



*State of Louisiana*  
DIVISION OF ADMINISTRATION

**OFFICE OF COMMUNITY DEVELOPMENT**

**KATHLEEN BABINEAUX BLANCO**  
GOVERNOR

**JERRY LUKE LEBLANC**  
COMMISSIONER OF ADMINISTRATION

**Fact Sheet**  
**Changes in Covenants and Grant Agreements**

**I have not yet received the lump sum check from my disbursement account. It is ok to sign the new legal documents before I get the money?**

Yes, it is ok to sign the revised Covenant and Grant Agreement in advance of receiving the funds from your disbursement account. Remember, it takes time for lenders to do their accounting, assemble the paperwork to release the funds, and prepare the packages, especially for a large number of customers, so do give your lender some time to get the check to you.

**How have the covenants changed?**

The covenants have changed in several ways:

- The covenants with a three year period now start at the date of closing. Previously, those covenants ran until three years after the date you and the disbursement agent signed a *Certificate of Final Disbursement* indicating that all terms of the covenants had been met and all funds in your account had been released to you.
- The covenants now require that you establish owner occupancy within three years from the date of closing.
- Hazard insurance is required once you occupy the unit for a period of three years after the closing date.
- **If you received an Affordable Compensation Loan (ACL), your occupancy requirement and insurance requirements are now the same as the grant recipients who did not receive an ACL.**

**How has the Grant Agreement Changed?**

The changes in the grant agreement track the changes in the covenants.

**I already completed work on my home and my lender and I executed a *Certificate of Final Disbursement*. Should I sign the new Covenant and Grant Agreement? What happens to the old Covenant and Grant Agreement?**

Yes, you should execute and return the new agreements since they are less restrictive than the previous agreements. Once the new Covenant is recorded by the Road Home the old Covenant is no longer valid. If for some reason you decide not to sign the new Covenant and Grant Agreement the old agreements will continue to be in effect.

**What if I can't meet the requirements in the Grant Agreement and Covenants within the three years?**

You may ask the Office of Community Development to extend the compliance period based on good cause and circumstances beyond your control.

**What is the penalty for violating the covenants?**

In exchange for the lump sum payment the covenant now requires repayment of the entire grant amount. Previously the repayment amount was reduced the longer you stayed in compliance after the final disbursement. With the changes that required compliance within three years instead of compliance for a period of three years the previous repayment penalty was no longer workable.

**I received an affordable compensation loan and signed a rider that extended the performance period for the covenants to three years from five. Am I still obligated to comply for five years?**

Homeowners who received an affordable compensation loan no longer are required to comply for five years. Instead, you are now only required to comply **within** three years.

**What if I repair my home and move in a year after the date of closing, how long do I need to maintain hazard insurance?**

The covenant requires hazard insurance from the time your home is occupied until the end of the 3-year compliance period.

**Must I still obtain flood insurance?**

The requirements with respect to flood insurance have not changed. If your property is located in a Special Flood Hazard Area it must be insured in perpetuity.

**Once my property is repaired, can I rent my property instead of living in it?**

The Covenant requires that during the three years from the date of closing you may not use the property for any purpose other than your primary residence. So, you cannot rent it to others or use it for a business (other than a home office or home-based business).

**I have not made repairs and need a contractor. Must the contractor be licensed?**

Although the Covenant and Grant Agreement do not include any statement about contractors, State law requires that a home improvement or new construction job costing more than \$7,500 must be performed by a "registered" contractor. If qualified, the owner may act as general contractor, but any subcontractors used must be registered or licensed, as required. A "registered" contractor usually holds liability insurance and offers workers compensation, but has not been required by the State to pass a test or meet any other standards of minimum competency (skill level).

A new construction job over \$50,000 in value requires a "licensed" contractor unless the owner is qualified and able to do the work. A contractor who has been "licensed" by the State usually carries liability insurance, offers workers compensation, and has met the State's requirements for minimum competency (skill level). Licensed contractors may work on home improvement jobs or new construction of any size.

The State does not decide the conditions under which homeowners can act as their own contractors. Further, your local parish or municipality may require registered contractors for home improvement jobs valued at less than \$7500. Please consult your local permitting office on both these matters.