

COUNTY OF BUTTE

DISASTER ASSISTANCE HOUSING REHABILITATION LOAN PROGRAM Amendment 3 (CalHome Program)

**PROGRAM GUIDELINES
Amendment Approved July 20, 2021**



County of Butte
CalHome Disaster Assistance Housing Rehabilitation Loan
Program Guidelines, Amendment 3

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I. Introduction

Background: The County of Butte (County) has an unprecedented need for affordable housing in the wake of not only the Camp Fire, which was the most destructive wildfire in California’s history, but previous fires dating back to 2017.

In October 2017, portions of the County were devastated by wind- driven wildfires, resulting in Presidential Disaster Declaration DR-4344. In response, the California Department of Housing and Community Development (HCD) issued a Notice of Funding Availability (NOFA) on April 11, 2018, making funds available to local jurisdictions, including Butte County, to provide funds to low-income residents for rehabilitation or reconstruction of their units affected by the fires.

In August 2018, the County applied for a \$500,000 grant from HCD in response to the NOFA. The County was notified by HCD on September 26, 2018 that it was awarded the full amount of \$500,000 from the CalHome Disaster Assistance Round 1 funding. To best utilize these funds, the County is offering silent-second loans for gap financing for the reconstruction or rehabilitation of income- qualified owner-occupied single-family homes generally located in the unincorporated areas of the County.

In November 2018, portions of the unincorporated area of the County and the Town of Paradise was devastated by the Camp Fire, resulting in Presidential Disaster Declaration DR-4407-CA. In response, HCD issued a NOFA on May 3, 2019, making fund available to local jurisdictions, including Butte County, to provide funds to low-income residents for rehabilitation or reconstruction of their units affected by the fires.

In June 2019 the County applied for a \$10,080,000 grant from HCD in response to the NOFA. The County was notified by HCD on September 17, 2020 that it was awarded the full amount of the \$10,080,000 from the CalHome Disaster Assistance Round 2 funding. To best utilize these funds, the County is offering silent second loans for gap financing for the reconstruction or rehabilitation of income-qualified owner-occupied single family homes generally located in the unincorporated areas of the County.

A. Purpose and Objectives

1. The purpose of the CalHome Disaster Assistance Housing Rehabilitation Loan Program (Loan Program) is to facilitate reconstruction or rehabilitation of single-family homes owned and occupied by low-moderate income households:
 - a. Low-to-moderate-income households affected by the 2017 and 2018 fires. Low-to-moderate-income households are those whose income is 120% or less than the County AMI limit as determined by HCD from time to time, adjusted for household size.
2. The objective of the Loan Program is to provide financial assistance to eligible households in the form of gap financing to complete repair or reconstruction of their homes after insurance proceeds or other financing provided for repair or reconstruction have been applied.

B. Authority

1. The County, in partnership with the Regional Housing Authority, will oversee the Loan Program. This document (Program Guidelines) contains the policies that form the framework for the Loan Program and has been approved by the Board of Supervisors (Board). No revisions may be made hereto without the express approval of the Board.
2. The Board may make exceptions to the policies contained in these Program Guidelines to the extent necessary to provide assistance required to correct health and safety hazards that are deemed an imminent threat.

C. Program Funding

HCD granted funds to the County for homeowner rehabilitation or reconstruction loans for low-income residents; the County directed that the funds be used for low-income owner-occupants of single family homes in the area, directly affected by 2017 or 2018 wildfire disasters, for rehabilitation or reconstruction loan(s) (Loan).

Current and future grant funds may be used according to Notice of Funding Availability, currently:

1. CalHome Program Disaster Assistance Funding Round 1, 1st Amendment, Dated November 1, 2019
2. CalHome Program Disaster Assistance Funding Round 2, 2nd Amendment, Dated September 6, 2019

II. Eligibility

The County will not discriminate in the provision of financial assistance because of race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, marital status, national origin, ancestry, familial status, source of income, disability, or genetic information of any person.

A. Conflict of Interest

No member of the Board, or any other official, employee, or agent of the County or the Regional Housing Authority who exercises any policy decision-making functions or responsibilities in connection with the planning and implementation of the Loan Program shall directly or indirectly be eligible for a Loan.

B. Ownership and Residency Requirements

1. The applicant must be the owner of record of the home to be rehabilitated or reconstructed, as of the date of the disaster.
 - a. The applicant must have owned the home at the time of the disaster.
 - b. The home must have been destroyed or damaged in the disaster. As part of the eligibility determination process, staff will visit the proposed site to verify the

property's condition.

The County's Development Services Department and the County Tax Collector records will serve as tools for secondary verification that the home was destroyed or damaged in the disaster.

2. The home must be occupied by the applicant as his or her principal residence for the full term of the Loan.
3. The name(s) of non-occupant parents, ex-spouses, siblings, or children may be on the title to the home in addition to the name of the owner-occupant(s). No other non-occupants may be listed on the title.
4. Applicants who occupy and control a home through a revocable or irrevocable trust, a life estate or other similar arrangement through which the applicant and/or one or more non-occupant parents, ex-spouses, siblings, or children are trustees or hold title to the home shall be eligible for a Loan if the applicant has the legal right to encumber the home.
 - a. If the trustee or other non-occupant on title is not the parent, ex-spouse, sibling, or child of the applicant, the applicant will not be eligible for financial assistance under this Loan Program.
 - b. If the trust, life estate, or other arrangement requires the trustee or other non-occupant on title to approve any encumbrance on the home, the trustee or other non-occupant on title will be required to co-sign the Loan documents and shall be equally liable to repay the Loan.

C. Program Eligibility

Eligible Owner-Occupants must comply with the following:

1. Commit to using all building insurance proceeds and all other financing and disaster assistance provided for the purposes of rehabilitation or reconstruction **prior** to calculation of the Loan;
2. Reconstruction or rehabilitation of the home may not have commenced;

- D.** Any assisted home must have an after-rehabilitation or after-reconstruction value at or below the current local median sale price of a single-family home, using the most recent median sale price for the County posted at the California Association of Realtors website at

<https://www.car.org/marketdata/data/countysalesactivity>. **Program Ineligibility**

Applicant(s) may be deemed ineligible for any of the following reasons. This list is not intended to include every instance in which an applicant may be ineligible.

- Applicant(s) not the recorded owner of the Property;
- Title issues;

- Reverse mortgage exists;
- Pending bankruptcy;
- Pending foreclosure (exceptions may be made under extremely limited circumstances);
- Property taxes delinquent; or
- Construction of Property has already commenced; or
- Applicant(s) fail to meet the guidelines under “Program Eligibility” above.

E. Income and Asset Limits

- i. All household occupants must demonstrate income eligibility.
 1. Eligible borrowers affected by the 2017 and 2018 fires must be households with incomes not to exceed 120% of AMI, adjusted for household size, and must intend to be the owner-occupants of the home when work is complete. AMI shall be in accordance with HCD guidelines as amended from time to time. Household income shall be computed as described in these Program Guidelines.
- ii. Asset Limits
 1. If a household has household assets more than \$5,000, gross income shall include the **greater of**:
 - Actual amount of income, if any, derived from all the household assets, **OR**
 - 2.0% of the value of all such assets.
 2. If the assets are less than \$5,000, no income is counted from assets. If the assets are \$5,000 or greater, income is counted from all the assets. *It is the income from the assets that is counted, not the value of the assets.* If there is no regular income from assets, the income is imputed to be 2.0%.
 3. If the assets, including insurance proceeds or replacement of personal contents, are \$5,000 or more, but they are scheduled to be liquidated for rehabilitation or reconstruction of the home, **and** they are deposited into escrow, they need not be counted in the income verification.

Funds received from insurance proceeds for building replacement do not count as current assets.

Household assets means checking, savings, and money market accounts; stocks, bonds, and other forms of capital investments. For checking accounts, the average six-month balance will be used. Retirement accounts are not counted as assets for income verification if they are not accessible to the applicant without retiring or terminating employment. The value of equity in real property, value of gems, art collections, etc., will not be considered in the asset base because the value fluctuates until sold, however, income from such property must be considered.

The value of necessary items such as furniture and automobiles shall be excluded. An “eligible household” is one who meets ownership, residency, property, and income requirements. Eligible households who receive funding will hereinafter be called “borrower”.

III. Loan Terms and Conditions

The County will offer deferred payment Loans at 0% simple interest.

A. Term

1. Single Family Residence on Permanent Foundation

The Loan term shall be 30 years. No payments will be required prior to the thirtieth anniversary of the Loan, however, the deferred payment Loan will be due and payable in full prior to 30 years upon the earlier of:

- Sale or transfer of the home;
- Cessation of owner-occupancy; or
- Upon the loan maturity date.

At the beginning of the 31st year, the deferred payment Rehabilitation Loan and all accrued interest are due and payable in full.

If it is determined at the Loan maturity date that repayment of the Loan represents a hardship for the homeowner, the County may consider:

- a. Amending the note and deed of trust to defer repayment of the amount due at loan maturity (the original principal and accrued interest) for up to an additional 30 years at zero percent interest [this may be offered one time only]; or
- b. Converting the original principal and interest to an amortized loan, repayable in 15 years, at zero percent interest.

2. Manufactured Housing Located in a Mobile Home Park

Financial assistance may be provided in the form of a secured forgivable loan to an individual household to rehabilitate, repair, or replace manufactured housing located in a mobilehome park and not permanently affixed to a foundation. The loan shall be due and payable in 20 years, with 10 percent of the original principal to be forgiven annually for each additional year beyond the 10th year that the home is owned and continuously occupied by the borrower.

3. All Loans

The Loan may be due and payable in full should any of the following occur:

- The borrower is in default on any other Loan requirement;

- Fire, flood, and other insurance, as applicable, is not maintained with the County as loss payee; or
- Borrower fails to keep all levies or taxes current.

Borrowers will be advised on the face of the Promissory Note as follows:

“You have chosen to finance the rehabilitation/reconstruction of your home with a Loan that includes a balloon payment. This means that the last scheduled payment is significantly larger than any other prior payments you may have chosen to make.

Your contract reflects a balloon payment of

\$_____.”

By State of California statute, CalHome loans are not assumable.

B. Interest

Interest will be simple interest and shall accrue on the unpaid principal balance from the date upon which the Notice of Completion is recorded. The annual interest rate for deferred- payment Loans is 0%.

C. Rehabilitation Loan Amount

The maximum Loan amount available per property is \$100,000 for funded by Round 1 and \$150,000 for loans funded by Round 2. Eligible costs include:

1. Cost of the rehabilitation or reconstruction of the property;
2. Cost of building permits or other related government fees;
3. Cost of architectural, engineering, and other consultant services directly related to the rehabilitation or reconstruction of the property and related to eligible work done using the CalHome funds;
4. Non-recurring loan closing costs such as escrow or title fees;
5. Relocation costs during the project if required for health and safety and if made part of the loan. Relocation and storage costs are considered secondary costs and allowed only when absolutely necessary for health and safety. These costs are considered part of the Loan which must be repaid and are not a grant. Homeowners are encouraged to utilize insurance proceeds for relocation purposes so that Loan funds are used for rebuilding/rehabilitation costs.

IV. Rehabilitation Loan Procedures

A. Application Process

2. Loan applications will be available by contacting the Regional Housing Authority at 530.671.0220 or at their office located at 1455 Butte House Road in Yuba City, CA.

3. Completed Rehabilitation Loan applications will be submitted to the Regional Housing Authority at:
 - Regional Housing Authority
 - CalHome Disaster Assistance
 - 1455 Butte House Road
 - Yuba City, CA 95993
4. The Regional Housing Authority will process, evaluate and consider complete applications on a first-come, first- served basis based on date of receipt. ***An application will be deemed complete when all required information has been supplied by the homeowner(s).*** Required information includes:
 - Proof of homeownership;
 - Income information (employment, income and asset documentation including a minimum of three months of bank statements);
 - Name, age, relationship, and Social Security Number of all household members;
 - Copies of property tax bills;
 - Proof of insurance;
 - FEMA registration number and award letter (for applicants affected by disaster);
 - Small Business Administration (SBA) number and award letter;
 - Identification of insurance gap for reconstruction/rehabilitation (i.e., bids or construction contract, financial commitments from other lenders);
 - Amount of insurance, FEMA, and SBA funds applied and the type of insurance coverage (for applicants affected by disaster);
 - Total project cost as evidenced by contractor’s approved bid or building contract; and
 - Specific activity type (reconstruction or rehabilitation) as evidenced by contractor’s approved bid or building contract. For rehabilitation projects, this will include the reasons for construction (health, safety, correction of code violation, compliance with ordinance).
5. The Regional Housing Authority will confirm property eligibility by verifying that the home is located within the unincorporated area of the County and/or within the fire-affected area utilizing County damage assessment lists, and owned by the applicant through a preliminary title report, in accordance with eligibility criteria (Section II.E.).
6. The Regional Housing Authority will verify income eligibility up to 120% of AMI or less, in accordance with eligibility criteria (Section II.E.), using HCD income guidelines

through review of the income of all household members. Documents utilized may include but may not be limited to credit reports, employment verification, income verification, award letters, asset verification, tax returns, bank statements, and tax bills.

B. Underwriting Criteria

In all instances, the Program's underwriting standards will be employed in a consistent, equitable manner. The Regional Housing Authority and the County will utilize sound judgment in making Loans to ensure that the public funds are adequately protected. The Program's underwriting standards will generally follow private lending practices, and will include the following, at minimum:

1. Loan applicants must be the owner of the home.
2. A preliminary title report shall be made for all income-qualified applications.
3. A complete credit report shall be made for all income-qualified applicants.
4. Unreported income is fraudulent and will result in calling of the Loan.
5. Property taxes and property insurance must be current for an applicant to be considered for a Loan and must be paid when due during the term of the Loan.
6. A Loan may result in a loan-to-value ratio of up to 105% of the estimated after-rehabilitation market value. The after-rehabilitation value may not exceed 100% of the most recent median sale price for the County posted at the California Association of Realtors website at <https://www.car.org/marketdata/data/countysalesactivity>.
7. Open lines of credit are calculated as the maximum credit available to the borrower for purposes of determining loan-to-value ratio.
8. Applicant credit history will be verified using Equifax or similar service.

C. Rehabilitation Loan Approval and Processing

1. After preliminary approval of an application, the Regional Housing Authority will obtain the following, if not already obtained:
 - a. Appraisal of before- and after-rehabilitation value of the home; and
 - b. Preliminary title report.

There will be no charge for these services if the Regional Housing Authority or County does not recommend approval of the Loan. If the borrower makes a voluntary decision not to proceed with the Loan after approval, and if there is no other reason why the project cannot proceed, the borrower will be required to reimburse the Program for all usual and customary direct costs incurred.

2. Property insurance, including fire and flood, if applicable, will be required during the life of the Loan. The applicant must have sufficient insurance to cover the amount of

the Loan and all senior liens. Coverage deficiencies must be corrected as a condition of Loan approval.

The County shall be named on the policy as mortgagee/loss payee for the full term of the Loan.

3. After complete review of each application for completeness and consistency with underwriting standards, the County's Loan Review Committee will make final approval or denial of the Loan application. The County's Loan Review Committee consists of one staff member from the Development Services Department, one staff member from the Administration Department, and two Board of Supervisors.
4. It is within the purview of the County Loan Review Committee to disapprove any Loan application or to request additional information.
5. At the discretion of the County's Loan Review Committee, a Loan may be approved despite isolated instances of slow payments or even more significant past credit problems based upon careful analysis of the contributing causes and circumstances. The borrower's demonstrated ability to reestablish a good credit standing, to maintain a good repayment pattern on housing-related debts, and to build equity in the real property owned by the borrower are all factors to be considered.
6. Upon Loan approval by the County's Loan Review Committee, borrower will sign the following documents (hereinafter Loan Documents):
 - a. Promissory Note;
 - b. Deed of Trust;
 - c. Loan Agreement;
 - d. Fair Lending Notice;
 - e. Truth-in-Lending Disclosure;
 - f. Notice of Right of Rescission; and
 - g. Request(s) for Notice of Default and Sale; and
 - h. Any other documents required by law or Program Policy.
7. Regional Housing Authority will assist property owner with an ALTA Title Insurance Policy. All associated fees for the policy are included in activity delivery fees.
8. The Regional Housing Authority shall record the above documents as applicable or take any such actions necessary to perfect the Program lien.
9. Upon receipt, The Regional Housing Authority will provide all original documents related to each Loan to the County. The County will securely store all original documents in a locked fireproof vault.

D. Loan Documents

1. Loan Documents are defined herein.
2. All owners of record shall execute all documents required to complete the Loan.
3. Non-occupant parents, ex-spouses, siblings, or children who are listed on title to the real property will be required to co-sign the Loan Documents and shall be equally liable to repay the Loan. Spouses and registered domestic partners shall sign the Loan Documents unless title is clearly held as the owner's sole and separate property.

V. Construction

- A. Borrower will provide the Regional Housing Authority with copy of fully executed contract(s) for rehabilitation or reconstruction work.
- B. Construction on the home may not have begun prior to Loan approval.
- C. Changes to the services to be provided under the contract and amounts to be paid pursuant to the contract may be made only by written change order by and between borrower and the contractor and must be submitted to the Regional Housing Authority for review and approval.
- D. Borrower must accept the work performed through execution of a Contractor Pay Request prepared by the contractor and signed by Borrower, as applicable, before the Regional Housing Authority will approve release of payments from escrow.
- E. Upon satisfactory completion of all work in the contract, borrower shall sign the final Contractor Pay Request to evidence the borrower's final acceptance of the work. Regional Housing Authority will then prepare and record a Notice of Completion. The Regional Housing Authority will approve release of final payment to contractor after receipt of the final Contractor Pay Request, conducting final inspection of the property, and 35 days after recording the Notice of Completion. Unconditional Final Lien Release from the contractor will be obtained when the final payment is disbursed to the contractor.

VI. Loan Administration and Collections

E. Subordination

The County will not consider subordination of the Loan.

F. Transfer and Assumption

Loans provided through this Loan Program cannot be transferred to, or assumed by, future owners of the home except as follows:

1. Transfer to a surviving joint tenant by devise, descent, or operation of law on the death of a joint tenant;
2. A transfer in which the transferee is a person who occupies or will occupy the property, which is:
 - a. A transfer where the spouse becomes the owner of the property;

- b. A transfer resulting from a decree of dissolution of marriage, legal separation agreement, or from an incidental property settlement agreement by which the spouse becomes an owner of the property; or
- c. A transfer into an inter-vivo or living trust in which the homeowner is and will remain the beneficiary and occupant of the property.

G. Deferred Payment Loan Collection

The borrower shall make full repayment of the Loan when due in accordance with the Promissory Note and Loan Agreement. Recipients of deferred payment Loans may choose to make periodic prepayments directly to the County to reduce the amount of their indebtedness. Payments will be applied first to interest and then to the Loan principal.

H. Loan Defaults

In the event of any default by borrower of one or more of the Loan terms included in the Loan Documents, the County, with the advice of County Counsel, may initiate foreclosure proceedings.

VII. Definitions

Affordability Period: the period during which the homeowner must comply with the terms of the Loan. The period begins on the date of final acceptance of the work and ends when the home is sold by the Borrower or the Loan is repaid in full to the County.

Applicant: the person or persons receiving assistance through the Loan Program

Below Market Interest Rate: An interest rate lower than the interest rate generally accepted for use by commercial lenders.

Borrower: any member of the household who is listed on title to the real property and who will be accepting responsibility for repayment of any loan.

Codes and Standards: all applicable housing, planning, fire prevention, building, zoning, health codes, or other pertinent local or state ordinances.

Contractor: the person or entity selected to perform the rebuilding or rehabilitation on the Borrower's home.

Contractor Pay Request: A form prepared by the contractor that must be signed by the borrower and Regional Housing Authority certifying that the work shown on the form has been completed to borrower's satisfaction. The Regional Housing Authority does not release progress or final payments to contractor until this signed form has been submitted.

Deed of Trust: the deed between the Borrower and the County wherein the legal title to the Property is transferred to a trustee; in this case, identified as the title company, and the County identified as the beneficiary.

Disabled Household: a household in which any applicant or co-applicant is physically or

mentally disabled. It may include two or more disabled persons living together, or one or more of these persons living with one or more live-in aides or other household members.

Elderly Household: a household in which any applicant or co-applicant is 62 years of age or older. It may include two or more persons 62 years of age or older living together, or one or more of these persons living with one or more live-in aides or other household members.

Final Loan Package: The Final Loan Package shall include, at minimum, all the following:

- All original Loan Documents;
- Proof of insurance;
- The fully executed and recorded Notice of Completion;
- Copy of contract for construction work;
- Title Insurance; and
- Proof of contractor payment in full.

General Property Improvements: items not specifically required by code which will generally improve the appearance and/or livability of the property and the neighborhood.

Gross Income: the total income of the household before any withholdings are taken.

Homeowner: the owner/occupant(s) of a single-family home who qualifies for the Loan Program.

Household Member: an occupant of the home listed in application documents who is not the applicant or co-applicant.

Income: All income from persons in a household must be included in the household income. Income from minors/dependents is not included in household income except for Survivor's Social Security, SSI, other public assistance or disability payments, and pension payments. Annual household income includes:

- Annual gross amounts of wages, salaries, tips, and commissions;
- Net annual income from operation of business or profession;
- Net annual income from rental of real or personal property. If one or more of the bedrooms of an owner-occupied home is rented to non-household members, the non-household members' incomes shall not be included in income calculations for the owner's household. However, the rent paid to the borrower shall be included in income calculations from the owner's household;
- Actual or imputed income from assets. If the household has assets greater than \$5,000 in value, gross income shall include the **greater of** the actual amount of income, if any, derived from all the household assets **or** 2.0% of the value of all such assets.
- Annual income from periodic payments such as Social Security, insurance, retirement

funds, pensions, alimony, or child support;

- Annual amount of payment in lieu of earnings such as unemployment, disability, or workers' compensation; and
- Annual amount of public assistance allowances or grants.

Total annual income divided by 12 equals monthly income. The income shall mean the anticipated income of a household for the twelve-month period following the date of determination of income.

Loan Documents: Loan Documents include the Promissory Note, Loan Agreement, Deed of Trust, a Fair Lending Notice, a Truth-in-Lending Disclosure, a Notice of Right of Rescission and Request(s) for Notice of Default and Sale, and any other documents required by the County to protect its security interest in the property.

Loan Recommendation Package: Loan Recommendation Package includes a cover sheet summarizing the loan amount, applicant eligibility to include proof of ownership, preliminary title report, supporting documentation for borrower eligibility and underwriting, loan-to-value ratio and any supporting analysis, scope of work, and construction contract.

Low-Income: Low-income households are those whose income is 80% or less than the County median income limit as determined by HCD from time to time, adjusted for household size.

Maturity Date: the date thirty (30) years from the date the Notice of Completion is recorded.

Minor/Dependent: Members of the household other than the borrower(s) who are under 18 years old or who are full-time students and live at home, or who are disabled in such a manner as to require ongoing dependency.

Non-Household Members: A single person or a collective body of two or more persons who rent one of the bedrooms of a single-family house and who do not share common income with the owner-occupant household.

Non-Resident Homeowner: an individual with an ownership interest in the Property who does not occupy the dwelling as his or her primary residence.

Notice of Completion: a document that the Regional Housing Authority files on behalf of the property owner with the Office of the County Recorder at the end of the project.

Promissory Note: the document executed by the Borrower for the amount of the Loan.

Property: single-family dwelling unit to be rebuilt or rehabilitated that is owned by the Borrower and located in area.

Work: the labor and materials necessary to complete the rebuild or reconstruction of the Property.

Attachment A

CalHome Disaster Assistance Housing Rehabilitation Loan Program Loan Servicing Plan

The County of Butte (County) will carry out this Loan Servicing Plan (Plan) for the CalHome Disaster Assistance Housing Rehabilitation Loan Program (Loan Program) as outlined herein and in line with the applicable Notice of Funding Availability:

- a. CalHome Program Disaster Assistance Funding Round 1, 1st Amendment, Dated November 1, 2019
- b. CalHome Program Disaster Assistance Funding Round 2, 2nd Amendment, Dated September 6, 2019

A. Responsible Entity

The County of Butte in partnership with the Regional Housing Authority will administer and operate the Loan Program, servicing loans made under the Loan Program (Rehabilitation Loans) as detailed in this Plan and complying with HCD monitoring requirements, all as more specifically detailed below.

7. The Regional Housing Authority will administer the following activities:
 - a. Advertise the availability of the Loan Program;
 - b. Provide information about the Loan Program to applicants;
 - c. Distribute and accept Loan Program applications;
 - d. Review and process Loan Program applications upon receipt of a completed application as outlined in the Program Guidelines;
 - e. Confirm property eligibility as per HCD requirements;
 - f. Confirm property eligibility as per Butte County Program Guidelines, Amendment 3:
 - For properties affected by October 2017 and November 2018 fires:
 - Verify income eligibility of all household members at 120% of area median income (AMI) or less using HCD income guidelines;
 - Verify applicant owned the property at the time of the October 2017 and November 2018 firestorms;
 - g. Run credit report(s) for applicant(s); determine credit-worthiness based on HCD Regulations, and Butte County's Program Guidelines;
 - h. Determine loan-to-value of property before- and after-rehabilitation/reconstruction;

- i. Compare appraised values with allowable median sales price for the County; verify that after-construction value is at or below current local median sales price for a single- family home. Use the most recent median sales price for the County (as required by HCD); this information is posted at the California Association of Realtors website at <https://www.car.org/en/marketdata/data/countysalesactivity>.
Final approval of each Rehabilitation Loan will be made by the County Loan Review Committee.
- j. Upon Loan Review Committee approval of Loan, open escrow account with local title company and proceed as follows:
 - Request Preliminary Title Report (PTR) for review
 - Review PTR for correct property address and legal description as well as confirmation of the title holders, all of whom must sign the loan documents
- k. If Preliminary Title Report review shows satisfactory title, and applicant meets all eligibility requirements, then prepare the following documents for the title company:
 1. Promissory Note to be secured by Deed of Trust
 2. Deed of Trust, which shall be recorded in junior lien position to the existing loans per HCD regulations.
 3. Loan Agreement per HCD regulations
 4. Owner/Occupancy Agreement (to be recorded)
 5. Truth-in-Lending Disclosure
 6. Notice of Right of Rescission
 7. Request for Notice (to be recorded)
 8. Notice of Completion (to be recorded at project end)
 9. Any other disclosure forms required by law
- l. Prepare escrow instructions for title company with clear instructions that include the following:
 1. Request for an original ALTA Title Policy
 2. Request for copy of borrower's hazard insurance showing County as additional loss payee
 3. Identify that any cash back to borrower is prohibited
 4. Request for certified Settlement Statement (aka "HUD-1 ")
 5. Request from the County a check made out to title company for full approved

principal amount of loan

6. Request for return of the following documents at close of escrow:
 - a. ALTA Title Policy
 - b. Borrower's hazard insurance
 - c. Original Promissory Note
 - d. Original Loan Agreement
 - e. Conformed recorded Deed of Trust
 - f. Conformed recorded Owner/Occupancy Agreement
 - g. Conformed recorded Request for Notice
 - h. Certified Settlement Statement
 7. Requirement that if, after project completion, the amount of the Promissory Note exceeds the actual amount of the eligible work done to complete the project, return of balance to the County of Butte for credit to the borrower's loan.
- m. Administer the construction contract and rehabilitation of the property:
1. Before disbursement of funds to contractor (NOTE: Regional Housing Authority must hold 10% retention from all progress payments), the Regional Housing Authority must approve request and contractor must submit:
 - a. Contractor Pay Request signed by borrower and Regional Housing Authority as applicable
 - b. Conditional Lien Release for amount of payment request
 2. Before final disbursement upon work completion (NOTE: Regional Housing Authority must hold 10% retention until all work is complete and final documents are received from contractor), the Regional housing Authority must approve request and contractor must submit:
 - a. Final Contractor Pay Request signed by borrower and Regional Housing Authority
 3. Regional Housing Authority will record the Notice of Completion and after 35 days release the contractor's final disbursement and obtain final Unconditional Lien Release from contractor.
2. The County will service Rehabilitation Loans including interest accrual and collection of interest and principal payments from borrowers;
 3. The County will monitor Rehabilitation Loans as required by HCD; and
 4. The County will oversee compliance with terms and conditions of

Rehabilitation Loans including annual verification of owner occupancy and renewal of property insurance under existing Program procedure.

B. Owner Occupancy Requirement

Borrowers are required to recertify annually under penalty of perjury that they occupy and own the property as their principal residence. The County will mail a Certificate of Occupancy to the homeowner annually to be completed by homeowner and returned with a copy of a current utility bill to prove occupancy.

C. Renewal of Insurance

Borrower must maintain property insurance, including fire and flood if applicable, during the life of the Rehabilitation Loan. The borrower must have sufficient insurance to cover the amount of the Rehabilitation Loan and all senior liens.

Coverage deficiencies must be corrected as a condition of Rehabilitation Loan approval. The County shall be named on the policy as mortgagee/loss payee for the full term of the Rehabilitation Loan; this ensures the County will receive notices of renewal, cancellation, etc.

D. Property Taxes

The borrower shall be responsible for making property tax payments on a timely basis. Failure to pay property taxes on a timely basis shall constitute a default of the Rehabilitation Loan. County staff will review the records of the County Tax Collector annually to determine if any property tax-related liens have been placed on the assisted property.

E. Repayment of CalHome Rehabilitation Loans

Rehabilitation Loans must be paid in full under the terms of the Promissory Note or if the property is sold, except if otherwise expressly allowed under the Program Guidelines. Rehabilitation Loans must be paid in full if the property is converted to a rental unit.

When a Rehabilitation Loan is repaid, The County will deposit the repayment into the County's CalHome Program Income Fund 0145, as defined in the CalHome Operations Handbook Reuse Account Plan so that it can be reused for an eligible CalHome activity.

F. Calculating Payoffs

Payoff amounts are determined by the amount of the original Rehabilitation Loan plus any accrued interest minus payments received toward the Rehabilitation Loan, if any. Although payments on the Rehabilitation Loan are deferred, borrowers may opt to make payments to lower the balance of the Rehabilitation Loan. Any payments received are applied to the applicable account and considered when calculating the payoff amount. Any payments received towards the Rehabilitation Loan will be applied first to accrued interest, then toward the principal.

G. Processing Payoff Demands

Requests for payoff demands should be addressed to the County of Butte. When the County receives a written demand letter from a borrower or a borrower's representative, such as a title company, lender or legal representative, the County will issue a written payoff demand within 21 days of receipt of the demand, including a daily calculation of interest and any other amounts due (including County Processing Fees), depending on the terms of the Promissory Note.

H. Release of Lien

Upon receipt of payment in full, the County will execute such documents as necessary for release or reconveyance of the Program lien. Borrower shall be responsible for payment of any fees charged by the County for recording the reconveyance or release documents.

I. Default/Foreclosure Policy

8. In the event of any default by borrower of one or more of the Rehabilitation Loan terms, the County, with the advice of County Counsel, may initiate foreclosure proceedings.
9. If the property goes to sale pursuant to this section, the sale proceeds will be applied as follows.
 - a. The reasonable and necessary expenses for preparing and conducting the sale including any other expenses incurred by the County;
 - b. The satisfaction of indebtedness secured by all senior liens or encumbrances in order of their priority;
 - c. The satisfaction of indebtedness secured by the security interest of the County's lien;
 - d. The satisfaction of indebtedness secured by any subordinate liens or encumbrances on the property in the order of their priority; and
 - e. To the owner of record within 45 days after the sale if a surplus remains.

J. Assumption and Transfer of Rehabilitation Loan

Rehabilitation Loans are not assumable by or transferrable to future owners of the property except as outlined in the Program Guidelines.

K. Process for Discounting Notes

If, after project completion, the amount of the Promissory Note exceeds the actual amount of the eligible work done to complete the project, the title company will return the remainder to the CalHome Program Income Fund 0145 to be used to fund other loans and the borrower's loan will be credited. The borrower will be sent a letter informing him or her of the final financial obligation for the Note. Cash out of the Rehabilitation Loan to the borrower is prohibited.

Attachment B

CalHome Disaster Assistance Housing Rehabilitation Loan Program Reuse Account Plan

The County of Butte (County) has adopted this plan to govern the use of monies received from activities funded under the California Department of Housing and Community Development (HCD) CalHome Owner-Occupied Rehabilitation Loan Program (Loan Program). The County has prepared this document to comply with the Notices of Funding Availability:

- a. CalHome Program Disaster Assistance Funding Round 1, 1st Amendment, Dated November 1, 2019
- b. CalHome Program Disaster Assistance Funding Round 2, 2nd Amendment, Dated September 6, 2019

The County shall create and maintain a separate fund (Reuse Account) for all payments received under the Loan Program. Tracking of all sources and uses of the Reuse Account for this Loan Program will be accomplished through the use of an accounting system that identifies Reuse Account transactions separately from other County activities. The Reuse Account will use different account coding from any prior or other CalHome funding.

The County also maintains a loan tracking system which will identify all CalHome related loans within the database using specific loan identification numbers. The County understands that HCD staff is authorized to review the County's financial transactions and loan tracking processes as they relate to the Reuse Account.

Revenues: Repayments received by the County from any source that had its origins from CalHome Contract No. 18-CALHOME-12173 and 19-CALHOME-13473 will be deposited into the Reuse Account. The funds in the Reuse Account (Fund 0145) include repayments of loan principal, loan interest, and interest earned on funds deposited under the Loan Program.

Eligible Uses: Funds from the Reuse Account may only be used for eligible activities as set forth in Title 25 of the California Code of Regulations, Division 1, Chapter 7, Subchapter 9, Article 2, Section 7724.

Expenses: The Reuse Account may also fund the costs of loan servicing by the County or the cost of a third-party loan servicer contracted by the County in connection with any future eligible uses. The County will use Reuse Account funds for loan servicing expenses as loans are repaid in accordance with annual County budget appropriations. The County's use of funds for said loan servicing expenses shall be limited to 5% of revenues posted to the Reuse Account which shall be tracked under separate account coding.