is under no further obligation to comply with program requirements.

**Monitoring Requirements:**

Single Family Housing Program staff will monitor each homeowner's compliance with their Note requirements. Any unpaid or unforgiven debt under this Note shall be forgiven upon the death of the applicant and any co-applicants (if applicable). Additionally, the applicant’s home cannot be sold or otherwise transferred from any or all interested parties assisted, whether by lease, foreclosure or other means, except by a transfer that occurred:

1. upon death or not upon death between co-owners of the property who are also co-applicants under the Note, if after the transfer one or more co-applicants continue or continues to occupy the property as his, her, or their principal residence; or
2. with advance written permission of the GLO.

Monitoring will verify compliance with homeownership, residency, property taxes, and all required insurance policies.

* Ownership

Ownership is confirmed by using the applicable county appraisal district’s website, or it can be monitored by placing a lien on the assisted home. If liens are utilized, the subrecipient or state representative’s housing guidelines will need to reflect this action and the applicant will need to be informed prior to signing all closing documents.

* Principal Residency

Principal residency is confirmed by using the applicable county appraisal district’s website to verify a homestead exemption is in place for the home. If an applicant does not have a homestead exemption, other documentation can be used to verify residency (e.g., utility bills, tax documentation, etc.).

* Property Taxes

Property taxes on the assisted home must be reviewed by using the applicable county appraisal district’s website. The homeowner’s property tax situation must be in good standing, or the applicant must provide documentation demonstrating that they are on a payment plan or have a deferred tax payment plan with the county.

* Insurance

All required insurance policies must be in force for each home repaired using CDBG-DR funds. The subrecipient or state representative will pay the first year of insurance. The subrecipient or state representative can add their name as an interested party on the insurance policies; in so doing, if a policy is cancelled or in default for lack of payment, the subrecipient or state representative will be notified. Below is a list of the relevant insurance policies:

1. Hazard insurance: in force, covering at a minimum the full replacement cost value of the property (all applicants are required to have a hazard policy under their Note);
2. Flood insurance: if applicable (if property is located within a 100-year floodplain or Special Flood Hazard Area designated by the Federal Emergency Management Agency), in force, covering at a minimum the full replacement cost value of the property. If the applicant is federally required to maintain flood insurance, they must maintain a policy indefinitely; otherwise, future federal assistance will not be provided if there is a lapse in flood policy; and
3. Wind insurance: if applicable (if property is located in a wind zone), in force, covering at a minimum the full replacement cost value of the property.

## Subrecipient or State Representative’s Requirements:

The subrecipient or state representative is required to develop their own policies and procedures for monitoring the affordability period for each applicant under their program. They will need to address each of the four items listed above, outlining how they intend to monitor compliance and at what frequency (at a minimum, annual monitoring).

Subrecipient or state representative’s policies will also identify response actions to any default:

* Ownership: If a homeowner defaults on the ownership requirement, the subrecipient or state representative will recapture the balance remaining on the Note. These funds will be returned to the GLO.
* Principal Residency: If a homeowner defaults on the residency requirement, the subrecipient or state representative will need to recapture the balance remaining on the Note. These funds will be returned to the GLO.
* Property Taxes: If a homeowner defaults on property tax payments, the subrecipient or state representative will work with the applicant to enter into a payment plan with the appropriate tax office. If a payment plan is not established, the homeowner will be placed on a default list.
* Insurance: If a homeowner defaults on the insurance requirement, the subrecipient or state representative will work with the applicant to secure appropriate coverages. If insurance is not obtained by the homeowner, the home will be place on the default list.

The subrecipient or state representative is also required to maintain all records. All monitoring efforts including phone calls and written correspondence must be documented.

The following items will need to be maintained and available to the state upon request:

1. Project ID Number
2. Head of household name
3. Address of damaged home assisted
4. Additional address (for buyouts and down payment assistance programs)
5. Date affordability period began (Note executed)
6. Date affordability period will end (Note maturity date)
7. Date of Review
8. Ownership monitoring results (ownership check)
9. Property tax monitoring results (current on tax payment)
10. Principal residency monitoring results (principal residency)
11. Insurance monitoring results (hazard insurance, flood insurance, if applicable, and wind insurance, if applicable)
12. Default amount only for those in noncompliance (for applicants that are in default of homeownership or residency)
13. Letter dates: to capture any correspondence that was sent to the applicant to request proper documentation, verify compliance, and/or notify the applicant of a default

Each homeowner will be monitored for the entirety of their affordability period. This period may extend beyond the contract end date. Local funding will need to be used to complete the monitoring efforts and the release of the liens (if applicable) for the program.