# Yolo County

# Community Development Block Grant (CDBG)

# Housing Rehabilitation

# Program Guidelines



Approved XX, XX, 2024

EQUAL HOUSING
OPPORTUNITY

# Contents

# Introduction

The Yolo County Housing Rehabilitation Program, ("Program") is designed to expand the supply of decent, safe, sanitary, and affordable housing; correct health and safety hazards in deteriorated housing; provide accessibility for persons with disabilities; and extend the useful life of existing housing units. Yolo County ("Lender") will make loans available to achieve cost effective repairs for low-income owner-occupied homes or for units occupied by low-income tenants of owner-investors jurisdiction wide. The Program is funded by the State of California Department of Housing and Community Development ("HCD") Community Development Block Grant ("CDBG") funds and is subject to federal requirements at *24 CFR Part 570, Subpart I; 24 CFR Part 58; and 2 CFR Part 200*. The Program is subject to state requirements at State of California *Health and Safety Code Section 50825 – 50834.5*; and the State of California *Community Development Block Grant Guidelines*.

# Fair Housing

The Program will be implemented in a mannerconsistent with Yolo County's commitment to equal opportunity and fair housing choice. No person shall be excluded from participation in, denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with CDBG funds on the basis of religion or religious affiliation, age, race, color, creed, ancestry, national origin, gender, marital or familial status (number or ages of children), physical or mental disability, medical condition, sexual orientation, or other arbitrary cause.

# Conflict of Interest

No member of the governing body of Yolo County and no other official, employee, or agent of Yolo County government who exercises policy, decision-making functions, or responsibilities in connection with the planning and implementation of the Program shall directly or indirectly be eligible for this Program, unless the application for assistance has been reviewed and approved according to applicable California Department of Housing and Community Development ("HCD") guidelines. This ineligibility shall continue for one year after an individual's relationship with Yolo County ends.

A contractor with a vested interest in the subject property cannot bid on a rehabilitation job.

# Definitions

**Applicant** means the owner of a home located in unincorporated Yolo County that has submitted a completed loan application with all required documentation.

**Applicant/Borrower** means the owner of an eligible home that receives a Program Loan.

**Community Development Block Grant ("CDBG")** – the name of the federal program that is funding this Program.

**Contractor(s)** means the construction company (ies) selected by the Applicant/Borrower perform the work.

**County** means Yolo County, California.

**California Department of Housing and Community Development ("HCD")** means the state Department that awarded CDBG funds to the County.

**General Property Improvements** mean any improvements that are not attached to the home structure. This includes things such as sidewalk repairs, or work on a detached garage.

**U.S. Department of Housing and Urban Development ("HUD"),** the federal government department that oversees the CDBG for the country.

**Lender** means Yolo County.

**Loan Closing Package** means the original loan documents, executed by all parties, and recorded as appliable. The Closing Package will consist of Promissory Note, Deed of Trust (recorded), Loan Agreement, Request for Notice of Default (recorded) and Rent Limitation Agreement (recorded).

**Loan Committee** means a body of Yolo County staff that will review and approve Program funding.

**Program** means the Yolo County Owner Occupied Rehabilitation Program.

**Program Staff** means Yolo County staff and its contracted Program administration staff.

**Property** means a property that meets all Program guidelines as outlined on Page 4 of these guidelines.

**Scope of Work** means a detailed description of the work to be completed that is determined by Program Staff and approved by the Applicant/Borrower.

**Single Family Home** means a residential structure with 1-4 housing units where at least one unit is occupied by the eligible Applicant/Borrower

***CDBG funds can only be used to rehabilitate the unit of the eligible Applicant/Borrower.***

**Unincorporated Yolo County** means that the Property is located within an area of County that is not governed by an incorporated City/Town.

# Community Outreach

When loan funds are available, the Lender shall advertise and promote the Housing Rehabilitation Program so that all those in need of rehabilitation assistance are aware of the Program. Efforts will be made to prioritize outreach to households that are disproportionately underrepresented in housing rehabilitation assistance programs such as: people who are elderly, people who are single-parents, people with disabilities, and people of color. These efforts will include:

- Publish notice of funding availability in the local newspaper in English and Spanish.
- Partner with the Agency on Aging Area 4 to disseminate Program information to people with disabilities who may qualify for assistance.
- Provide Program brochures and information to local schools, community centers, faith-based organizations, non-profit organizations that have relationships with prioritized beneficiary groups.
- Provide Program information to the Yolo County 211 network.

# Program Requirements

## Applicant Eligibility

Persons applying to the Program shall:

- Be the owner of the Property and show on the title.
- Occupy the Property as their primary residence; and
- Meet the income eligibility requirements outlined below.

## Income Eligibility

Income is determined for the entire household using gross annual income of all household members aged 18 or older. Income is not counted for adult members of the household that provide evidence that they are full time students.

For consistency in calculating household incomes, the Lender will use the most current income limits available when determining household income. The CDBG income limits are updated annually.

Household income must be equal to or less than 80% of the Yolo County Area Median Income, adjusted by household size. Current income limits are included in Exhibit 1. Income limits are determined by HUD and HCD and are adjusted annually.

Homeowners will be required to provide income documentation as detailed in Attachment A - Annual Household Income Definition/Income Limits attached at the end of these Guidelines.

## Eligible Properties

Properties must be located within the unincorporated area of Yolo County, California. The property must be the primary residence of the eligible Applicant/Borrower. The Applicant/Borrower must be on title to the property.

Properties must be residential structures with 1-4 housing units where at least the eligible Applicant/Borrower occupies one unit. CDBG funds can only be used to rehabilitate the unit of the eligible Applicant/Borrower.

Properties may be single-family housing, condominiums, or manufactured homes. Structures may be either attached or detached. Manufactured homes must be placed on a permanent foundation and be considered part of the community's permanent housing stock. Manufactured homes located in mobile home parks are not eligible for the Program. Mobile homes are not eligible for the Program.

Homes must be either permitted or legal non-conforming use and compliant with current zoning. Program funds may be used to bring a unit into compliance provided the work is eligible under the Program guidelines.

For Program Loans, property taxes must be paid and current.

Applicant/Borrower must demonstrate ownership of the property. Ownership may be any of the following interests in the residential real property:

- Fee simple interest;
- Joint tenancy;
- Tenancy in common;
- Ownership or membership in a condominium, cooperative or mutual housing project;
- Life estates or living trusts; and/or

- 99-year leasehold interest in the property.

## Allowable Property Improvements

The goal of the Program is to support low-income Yolo County homeowners by providing assistance to correct health and safety hazards; remove barriers to accessibility for persons with mobility disabilities; and extend the useful life of owner-occupied homes. The program encourages cost-effective repairs for eligible owner-occupied housing units.

All repair work will comply with any special design or construction standards established by Yolo County to preserve historic buildings, if applicable. Rehabilitation work should incorporate energy efficient/green building materials when feasible.

All improvements must be physically attached to the property and permanent in nature. General property improvements are limited to no more than fifteen percent (15%) of the rehabilitation loan amount.

In the case of a 2 to 4-unit property, the rehabilitation shall be limited to the eligible Applicant/Borrower's portion of the cost of work that benefits the overall structure such as roof or exterior changes, and to interior changes for the income eligible Applicant/Borrower household only.

Examples of eligible improvements focus on addressing health and safety concerns, removal of barriers to accessibility, and extending the useful life of the property. Eligible repairs will include, but are not limited to:

- Insulation installation;
- Window replacement or repair;
- Foundation repair;
- Air conditioning/heating installation or repair;
- Electrical repair or rewiring;
- Plumbing repair;
- Roof repair or replacement;
- Window and door replacement;
- Repair of structurally significant damage;
- Connection to community water or wastewater systems; or

- Installation of accessibility improvements to accommodate a person with a disability.

## Ineligible Property Improvements

Examples of non-eligible "luxury" improvements include:

- Pools, hot tubs, spas, car ports and patio covers,
- Room additions that are for leisure,
- Landscaping upgrades,
- Custom cabinets and high-end appliances or building materials.

If appliances or building materials that are normally considered "luxury" items are necessary due to a medical condition of a household member or for reasons of accessibility, the Lender may approve the use of such materials on a case-by-case basis.

Examples of general property improvements are improvements that bring the property into compliance with local zoning or building code requirements, including fence repairs, sidewalk repair, or items to improve the appearance of the property but are not health and safety items.

Relocation costs are not eligible under this program.

Owner occupants are not eligible for temporary relocation costs, should they need to vacate the Property during rehabilitation construction.

## Rehabilitation Standards

1. HEALTH & SAFETY: The property must be inspected for health and safety hazards and deficiencies, and any such deficiencies must be addressed.

2. BUIDLING CODE: The general contractor or architect shall certify compliance with any applicable code.

3. LEAD BASED PAINT: Buildings must be rehabilitated in compliance with the HUD Lead Based Paint standard at 24 CFR, Part 35, Subpart J.

4. SYSTEMS. Major systems, including structural support, roofing, cladding and weatherproofing, plumbing, electrical and HVAC, must be evaluated for remaining estimated life. If the estimated remaining life is less than five (5) years, a recommendation for replacement shall be made.

5. ENERGY EFFICENCY. If replacing HVAC equipment, doors and windows, appliances, lighting equipment, etc., such replacement must be with equipment

that meets or exceeds current standards for energy efficiency.

6. LOCAL AND STATE REQUIREMENTS: All housing rehabilitated with CDBG funds shall comply with state and local building codes, property standards, occupancy standards, disaster mitigation requirements, and other ordinances and zoning requirements.

7. ENVIRONMENTAL REVIEW: Projects funded with CDBG are subject to an environmental review process, which may result in specific requirements as conditions of approval. The scope of work must address any such conditions, and documentation must be provided to verify compliance. Examples include, but are not limited to, asbestos removal, radon mitigation, noise attenuation, historic preservation, lead hazard remediation, etc. No rehabilitation may take place prior to completion and approval of the environmental review.

## Funding Amounts and Limits

Program loans may not exceed $80,000 or the actual cost of the project, whichever is less.

The actual cost of the project may include:

- Construction contract (the accepted bid price for the cost of materials and labor).
- Construction contingency;
- Drafting and engineering fees;
- Appraisal and termite inspection charges;
- Credit report review fees;
- Permit fees and related building fees; and/or
- Escrow, closing and recording fees; title report and title insurance, title updates.

**CDBG funds may not be used to pay property taxes.**

## Maximum Loan-to-Value Ratio

The maximum encumbrance is limited to 95% of the property's after-rehabilitation value. Maximum encumbrance includes any existing liens against the property, plus the amount of the Program loan.

# Type of Assistance

Awards will be in the form of a deferred payment loan. Program loans will have a 30-year term at a 2% interest rate.

Payments will be deferred for the term of the loan. The Applicant/Borrower will not be required to repay the loan until the sale or transfer of the property, or if the Applicant/Borrower no longer occupies the property. See *Transfer of Property* below for details.

If the Applicant/Borrower chooses to make payments during the term of the loan, payments will be allocated first towards any fees or interest accrued, and secondly towards the principal balance.

## Loan Security

The Program Loan will be secured by real property and improvements. Loan security includes a Promissory Note, Deed of Trust, and Loan Agreement in favor of the Lender. The Program Loan may be subordinated to an existing lien.

All owners listed on title to the property are required to sign the Deed of Trust, Promissory Note, Loan Agreement, rehabilitation contract documents, and any other related loan documents, whether or not they reside on the property.

All Program loans which are not in first position on title will require a Request for Notice of Default to be recorded as part of the transaction. If the Lender changes address, a new Request for Notice of Default must be recorded to ensure any possible notice is sent to the current address of the Lender.

# Application Review

Homeowners interested in applying for funding can contact Program Staff by emailing OOR@Thurmondconsultingllc.com for information.[1] Applications and program documents can also be accessed on the Yolo County website at https://www.yolocounty.org/HousingRehab.

[1] Program staff will maintain a list of inquires made for reporting purposes.

Applications shall be reviewed in the order that they are received, and Applicant/Borrower will be notified within ten (10) business days from receipt of the application of their eligibility status. Should an application be determined to be incomplete or required supporting documentation is not sufficient, the Applicant/Borrower will be contacted with what is required to move forward with the application. Applicant/Borrower shall provide the required information within ten (10) business days, or the application shall be declined.

Unless there are emergency conditions that warrant more immediate action, projects will be funded based on the order in which the applications are received and deemed eligible and feasible.

Examples of emergency conditions include, but are not limited to:

- The refrigerator stops working and the homeowner has lifesaving medication that must be kept cold.
- The roof caves in and the home is exposed to the elements;
- Any circumstance in which a homeowner is in danger if the repairs are not made.

Upon receipt of an application, Program Staff will evaluate the application and all supporting documentation to determine whether the Applicant/Borrower and the Property meet preliminary eligibility requirements for any of the available funding sources.

## Application Submission Requirements

To be considered for an award an Applicant/Borrower shall submit the following documents to Program Staff:

- Completed application;
- Copy of a State Issued Identification such as a driver's license or State ID;
- Most recent years tax return, with all schedules;
- Copies of utility bill(s) covering the most recent two months;
- Copies of most recent mortgage statement(s) for **all** mortgages and HELOCs;
- Copies of **ALL** financial statements (checking, savings, retirement, and annuities) for the most recent three-month period;
- Paystubs covering the most recent six-month period (as applicable);

- For social security, SSI, TANF, disability, retirement, unemployment, or worker's compensation income, provide the most recent year's award letter showing benefit amount;

- Court order showing amount of child support (if applicable); and

- Any other requests for information made by Program Staff during application review.

# Loan Approval

A loan package will be prepared by the Lender that: confirms the Applicant/Borrower and property eligibility; documents the equity in and the encumbrances on the property; lists the estimated loan and construction costs; and includes any other information particular to the loan. By preparing a loan package using all the income and property eligibility, the determination of the amount and rates and terms of the CDBG loan will be outlined for the Loan Committee to approve.

To obtain CDBG financing, Applicant/Borrower must meet all property and eligibility guidelines in effect at the time of loan approval. Applicant/Borrower shall be provided with written notification of approval or denial. Reason for denial will be included in a denial letter to the Applicant/Borrower.

## Appeals

Applicant/Borrower may appeal the Program's written determination that an application does not meet Program requirements.

To file an appeal Applicant/Borrower must submit to Program Staff a written appeal which states all relevant facts, arguments, and evidence upon which the appeal is based. Program Staff must receive appeals no later than five (5) business days after receipt of Programs determination letter.

Appeals can be emailed to OOR@Thurmondconsultingllc.com.

Any request for appeal will be reviewed for compliance with these guidelines within five (5) business days of receipt by Program Staff. All decisions shall be final, binding, and conclusive.

# Loan Settlement

The County Official, acting on behalf of the Lender, shall sign the loan documents as required.

If the Applicant/Borrower does not rescind the loan after the 3-day rescission period, the following events will follow:

- The Deed of Trust, Request for Notice, and Rent Limitation Agreement, as applicable, shall be recorded at the County Recorder's Office.
- The Applicant/Borrower shall sign the Construction agreement and Notice to Proceed.
- Title insurance shall be requested and received.
- The original loan documents shall be filed with the County.
- The construction documents shall be filed with the County.
- The Lender shall deposit loan funds into an escrow account with a reputable title company, unless the loan amount is too small to warrant incursion of escrow fees.

# Federal and State Overlays

All contracts, services, purchasing, and activities must conform to the U.S Department of Housing and Urban Development regulations, funding assistance for this project is through the Department's Community Development Block Grant Program. The following is a summary of certain aspects of the compliance requirements.

## Environmental Review

An environmental review process is required for all HUD-assisted projects, including this Program, to ensure that the proposed project does not negatively impact the surrounding environment; and that the property site itself will not have an adverse environmental or health effect on end users. Not every project is subject to a full environmental review, but every project's environmental impact must be examined. The extent of this examination varies. Every project must be in compliance with the National Environmental Policy Act (NEPA) and other related federal and state environmental laws. The environmental review must be completed prior to any loan approval.

Program Staff will determine the required level of review and work with the Applicant/Borrower to complete as part of the application process.

## Lead-Based Paint

Applicant/Borrowers rehabilitating homes constructed prior to January 1, 1978, must be provided with the proper disclosure notification concerning lead-based paint (LBP) hazards. Whenever pre-1978 houses are rehabilitated using CDBG funds, the project must meet the requirements at 24 CFR §570.608, Lead-based paint. Costs associated with meeting these requirements are eligible to be paid with CDBG funds, if available.

# Other Terms and Conditions

## Home Occupancy Requirement

For the term of the Program loan, Applicant/Borrower will be required to submit the following to the Lender annually:

- Certification that homeowner continues to maintain the home as a primary residence and continues to live in the home;
- Evidence of occupancy (a copy of a current utility bill is acceptable); and
- Evidence that property insurance and taxes are paid up to date.

## Insurance

### Property Insurance

Applicant/Borrower must maintain property insurance coverage in an amount adequate to secure all encumbrances, including the Program loan, for the duration of the loan period naming the Lender as loss payee for the amount of the loan.

Insurance shall include hazard and fire coverage. If the Program loan is a second mortgage, the Lender should be listed as additional insured.

### Cancellation of Hazard or Fire Insurance

If Applicant/Borrower fails to maintain the necessary hazard or fire insurance, the Lender is notified in writing by the insurance company. If this occurs, the Lender will notify the Applicant/Borrower and require that insurance be reinstated within seven (7) business days.

If the Applicant/Borrower does not reinstate the insurance within seven business days, Applicant/Borrower may take out forced-place insurance to cover the property while the Applicant/Borrower puts a new insurance policy in place. All costs for installing the necessary insurance will be added to the loan balance. The amount will be added at the time of installation of Applicant/Borrower's new insurance or if loan becomes due and payable.

### Flood Insurance

In areas designated by HUD as flood prone (located in a 100-year flood plain), the Applicant/Borrower is required to maintain flood insurance for the duration of the loan period in an amount adequate to secure the Program Loan. The policy must designate the Lender as Loss Payee for the amount of the loan.

## Transfer of Ownership

### Refinancing of Property

The Lender, at Lender's discretion, may choose to subordinate the Program loan to a refinance loan if the new loan is taken out to reduce housing costs for the Applicant/Borrower (for example, a new loan with a lower interest rate or payment amount) with no cash out to the Applicant/Borrower. The new encumbrance plus the program loan may not exceed the maximum loan-to-value amount.

### Transfer of Property

If an Applicant/Borrower sells, transfers title, or discontinues residence in the rehabilitated property, the loan is due and payable. A transfer by gift, device, or inheritance to an existing spouse, surviving joint tenant, or a spouse as part of a dissolution proceeding or in connection with marriage, shall not be considered a transfer for the purposes of this program.

The Lender, at Lender's discretion, may allow the following options:

- The Applicant/Borrower sells or otherwise transfers title of the property to a qualified income household that will occupy the home as their primary residence, the Lender may consider refinancing the Program loan balance and/or subordinating the Program loan under the rate and terms for which the new Applicant/Borrower qualifies under the Program guidelines in use at the time of transfer.
- The Applicant/Borrower dies and the non-spouse heir to the property lives in the house and is income eligible, the Lender may approve the heir to refinance the Program loan at the rate and terms for which the heir qualifies under the Program guidelines in use at the time of the inheritance. If the Applicant/Borrower dies and the non-spouse heir is not income eligible, the loan is due and payable.

## Conversion of Property to Rental or Non-Resident Use

If an Applicant/Borrower wants to convert use of the rehabilitated property to any commercial or nonresidential use, including use as a residential rental unit, the loan is due and payable. Refer to Exhibit 2 - Loan Servicing Policies and Procedures attached at the end of these Guidelines.

If the loan becomes due and payable and this creates a hardship for the Applicant/Borrower, the Applicant/Borrower may request approval of a temporary exception to the owner-occupancy requirement. At the Lender's discretion, the Lender may approve up to a twelve-month exception provided the property will either be used as:

- A residential rental unit. Applicant/Borrower will be restricted to renting to income eligible households at affordable rent that complies with the requirements of the

CDBG funds used for the rehabilitation. In no instance shall rents exceed the current HUD Fair Market Rent (FMR) schedule during the term of the temporary exception. Monthly rent shall not exceed 30% of the monthly Yolo County 80% median income limit for the appropriate household size for the unit. Current FMR and income limits are included at Exhibit 1. Failure to comply with these terms and conditions will result in the loan becoming due and payable.

- Vacant residential property. Applicant/Borrower will be required to demonstrate that they are actively pursuing the sale of the property or will be returning to the property as a primary residence.

## Guideline Amendments

Amendments to these Guidelines may be made by the Lender.

# Contracting Procedures

All housing rehabilitation work must be conducted using the adopted Housing Rehabilitation Program Guidelines.

All the following shall apply to contractor selection:

- The Lender will prepare the bid package and assist the Applicant/Borrower in negotiating the contract.
- The Applicant/Borrower will select the contractor.
- Lender will verify that all contractors and subcontractors are not on the federal debarred list in SAM.gov.
- A contractor with a vested interest in the subject property cannot bid on a rehabilitation job.
- All general and sub-contractors must be actively licensed and bonded with the State of California.
- All general and subcontractors must have public liability insurance to the Lender's required limits, and if applicable, maintain Workers' Compensation and Employer Liability insurance to the extent required by State Law.
- All general and sub-contractors must comply with CDBG federal and state regulations.
- Contractors must record a Notice of Completion with the County Recorder prior to requesting final payment of retention funds.

## Dispute Resolution

Rehabilitation Program Staff are primarily responsible for ensuring that the Program is implemented in compliance with state and federal regulations in a timely and responsible manner. This includes developing accurate and professional files, work write-ups and contract documents. Program Staff shall attend the meeting between the homeowner and the contractor when the contract documents are signed and facilitate the clarification and/or corrections of proposed work, so a clear understanding is established between both parties. Lender will make every effort to provide language assistance for non-English speakers at contract signing.

During and after completion of construction, the contractor's work is monitored for code compliance by the Lender's Building Inspector and for quality by the Program's Construction Management Team ("CMT")

The contractual obligation for rehabilitation is ultimately between the contractor and the homeowner. If a situation occurs where the two parties are in conflict, the following procedure will occur:

I. Before any intervention occurs, the homeowner or contractor shall communicate perceived problems or complaints directly to the other party. To resolve the differences, each will give the other an opportunity to respond or correct the problem.

II. If the first attempt fails, the homeowner or contractor may ask the CMT to informally intervene. This intervention might include telephone call(s) to the contractor or homeowner, meeting(s) at the job site or in the office, or other actions as seem appropriate, including such things as the establishment of written working guidelines or other post-contractual agreement.

III. If the CMT is unable to satisfactorily resolve the homeowner-contractor differences, the homeowner, contractor, or Program Staff will contact HCD detailing the problem. In cases of building code compliance or questions about construction quality, the building inspector might also be contacted.

IV. Any dispute between the parties that cannot be settled through the informal intervention process outlined above shall be subject to the termination or arbitration clauses in the contract, as applicable. Additionally, homeowners may choose to pursue other options which include contacting the Contractors State Licensing Board and submitting a complaint.

# Attachment A- Annual Household Income Definition

For the purposes of determining eligibility in accordance with HCD income guidelines, the Lender will defer to the full HUD Section 8 Definition of Annual Income at 24 CFR 5.609.

- Annual Income **does** include, for all members of the household:
  - Gross wages and salary before deductions.
  - Net money income from self-employment.
  - Cash income received from such sources as rental units, Social Security benefits, pensions, and periodic income from insurance policy annuities.
  - Periodic cash benefits from public assistance and other compensation, including Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), Worker's Compensation, State Disability Insurance and Unemployment benefits.
  - Interest earned on savings and investments.
- Annual Income does **not** include:
  - Non-cash income such as food stamps or vouchers received for the purpose of food or housing.
  - Capital gains or losses.
  - One-time unearned income such as scholarship and fellowship grants; accident, health, or casualty insurance proceeds; prizes or gifts; inheritances.
  - Payments designated specifically for medical or other costs, foster children, or their non-disposable income.
  - Income from employment of children under the age of 18.
  - Payment for the care of foster children.
- Program Staff will make the final decision in situations where the classification of income is not clear-cut. Any exceptions or other deviations from this definition of annual income will be considered by the County and Program Staff.
- Program Staff shall use the Income Limits published each year by HUD and HCD. The maximum annual income for an eligible household shall be 80 percent of the area median income for the household size.

# Exhibit 1- CDBG Income Limits and HUD Fair Market Rents

CDBG Income Limits

| INCOME LIMITS | HOUSEHOLD SIZE | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 Person | 2 Person | 3 Person | 4 Person | 5 Person | 6 Person | 7 Person | 8 Person |
| Extremely Low (30% AMI) | $24,250 | $27,770 | $31,150 | $34,600 | $37,400 | $40,150 | $42,950 | $45,700 |
| Low (50% AMI) | $40,400 | $46,150 | $51,900 | $57,650 | $62,300 | $66,900 | $71,500 | $76,100 |
| Moderate (80% AMI) | $64,600 | $73,800 | $83,050 | $92,250 | $99,650 | $107,050 | $114,400 | $121,800 |

Source: U.S. Department of Housing and Urban Development (HUD). Effective 5/1/2024.

Yolo County Fair Market Rents

| 2023 and 2024 FMRs by Unit Bedroom Size | | | | | |
|---|---|---|---|---|---|
| | Efficiency (0 BR) | 1 Bedroom | 2 Bedroom | 3 Bedroom | 4 Bedroom |
| 2024 | $1,497 | $1,507 | $1,980 | $2,717 | $3,169 |
| 2023 | $1,386 | $1,406 | $1,851 | $2,561 | $3,072 |

Source: U.S. Department of Housing and Urban Development (HUD).

# Exhibit 2 – Loan Servicing Policies and Procedures

The County of Yolo, hereinafter called "Lender", has adopted these policies and procedures to preserve its financial interest in properties, whose Borrowers 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 managed on a case-by-case basis. The Lender 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) required Rent Limitation Agreement and monitoring of investor properties; 5) loans with annual occupancy restrictions and certifications 6) required noticing and limitations on any changes in title or use of property; 7) required noticing and process for requesting a subordination during a refinance; 8) process of foreclosure in case of default on the loan.

I. <u>Loan Repayments:</u>

As the loan is deferred there is no monthly payment requirement, however the Borrower may choose to make voluntary payments on the loan. Loan payments will be credited to the interest first and then to the principal. The Borrower may repay the loan balance at any time without penalty.

II. <u>Payment of Property Taxes and Insurance:</u>

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 second mortgage. If the 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 the time of installation of Borrower's new insurance.

When a property is located in a 100-year floodplain, 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 the close of escrow. The lender may check 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. Wherever possible, the Lender 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.

III. Required Request for Notice of Default:

When the Borrower 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.

IV. Annual Occupancy Restrictions and Certifications:

The Lender will require that Borrower submit utility bills and/or other documentation annually to prove occupancy during the term of the loan. These loan terms are incorporated in the original note and deed of trust.

V. 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 Lender in writing of any change.

These types of changes are typical when Borrowers do estate planning, when a Borrower dies and property is transferred to heirs, or when the property is sold or transferred as part of a business transaction.

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 family size and household income, provided the heir is income eligible. If the heir intends to occupy the property and is not income eligible, the balance of the loan is due and payable.

VI. Requests for Subordinations:

When a Borrower wishes to refinance the property, they must request a subordination request to the Lender. The Lender will only subordinate their loan when the refinance lowers the housing cost of the household with a lower interest rate and the total indebtedness on the property shall not exceed the current market value.

Additionally, any refinance shall not include any "cash-out". Cash out means there are no additional charges on the transaction above loan and escrow closing fees. There can be no third-party debt pay-offs or additional encumbrance on the property above traditional refinance transaction costs.

Upon receiving the proper documentation from the refinance agency, 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 Lender.

VII. Process for Loan Foreclosure/Default:

Upon any condition of loan default: 1) nonpayment; 2) lack of insurance or property tax payment; 3) violation of rent limitation agreement; 4) change in title or use without approval; 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.

When a senior lien holder starts a foreclosure process and the Lender is notified via a Request for Notice of Default, the Lender, who is the junior lien holder, may choose to foreclose on the property themselves.

Lender As Senior Lien holder

When the Lender is first position as a senior lienholder, 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's staff will consider the following factors before initiating foreclosure:

- Can the loan be cured, and can the rates and terms be adjusted to allow for affordable payments such that foreclosure is not necessary?

- Can the Borrower refinance with a private lender and pay off the Lender?

- Can the Borrower sell the property and pay off the Lender?

- Does the balance warrant foreclosure? (If the balance is under $5,000, the expense to foreclose may not be worth pursuing.)

- 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 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 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 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 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 Lender could contract with a local real estate broker to list and sell the home and use those funds for program income eligible uses.

# Exhibit 3- Confidentiality

**Maintaining Confidentiality of Applicant/Borrower and Participant Information**

To comply with the federal requirements in the Privacy Act of 1974, Yolo County has developed policies for securing the Personally Identifiable Information of Applicant/Borrowers and participants in the Yolo County Owner-Occupied Housing Rehabilitation Program (the Program). Funding for the program includes, but is not limited to, U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) funds received from the State of California Department of Housing and Community Development (HCD).

Per the National Institute of Standards and Technology *Guide to Protecting the Confidentiality of Personally Identifiable Information (PII):*

- *PII* is any information about an individual maintained by an agency, including (1) any information that can be used to distinguish or trace an individual's identity, such as name, social security number, date and place of birth, mother's maiden name, or biometric records; and (2) any other information that is linked or linkable to an individual, such as medical, educational, financial, and employment information.

- To *distinguish* an individual is to identify an individual. Some examples of information that could identify an individual include, but are not limited to, name, passport number, social security number, or biometric data. In contrast, a list containing only credit scores without any additional information concerning the individuals to whom they relate does not provide sufficient information to distinguish a specific individual.

- To *trace* an individual is to process sufficient information to decide about a specific aspect of an individual's activities or status. For example, an audit log containing records of user actions could be used to trace an individual's activities.

- *Linked* information is information about or related to an individual that is logically associated with other information about the individual. In contrast, *linkable* information is information about or related to an individual for which there is a possibility of logical association with other information about the individual. For example, if two databases contain different PII elements, then someone with access to both databases may be able to link the information from the two databases and identify individuals, as well as access additional information about or relating to the individuals. If the secondary information source is present on the same system or a closely related system and does not have security controls that effectively segregate the information sources, then the data is considered linked. If the secondary information source is maintained more remotely, such as in an unrelated system within the organization, available in public records, or otherwise readily obtainable (e.g., internet search engine), then the data is considered linkable.

The *Guide to Protecting Confidentiality* provides the following examples of PII:

- Name, such as full name, maiden name, mother's maiden name, or alias.

- Personal identification number, such as social security number (SSN), passport number, driver's license number, taxpayer identification number, patient identification number, and financial account or credit card number.

- Address information, such as street address or email address.

- Asset information, such as Internet Protocol (IP) or Media Access Control (MAC) address or another host-specific persistent static identifier that consistently links to a particular person or small, well-defined group of people.

- Telephone numbers, including mobile, business, and personal numbers.

- Personal characteristics, including photographic image (especially of face or other distinguishing characteristic), x-rays, fingerprints, or other biometric image or template data (e.g., retina scan, voice signature, facial geometry).

- Information identifying personally owned property, such as vehicle registration number or title number and related information.

- Information about an individual that is linked or linkable to one of the above (e.g., date of birth, place of birth, race, religion, weight, activities, geographical indicators, employment information, medical information, education information, financial information).

It is noted that individual's names and addresses may become public knowledge due to the use of certain funding sources. In this event, Yolo County, and its agents, subrecipients, contractors, and subcontractors will ensure that PII is only released if required by the funding source(s) or by local, state, or federal law.

PII that will be routinely requested from Applicant/Borrowers and participants may include any or all the data points noted above. To secure PII, Yolo County and its agents, subrecipient, contractors, and subcontractors will enact the following policies:

1. Paper files containing loan documents will be stored in a vault with access limited to Program Staff employed by the County.

2. Other paper files related to the Loan and/or Construction will be stored in a locked cabinet with access limited to Program Staff employed by the County.

3. Electronic transmission of PII will be transmitted using an encrypted format.

4. Collection of PII will be:

a. Limited to the minimum necessary to accomplish the purpose of the Program and meet the requirements of the funding source(s).

b. Collected directly from the person about whom the information pertains, if possible and acceptable to the funding source(s).

c. Disclosed only to those who need access for proper purposes to perform work required to implement or monitor the Program.

In the event that a breach of PII data is suspected or detected, Applicant/Borrower's will be contacted immediately to report the incident.