



**City of Hagerstown  
Community Development Block Grant (CDBG)  
Owner-Occupied Housing Rehabilitation Program Guidelines**

**Department of Community Development  
July 2025**

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**City of Hagerstown**  
**Owner-Occupied Housing Rehabilitation Program Guidelines**

**Program Description**

The purpose of the City of Hagerstown Owner-Occupied Housing Rehabilitation Program is to provide financial assistance of up to \$15,000 to households of limited income to eliminate health, safety and property maintenance deficiencies and to ensure compliance with applicable codes and standards.

**Program Resources**

The City uses HUD Community Development Block Grant Program (CDBG) funds to provide this assistance.

Income eligibility determinations are based on the requirements of the CDBG program, utilizing the Section 8 "annual income" definition at 24 CFR 5.609 of the HUD regulations.

**Current CDBG Income Limits\* – Hagerstown, MD**

# Persons in Household	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
Annual Income	\$52,500	\$60,000	\$67,500	\$74,950	\$80,950	\$86,950	\$92,950	\$98,950

\*Maximum household annual income determinations will include income of all current household members age 18 and over, regardless of relationship to the applicant.

**Program Administration**

Community Development staff is responsible for processing applications, performing site visits and development of the scope of work, arranging for the Lead Assessment (if required), and providing the homeowner with a list of licensed contractors to choose from (if requested). The homeowner must select the contractor themselves, and the contractor must be licensed by the Maryland Home Improvement Commission (MHIC). All work must be done in conformance with the standards outlined in Section 101.2 of the International Building Code, under which the City of Hagerstown Department of Engineering and Permits operates.

All necessary permits for building, mechanical, plumbing and/or electrical improvements must be applied for and issued by the City of Hagerstown Department of Engineering and Permits. No work requiring a permit may begin until a copy of said permit has been issued.

**Applicant and Property Eligibility Requirements:**

- Total household (all current residents) income must be below 80% of Area Median Income.

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- Applicant must own the eligible property in fee simple.
  - Property to be rehabilitated must be the applicant's primary residence.
  - Applicant must have owned property to be rehabilitated for minimum two (2) years. (Applicable only to grant program.)
  - Applicant must have the legal capacity to incur obligations under the Program.
  - All mortgage payments must show current for the previous three (3) months.
  - Applicant must be free of any tax lien or any judgment.
  - Applicant(s) must be in good standing with the City of Hagerstown.
  - Bankruptcies must have been discharged for a minimum of 2 years.
  - After receipt of CDBG assistance, applicant must observe a five (5) year waiting period before becoming eligible for other assistance under this program.
  - Property must be within the City of Hagerstown corporate limits and must be in need of rehabilitation.
  - All property taxes and utilities must be current.
  - The property must be free of all judgments including IRS liens.
  - The applicant must have current Homeowners' Insurance and maintain this for the entire loan term. Any properties in the 100-year flood plain must have flood insurance.
  - A Lead Assessment may be required for properties constructed prior to 1978, dependent upon the repair that is requested. If lead is deemed present the rehabilitation work must be completed by a contractor that is lead-certified.

### **Eligible Expenses**

Eligible activities include repairs that will bring the house into compliance with City codes. These may include but are not limited to the following:

- Repair or replacement of defective mechanical, electrical, and plumbing systems.
- Repair or replacement of defective building components and surfaces, i.e., foundations, roofs and gutters, porches and stairways, floors, ceilings and walls, doors and windows, siding and trim. (Grant/loan eligibility will be dependent on the work to be performed.)
- Energy conservation activities, i.e., insulation, caulking and weather-stripping, siding, doors, and windows. (Loan program only.)
- Lead paint hazard reduction.
- Accessibility for disabled persons.
- Incipient repairs (defined as those showing early signs of deterioration) and general non-luxury property enhancements. (Loan program only.)

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## **Ineligible Expenses**

The City will not provide assistance for the following:

- Creation of a secondary housing unit attached to a primary unit.
- New construction, substantial reconstruction, or the finishing of unfinished spaces such as attics or basements.
- Installation of luxury items, such as swimming pools.
- Renovation of outbuildings.
- Costs of equipment, furnishings, or other personal property that is not an integral structural fixture, such as a window air conditioner; or a washer or dryer (but a stove or refrigerator may be allowed on a case-by-case review).
- Appliances not required by code standards.
- Materials, fixtures or equipment of a type of quality that exceeds that customarily used in the locality for properties of the same general type as the property to be rehabilitated.
- Labor costs for homeowners to rehabilitate their own properties.

## **Standards for Rehabilitation**

Properties that the City deems eligible for participation in this program will be upgraded to conform to Section 101.2 of the International Building Code under which the City of Hagerstown's Department of Engineering and Permits operates. Any outstanding permit or zoning violations must be corrected before application will be considered eligible.

Scopes of work on all projects will be forwarded to the Maryland Historic Trust for review. Scopes of work on these properties will follow the Secretary of the Interior's Guidelines for the Rehabilitation of Historic Structures.

## **Intake and Application**

Applicants are processed on a "first-come - first served" basis. However if necessary, priority will be given to those repairs needed to mitigate a hazardous condition that poses an immediate threat to the health and safety of the occupant.

The following documentation will be required to process the application:

- Driver's license (or other form of photo ID) for all applicants.
- If not a U.S. citizen, applicants must have Permanent Resident Alien documentation.

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- Verification of current mortgage payment and name/address/phone for mortgage company.
  - The name/address/phone of employer(s) (if applicable) for previous 2 years.
  - Proof of current total household income for all household members regardless of relationship, whether on the Deed or not:
    - Last one months' employment pay stubs or vouchers;
    - Award letter documenting the amount of Social Security, Welfare, or Veterans Administration benefits;
    - Court order awarding alimony or child support;
    - If income is received from pension, annuity plan, rental, or other income, include documentation of this.
    - A Year-to-Date Profit & Loss statement is required if self-employed.
  - Most recent two (2) years Federal tax returns and W-2s/1099s/1098s. If not on hand, printouts can be obtained from the IRS website.
  - Most recent two (2) months' statements of bank accounts, securities accounts, CD's, etc. (all accounts)
  - Balance & monthly payment amount documentation for mortgage(s) if applicable.
  - Copy of divorce decree or separation agreement if applicable.
  - Copy of the Recorded Deed (not the "Deed of Trust") for the property to be improved.
  - A copy of the declarations page of the current homeowner's insurance policy (showing policy period and premium).
  - A copy of the current property tax bill and tax assessment

After receipt of application and proof of income, the household's gross yearly income will be reviewed against current HUD income guidelines. For Loans Only: A credit report may be requested and reviewed for delinquencies, collection accounts, judgments, liens and bankruptcies. Applicant will be notified of any of these deficiencies and proof that the deficiencies are cleared must be provided before the application will receive further processing.

**Approval: For Grant Program**

Upon confirmation of eligibility, the Community Liaison will advise applicant via e-mail of preliminary approval and arrange for a site visit.

If the application for repair grant is not approved, the applicant shall be notified in writing of the reason(s) for denial.

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### **Approval: For Loans**

Upon confirmation of eligibility, final underwriting for the loan is prepared on the case review form. This form is reviewed by the Hagerstown Loan Review Authority (HRLA) or, in the case of loans of \$10,000 or less, the Community Development Manager. If approved, the applicant will be issued a commitment letter, truth-in-lending statement and settlement statement. The commitment letter will state the terms of the loan, the collateral to be held and any contingencies which must be met prior to settlement. It will notify the applicant of the need to secure a title search and have an attorney settle the loan and advise that the city must be added to their insurance policy and proof of such brought to settlement.

If the loan is not approved, the applicant shall be notified in writing of the reason(s) for the denial.

### **Home Inspection and Scope of Work**

Once the application has received preliminary approval, staff will arrange for the inspection of the property and creation of the scope of work. During this time, staff or the owner will order a survey to test for lead paint hazards (if necessary).

When the scope of work has been developed, staff will meet with the applicant to review the results and discuss the work to be completed. The property owner is responsible for contacting contractors for the project estimates; however, staff may provide them with a list of qualified contractors if requested. Three (3) proposals/bids are preferred, and all bidders must be licensed by the Maryland Home Improvement Commission (MHIC). If lead paint is deemed present, the proposals must be provided by contractors who are also lead-certified.

Homeowners will be given 30 days to provide contractor estimates; if not received by staff within that timeframe, the application will be administratively closed.

Deposits of up to one-third of project estimate will be permitted. Subsequent payments will only be made for completed work in place.

### **Contractor Requirements**

Only qualified contractors are eligible to do rehabilitation work under this program. Contractors must be licensed by the Maryland Home Improvement Commission (MHIC) and registered with SAM.gov. Contractors must have Commercial General Liability Insurance and may not be under a suspension or debarment order.

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## **Insurance**

The contractor shall carry or require that there be current Manufacturer's and Contractor's Public Liability Insurance, in an amount of not less than \$100,000 for injuries including accidental death to any one persons and for any one accident, and to protect the contractor and his subcontractor's against claims for injury to or death of one or more than one person because of accident, and to protect the contractor and his subcontractors against claims for injury to or death of one or more than one person because of accidents which may occur or result from operations under the contract. Such insurance shall cover the use of all equipment including but not limited to excavating machinery, trenching machines, cranes, hoists, rollers, concrete mixers, and motor vehicles in the construction of the rehabilitation included in their contract.

The contractor shall carry, during the life of the contract, Property Damage Insurance in the amount of not less than \$50,000 to protect them and their subcontractors from claims for property damage which might arise from operations under their contract.

## **Closing – After Grant Approval**

Once the grant has been approved and a contractor selected to perform the required work, a Notice to Proceed will be drafted and will require the signatures of the homeowner, the contractor, and the Community Liaison. Only after all signatures are received will work be permitted to begin. Grant proceeds will be disbursed directly to the contractor(s) upon receipt of invoices for work performed.

## **Closing – After Loan Approval**

After receiving the signed commitment letter, truth-in-lending statement, settlement statement, and title report, loan closing will take place. After signatures are received on all loan documents, the settlement attorney will have the mortgage recorded. A Notice to Proceed will be drafted and will require the signatures of the homeowner, the contractor, and the Community Liaison. Only after all signatures are received will work be permitted to begin.

Work performed by the awarded contractor must commence on the project within one hundred twenty (120) days of the date of settlement or the City reserves the right to terminate the agreement. All work must be completed within twelve (12) months of the date of settlement, or any remaining unused loan funding will be forfeited and the loan amount reduced accordingly.

Loan proceeds will be disbursed directly to the contractor(s) upon receipt of invoices for work performed. If all loan proceeds are not used at the completion of the project, any remaining balance will be applied to the loan to reduce the principal amount borrowed.

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## **Construction and Inspection**

As construction progresses, staff will arrange for inspections as follows:

- Inspections will be requested as often as necessary to assure that the work is proceeding according to the terms of the contract and the scope of work.
- Inspections will be made whenever a payment request is submitted by the contractor to confirm that the work being billed has been completed as indicated on the invoice.
- City Engineering and Permits staff will make compliance inspections to assure that any work requiring permit(s) is being completed according to city code and any other related State or local laws and ordinances.
- Written notices of inspections and copies of any required permits will be filed appropriately.

The contractor may only request a change order for additional items not included in the original scope of work if unforeseen safety or code violations are discovered after work has begun. The contractor must have written confirmation of this fact from the inspector, and the homeowner and the City must sign the change order form. Change order costs may not exceed 10% of the total project cost.

After staff determines that the rehabilitation work has been fully and satisfactorily completed and inspected, an Owner's Completion Acknowledgement Form and Final Inspection is issued. The homeowner signs the Acknowledgement indicating that he/she accepts the rehabilitation work as meeting the terms and conditions of the contract. In addition, staff will obtain from the contractor a Release of Liens, including all subcontractors and suppliers. Staff may make final payment at that time. If the homeowner refuses to sign the final acceptance, staff may authorize payment for those items that are undisputed and acceptable to all parties.

## **Grievance Procedure**

Disputes between the homeowner and the contractor may arise during the rehabilitation project. In those instances where a mutually satisfactory agreement cannot be reached between the parties, the below grievance procedure will be followed.

### **Policies and Procedures:**

Grievances related to policies and procedures of the rehabilitation program.

1. The grievance by the homeowner or contractor is to be filed in writing with the Community Development Manager at the following address:  
Department of Community & Economic Development  
14 N. Potomac Street, Ste 200A  
Hagerstown, MD 21740

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2. The Manager will meet with the homeowner/contractor and attempt to negotiate a solution. If this fails:
  3. The Manager will forward the complaint and documentation of his/her attempts to resolve it to the Chief Housing & Community Development Officer who shall make a determination. If this decision is unsatisfactory to the complainant:
  4. The complaint and documentation of attempts to resolve it will be forwarded to the City Administrator who shall make the final determination.

### Performance:

Issues related to complaints about the performance of the rehabilitation contract.

The rehabilitation contract is between the homeowner and the contractor. The following procedures shall be instituted to resolve complaints:

1. The homeowner must contact the contractor, inform him of the grievance, and attempt to work out the issue(s). If this fails:
2. The homeowner shall file a written grievance with the City. The Community Liaison will meet with the contractor and the homeowner in an effort to reach a mutual solution. If this fails:
3. The Community Liaison will forward the grievance to the Community Development Manager for a decision.
4. If either party is dissatisfied with the Community Development Manager's decision, they may appeal to the Chief Housing & Community Development Officer.
5. If this fails to bring about a resolution, the affected party may institute litigation.
6. The Community Development Manger will be responsible for maintaining documentation and records of all grievances. The Community Development Manger may release funds to the contractor for items in the scope of work which are complete and undisputed.

### Retainage

The City shall retain until final payment a minimum of 10% of the total contract proposal costs. The retainage will be released at final payment upon verification from the inspector(s) that all contracted rehabilitation items are complete and acceptable.

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### **Exceptions to Program Guidelines**

If it can be shown that certain deficiencies in a housing unit constitute an emergency (an immediate hazard to the health and safety of the inhabitants within the household), some or all of these guidelines can be exempted as an administrative act by the Community Development Manager with the consent of the Chief Housing & Community Development Officer.