

Paradise Redevelopment Agency

**OWNER-OCCUPIED
HOUSING REHABILITATION**

**Home Repair/Rehabilitation
Program Guidelines**

January 2008

HOME REPAIR/REHABILITATION PROGRAM GUIDELINES

Table of Contents

- 1.0. GENERAL
 - 1.1. Application Process and Selection
 - 1.2. Conflict of Interest Requirements
 - 1.3. Non-Discrimination Requirements
- 2.0. HOMEOWNER QUALIFICATIONS
 - 2.1. Current Income Limits
 - 2.2. Definitions
- 3.0. HOUSING UNIT ELIGIBILITY
 - 3.1. Location and Characteristics
- 4.0. THE PROGRAM LOAN
 - 4.1. Maximum Amount of Program Assistance
 - 4.2. Minimum Amount of Program Assistance
 - 4.3. Maximum Property Value
 - 4.4. Type of Assistance Provided
 - 4.5. Loan Servicing Policies and Procedures
 - 4.6. Loan Monitoring Procedures
- 5.0. PROGRAM LOAN REPAYMENT
 - 5.1. Receiving Loan Payments
- 6.0. PROGRAM LOAN PROCESSING AND APPROVAL
 - 6.1. Initial Screening
 - 6.2. Application Intake
 - 6.3. Application Review Process
 - 6.4. Initial Inspection
 - 6.5. Work Write-Up
 - 6.6. Loan Review
- 7.0. CONTRACTOR SELECTION PROCESS
 - 7.1. Bid Documents
 - 7.2. Bid Process
 - 7.3. Insurance
 - 7.4. Contractor Selection
 - 7.5. Construction Contract
 - 7.6. Pre-Construction Conference
- 8.0. CONSTRUCTION MANAGEMENT
 - 8.1. Interim Inspection Procedures
 - 8.2. Final Inspection
 - 8.3. Dispute Resolution
 - 8.4. Retention
 - 8.5. Close-Out
 - 8.6. Warranties and Guarantees
- 9.0. LOAN MANAGEMENT
 - 9.1. Monitoring Requirements
 - 9.2. Change in Occupancy

- 9.3. Defaults and Foreclosures
- 9.4. Loan Repayment

10.0. REFINANCING

11.0. EXCEPTIONS AND SPECIAL CIRCUMSTANCES

- 11.1. Definition of Exception
- 11.2. Procedure for Exceptional Circumstances

12.0. DISPUTE RESOLUTION AND APPEALS PROCEDURE

ATTACHMENTS

- Attachment A: LOAN SERVICING POLICIES AND PROCEDURES
- Attachment B: INSTRUCTIONS TO HOMEOWNER

Paradise Redevelopment Agency

HOME REPAIR/REHABILITATION PROGRAM GUIDELINES

1.0. GENERAL

The Home Repair/Rehabilitation Program described herein (the “Program”) is designed to provide financial assistance to eligible homeowners who need health, safety and code deficiency-related repairs to their homes, also referred to herein as “housing units,” located within the Program’s eligible area, as described in Section 3.1. The Program provides this assistance in the form of deferred payment “silent” second priority loans on housing units that are occupied by eligible Homeowners. The Program will be administered by the Paradise Redevelopment Agency (the “Agency”) or its designee.

1.1. Application Process and Selection

An eligible property is any home within the town limits of the Town of Paradise occupied by an eligible Homeowner (as defined in Section 2.2) where the value of the home, after repair/rehabilitation, will not exceed 110% of the last 12 months’ median sales price, as determined by the Paradise MLS, and the requested repair/rehabilitation will not constitute more than 25% of the after-repair/rehabilitation value of the home. Agency staff will update the maximum property value limit in the Spring of each year. The application and selection process is summarized below.

- A. Homeowner requests or picks up an Interest Form and Program Information Packet from the Agency, completes the Interest Form and returns it to the Agency. Staff reviews the Interest Form, sends an acknowledgment letter to Homeowner, and adds Homeowner to waiting list.
- B. Homeowner is selected from waiting list on a first-come, first-served basis. NOTE: Homeowners with serious health/safety issues may be given a higher priority based on staff determination. An application form is sent to the Homeowner. The Homeowner returns completed application form, along with requested verification items (i.e., income verification, bank statements, income tax returns, etc.). Staff reviews the application packet for completeness, orders a property profile from Title Company and runs a credit report on the Homeowner. The Housing Coordinator reviews the application packet for pre-qualification.
- C. An appointment is made with the Homeowner for the Housing Coordinator to inspect the subject property to determine if the property is eligible for the Program. If the property is deemed eligible, Housing Coordinator and Homeowner determine what improvements will be made under the Program, and discuss the next steps in the process.
- D. Housing Coordinator provides work write-up to staff. Staff prepares and mails bid packets to a minimum of three (3) contractors for each phase of work requesting sealed bids to be submitted by a specified cut-off date (approximately 2 ½ weeks).
- E. Sealed bids are received from contractors and opened after the cut-off date by Housing Coordinator. A Bid Comparison Form is completed showing all bids by category. A Contractor Selection Sheet is completed for the Homeowner to sign.

- F. An appointment is made with the Homeowner to meet with the Housing Coordinator to review the bids and to select the contractor(s). At this time, the Housing Coordinator will also obtain the Homeowner's authorization to open an escrow and review a sample set of loan documents with the Homeowner.
- G. The loan document packet is submitted to the Executive Director of the Agency ("Executive Director") for loan approval. An escrow is opened with the Title Company and a limited title insurance policy is ordered.
- H. The loan document packet is completed by staff and signed off by the Executive Director and Agency Counsel. Appointments are set up with the Housing Coordinator and the selected contractor(s) to review the project and sign the construction contract(s).
- I. The loan document packet is delivered to the Title Company for the Homeowner's signing. After all documents are completely executed and the 3-day Notice of Rescission period has expired, the Deed of Trust is recorded and the loan document packet is returned to staff.
- J. The Agency sends out Notice to Proceed forms to the contractor(s) requesting them to schedule their portion of the work within a ten-day period. Staff creates a work schedule for the project.
- K. Contractors obtain required building permits, complete work per their contracts and schedule necessary final inspections. Upon receipt of contractor's invoice, staff confirms all permits and final inspection copies are in file, confirms Homeowner's satisfaction with job and releases 90% payment to contractor (or progressive payments if called for in construction contract).
- L. Staff files Notice of Completion with the County Recorder.
- M. Thirty-five days from the date of work completion, Staff checks County Recorder files for any Mechanic's Liens. If record is clear, final 10% payment is released to Contractor.
- N. When all phases of construction have been completed and all payments have been made on project, accounting sheet is completed by staff and a letter reflecting such accounting, closing out the project, is sent to Homeowner.
- O. Agency sets up a monitoring procedure for annual review of Homeowner conformance with terms of the loan.

1.2. Conflict of Interest Requirements

No member of the governing body and no official, employee or agent of the local government, nor any other person who exercises policy or decision-making responsibilities (including members of the loan committee and officers, employees, and agents of the loan committee, the administrative agent, contractors and similar agencies) in connection with the planning and implementation of the Program shall directly or indirectly be eligible for this Program. Exceptions to this policy can be made only after public disclosure and formal approval by the governing body of the locality.

1.3. Non-Discrimination Requirements

The Program is administered in accordance with the Agency's commitment to non-discrimination and applicable Federal and State regulations. No person shall be excluded from participation in, denied the benefit of, or be subject to discrimination under any program or activity funded in whole or in part with Agency funds on the basis of his or her religion or religious affiliation, age, race, color, creed, gender, sexual orientation, marital status, familial status (children), physical or mental disability, national origin, or ancestry, or other arbitrary cause.

2.0 HOMEOWNER QUALIFICATIONS

2.1. Current Income Limits

All Homeowners must certify that they meet the Household Income eligibility requirements for the Program and have their Household Income documented. The income limits in place at the time of loan approval will apply when determining Homeowner income eligibility. All Homeowners must have incomes at or below 120% of the County's area median income (AMI), adjusted for household size, as published each year.

2.2. Definitions

- A. "Household" means one or more persons who occupy a housing unit.
- B. "Annual Income" is the gross amount of income anticipated to be received during the coming 12-month period for all adult household members. Income includes wages, overtime, commissions, fees, tips and bonuses, interest, dividends or income from personal property, welfare assistance, alimony, child support payments, etc. Income will be verified by reviewing and documenting tax returns, copies of payroll receipts, subsidy checks, bank statements and third party verification of employment forms sent to employers. All documentation shall be dated within six months prior to loan closing, kept in the Homeowner's file and held in strict confidence.
- C. "Household Income" is the gross Annual Income of all adult household members that is projected to be received during the coming 12-month period, and will be used to determine program eligibility. For those types of income counted, gross amounts (before any deductions have been taken) are used; types of income that are not considered are income of minors or live-in aides. Certain other household members living apart from the household also require special consideration. The household's projected ability to pay must be used, rather than past earnings, when calculating income.
- D. An "Asset" is a cash or non-cash item that can be converted to cash. The value of necessary items such as furniture and automobiles are not included.
An asset's cash value is the market value less reasonable expenses required to convert the asset to cash, including: penalties or fees for converting financial holdings and costs for selling real property. The cash value (rather than the market value) of an item is counted as an asset.

- E. “Homeowner” means an individual who meets the income eligibility requirements and is currently on title to the real property.
 - 1. All persons on title to the property are considered household members for the purpose of income eligibility. Also, all persons in residence are considered household members for purposes of income eligibility.
 - 2. The housing unit shall be the principal residence of the Homeowner throughout the life of the loan.

3.0. HOUSING UNIT ELIGIBILITY

3.1. Location and Characteristics

- A. Housing units to be repaired/rehabilitated must be located within the Town of Paradise limits and must be owner-occupied, single-family detached houses, or manufactured homes located on land or in a manufactured home park.
- B. Rental property and life estates are not eligible under this program. Property must not be encumbered by federal and/or state tax liens, or other judgments that may adversely impact title to the property.
- C. The after-repair/rehabilitation value of the home cannot exceed 110% of the last 12 months’ median sales price, as determined by the Paradise MLS, and the value of the repair/rehabilitation cannot constitute more than 25% of the after-repair/rehabilitation value of the home.

4.0. THE PROGRAM LOAN

4.1. Maximum Amount of Program Assistance

The amount of Program assistance is driven by the availability of funding, the extent of work needed to bring the house up to program standards, the Homeowner’s income and repayment capacity, the contractor bids and any restrictions imposed by an existing mortgage. The loan-to-value ratio for all loans encumbering the home, including the Program loan, cannot exceed 100%.

4.2. Minimum Amount of Program Assistance

The minimum amount of Program assistance per unit is \$2,000.

4.3. Maximum Property Value

The maximum value of the home, after repair/rehabilitation, shall not exceed 110% of the last 12 months’ median sales price, as determined by the Paradise MLS. Agency staff will update the maximum property value limit in Spring of each year.

4.4. Type of Assistance Provided

- A. Agency assistance will be in the form of a deferred loan. Maximum and minimum loan amounts are stated in Sections 4.1 and 4.2.

- B. The actual loan amount depends on the extent of work, available owner equity in the property, current monthly housing costs and ability to repay the loan.
- C. After-repair/rehabilitation value may be determined by comparable sales, appraisal by qualified staff, or formal appraisal where other methods are deemed infeasible.
- D. The payments on the loan are deferred, which means that the borrower is not required to make monthly payments.
- E. The loan shall be for a term of 45 years, at which time all unpaid principal and interest remaining will be due and payable.
- F. The loan shall bear interest on the unpaid principal balance from the beginning of the term. The interest will be computed as simple interest on the unpaid balance of the principal amount at the annual rate of 3% for 10 years. At the end of 10 years, the interest rate converts to zero. After 20 years, the interest (only) will be forgiven in its entirety. The entire principal amount will still be due.
- G. The Homeowner will sign a promissory note evidencing the Program loan that will be secured by a deed of trust on the property. The Agency may approve a loan that would be in a junior position to an existing lien or deed of trust if adequate security exists to make such a subordinate loan.
- H. All deeds of trust securing loans against property under this Program shall contain a maintenance clause requiring Homeowner to properly maintain the property.
- I. Loans are due upon sale or transfer of any interest in the home or upon the loan maturity date. The loan will be in default if the Homeowner no longer occupies the home as his/her principal residence or if the Homeowner fails to maintain required fire or flood insurance or fails to pay property taxes.
- J. Program loans are not assumable.

4.5. Loan Servicing Policies and Procedures

See Attachment A for the Agency's "Loan Servicing Policies and Procedures." While the attached policy outlines a system that can accommodate a crisis that restricts borrower repayment ability, it should in no way be misunderstood: the loan must be repaid. All legal means to ensure the repayment of a delinquent loan as outlined in the Loan Servicing Policies and Procedures will be pursued.

4.6. Loan Monitoring Procedures

The Agency will monitor Homeowners and their housing units to ensure adherence to Program requirements including, but not limited to, the following:

- Owner-occupancy.
- Property tax payment.
- Hazard insurance coverage.

- Good standing on loans that are senior to the Program loan.
- General upkeep of housing units.

5.0 PROGRAM LOAN REPAYMENT

5.1 Receiving Loan Payments

- A. Program loan payments will be made to: Paradise Redevelopment Agency, 5555 Skyway, Paradise, California 95969.
- B. The Agency will be the receiver of loan payments and will maintain a financial record-keeping system to record payments and file statements on payment status. Payments shall be deposited and accounted for in the Agency's Program Income Account. The Agency will accept loan payments from Homeowners prepaying deferred loans, and from Homeowners making payments in full upon sale or transfer of the property. All loan payments are payable to the Agency. The Agency may at its discretion, enter into an agreement with a third party to collect and distribute payments and/or complete all loan servicing aspects of the Program.

6.0 PROGRAM LOAN PROCESSING AND APPROVAL

6.1 Initial Screening

Staff will screen the Homeowner and the property to determine potential Program eligibility. In order for a Homeowner to qualify for assistance, the Household Income cannot exceed 120% of the median income for Butte County, adjusted for family size, as published annually by the California Department of Housing and Community Development.

6.2 Application Intake

Staff will schedule an initial interview for Homeowners who appear to be eligible based on the initial screening. At the interview, staff is required to:

- A. Explain to the Homeowner the successive steps of the application and repair/rehabilitation process, estimated time schedule, contractor selection guidelines, and the Homeowner's roles and responsibilities.
- B. Inform the Homeowner that there is no guarantee of approval for their loan application or loan terms.
- C. If, based on the initial interview, the Homeowner meets basic eligibility requirements, the Homeowner will be listed on a prospective client list.
- D. Homeowner will be provided a loan application packet and will be asked to submit it, along with necessary verifications to the Agency.

6.3 Application Review Process

In general, Homeowners seeking assistance through the Program will be processed on a first-come, first-served basis.

Upon determination by staff that the application is complete, and preliminary repair/rehabilitation feasibility is determined, the project is added to the end of the waiting list for the Program. Projects on the waiting list will move toward the top in order of date of application, with the following exceptions:

- A. A unit that has been previously repaired/rehabilitated with low-interest government financing will not be eligible to be added to the waiting list unless:
 - 1. The prior repair/rehabilitation project failed to adequately address all serious life/safety issues.
 - 2. A workmanship problem exists with prior repair/rehabilitation resulting in non-compliance with Program standards.
- B. Properties with serious property-threatening conditions or health hazards will be given priority.
- C. Projects that enable the Agency to meet certain Program milestones and Program objectives may be given priority, where necessary, to obtain stated goals.

Upon receipt of the completed application, staff will review the application for completeness, including:

- Verification of documentation providing proof of Household Income.
- Credit report.
- Preliminary title report.
- Mortgage verification form.
- Most recent property tax bill.
- Current California driver's license, or other appropriate documentation to verify identity and owner-occupancy.
- Evidence of no prior or existing repair/rehabilitation loan on file.
- Additional items as required by regulatory revisions and/or required to satisfy prudent lending criteria.

After the application has been deemed complete and the Homeowner has been determined to be eligible for the Program, the file will be assigned for a site inspection.

6.4. Initial Inspection

After the Homeowner's preliminary eligibility is established, the repair/rehabilitation feasibility for the property will be established. The Housing Coordinator will perform the initial site inspection.

6.5 Work Write-Up

Staff will perform the work write-up. It will be a detailed list of specific activities to be undertaken in the course of the repair/rehabilitation project.

- A. Make an appointment to visit and inspect the property. Determine if an interpreter is needed.

- B. Prepare a formal property inspection including reviewing the property condition with the Homeowner and developing a deficiency list, recommended repairs and preliminary cost estimate.
- C. When inspecting the property, the following factors will be taken into account:
1. Age of property. If the property is 50 years of age or older, a picture and description of the structure will be sent to the California Department of Parks and Recreation, Office of Historic Preservation.

If any of the structures to be repaired/rehabilitated are eligible for the National Register, staff will forward a description of the proposed repair/rehabilitation work.
 2. The Housing Coordinator will review the bids, the Cost Reasonableness Evaluation, and the following factors to determine the amount of Agency assistance provided to the project.
 - Location of structure (zoning/environmental issues).
 - Excessive repair/rehabilitation costs.
 - Type of improvements.
 - Type of structure.
 - Condition of structure.
 - Homeowner's needs.
 - Economic value after improvement.
 - Loan-to-value ratio.
- D. The work write-up will be reviewed to ensure the following objectives are met:
- To assign priority to code deficiencies.
 - To guarantee and document the eligibility of financed improvements.
 - To assure mutual understanding regarding work to be performed between the Homeowner and the Agency.
 - To serve staff as a tool and basis for estimating itemized costs of individual proposed work items.
 - To serve as a basis for obtaining reliable and comparable bids from contractors and subcontractors.
 - To serve as a basis for the contract between owner and contractor and to relate that contract to the Program's goals.
 - To serve as a checklist in reviewing work performed.
 - To honor claims for materials and performance.
 - To serve as a dispute resolution instrument.

6.6. Loan Review

- A. A loan summary based on a review of the application and the findings of the site inspection will be prepared. The summary will include a recommendation of the proposed loan amount and applicable terms and conditions.

- B. Approval Authority: The Executive Director is granted loan approval authority. Criteria to be considered by the Executive Director includes:
1. The cost estimate, proposed scope of work, and Homeowner's income status.
 2. Credit report information, loan-to-value ratio, debt coverage ratio, preliminary title report and any other relevant information required to minimize the risk of loss to the Agency in the event of a foreclosure.

7.0 CONTRACTOR SELECTION PROCESS

The Agency will prepare and mail out bid documents. In order to determine cost reasonableness, a minimum of three bids shall be required. In the event three bids are not submitted, the Agency will complete a "Cost Reasonableness Evaluation."

7.1 Bid Documents

Project bids are to be submitted on standard bid forms that will be provided to the contractor. The bid packet may include:

- Instructions to Bidders.
- Bid Form.
- Drawings and/or plans (if applicable).
- Job Specifications/Work Write-Up.

Bid packets will be provided to the bidder for a fee that covers the cost of reproducing the plans and drawings and other necessary bid materials.

7.2 Bid Process

Competitive bids will be obtained for all repair/rehabilitation work, with the exception of emergency repairs. Staff will:

- A. Prepare a detailed work write-up and cost estimate.
- B. Submit the project for open competitive bids.
- C. The Agency will prepare a "Cost Reasonableness Evaluation" based on current construction data for Butte County/Town of Paradise. To help ensure cost reasonableness, a minimum of three bids per project will be solicited. Bids must be within 10% of the cost estimate in the Cost Reasonableness Evaluation, or the Housing Coordinator will provide a rationale for the deviation.
- D. Verify contractor's qualifications and good standing with the State Contractors Licensing Board and the federal list of disbarred and suspended contractors.

7.3. Insurance

Contractors shall provide the following amounts of insurance coverage:

<u>Amount of Job</u>	<u>Amount of Insurance Required</u>
Up to \$10,000	\$ 300,000
\$10,000 - \$50,000	\$ 500,000
Over \$50,000	\$1,000,000

7.4. Contractor Selection

After the Agency receives the sealed bids, the Homeowner selects a contractor from those who have submitted acceptable bids. Bids within a range of 10% above or below the cost estimate are considered acceptable unless submitted in a form that deviates from the standard bid documents or that is illegible, unclear, altered or otherwise deficient, as determined by Housing Coordinator.

The Homeowner, or the Agency on behalf of the Homeowner, reserves the right to disqualify bids before, on, or after opening, upon evidence of collusion with the intent to defraud or other illegal practices upon the part of the bidder.

7.5. Construction Contract

The construction contract shall include the following:

- The proposal and contract form.
- The work write-up, including required plans and elevations.
- General conditions.
- Documentation of contractor's license, insurance, and workers' compensation insurance.
- Labor standard requirements, if applicable.
- Non-discrimination/EEO certifications.
- Payment procedures.

7.6 Pre-Construction Conference

The pre-construction conference shall address the following:

- A. Review work write-up, making sure both the Homeowner and contractor understand that only items in the work write-up will be accepted and paid for under the loan (unless there is an approved "change order").
- B. Review performance and payment schedule.
- C. Review change order procedure; emphasize no "extra" work to be performed without an approved change order.
- D. Discuss lien release and final payment.
- E. Emphasize contractor responsibility for purchasing permits and calling for inspections.
- F. Explain "Notice to Proceed." The Notice specifies the agreed upon "start date" and gives an agreed upon number of calendar days thereafter for

completion of the job (60 days is a common figure). Work performed prior to “start date” is not reimbursable under the Program.

- G. The construction contract will then be executed.

8.0. CONSTRUCTION MANAGEMENT

8.1 Interim Inspection Procedures

Housing repair/rehabilitation work may be monitored by the Agency for compliance with specifications set forth in the work write-up and drawings (if applicable). Work not performed to specification will not be accepted. The project file narrative will include a record of all inspections and any findings.

- A. Progress Payments: Upon receipt of a contractor’s request for payment, the Agency and the Homeowner (or Homeowner’s representative) must inspect the work and determine if it is acceptable. In addition, Agency must determine if the percentage of work claimed has been completed and if the progress payment schedule has been met. Contractor arranges for all necessary inspections from the Town Building Department.
- B. Change Orders: No changes may be made in the scope of work unless prior approval is obtained in the form of a change order signed by the contractor, Homeowner and Agency. The change order must contain:
 - Description of modifications.
 - Change in contract price.
 - Description of how additional costs (if any) will be covered.
 - Certification of cost reasonableness by the Agency.

8.2. Final Inspection

The final inspection will be conducted by the Agency and the Town Building Inspector and will follow the general procedures listed above with these additional steps:

- A. A punch list of deficiencies will be prepared and given to the contractor for follow-up. A completion date will be established.
- B. Staff will verify that the Town Building Department has completed its final inspection.
- C. Re-inspection of the work, if necessary, will be coordinated with the Homeowner.
- D. When applicable, lien releases are to be provided by the contractor.
- E. If all work is acceptable, a progress payment will be issued (less 10% retention).
- F. A Notice of Completion will be filed.

8.3 Dispute Resolution

Construction-related disputes between the Homeowner and the contractor shall be resolved prior to the release of the final payment.

8.4 Retention

Ten percent (10%) of the total contract price will be retained from progress payments and from the final payment until all lien releases are received or 35 days after the Notice of Completion is filed.

8.5 Close-Out

Upon construction completion, staff will review loan files for compliance with Program standards.

8.6 Warranties and Guarantees

The contractor must guarantee all work, materials, and workmanship for a minimum of one year from the date of filing the Notice of Completion. Where materials or subcontracted work are covered by an extended warranty, copies of the warranty must be provided to the Homeowner during project closeout. Requests for warranty repairs must be made in writing. The Homeowner must submit warranty requests directly to the contractor.

9.0. LOAN MANAGEMENT

9.1 Monitoring Requirements

Staff will be required to monitor compliance with the terms of the loan and general Program requirements such as:

- A. Occupancy. Homeowners are required, on an annual basis, to certify current occupancy of the property. Non-compliance constitutes default.
- B. Insurance Coverage. The Agency requires that all Homeowners receiving repair/rehabilitation loans maintain adequate hazard insurance, with Agency designated as "Loss Payee" in the amount of the loan balance. Homeowners will be advised to take corrective action if insurance coverage is inadequate or lapses. In the event that a Homeowner ceases to insure the repaired property, the Agency holds the authority and ability to invoke insurance coverage on the property to protect the loan for its duration. The cost of insurance and any associated expenses will be added to the indebtedness of the property for repayment at the time of loan repayment. Industry standards will be used to determine the amount and type of coverage required. Failure to maintain adequate coverage constitutes default.

9.2 Change in Occupancy

If occupancy changes for any reason, the Homeowner must notify the Agency within 10 days. Loans are due and payable when the Homeowner is no longer the occupant of the residence that was repaired/rehabilitated.

9.3 Defaults and Foreclosures

Defaults or foreclosure may be initiated if violations of the loan agreement occur. Such violations include, but are not limited, to:

- Failure to maintain the proper insurance coverage.
- Failure to comply with Program policies and regulations.
- Failure to maintain the property in accordance with adopted codes and standards.
- Failure to pay property taxes.
- Failure to pay off the loan at the end of the loan term.

9.4 Loan Repayment

- A. Staff is responsible for monitoring and reconciling loan repayment records.
- B. Upon receipt of loan payoff requests, staff will:
 - Verify the amount of the loan payoff.
 - Advise the Title Company or Homeowner of the amount due.
 - Prepare Request for Reconveyance.
 - Verify receipt of final pay-off.
 - Forward Request for Reconveyance for signature.
 - Deliver documents to the Title Company for recording.
 - Deposit payment in the Agency's Program Income Account.

10.0. REFINANCING

When a Homeowner wishes to refinance the property, the Program loan must be repaid in full.

11.0. EXCEPTIONS AND SPECIAL CIRCUMSTANCES

11.1. Definition of Exception

An exception is any case to which a standard policy or procedure, as stated in the guidelines, does not apply. A Homeowner being treated differently from others of the same class would be an exception.

11.2. Procedure for Exceptional Circumstances

- A. The Housing Coordinator may initiate consideration of an exception and prepare a report. This report shall contain a narrative, including the Housing Coordinator's recommended course of action and any written or verbal information supplied by the Homeowner.
- B. The Agency shall make a determination of the exception based on the report and recommendations of the Housing Coordinator. The request for an exception can be presented to the Executive Director and/or the governing body for a decision.

12.0. DISPUTE RESOLUTION AND APPEALS PROCEDURE

Any Homeowner denied assistance from the Program has the right to appeal. The appeal must be made in writing. Agency has 30 days to review the appeal, seek recommendations from the Executive Director and Housing Coordinator, and respond in writing to the Homeowner.

Attachment A

Paradise Redevelopment Agency

LOAN SERVICING POLICIES AND PROCEDURES

The Town of Paradise Redevelopment Agency, hereafter called "Lender," has adopted these Loan Servicing Policies and Procedures (these "policies and procedures") in order to preserve its financial interest in properties that have been assisted with public funds. The Lender 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 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 senior liens; 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; and 7) processing of foreclosure in case of default on the loan.

1. Loan Repayments

The Lender will collect monthly payments from those borrowers who are obligated to do so under amortized promissory notes. Late fees will be charged for payments received after the assigned monthly date. Lender may use a loan collection company to collect payments.

For deferred payment loans, the Lender may accept voluntary payments on the loan. Loan payments will be credited to accrued interest first and then to principal. The borrower may repay the loan balance at any time with no penalty.

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 Lender 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 Lender may take out forced place 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 will be required at close of escrow. The Lender may 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 Lender may pay the taxes current and add the balance of the tax payment plus any penalties to the balance of the loan. If the borrower has a senior lien, the Lender encourages borrower to have impound accounts set up with that first mortgagee wherein they pay their taxes and insurance as part of their monthly mortgage payment. When the Lender's lien is in first position, the Lender may require the borrower to set up an impound account for the payment of their taxes and insurance.

3. Required Request for Notice of Default

When the Lender's loan is in second position behind an existing first mortgage, it is the Lender's policy to prepare and record a "Request for Notice of Default" for each senior lien in front of Lender's loan. This document requires any senior lien holder listed in the notice to notify the Lender

of initiation of a foreclosure action. The Lender will then have time to contact the borrower and assist them in bringing the first loan current. The Lender 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 Lender is in a third position and receives notification of foreclosure from only one senior lien holder, it is in its best interest to contact any other senior lien holders regarding the status of their loans.

4. Annual Occupancy Restrictions and Certifications

On owner-occupant loans, the Lender 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, occupancy or use, the borrower must notify the Lender in writing of any change. Lender 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- and moderate-income persons or families.

6. Requests for Refinancing

When a borrower wishes to refinance the property, the Lender's loan must be repaid in full.

7. Process for Loan Foreclosure

Upon any condition of loan default: 1) non-payment; 2) lack of insurance or property tax payment; 3) violation of rent limitation agreement; 4) change in title, occupancy or use without approval; or 5) default on senior loans, the Lender will send out a letter to the borrower notifying them of the default situation. If the default situation continues then the Lender may start a formal process of foreclosure.

Lender as Junior Lien Holder

If the Lender is a junior lien holder, and a senior lien holder starts a foreclosure process and the Lender is notified via a Request for Notice of Default, the Lender may cancel the foreclosure proceedings by "reinstating" the senior lien. 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. Lender 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 Lender 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 Lender 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 restructuring the debt such that the unit is made affordable to the borrower. If the Lender does not have sufficient funds to pay the senior lien holder in full, then it may choose to cure the senior lien and foreclose on the property itself. As long as there is sufficient value in the property, the Lender can afford to pay for the foreclosure process and pay off the senior lien holder and retain some or all of its investment.

If the Lender 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 Lender fails to reinstate the senior lien 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 Lender determines the reinstatement and maintenance of the property not to be cost effective and allows the senior lien holder to complete foreclosure, the Lender's lien may be eliminated due to insufficient sales proceeds.

Lender as Senior Lien Holder

When the Lender 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 Lender may consider foreclosure. Lender will consider the following factors before initiating foreclosure:

- A. Can the loan be cured and can the rates and terms be adjusted to allow for affordable payments such that foreclosure is not necessary?
- B. Can the borrower refinance with a private lender and pay off the Lender?
- C. Can the borrower sell the property and pay off the Lender?
- D. Does the balance warrant foreclosure? (If the balance is under \$5,000, the expense to foreclose may not be worth pursuing.)
- E. Will the sales price of the 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 Lender 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 Lender to prevent foreclosure.

At the end of thirty days, the Lender will 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 Lender 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 Lender 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 Lender could sell the home itself 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 Lender may contract with a local real estate broker to list and sell the home and use those funds for program income eligible uses.

Attachment B

PARADISE REDEVELOPMENT AGENCY Home Repair/Rehabilitation Program

INSTRUCTIONS TO HOMEOWNER

The Paradise Redevelopment Agency Housing Repair/Rehabilitation Program ("Program") provides assistance in the form of a deferred payment "silent" second priority loan as financing toward the housing repair/rehabilitation projects on the home occupied by the Homeowner. The Program is funded by the Paradise Redevelopment Agency ("Agency") and will be administered by the Agency or its designee.

- A. Homeowner requests or picks up an Interest Form and Program Information Packet from the Agency, completes the Interest Form and returns it to the Agency. Staff reviews the Interest Form, sends an acknowledgment letter to Homeowner, and adds Homeowner to waiting list.
- B. Homeowner is selected from waiting list on a first-come, first-served basis. NOTE: Homeowners with serious health/safety issues may be given a higher priority based on staff determination. An application form is sent to the Homeowner. The Homeowner returns completed application form, along with requested verification items (i.e., income verification, bank statements, income tax returns, etc.). Staff reviews the application packet for completeness, orders a property profile from Title Company and runs a credit report on the Homeowner. The Housing Coordinator reviews the application packet for pre-qualification.
- C. An appointment is made with the Homeowner for the Housing Coordinator to inspect the subject property to determine if the property is eligible for the Program. If the property is deemed eligible, Housing Coordinator and Homeowner determine what improvements will be made under the Program, and discuss the next steps in the process.
- D. Housing Coordinator provides work write-up to staff. Staff prepares and mails bid packets to a minimum of three (3) contractors for each phase of work requesting sealed bids to be submitted by a specified cut-off date (approximately 2 ½ weeks).
- E. Sealed bids are received from contractors and opened after the cut-off date by Housing Coordinator. A Bid Comparison Form is completed showing all bids by category. A Contractor Selection Sheet is completed for the Homeowner to sign.
- F. An appointment is made with the Homeowner to meet with the Housing Coordinator to review the bids and to select the contractor(s). At this time, the Housing Coordinator will also obtain the Homeowner's authorization to open an escrow and review a sample set of loan documents with the Homeowner.
- G. The loan document packet is submitted to the Executive Director of the Agency ("Executive Director") for loan approval. An escrow is opened with the Title Company and a limited title insurance policy is ordered.
- H. The loan document packet is completed by staff and signed off by the Executive Director and Agency Counsel. Appointments are set up with the Housing

Coordinator and the selected Contractor(s) to review the project and sign the Construction Contract(s).

- I. The loan document packet is delivered to the Title Company for the Homeowner's signing. After all documents are completely executed and the 3-day Notice of Rescission period has expired, the Deed of Trust is recorded and the loan document packet is returned to staff.
- J. The Agency sends out Notice to Proceed forms to the contractor(s) requesting them to schedule their portion of the work within a ten-day period. Staff creates a work schedule for the project.
- K. Contractors obtain required building permits, complete work per their contracts and schedule necessary final inspections. Upon receipt of contractor's invoice, staff confirms all permits and final inspection copies are in file, confirms Homeowner's satisfaction with job and releases 90% payment to contractor (or progressive payments if called for in construction contract).
- L. Staff files Notice of Completion with the County Recorder.
- M. Thirty-five days from the date of work completion, Staff checks County Recorder files for any Mechanic's Liens. If record is clear, final 10% payment is released to Contractor.
- N. When all phases of construction have been completed and all payments have been made on project, accounting sheet is completed by staff and a letter reflecting such accounting, closing out the project, is sent to Homeowner.
- O. Agency sets up a monitoring procedure for annual review of Homeowner conformance with terms of the loan.