

Guidelines For Owner Occupied Housing Rehabilitation Program

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COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

HOUSING REHABILITATION PROGRAM GUIDELINES

1.0 PROGRAM OBJECTIVE

- A. The objective of the County of Glenn’s Community Development Block Grant (CDBG) Housing Rehabilitation Program is to improve the housing stock of lower income persons in a manner that conserves and preserves the existing housing stock. To fulfill this objective, the County concentrates financial assistance for rehabilitation projects where the principal beneficiaries are lower income persons.
- B. The guidelines apply to the housing rehabilitation program which has been funded by CDBG funds from the California Department of Housing and Community Development.
- C. The guidelines also apply to monies which the Glenn County Board of Supervisors direct for ongoing private housing rehabilitation needs.

2.0 APPLICANT ELIGIBILITY

A. Conflict of Interest

No member of the Glenn County Loan Committee, the Glenn County Board of Supervisors, or any other person, who exercises policy, decision making function or other responsibilities in connection with the planning and implementation of the CDBG program shall not directly nor indirectly be eligible for this program. Exceptions to this policy can be made after formal County approval by the Board of Supervisors.

B. Income Eligibility

- 1. The maximum household income allowable to qualify for a CDBG Housing Rehabilitation Program loan is eighty (80) percent of the median income (low/mod income) for Glenn County, as established by the California Department of Housing and Community Development. Eligible applicants will not have an anticipated annual gross income exceeding the levels established for “lower income” households adjusted by family size. Current income definitions and limit are attached as a part of these Policies and Procedures. (Attachment A & B)
- 2. Income limits will be updated within 30 days of receipt from the California Department of Housing and Community Development.
- 3. Program Rehabilitation Staff will determine whether applicants and tenants satisfy the income eligibility criteria.
- 4. All applicant and tenant information obtained by Program Staff will

be kept confidential. Program Rehabilitation Staff will obtain a release of information from all applicants.

3.0 PROPERTY ELIGIBILITY

A. Unit Characteristics

Owner-occupied single family residences, are eligible for rehabilitation financing under the CDBG program. Owner-occupied Mobile home rehabilitation will be considered for post-1976 units.

B. Location

Units must be located in the unincorporated areas of Glenn County.

C. Condition

Rehabilitation financing/refinancing will be available to eligible property owners in the rehabilitation target area only when a reasonable expenditure of funds will enable a residential unit to be brought up to HUD Section 8 Housing Quality Standards and Health and Safety Codes. Refinancing shall only occur when rehabilitation is performed on a dwelling.

D. Eligible Improvements

Rehabilitation activity will consist of repairs and improvements to substandard housing which are necessary to meet Local Building Codes as outlined by the 2007 Edition of California Title 24, rehabilitation standards as defined in Section 50097 of the Health & Safety Code, to eliminate conditions specified in Section 17920.3 of the Health & Safety Code, and to meet housing quality standards as set forth in 24 CFR Section 882.109. Rehabilitation shall include reconstruction and mobile home replacement. All code violations and health and safety violations will be completed by the project end date.

For a home to be eligible for rehabilitation using CDBG funds there must be at least one code violation. Weatherization, emergency repairs and disabled access will only be done if at least one code violation exists and all safety and health code violations are repaired. Properties rehabilitated with CDBG funds will meet health and safety requirements and written standards for rehabilitation by project completion.

It shall be the responsibility of the Housing Rehabilitation Staff to determine the most cost effective and appropriate manner in which to complete the needed repair of a dwelling. Rehabilitation assistance may be used for rehabilitation work necessary to correct incipient, as well as actual violations of Housing Quality Standards and Local Building Codes. An incipient violation exists if it is thought that the physical condition of an element in the structure is functioning now, but will fail

in a few years. Removable household appliances (stoves, dishwashers, refrigerators, wall air conditioners, etc.) are eligible only if the file contains documentation that the item needs to be replaced because of incipient failure and the item being replaced will be of moderate quality only.

Dwellings shall be pre-inspected by Housing Rehabilitation Staff to identify work to be done and prepare a work write-up with a scope of work to correct all deficiencies. Housing Rehabilitation Staff will contact local contractors to conduct a bid walk with Housing Rehabilitation Staff and the local Building Official. Prior to the return of bids, Housing Rehabilitation Staff will do a cost estimate of work for comparison with bids. Contractors submitting bids that are greater or lesser than 20% of Housing Rehabilitation Staff estimates will have the opportunity to revise should they choose. Housing Rehabilitation Staff will be responsible for pre-inspections, work write-ups, cost estimates and bid walks. Bids will only be accepted if they are within 10% of the cost estimate or the inspector provides a written explanation of the difference.

All cost estimates provided by Housing Rehabilitation Staff will be done based on time and current material costs. Material costs will be obtained via telephone from the local vendors in our area.

Property encumbrances shall not exceed 95% of the after rehab value.

1. Housing Quality Standards

The cost eligible under Housing Quality Standards include the following corrections, repairs, alterations and additions:

a. Service and Facilities

Independent facilities shall be provided for each living unit except that common facilities such as laundry and storage space or heating may be provided for each property. Each living unit shall contain provisions for each of the following:

- A continuing supply of safe potable water.
- Sanitary facilities and a safe method of each sewage disposal.
- Heating adequate for healthful and comfortable living conditions.
- Domestic hot water.
- Electricity for lighting and electrical equipment used in the dwelling.

2. Access to the Building

- a. Walks and steps shall be provided for all-weather access to the building and constructed so as to provide safety and reasonable durability.

- b. In the case of a handicap occupant confined to a wheelchair, a wheelchair ramp shall be provided with a ratio of either 1 - 12 or 1 - 15.

3. Site Criteria

This program shall endeavor to assure a living unit which provides for a healthful environment and complete living facilities arranged and equipped for suitable and desirable living conditions commensurate with the type and quality of the property under consideration. It will provide each living unit with space necessary for suitable living, sleeping, cooking and dining accommodations, sanitary facilities, and the provisions for the following:

- Clothes closet space should be provided with bedrooms or conveniently located nearby.
- Exterior doors shall have keyed locks.
- Attics and under floor area shall have proper access and insulation as required by local codes.
- Every dwelling shall be supplied with a means of disposal or removal of trash and garbage that is inaccessible to rodents.

4. Grading

Deficiencies in proper grading or paving adjacent to the building that shall be corrected where feasible are:

- Buildings in which adequate attic and/or under floor space ventilation has not been provided to prevent conditions conducive to dampness, decay, fungi and/or insect infestation and deterioration of the structure.
- Buildings constructed on wood mud sills resting directly on the ground.
- Crawl space vents with vent bottom less than 6 inches above the finish grade. Minimum clearance between bottom of floor joists and grade shall be 12 inches.
- Foundations with top of stem wall less than 6 inches above finish grade.
- Wood, siding, floors and/or casings sills in contact with ground.
- Retaining walls shall be maintained and must be provided where necessary to protect the structure, driveway and walls and to prevent soil erosion.

5. Structural Soundness

All structural components of the dwelling shall be in sound condition and considered serviceable for the expected useful life of the rehabilitated building. Sagging floors, fireplaces, partitions, stairs and exterior walls shall be restored if practical to an acceptable level or plumb position, and supported or braced so as to prevent a reoccurrence of these conditions. Stair railings shall be rigid. Individual structural members in a seriously deteriorated condition

shall be replaced. Loose or damaged joints between structural members shall be corrected.

6. Inspection and Correction

A careful inspection by qualified persons will be made of each building and accessory structure on each property for evidence of actual or potential insect or rodent infestation or access channels. Defects in existing building which permit the entrance of rodents, termites or other vermin will be corrected by appropriate preventive measures. Damaged or deteriorated structural members will be replaced. A number of preventive and protective measures against the several forms of infestation are:

- Window or other openings grade to have snug fitting screens.
- Exterior doors to fit tightly and be flashed or caulked at sill.
- Opening for pipes or ducts through floors or walls to have tight fitting collars.
- Cracks and crevices in foundations and above-ground walls may be effectively sealed by pointing with mortar or other approved material.
- Appropriate chemical treatment of soil adjacent to foundations and within hollow masonry foundations and treatment of soil in enclosed spaces.
- Cracked, broken or decayed wood surfaces shall be replaced.
- Apply precautions or corrective actions recommended by licensed professional exterminators.

7. Exterior and Interior

Finishes: Exterior and interior finishes shall assure that the building will acceptably:

- Prevent the entrance or penetration of moisture and weather.
- Protect from damage by decay, corrosion, insects and other destructive elements.
- Provide reasonable durability and economy of maintenance.

8. Exterior Appurtenances

All exterior appurtenances or accessory structures which serve no useful purpose, or those in a deteriorated condition which are not economically repairable may be removed. Such structures include porches, terraces, entrance platforms, garages, carports, walls, fences and miscellaneous sheds.

9. Foundations

All masonry or concrete foundation walls will be improved to safe and sound condition with the top of the wall not less than 6 inches above finish grade. All wood foundation posts, sills, girders and plates showing signs of rot, decay, infestation or structural failure

shall be replaced with new suitable materials of proper design where practicable.

10. Exterior Walls

Wood siding materials and trim that are broken, split or damaged so as to permit the entrance of weather or that show signs of decay or insect infestation shall be replaced. Where required, all existing wood surfaces shall be suitably prepared for painting and shall receive at least one coat of prepared exterior house paint. New wood siding shall be protected by appropriate finishes. Composition siding, including mineral surfaced fiber-board, mineral surfaced asphaltic siding, asbestos-cement types, etc., which show deterioration, damage or joint failure so as to permit the entrance of weather or adversely affect the appearance of the dwelling may be repaired, replaced or covered with new suitable siding materials.

11. Interior Walls, Doors and Ceilings

The following standards shall apply:

- All loose and broken gypsum board shall be re-nailed or replaced, if possible, and refinished. All loose and broken plaster shall be soundly patched and repaired. Where the deterioration is so extensive that patching is impractical, the entire wall or ceiling area shall be re-plastered or covered with acceptable drywall materials.
- All walls and ceilings shall be properly prepared and painted or receive other appropriate finish.

Interior doors, jambs and interior trim which show excessive deterioration, abuse and patching shall be replaced. Existing and/or new interior millwork shall be properly prepared and receive protective finish. All broken or missing hardware shall be replaced.

12. Kitchen Fixtures

Counter top and backsplash shall be of approved durable and water resistant materials. Where required, new sink and fittings properly connected to hot and cold water supply and waste lines shall be installed.

13. Finished Floors: The following standards shall apply:

- Bathrooms/toilet compartments and kitchen floors shall be provided with approved underlay, approved waterproof floor coverings materials, and appropriate base mold.
- Floors in other areas of the living unit which show excessive wear, shrinkage, cupping or other serious damage shall be, if possible, replaced or covered with acceptable finish flooring materials

properly installed. Sound wood floors showing normal wear and discoloration may be refinished.

- Finish floors shall be appropriate to the use of the space, be in good condition, and provide low maintenance service life.

14. Roof Drainage

All roofs and flashes shall be replaced or repaired to the extent necessary to protect the building against leakage.

15. Gutters, Cornices and Exterior Details

Gutters, downspouts, eaves, rafter ends, fascias, soffits and cornices, moldings, trim, etc., showing evidence of leakage, rust, decay or deterioration will be replaced with new materials suitably protected with paint or stain. Repairs shall be made with any necessary changes of existing design or with appropriate new design within reasonable limits to prevent recurrence of the deterioration.

16. Chimneys

Chimneys, brickwork or fireplaces showing signs of deterioration should be repaired or replaced with appropriate materials if possible.

17. Windows, Doors and Other Openings

Existing windows or doors, including their hardware, shall properly function and give evidence of continuing acceptable service. Defective glass or locking mechanisms shall be replaced or repaired. Windows and doors and their frames which show signs of decay, deterioration, excessive warping, racking or misalignment shall be replaced or repaired and adequately protected with paint and flashes against further deterioration.

18. Electrical Wiring

When electrical services must be replaced, a 100-amp main service with a minimum of 4 branch circuits is required. Additional branch circuits shall be installed, as required, to service cooking ranges, clothes dryer, water heater and other heavy duty fixed appliances. A minimum of one duplex receptacle and one overhead light fixture or 2 duplex receptacles per bedroom and one for each other habitable room shall be provided. Permanent light fixtures with wall mount switches are required in kitchen and bath. Ground fault outlets are required in kitchen, laundry, bath and exterior outlets.

19. Plumbing

All plumbing fixtures shall be appropriately connected to approved drain, waste, vent and supply lines. All leaking, deteriorated or clogged piping shall be replaced or stored to a condition which will

provide safe and adequate service for the plumbing fixtures or gas-fired equipment to which they are connected.

20. Heating and Ventilation

No un-vented fuel-burning heater shall be permitted. All heating devices and appliances shall be of an approved type. Each living unit shall have properly vented domestic water heating equipment capable of adequately supplying hot water, as defined in U.P.C., with properly installed safety devices in place.

21. Porches, Walks and Steps

All unsafe or unsound porches and steps will be removed or replaced and protected from deterioration with paint or other acceptable finish. Where required, approved handrails and guardrails shall be provided.

22. Fences and Gates

Dilapidated wood fencing which poses a health or safety hazard should be replaced. Wood fences which have missing pickets, boards, panels or which lean may have missing parts replaced with suitable materials. Sagging gates may be braced and those dragging on the ground may be re-hung.

23. Landscaping

Brush which poses a fire hazard shall be removed. Trees that are undermining the structural integrity of the dwelling will be safety-pruned. All debris, lumber and trash shall be removed.

24. Painting and Decorating

Where necessary, a protective and decorative finish coating shall provide:

- Adequate resistance to weathering.
- Protection of finished surfaces from moisture or corrosion.
- An attractive appearance.
- Reasonable durability. Where painted surfaces are in well maintained condition and not disturbed by the rehabilitation work, painting and decorating is not required.

25. Appliance Repair or Replacement

Rehabilitation assistance may provide for the repair or purchase of a kitchen range and/or refrigerator if missing or unsafe.

26. Energy Conservation Measures

Rehabilitation loans may be used to reduce energy consumption through the installation of weatherization measures provided by other funding sources, when available:

- Dual glazed windows.
- Storm windows.
- Attic, floor and wall insulation.
- Water heater blankets and timers.
- Hot water pipe insulation.
- Caulking and weather stripping of doors and windows.
- Replacement of inefficient woodstoves (including flues and heat shields).

27. Lead Based Paint

Repairs or improvements required to residential structures built prior to 1978 will be subject to Lead Based Paint regulations 24 CFR, Part 35.

28. Building Permits and Related Fees

Rehabilitation assistance may provide funds to cover the costs of building permits and related fees that are required to carry out the proposed rehabilitation work when such fees are not waived.

29. Test for Reconstruction is allowed when the cost of rehab is more than reconstructing the property. Reconstruction is defined as the demolition and construction of a structure. The County and/or Program Operator must document that the reconstruction costs are less than the cost to rehabilitate the existing substandard housing. This will be done using the State's CDBG Test for Reconstruction methodology. Additionally, the County must determine that the project's value after reconstruction (housing and land combined) is less than the Maximum After-Rehabilitation Value for the County.

3.1 INELIGIBLE COSTS: EXCEPT AS PROVIDED HEREIN, A REHABILITATION LOAN SHALL NOT BE USED FOR:

Luxury items: materials, fixtures, equipment or landscaping of a type or quality which exceeds that customarily used in the locality.
Appliances: not required by Housing Quality Standards.
Acquisition of land.

3.2 LABOR PERFORMED BY OWNER

A property owner may complete some or all of the tasks required to rehabilitate his/her property if he/she has the degree of skill required to perform the work involved. Self-help is usually appropriate for the accomplishment of tasks of an unskilled nature such as general clean-up, demolition of small buildings, removal and disposal of debris, or for work that involves minimal use of costly

materials and equipment, such as exterior and interior painting. Work of a skilled nature is appropriate if it can be assured to do the work properly.

Whenever self-help is necessary, indicated, or desired, an application for rehabilitation loan may be considered if the property owner demonstrates an ability to perform work in an acceptable and expeditious manner. In any case, the amount of the loan shall not include funds to pay the owner or any member of his/her family for their labor.

4.0 LOAN TERMS AND CONDITIONS

A. General Lending Criteria and Procedures

General lending criteria that will be used to assist in evaluating the applications of eligible property owners for CDBG financial assistance will include:

Property:

The economic feasibility of property rehabilitation is when a reasonable expenditure of funds will enable the correction of all major health and/or safety related items, with rehabilitated property providing adequate collateral for a CDBG loan that is secured with a deed of trust.

B. Maximum Loan Amount

In all cases, the maximum CDBG loan amount for rehabilitation is \$100,000 per housing unit. The Maximum CDBG loan amount for reconstruction is \$100,000 per housing unit. Leveraged funds may be employed to cover rehab or reconstruction costs that exceed these maximum CDBG amounts.

The loan may include: Construction contract; a construction contingency; appraisal and termite inspection charges; credit report; permit fees; drafting and engineering fees; site preparation for replacement housing; escrow, closing and recording fees; and title report and title insurance, title updates and/or related costs.

Lower-income applicants who are not approved for CDBG financial assistance will not be required to reimburse the County for costs associated with the processing of any application to this program.

C. Required Loan Security

Property to be rehabilitated shall act as security for the loan. All loans shall be secured by a Promissory Note and recorded Deed of Trust.

A junior deed of trust may be approved as security for a loan. Total liens of record against the property shall not exceed 95% of the after rehabilitation value as determined by the Loan Committee based upon the estimate provided by the Housing Rehabilitation staff.

D. Transfer of Title

All loans immediately become due and payable in full when there is any transfer of title of the property, other than to a surviving spouse. At its option the Loan Committee may permit the same or revised terms if CDBG income eligibility is met by the new property owner.

E. Repayment

1. Below Market Direct and Deferred Loans:

Immediate and full repayment of these loans is normally required when the property title is transferred through sale, inheritance or other means, other than a surviving spouse. However, when transfer occurs through inheritance, the CDBG Loan Committee has the option of calling the loan due and payable, continuing the loan, or converting a deferred loan to a direct payment loan with monthly payments to be made by the new property owner.

2. All loans shall become due and payable when any first or senior mortgage or deed of trust is refinanced. This requirement may be waived at the option of the CDBG Loan Committee.

3. There shall be no prepayment penalty on any loan at any time during its term.

F. Closing Costs

Closing costs incurred during the processing of a loan application will normally be paid by the applicant out of the loan proceeds. These costs, which may vary among applicants, may include credit report fees; appraisal fees; title insurance fees; lot book report fees; escrow fees; pest control report fees; and recording fees. Where warranted by income and monthly repayment capacity limitations, applicants not approved for financial assistance will not be required to reimburse the County for costs associated with the processing of his/her application.

G. Other General Conditions to be Met

1. The property owner will make his/her property available, during reasonable hours, to the contractor for performance of rehabilitation work in accordance with contract terms and specifications and to HCD and the County for construction monitoring and inspection.

2. The property owner will provide proof of current tax balances and current coverage of required hazard insurance.

3. The property owner will provide proof of hazard insurance in not less than the amount of the rehabilitation loan designating County on County's loss payable endorsement as beneficiary. Property

owner shall maintain policy and designation in full force and effect for the life of the loan.

4. The property owner shall provide proof of flood insurance when unit being rehabilitated is located in a flood plain as defined by the Federal Emergency Management Agency.
5. The property owner shall provide mortgage verification that reflects payments are current.

H. Types of Financing and Terms

The County operates a revolving loan fund which makes four types of loans available to participating property owners. This program is available to owner-occupants.

1. Grants

The targeted area has a high percentage of housing that needs rehabilitation that are owned and occupied by senior citizens. This information is substantiated by visits to senior citizen meetings and several years working in the area on weatherization programs. Based on this information, the County is willing to provide grants up to the maximum of 10% of the annual revolving loan account activity. The individual grants cannot exceed \$5,000.00. The recipient must either be a senior citizen (over 60 years of age), a handicapped individual needing special handicap accessibility items (wheelchair ramp, handicap bars, etc.), or housing conditions pose a serious health and safety threat. In either case the individual(s) must be owner-occupants. Grants will also be considered for installation of required site improvements such as curb, gutter and sidewalk.

2. Deferred Payment Loans

CDBG funds may be used to make full or partial deferred payment loans to cover rehabilitation costs if property owners lack adequate monthly repayment capacity for a direct loan covering all required property repairs.

Deferred Payment Loans (DPL's) will be made available to owner-occupants who are in the low/mod income group and who are elderly, disabled or handicapped and other owner-occupants whose incomes are 50% or below the County median income (lowest low/mod income group), adjusted for family size (see Attachment B).

Deferred Payment Loans (DPL'S) will be made available to owner-occupants who are currently spending 30% or more of their income on housing expenses.

Deferred Payment Loans will be made at a simple interest rate of zero (0) to three (3) percent per annum on the unpaid principal balance to owner-occupants only.

Deferred payment loans are due and payable upon transfer of title.

Deferred Payment Loans immediately become due and payable in full when there is any transfer of title of the property, other than to a surviving spouse. At its option, the CDBG Loan Committee may permit the same or revised terms if the new property owner meets the CDBG income guidelines.

3. Below Market Rate Direct Loans

Direct loans, at a simple interest rate of 1% to 3% per annum on the unpaid principal balance, will be made available to owner-occupants whose income range between 50% and 80% of the County median income, adjusted for family size (see Attachment B). The loan committee may adjust the interest rate from 1% to 3% to assure affordability.

Affordability is based on 30% of gross income applied to housing expenses. Housing expenses include mortgage payment, real estate taxes and insurance on the subject property. Applicants that have housing expenses in excess of 30% figure may qualify for a partially deferred loan. Direct loans will carry a 20 to 30 year term based on the applicant's ability to pay.

4. Leveraging

The Grantee has committed leveraged funds in its application. These funds must be expended by the expiration date of this agreement. The Grantee will report on the value of other contributions included as leverage to the project activity. Leveraging may include: County of Glenn miscellaneous income, waived building permit fees, waived recording fees, sweat equity, vendor discounts, reduced title fees, bank commitments.

5.0 *SYSTEM FOR APPLICANT SELECTION & LOAN CLOSING*

A. Application Process

The Housing Rehabilitation staff shall gather any financial information necessary to determine applicant eligibility and repayment ability. An application consists of:

1. A form containing financial and household information regarding the property owner.

2. A form containing necessary tenant income and household information when rental properties are involved. Tenant income will be verified by use of one or more of the following:
 - Request for Verification of Employment.
 - Verification of Public Assistance.
 - Income Tax Information (1040 forms, etc.).
 - Request for Verification of Benefits of Social Security/Pensions.
 - Copies of recent benefit or pay checks.
3. Credit evaluations and income, employment and mortgage verifications as obtained by staff.
4. A preliminary work write-up and cost estimate of required rehabilitation work, as prepared by program staff and approved by applicant.
5. Title report or lot book report (full or limited coverage) and property value analysis of current market and after rehabilitation market values.

B. Application Selection

All loan applications, determined by staff to be eligible, will be brought before the CDBG Loan Committee.

C. Priority Rating Guide

A Priority Rating Guide is located below for review. This guide will be used to settle loan decisions when rehabilitation funds are limited. Otherwise basic guides will apply on a "first-come" basis.

1. <u>INCOME</u>	<u>POINTS</u>
Less than 80% of maximum income level	2
Less than 70% of maximum income level	8
Less than 50% of maximum income level	15
2. <u>HOUSEHOLD CHARACTERISTICS</u>	
Handicapped/Disabled Applicant	5
Elderly (62 or older)	5
Single Head of Household/dependent children	5
Household with 4 or more dependent children	5
Rental Unit (with Rental Agreement)	5
3. <u>LOAN IMPACT</u>	
Eliminate hazardous conditions (see Guide to follow)	8
A condition that prohibits occupancy	10
Eliminate overcrowding	2
Maintain neighborhood stability	3
Substantial weatherization and energy Conservation improvements	2

4. <u>OTHER FACTORS</u>	
Demonstrate efforts toward maintenance or Rehabilitation	5
Temporary relocation will not be required	5
County has 1 st position on title	<u>15</u>
TOTAL	100

D. Proposed Priority List

1. Electrical/smoke detectors	25
2. Roofing	15
3. Foundation/structural	10
4. Plumbing	10
5. Lockable windows and doors	10
6. Interior health and safety	5
7. Siding	3
8. Weatherization	<u>2</u>
TOTAL	80

Items 1 through 4 are considered serious hazards and should be given high priority. Any other items considered to be a serious health and safety issue shall be given high priority.

E. Loan Acceptance

An applicant for housing rehabilitation loan funds will have five (5) working days after CDBG Loan Committee approval to accept the offered terms and conditions.

In the case of all deferred and direct loans, the Housing Rehabilitation staff will produce all necessary loan documents and provide for the execution and recordation of these documents.

F. Grievance Procedure

Objections by any applicant as to policy, procedures, method of operation or decisions by the staff or CDBG Loan Committee will be addressed in writing to the Deputy Director of the County of Glenn. The Deputy Director will schedule a hearing for the applicant and establish hearing procedures. Decisions of the CDBG Loan Committee will be based upon its interpretation of the Program policies and administrative procedures.

6.0 *INTERNAL LOAN COMMITTEE*

The purpose and function of the Internal HRA Loan Committee will be to review all program applications for: completion, program qualifications and eligibility, meeting a national objective, and determination of applicant's ability to repay the loan. The internal loan committee will review all program application documents and will determine the loan terms and conditions (for approved loan applications) or will deny the application documents for ineligible or unqualified applicants. The internal loan committee will forward approved loan applications on to the CDBG Loan Committee for additional review and approval.

6.1 *CDBG LOAN COMMITTEE*

A. Purpose

The function of the CDBG Loan Committee will be to review and act on applications recommended by the Internal HRA Loan Committee for financing. The CDBG Loan Committee shall review applications in terms of eligibility; compliance with all program requirements; consistency of staff recommendations regarding loan terms and type(s) of assistance to be provided. The CDBG Loan Committee will also review the proposed loan package, and if appropriate, recommend changes in loan terms and type(s) of assistance to be provided.

B. Composition

The CDBG Loan Committee will consist of five persons at large designated by the Glenn County Board of Supervisors. One person shall represent the Board, two persons shall represent the low-income community, and two persons shall be community members. All members to be confirmed by the Board of Supervisors. Priority in the selection of the community members residents to serve on the CDBG Loan Committee will be given to those representing the low-income community. A resident serving on the Committee may also be eligible for CDBG assistance. However, a CDBG Loan Committee member applying for CDBG assistance may not participate in the review of his/her application or the decision to fund it.

C. Exceptions/Special Circumstances

Exceptions are defined as any action which would depart from policy and procedures stated in the guidelines.

1. Procedure for Exceptions/Special Circumstances

Consideration of an exceptional/special circumstance may be initiated by the County or its agent. A report on the situation will be prepared. This report shall consist of a narrative, including the staff's recommended course of action, and any written or verbal information supplied by the applicant. The CDBG Loan Committee shall make a

determination of the exceptional or special circumstances request at a regular or special meeting. Their recommendation will be presented to the CDBG Program Representative at HCD for a decision.

D. Meetings

The CDBG Loan Committee shall meet periodically to review and act on applications. A quorum shall exist and all minutes shall be recorded. A quorum is a simple majority of the full Committee. The Committee members shall be advised at least seven (7) calendar days before the meeting.

E. Action

Action of the CDBG Loan Committee shall be a majority vote.

F. Dispute Resolution/ Appeals Procedure

Any person/family applying for assistance through the CDBG program has the right to appeal if their application is denied. In addition, during the pre-construction; construction or post-construction periods, the applicant/borrower has a similar right to have any disputes heard and resolved. The disputes/appeals process shall incorporate the following stages:

Stage 1: Informal conference with disputed party (i.e. Rehab Specialist, Rehab Inspector, Contractor).

Stage 2: Scheduled meeting with the CDBG Loan Committee.

Stage 3: Scheduled meeting with the governing body.

Stage 4: Appeal to the State Department of Housing and Community Development.

Stages 2 through 4 shall occur only at the written request of applicant/borrower. Requests shall include the nature of the problem as well as any relevant details.

7.0 GENERAL CONTRACTING PROCEDURES AND REQUIREMENTS

A. Competitive Bidding Process

Bidding for rehabilitation work will be done on a competitive basis.

B. Parties to the Construction Contract

The Contract for rehabilitation will be between the property owner and the contractor, with the Housing Rehabilitation staff designated as the owner's representative through the life of the contract. Acting as the property owner's representative, the Housing Rehabilitation staff will prepare the bid package, circulate among approved contractors, and present a list of all bids to the owner for his/her selection.

C. Contractor List

The Housing Rehabilitation staff will maintain a list of all interested contractors who will be kept informed of upcoming bid proposals. All interested contractors must submit an application for approval. All contractors and subcontractors must have a current, valid California Contractor's License and shall provide proof of insurance as may be required by the County of Glenn. To the maximum extent feasible, the CDBG program shall make every attempt to utilize local, small and minority contractors.

D. Progress Payments

Where warranted, by job size; contractor's credit line and number of jobs in progress, progress payments tied to the completion of various stages of rehabilitation work will be authorized. The number of payments to be made will be specified in the Construction Contract. Authorization of progress payments will require:

Inspection of the property by the County Building Inspector and Housing Rehabilitation staff to insure that the work being billed is in compliance with the work write-up and local building code standards. If the work is not found to be in substantial compliance, the payment amount will be delayed until compliance has been achieved.

Following an inspection and approval by the Housing Rehabilitation staff and written approval by the Housing Rehabilitation Manager and property owner of the contractor's invoice and all work being billed, the payment amount will be calculated according to the contract provisions governing holdbacks. The payment check will be made out to the contractor.

E. Final Payment

Final Payment (10% retention) is processed in the same general manner as progress payments. Upon written final acceptance of the work by the property owner and the Housing Rehabilitation staff, a Notice of Completion will be recorded on the property. Final payment (10% retention) may be released following the receipt of a Release of Lien from the contractor and waiting period of 35 days from the recordation of the Notice of Completion.

F. General Contract Conditions

All change orders to the contract specifications require the signature of the owner, contractor and Housing Rehabilitation Manager.

When there are disputes between the contractor and property owner over contract specifications, job scope or adequacy of performance, the Housing Rehabilitation Manager will make the final determination of contract requirements; and will have the authority to release final payment where there is substantial compliance with the contract.

G. General Conditions and Specifications

The General Conditions and Specifications adopted by the Glenn County Board of Supervisors shall be included in all contracts for housing rehabilitation.

8.0 *DELINQUENCIES, DEFAULTS AND FORECLOSURES*

A. Policy

The County acknowledges that circumstances beyond a borrower's control may temporarily limit his/her ability to meet loan terms. The County desires to be flexible enough so that in cases of death of a family member, loss of job, divorce, and major illness loan terms may be modified. The policy set forth below will be followed in pursuance of all legal means to ensure fulfillment of loan terms.

B. Procedure

1. Thirty (30) day and sixty (60) day delinquencies shall warrant a letter to the borrower from the County of Glenn noting the amount delinquent or performance default. This letter shall be followed by a telephone call reminding the borrower of the loan amount and due date or performance default.
2. Ninety (90) day delinquencies shall warrant a certified letter from the County of Glenn noting the amount delinquent or performance default. In this letter a date and time shall be set for a meeting between the borrower and the County. At this meeting the following will be discussed:
 - Reason for delinquency or default.
 - Any change in borrower's health.
 - Family circumstances or financial status.Amounts in arrears.

At the conclusion of this meeting, the following will be determined:

- How and when amount in arrears will be paid.
- How performance defaults will be remedied.
- If a personal emergency (loss of job, loss of spouse or co-borrower, serious illness, etc.) has restricted repayment ability.

If because of such an emergency, the borrower cannot fulfill the term(s) of the loan or afford to pay the full monthly installment, the County may exercise one or more of the following options:

Extend the time of payment or otherwise alter the terms of any of the indebtedness. Accept additional security therefore of any kind, including trust

deeds or mortgages. Alter, substitute or release any property securing the indebtedness.

Any action taken as a result of this meeting shall be documented and recorded in the required fashion.

3. If the borrower does not appear for the 90 day delinquency meeting, and does not contact the County to reschedule, staff may immediately begin foreclosure proceedings.
4. Any borrower that participates in the process of additional security and then becomes delinquent within two (2) years of renegotiation of loan terms may be subject to immediate foreclosure.

9.0 AFTER REHABILITATION PROPERTY MAINTENANCE

A. Policy

ALL Housing Rehabilitation loans require the borrower to:

Maintain insurance, protecting his/her housing from loss, equal to the total of all encumbrances on property. The County of Glenn shall be listed as a Loss Payee. Keep property taxes current. Protect and preserve said property and maintain it in good condition and repair.

Not remove, demolish or materially alter any building or any improvement thereon, nor change or alter neither the terms and conditions of any existing lease of the premises, or the present character of use of said property.

Complete or restore promptly and in good workmanlike manner any building or improvement that may be constructed, damaged or destroyed thereon and pay, when due, all costs incurred therefore; and to comply with all of the terms or any loan agreement between Trustor and Beneficiary. If there is property loss, due to fire, flooding, etc. the County will ensure that insurance proceeds are sufficient to cover the cost of repairs. If proceeds are insufficient, the County should contact the insurance company to dispute the proceeds in comparison to repair costs. Insurance proceeds shall be placed in an escrow account any payments for repairs shall be made out of the escrow account to the contractor. This will ensure that the home is properly repaired and that the city building inspector can inspect the work and make sure it has been completed appropriately. If there are funds remaining once the repair work has been completed and approved by the building inspector, then the funds shall be returned to the property owner.

Not commit or permit waste of the property.

Comply with all laws, covenants, conditions or restrictions affecting the property.

Cultivate, irrigate, fertilize, fumigate, prune and do all other acts that from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

These conditions help assure that the property does not revert to a sub-standard state.

B. Procedure

When the County becomes aware that property insurance or taxes are delinquent, the County shall advise the borrower by letter that the following action may be taken:

Payment of property insurance or delinquent taxes may be made by the County out of housing Re-Use funds and added to the Promissory Note. Foreclosure procedures may be instigated. Borrower and County may set up a separate payment plan to clear delinquent taxes and/or insurance.

When the County becomes aware that rehabilitated property is not being properly maintained it shall:

Provide the borrower in writing a list of needed repairs or maintenance items along with a recommendation as to a solution to the deficiencies. It will be requested that these repairs are performed within sixty (60) days.

At the end of the sixty (60) day period, Housing Rehabilitation staff shall inspect the property. If the needed repairs have not been performed, staff shall set an appointment with the borrower to discuss why maintenance has not been performed. If the borrower is unable to afford to make the needed repairs and if the repairs represent a new building deficiency not covered by the original rehabilitation, additional CDBG funds may be provided.

Following the visit and inspection, the borrower will be given sixty (60) days to make the necessary repairs. The borrower will be given written notice at the start of this phase that if repairs are not performed within sixty (60) days the borrower will be considered in default.

If repairs are not performed within the sixty (60) days of the notice outlined above, the County may begin foreclosure proceedings.

10.0 MODIFICATION OF CDBG PROGRAM GUIDELINES

These CDBG program guidelines may be changed or amended at any time in order to enhance the effectiveness of program implementation and operation by the Board of Supervisors. Where changes in the guidelines would adversely affect program applications already under review, such applications will be evaluated under the guidelines in effect at the time of application.

INCOME DEFINITIONS

Income will be calculated based on countable gross income of all persons living in the household for the following twelve (12) month period from date of the application and calculation of income. Income includes the following:

- Gross income from wages, salaries and commissions, including that from seasonal types of work which can be expected to be repeated.
- All expected overtime and bonus income which can reasonably be considered and dependable.
- All net farm and non-farm business income. Projected farm or non-farm business losses will be considered as zero (0) determining annual income.
- Pensions, Social Security, welfare and unemployment compensation.
- Child support payments and other payments made on behalf of minors.
- Income of an applicant's spouse, unless the spouse has been living apart from the applicant for at least six (6) months, for reasons other than military or work assignment.
- Alimony or other spousal support payments.
- Proceeds for the sale of equipment, mineral rights or real estate sold under long-term contract (usually more than 3 years).

The following income will not be included in determining income eligibility.

- Income, in excess of \$480.00, received by a full time student (who is not the applicant or co-applicant) from employment or income from GI Bill benefits, fellowships, scholarships, or assistantships for schooling.
- Proceeds for the sale of equipment, mineral rights, or real estate sold under a short term contract (usually less than 3 years).
- Cash value of food stamps, real estate tax exemptions, or similar types of assistance.

In addition the following income is not included:

- Payments received for the care of foster children, foster adults or for services rendered as a volunteer on a project sponsored by any of the following:
 - Retired Senior Volunteer Program
 - Foster Grandparent and Older American Community Service Programs (as a foster grandparent, senior health aide or senior companion).
 - National Volunteer programs to Assist Small Business and Promote Volunteer Service by Persons with Business Experience.
 - Peace Corps, VISTA, or any other volunteer program sponsored by ACTION.
- Allowances, such as training and travel expenses, paid by the Department of Labor to job training participants. Any payments received by "live-in" aides for members of a senior citizen borrower's household, paid by state or federal programs which specifically exclude the cost of shelter for the amount received.

**INCOME ELIGIBILITY GUIDELINES
 COUNTY OF GLENN HOUSING REHABILITATION LOAN PROGRAM
 May 1, 2014**

Number of Persons in the Household-in dollars

Glenn County	Income Category	1	2	3	4	5	6	7	8
	30% Limit	11,500	13,150	14,800	16,400	17,750	19,050	20,350	21,650
	50% Limit	19,150	21,900	24,650	27,350	29,550	31,750	33,950	36,150
	60% Limit	22,980	26,280	29,580	32,820	35,460	38,100	40,740	43,380
	80% Limit	30,650	35,000	39,400	43,750	47,250	50,750	54,250	57,750

CITIZEN PARTICIPATION PLAN

INTRODUCTION

The principle function of a written citizen participation plan is to provide citizens a guide to interacting with the Community Development Block Grant (CDBG) Program. As such, a major intent is to ensure that citizens have adequate opportunities to participate in the planning, implementation and assessment of the CDBG Program. The purpose of the plan is to describe how this objective will be met.

CITIZEN PARTICIPATION PROCESS

Public involvement with the CDBG Program may be viewed in terms of three stages: program development, application and post approval.

Program Development: Initially, the State Department of Housing and Community Development (HCD) invites local governments to submit an application for funding appropriated for the fiscal year. The Housing Rehabilitation staff then prepares a schedule of public meetings and issues press releases in accordance with the public information section of this plan.

Prior to actual preparation of the application, the Housing Rehabilitation staff sponsors public hearings to seek citizens' views on community development needs. At least one public hearing is held. At the hearing citizens are given information on the following:

- The total amount of funds available.
- The range of activities that may be undertaken with these funds, the kinds of activities previously funded in the community and the progress made with respect to these activities.
- The fact that more applications will be submitted to HCD with the possibility of being funded.
- The processes to be followed in solicitation and responding to the views and proposals of citizens in a timely manner.
- A summary of other important program requirements.

Written comments on any aspect of the program must be invited, with instructions on where to submit such comments.

The public hearing should be held at a time and place convenient to the public, with accommodations for the handicapped, and should be noticed as widely as possible.

If at least 25% of the total population or 25% of the target area residents, or 25% of the beneficiaries of the program are non-English speaking, notice of the meeting must be in the appropriate language(s) and provision should be made for interpreters at the meeting.

A Public Information Binder, which contains the notices, the list of attendees, and minutes of the meeting, to support the certification requirement, will be kept. If public interest is insufficient, Citizens Advisory Committees may be established on a general or project basis to make recommendations to Glenn County on needs and priorities regarding CDBG activities.

APPLICATION

Prior to preparing a CDBG application, at least one public hearing will be held by the Housing Rehabilitation staff before the Glenn County Board of Supervisors. At the hearing, the proposed program should be fully described, including the amount of funds to be requested, each proposed activity, and the location and estimated schedule of accomplishment of each activity.

CITIZEN PARTICIPATION PLAN

The specific national objectives of the CDBG Program should be discussed, including benefit to low/mod income group households, elimination of slums and blight, and meeting urgent needs. The attendees should be informed of any plans for minimizing any displacement which may occur as a result grant funding, that any assessments resulting from a CDBG funded project will not be paid by lowest low/mod income group households, and any recommendations on whether assessments will be paid by low/mod income group households benefiting from the project. Attendees should be provided full opportunity to comment on the program, subject to the normal rules governing public hearings. Written comments must be invited, with instruction on where to submit such comments.

After the public hearing, the Housing Rehabilitation staff will consider any public comments and make recommendations to the Board of Supervisors on the proposed CDBG Program.

A record of the notices, the list of speakers, and minutes of the hearing will be kept in the Public Information Binder.

The Board of Supervisors has the sole discretion of deciding what the contents of the application will be.

Post Approval Plan: Following approval of the application, citizen participation is generally channeled through the Health and Human Services Agency. A public hearing will be held prior to the submittal of each annual and final CDBG performance report and when any amendments to policies or amendments to fund allocations exceeding 10% of the total grant award are contemplated.

PUBLIC INFORMATION

Prior to each meeting and hearing, a copy of the State regulations, notices, minutes of any previous meeting, performance reports, invitation to submit written comments received, any responses should be available for inspection at the place announced in the notice. This information should be available at least one week prior to the meeting.

During normal business hours starting one day before the first public meeting and continuing until grant close-out or notice of application denial, a file must be available for public inspection that includes all of the information listed above. As new notices, documents, and minutes are prepared, these should be added immediately to the public file. The location of this file should be included in all notices and announced at all meetings and hearings.

Confidentiality: The results of all income/interest surveys, business financial data, and rehabilitation job files will not be available to the public.

Media: The media shall be used to provide information on all CDBG Program activities and citizen participation meetings. Public notices state the funds available, the range of activities that may be fundable, purpose, date, time, and place of the hearings. All CDBG activities are advertised in local newspapers where possible.

Publication: Notices of public meetings and hearings are published at least ten days prior to meetings or when necessity requires scheduling within ten days, every effort is made to provide adequate notice as soon as possible. News releases announcing public meetings and other pertinent information are published in the local newspaper when and where meetings are to be held. Where there is no local newspaper, announcements are published in the newspaper of record for the County. When legal notices are required to announce public hearings conducted by local governing bodies, news releases are also utilized. Public notices must invite written comment on any aspect of the program, and include instruction on where to submit such comments.

Media Announcements: Public service announcements designed to invite public participation at meetings and in programs are broadcast over local radio stations.

Flyers and Posters: Particularly in rural areas, flyers and posters announcing both meetings and programs are distributed door to door, through community centers, post offices, churches, businesses and community-based citizen's groups.

Telephone Information: Glenn County Housing rehabilitation staff's office telephone number is provided through press releases, via the internet and website, to the general public.

STAFF FUNCTIONS

The Housing Rehabilitation staff will supervise preparation of the CDBG application and the plan it invokes. Staff will provide the technical assistance to help citizens understand the CDBG Program requirements, pre-application process, and nature and timing of citizen participation.

The Housing Rehabilitation staff will conduct informal meetings for community groups, to explain the goals and objectives of the community development legislation and the County's CDBG activities.

Housing Rehabilitation staff is available to assist any resident or citizens' group in understanding program requirements. Staff will respond within fifteen days to any inquiry or complaint.

ATTACHMENT D

LOAN SERVICING POLICIES AND PROCEDURES

The County of Glenn, hereinafter referred to as “County or County,” has established a Housing Rehabilitation Loan Program, hereinafter referred to as “the Program”, and has adopted these policies and procedures in order to preserve its financial interest in properties whose “Borrowers” have been assisted with public funds. The County will to the greatest extent possible follow these policies and procedures, but each loan will be evaluated and handled on a case-by-case basis. The County has formulated this document to comply with state and federal regulations regarding the use of these public funds and any property restrictions, which are associated with them.

The policies and procedures are broken down into the follow areas: 1) making required monthly payments or voluntary payments on a loan’s principal and interest; 2) required payment of property taxes and insurance; 3) required Request for Notice of Default on all second mortgages; 4) loans with annual occupancy restrictions and certifications 5) required noticing and limitations on any changes in title or use of property; 6) required noticing and process for requesting a subordination during a refinance; 7) processing of foreclosure in case of default on the loan; 8) County as Senior Lien holder; and 9) processing of demands and payoffs.

1. Loan Repayments and County Processing:

The County (or a designated loan servicing agency {DLSA}) will collect monthly payments from those borrowers who are obligated to do so under Notes which are amortized promissory notes. Late fees and service fees will be charged for monthly payments missed or received after the month that it was due.

For Notes which are deferred payment loans, the County must accept voluntary payments on the loan. Loan payments will be credited to principal. The borrower may repay the loan balance at any time with no penalty.

Program loan payments will be made to:

County of Glenn
c/o CDBG Grant Administration
420 East Laurel Street
Willows, CA 95988

At time of completion, the funds expended on a housing unit will be compared to the Note amount. Any funds not expended at completion will be considered a “principal reduction” and will be applied to the principal loan balance thereby lowering the amount owed by the Borrower.

2. Payment of Property Taxes and Insurance:

As part of keeping the loan from going into default, borrower must maintain property insurance coverage naming the County as loss payee in first position or additional insured if the loan is a junior lien. If borrower fails to maintain the necessary insurance, the

County may take out force placed insurance to cover the property while the Borrower puts a new insurance policy in place. All costs for installing the necessary insurance will be added to the loan balance at time of installation of Borrower's new insurance.

When a property is located in a 100 year flood plain, the Borrower will be required to carry the necessary flood insurance. A certificate of insurance for flood and for standard property insurance naming the County of Glenn as a County loss payee will be required at close of escrow. The County will verify the insurance on an annual basis.

Property taxes must be kept current during the term of the loan. If the Borrower fails to maintain payment of property taxes then the County may pay the taxes current and add the balance of the tax payment plus any penalties to the balance of the loan. Wherever possible, the County encourages Borrower to have impound accounts set up with their first mortgagee wherein they pay their taxes and insurance as part of their monthly mortgage payment.

3. Required Request for Notice of Default:

When the Borrower's loan is in second position behind an existing first mortgage, it is the County's policy to prepare and record a "Request for Notice of Default" for each senior lien in front of County's loan. This document requires any senior lien holder listed in the notice to notify the County of initiation of a foreclosure action. The County will then have time to contact the Borrower and assist them in bringing the first loan current. The County can also monitor the foreclosure process and go through the necessary analysis to determine if the loan can be made whole or preserved. When the County is in a third position and receives notification of foreclosure from only one senior lien holder, it is in their best interest to contact any other senior lien holders regarding the status of their loans.

4. Annual Occupancy Restrictions and Certifications:

On some owner occupant loans the County may require that Borrowers submit utility bills and/or other documentation annually to prove occupancy during the term of the loan. Other loans may have income and housing cost evaluations, which require a household to document that they are not able to make repayments, typically every five years. These loan terms are incorporated in the original note and deed of trust.

5. Required Noticing and Restrictions on Any Changes of Title or Occupancy:

In all cases where there is a change in title or occupancy or use, the Borrower must notify the County in writing of any change. County and borrower will work together to ensure the property is kept in compliance with the original Program terms and conditions such that it remains available as an affordable home for low income families. These types of changes are typical when Borrowers do estate planning (adding a relative to title) or if a Borrower dies and property is transferred to heirs or when the property is sold or transferred as part of a business transaction. In some cases the Borrower may move and turn the property into a rental unit without notifying the County. Changes in title or occupancy must be in keeping with the objective of benefit to low-income households (below 80 percent of AMI).

Change from owner-occupant to owner-occupant occurs at a sale. When a new owner-occupant is not low-income, the loan is not assumable and the loan balance is immediately due and payable. If the new owner-occupant qualifies as low-income, the purchaser may either pay the loan in full or assume all loan repayment obligations of the original owner-occupant, subject to the approval of the County's Loan Committee.

If a transfer of the property occurs through inheritance, the heir (as owner-occupant) may be provided the opportunity to assume the loan at an interest rate based on household size and household income, provided the heir is income eligible. If the heir intends to occupy the property and is not low-income, the balance of the loan is due and payable. All such changes are subject to the review and approval of the County's Loan Committee.

Change from owner-occupant to owner-investor occurs when an owner-occupant decides to move out and rent the assisted property, or if the property is sold to an investor. If the owner converts any assisted unit from owner occupied to rental, the loan is due in full.

Conversion to use other than residential use is not allowable where the full use of the property is changed from residential to commercial or other. In some cases, Borrowers may request that the County allow for a partial conversion where some of the residence is used for a business but the household still resides in the property. Partial conversions can be allowed if it is reviewed and approved by any and all agencies required by local statute. If the use of the property is converted to a fully non-residential use, the loan balance is due and payable.

6. Requests for Subordinations:

When a Borrower wishes to refinance the property, they must request a subordination request to the County. The County will subordinate their loan only when there is no "cash out" as part of the refinance. Cash out means there are no additional charges on the transaction above loan and escrow closing fees. There can be no third-party debt payoffs or additional encumbrance on the property above traditional refinance transaction costs. Furthermore, the refinance should lower the housing cost of the household with a lower interest rate and the total indebtedness on the property should not exceed the current market value.

Also, the loan must:

- a) be fully amortized and have a fixed interest rate that does not exceed the current market rate, as established by an index identified in the most recent NOFA;
- b) not have a temporary interest rate buy-down;
- c) have a term "all due and payable" in no fewer than 30 years; and;
- d) not have a balloon payment due before the maturity date of the Program loan

Upon receiving the proper documentation from the refinance County, the request will be considered by the loan committee for review and approval. Upon approval, the escrow company will provide the proper subordination document for execution and recordation by the County.

7. Process for Loan Foreclosure:

Upon any condition of loan default: 1) non-payment; 2) lack of insurance or property tax payment; 3) change in title or use without approval; or 4) default on senior loans, the County will send out a letter to the Borrower notifying them of the default situation. If the default situation continues, the County may start a formal process of foreclosure.

When a senior lien holder starts a foreclosure process and the County is notified via a Request for Notice of Default, the County, who is the junior lien holder, may cancel the foreclosure proceedings by "reinstating" the senior lien holder. The reinstatement amount or payoff amount must be obtained by contacting the senior lien holder. This amount will include all delinquent payments, late charges and fees to date. County must confer with Borrower to determine if, upon paying the senior lien holder current, the Borrower can provide future payments. If this is the case, then the County may cure the foreclosure and add the costs to the balance of the loan with a Notice of Additional Advance on the existing note.

If the County determines, based on information on the reinstatement amount and status of borrower, that bringing the loan current will not preserve the loan, then staff must determine if it is cost effective to protect their position by paying off the senior lien holder in total and restructure the debt such that the unit is made affordable to the Borrower. If the County does not have sufficient funds to pay the senior lien holder in full, then they may choose to cure the senior lien holder and foreclose on the property themselves. As long as there is sufficient value in the property, the County can afford to pay for the foreclosure process and pay off the senior lien holder and retain some or all of their investment.

If the County decides to reinstate, the senior lien holder will accept the amount to reinstate the loan up until five (5) days prior to the set "foreclosure sale date." This "foreclosure sale date" usually occurs about four (4) to six (6) months from the date of recording of the "Notice of Default." If the County fails to reinstate the senior lien holder before five (5) days prior to the foreclosure sale date, the senior lien holder would then require a full pay off of the balance, plus costs, to cancel foreclosure. If the County determines the reinstatement and maintenance of the property not to be cost effective and allows the senior lien holder to complete foreclosure, the County's lien may be eliminated due to insufficient sales proceeds.

8. County as Senior Lien holder

When the County is first position as a senior lien holder, active collection efforts will begin on any loan that is 31 or more days in arrears. Attempts will be made to assist the homeowner in bringing and keeping the loan current. These attempts will be conveyed in an increasingly urgent manner until loan payments have reached 90 days in arrears, at which time the County may consider foreclosure. County's staff will consider the following factors before initiating foreclosure:

- 1) Can the loan be cured and can the rates and terms be adjusted to allow for affordable payments such that foreclosure is not necessary?
- 2) Can the Borrower refinance with a private County and pay off the County?

- 3) Can the Borrower sell the property and pay off the County?
- 4) Does the balance warrant foreclosure? (If the balance is under \$5,000, the expense to foreclose may not be worth pursuing.)
- 5) Will the sales price of home "as is" cover the principal balance owing, necessary advances, (maintain fire insurance, maintain or bring current delinquent property taxes, monthly yard maintenance, periodic inspections of property to prevent vandalism, etc.) foreclosure, and marketing costs?

If the balance is substantial and all of the above factors have been considered, the County may opt to initiate foreclosure. The Borrower must receive, by certified mail, a thirty-day notification of foreclosure initiation. This notification must include the exact amount of funds to be remitted to the County to prevent foreclosure (such as, funds to bring a delinquent BMIR current or pay off a DPL).

At the end of thirty days, the County should contact a reputable foreclosure service or local title company to prepare and record foreclosure documents and make all necessary notifications to the owner and junior lien holders. The service will advise the County of all required documentation to initiate foreclosure (Note and Deed of Trust usually) and funds required from the owner to cancel foreclosure proceedings. The service will keep the County informed of the progress of the foreclosure proceedings.

When the process is completed, and the property has "reverted to the beneficiary" at the foreclosure sale, the County could sell the home themselves under a homebuyer program or use it for an affordable rental property managed by a local *housing* authority or use it for transitional housing facility or other eligible use. The County could contract with a local real estate broker to list and sell the home and use those funds for Program income-eligible uses.

9. Process Demands and Payoffs

Requests for demands and payoffs will be processed within the time frame allowed by law. Reconveyance and lien releases will be prepared by a qualified Title Company.