

Mammoth Lakes Housing, Inc.



Manufactured Home Mortgage Assistance, Rehabilitation & Replacement Program Guidelines



CalHome Program

Serving the Town of Mammoth Lakes,
the unincorporated areas of Mono County,
and the City of Bishop

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Manufactured Home Mortgage Assistance & Rehabilitation Program

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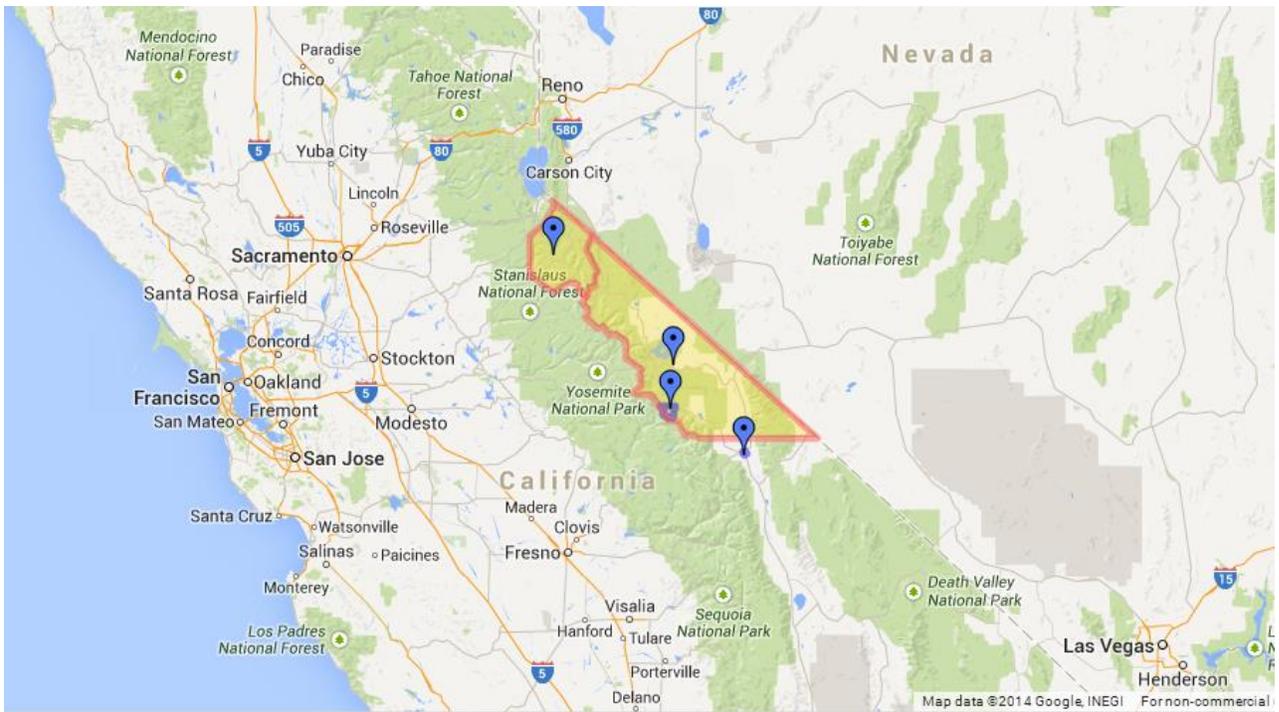
MAMMOTH LAKES HOUSING, INC.
MANUFACTURED HOME MORTGAGE ASSISTANCE & REHABILITATION
PROGRAM GUIDELINES

1.0. GENERAL

Mammoth Lakes Housing, Inc. (MLH), hereinafter referred to as the “Sponsor” or “Program Operator,” has entered into a contractual relationship with the California Department of Housing and Community Development (“HCD”) to administer an HCD-funded first-time homebuyer, rehabilitation, and replacement program through CalHome. The homebuyer and rehabilitation program described herein (the “Program”) is designed to provide financial assistance to eligible homebuyers in purchasing, rehabilitating, or replacing manufactured homes, also referred to herein as “housing units”, located within the Program’s eligible area, as described in Section 1.1. The Program provides this assistance in two forms:

1.1 ELIGIBLE AREA

The eligible area includes the unincorporated areas of Mono County, CA; the Town of Mammoth Lakes, CA; and the City of Bishop, CA.



1.2 PROGRAM OUTREACH AND MARKETING

All outreach efforts will be done in accordance with state and federal fair lending regulations to assure nondiscriminatory treatment, outreach and access to the Program. No person shall, on the grounds of age, ancestry, color, creed, physical or mental disability or handicap, marital or familial status, medical condition, national origin, race, religion, gender or sexual orientation be excluded, denied benefits or subjected to discrimination under the Program. The Sponsor will ensure that all persons, including those qualified individuals with handicaps, have access to the Program.

- A. The Fair Housing Lender and Accessibility logos will be placed on all outreach materials. Fair housing marketing actions will be based upon a characteristic analysis comparison (census data may be used) of the Program's eligible area compared to the ethnicity of the population served by the Program (includes, separately, all applications given out and those receiving assistance) and an explanation of any underserved segments of the population. This information is used to show that protected classes (age, gender, ethnicity, race, and disability) are not being excluded from the Program. Flyers or other outreach materials, in English and any other language that is the primary language of a significant portion of the area residents, will be widely distributed in the Program-eligible area and will be provided to any local social service agencies. The Program may sponsor homebuyer classes to help educate homebuyers about the home buying process and future responsibilities. Persons who have participated in local homebuyer seminars will be notified about the Program.
- B. The Program Operator will work with local real estate agents and primary lenders to explain the Program requirements for eligible housing units and homebuyers, and to review Program processes. Local real estate agents and primary lenders will also be encouraged to have their customers participate in the Program.

1.3 DEFINITIONS

The following definitions are per the CalHome Program Requirements (Title 25 California Code of Regulations, Division 1, Chapter 7, Subchapter 9, Commencing with Section 7715).

"Affordable" as it describes a specific financial obligation, means that obligation can be paid by the person or household, along with all of other financial responsibilities, without endangering the financial stability of the household.

"After-rehabilitation value" means the appraised value of the property including completed rehabilitation work. **"Eligible household"** means a low- or very low-income household that is: a first-time homebuyer; an existing owner-occupant of property in need of rehabilitation; a homeowner participant in a shared housing local program; or a first-time homebuyer participant in a self-help construction project. The eligible household shall occupy, or intend to occupy, the property as their principal residence and shall not lease or rent the property (except in the case of a homeowner provider assisted through a CalHome shared housing program in renting a room in their home to a seeker).

"First-time homebuyer" means a borrower(s) who has not owned a home during the three-year period before the purchase of a home with CalHome assistance, except that the

following individual or individuals may not be excluded from consideration as a first-time homebuyer under this definition:

- (1) a displaced homemaker who, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse. A displaced homemaker is an adult who has not, within the preceding two years, worked on a full-time basis as a member of the labor force for a consecutive twelve-month period and who has been unemployed or underemployed, experienced difficulty in obtaining or upgrading employment and worked primarily without remuneration to care for his or her home and family;
- (2) a single parent who, while married, owned a home with his or her spouse or resided in a home owned by the spouse. A single parent is an individual who is unmarried or legally separated from a spouse and has one or more minor children for whom the individual has custody or joint custody or is pregnant; or
- (3) an individual or individuals who owns or owned, as a principal residence during the three-year period before the purchase of a home with CalHome assistance, a dwelling unit whose structure is:
 - (A) not permanently affixed to a permanent foundation in accordance with local or state regulations; or
 - (B) not in compliance with state, local, or model building codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

“Gross income” means all income as defined in California Code of Regulations (CCR) Title 25, Section 6914.

“Homebuyer education” means a specific course of instruction, designed pursuant to Section 7722, to educate first-time homebuyers regarding various aspects of purchasing and maintaining a home.

“Homeownership” means:

- (1) for mortgage assistance: fee simple title on real property or a leasehold interest on real property that enables the lessee to make improvements on and encumber the property and has a term sufficient to secure the CalHome loan, ownership of a manufactured housing unit located on a rented space in a mobile home park; or
- (2) for owner-occupied rehabilitation: fee simple title; or a leasehold interest that enables the lessee to make improvements on and encumber the property and has a term sufficient to secure the CalHome loan; or ownership of a manufactured housing unit located on a rented space in a mobile home park.

- (3) a share interest in a limited equity housing cooperative; or
- (4) an interest in a mutual housing project that meets the definition in Section 7716(gg) of Title 25 of the California Code of Regulations.

“Household” means one or more persons occupying the same housing unit. The following individuals **DO NOT** count towards household size determination for income limit purposes: non-related live-in caretakers paid from an outside source, foster children, unborn children and children being pursued for legal custody or adoption who are not currently living with the household. A child who is subject to a shared-custody agreement, in which the child resides with the household at least 50% of the time, can be counted.

“Manufactured housing” means a mobile home as defined by Section 18007 of the Health and Safety Code. A manufactured home can be either in a rental mobile home park, on leased land, or on property owned by the occupant. It can either be on a permanent foundation or a foundation system. In these regulations, with respect to manufactured housing not installed on a permanent foundation, terms that typically apply to conventionally constructed housing or to loans secured by real property shall be given the appropriate analogous meaning used in the manufactured housing industry. For example, rather than holding fee title to the property, a manufactured home owner is listed as the registered owner on the certificate of title issued by the Department.

“Rehabilitation” means, in addition to the definition in Health and Safety Code, Section 50096 and Section 50097, repairs and improvements to a manufactured home necessary to correct any condition causing the home to be substandard pursuant to CCR, Title 25, Section 1704. Rehabilitation includes reconstruction. Rehabilitation also includes room additions to prevent overcrowding. Rehabilitation also means repairs and improvements which are necessary to meet any local code standards used in local rehabilitation programs. Rehabilitation does not include replacement of personal property.

1.4 APPLICATION PROCESS AND SELECTION

- A. The Sponsor maintains a waitlist of applicants. Each applicant is asked to complete an application form, which asks for sufficient information concerning income, employment, and credit history to establish preliminary eligibility for Program participation. Completed applications are processed on a first-come-first-served basis with preference given to those households currently living and working in the Program Service Areas. Applications are deemed complete only if all information is completed, the application is signed and dated, and a primary lender’s pre-qualification letter is attached to the application. Incomplete applications are returned to the applicant and will not be date/time stamped until complete. In the event that multiple applications are processed at the same time, borrowers will be assisted on a first-come, first-served basis bearing in mind the preference noted above. A fully executed Purchase and Sale Agreement, completed application and completion of the on-line homebuyer course are all needed in order to secure a preliminary funding commitment.
- B. Once the applicant’s name comes to the top of the waitlist, their Program eligibility is confirmed and they are invited to a briefing regarding participation in the

Program. At the briefing the application is reviewed and the potential homebuyer is given a “Preliminary Eligibility Letter” for the Program.

If the Program Operator encounters material discrepancies and/or misrepresentations, and/or there are income, asset, household composition, or other important questions that can't be resolved, the Sponsor reserves the right to deny assistance to the household. In this case, the applicant may re-apply after six months have elapsed from the time of written assistance denial.

The Program Operator may conduct a drive-by inspection of the property currently occupied by the applicant. If the Program Operator determines that there is excessive clutter outside of the residence, the program applicant will be notified that their application cannot be processed further until the excessive clutter is removed. The purpose of this inspection is to ensure that loans are made to program participants who have the ability to continue to maintain their property in conformance with the terms of their loan agreement. Applicants will be notified prior to application of this requirement. Each applicant must participate in individual Homebuyer Counseling approved by the Program Operator and receive a certificate of completion. Applicants will participate in a Homebuyer Education Course offered by Mammoth Lakes Housing, Inc. This is available at no cost to the Applicant. Homebuyers will also meet with the Program Operator to discuss their loan and the home purchase or rehabilitation process.

- C. The potential homebuyer is given 90 days in order to find a qualified home and begin securing a primary loan for the housing unit. If during the 90-day time frame, the potential homebuyer is unable to purchase a home, an extension may be given.

2.0 APPLICANT QUALIFICATIONS

2.1 INCOME LIMITS FOR THE SERVICE AREA, BY HOUSEHOLD SIZE

All applicants must certify that they meet the household income eligibility requirements and have their household income documented. The income limits in place at the time of loan approval will apply when determining applicant income eligibility. All applicants must have incomes at or below 80% of the appropriate County's area median income (AMI), adjusted for household size, as published by HCD (**Attachment B**).

2.2 INCOME QUALIFICATION CRITERIA

Projected annual gross income of the applicant household will be used to determine whether they are above or below the published HCD income limits. Income qualification criteria, as shown in the most recent HCD program-specific guidance at <http://www.hcd.ca.gov/hpd/hrc/rep/state/incNote.html>, will be followed to independently determine and certify the household's annual gross income. Income will be verified by reviewing and documenting tax returns, copies of wage 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 and kept in the applicant file and held in strict confidence.

| Income Limits for Program Service Area <i>Effective 5/6/19</i> | | | | | | |
|--|----------|----------|----------|----------|----------|----------|
| Household Size | 1 | 2 | 3 | 4 | 5 | 6 |
| Mono County | \$44,750 | \$51,150 | \$57,550 | \$63,900 | \$69,050 | \$74,150 |
| Inyo County | \$40,750 | \$46,550 | \$52,350 | \$58,150 | \$62,850 | \$67,500 |

A. HOUSEHOLD INCOME DEFINITION:

Household income is the annual gross 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. Refer to Income Inclusions and Exclusions for further guidance to the types of incomes to be included or excluded when calculating gross annual income. For those types of income counted, gross amounts (before any deductions have been taken) are used. Two types of income that are not considered would be income of minors and 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. See **Attachment A: 25 Section 6914 Gross Income Inclusions and Gross Income Exclusions**.

B. ASSETS:

There is no asset limitation for participation in the Program. Income from assets, however, is recognized as part of annual income when assets are in excess of

\$5,000. Gross income shall include the greater of:

1. Actual amount of regular income, if any, derived from all the household assets; or
2. 2.0% (Passbook rate) of the value of all such assets if no regular income is derived from the assets.

If the assets are \$5,000 or more, but they are scheduled to be liquidated for the down payment, and they are deposited into escrow, they need not be counted in the income verification. Any assets not used for down payment must be considered.

2.3 RESIDENCY REQUIREMENTS

Borrowers/Owners will be required to submit to MLH between May 1 and July 31 of each year for the term of the loan:

- Proof of occupancy in the form of a copy of a current utility bill;
- Statement of unit's continued use as a residence;

In the event that an owner occupant sells, transfers title, or discontinues residence in the rehabilitated or purchased property for any reason, the loan is due and payable.

If the owner occupant dies transfer to a surviving joint tenant by devise, descent, or operation of law is permissible.

3.0 FIRST-TIME HOMEBUYER MORTGAGE ASSISTANCE

3.1. HOUSING UNIT ELIGIBILITY

- A. Housing units to be purchased must be located within the eligible area. The eligible area is described as follows: “Within the Town of Mammoth Lakes, the unincorporated areas of Mono County, and the City of Bishop.”
- B. Housing unit types eligible for the homebuyer Program are new or previously owned manufactured homes.
- C. All housing units must be in compliance with State and local codes and ordinances.
- D. Housing units located within a 100-year flood zone will be required to provide proof of flood insurance with an endorsement naming Mammoth Lakes Housing, Inc. as loss payee in order to close escrow.
- E. Housing must be “modest”, so it may not exceed three bedrooms and two bathrooms and the parcel must be less than an acre unless there are documented extenuating circumstances (e.g. it would create an overcrowding situation, there is not a reasonable inventory of homes of this size, etc.) and the Program Operator

approves the exception request.

3.2. HOMEBUYER COSTS

- A. Eligible households must document that they have the funds necessary for down payment and closing costs as required by the Primary Lender and the Sponsor. The Program's down payment requirement (below) is in place even if the Primary Lender has a lower down payment requirement. If the Primary Lender has a higher down payment requirement, there is no additional down payment requirement required by the Program.
- B. Homebuyer must contribute a minimum down payment of two percent (2%) of the purchase price, but may contribute more if desired.
- C. The subsidy will write down the cost of the primary lender's loan so that the monthly payments of PITI (principal, interest, tax, and insurance) are within approximately 25 to 35% of the gross household income. The Program Operator will determine the level of subsidy and affordability during underwriting of the Program's loan to make sure that it conforms to the requirements of the HCD funding Program.

3.3. HOMEBUYER EDUCATION

Buying a home can be one of the most confusing and complicated transactions anyone can make. Providing the future homebuyer with informative homebuyer education training, can bring success to the Sponsor, Program Operator, the Program and most importantly, the homebuyer. It has been documented that first-time homebuyers that have had homebuyer education have the ability to handle problems that occur with homeownership. All Program participants are required to attend a Sponsor-approved homebuyer education class. The homebuyer education class will cover such topics as the following: preparing for homeownership; available financing; credit analysis; loan closing; homeownership responsibilities; home maintenance; impact of refinancing and loan servicing. Methods of homebuyer counseling and education may include, but are not limited to: one-on-one counseling between homebuyer, counselor and family/individual and/or group workshops and informational sessions. Tools of instruction may include fliers, brochures, power point presentations, worksheets, etc.

3.4. NON-DISCRIMINATION REQUIREMENTS

The Program will be implemented in ways consistent with the Sponsor's commitment to non-discrimination. 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 State 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.

3.5. PURCHASE PRICE LIMITS

The purchase price cannot exceed 100% of the area median purchase price, according to the local Multiple Listing Service.

Attachment B: MAXIMUM PURCHASE PRICE *Sponsor will update these limits annually as HCD provides new information.

3.6 THE PRIMARY LOAN

Prior to obtaining a loan from the Sponsor, a homebuyer must provide evidence of financing for the maximum amount the Primary Lender is willing to loan (the “primary loan”) if required.

A. Qualifying Ratios

The front-end (housing) debt-to-income ratio shall be between 25% and 35% and is the percentage of a borrower’s gross monthly income (before deductions) that would cover the cost of PITI (the loan principal, interest payment, property taxes, and property insurance) in addition to any applicable mortgage insurance and space rent if any.

The back-end (total) debt-to-income ratio shall be between 25% and 45% and is the percentage of a borrower’s gross monthly income that would cover the cost of housing as described in the paragraph above, plus any other monthly debt payments like car or personal loans and credit card debt, as well as child support and alimony payments.

B. Interest Rate

The primary loan must be fully amortized and have a fixed interest rate that does not exceed the current market rate, as established by an index identified in the most recent NOFA. No temporary interest rate buy-downs are permitted.

C. Loan type and term

The primary loan shall be fully amortized and have a term “all due and payable” in no fewer than 30 years. Balloon payment loans are not allowed in either senior or junior position to the Program loan.

D. Impound Account

All households will be required to have impound accounts for the payment of property taxes, when applicable, and insurance to ensure they remain current.

3.7 THE PROGRAM LOAN

A. AMOUNT: The maximum loan amount is \$56,560.

B. TERM:

- i. When the manufactured housing is located in a mobile home park and not permanently affixed to a foundation the mortgage assistance to purchase the home

shall be in the form of a secured forgivable loan to an individual household. The loan shall be at 3% interest and due and payable in 20 years. Payments begin immediately when the Program loan is in first position and the borrower's ratios support regular payments. The loan is deferred for 20 years if the borrower's ratios do not support regular payments. The 20 year loan is forgivable 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.

- ii. When the manufactured housing is located on a fixed foundation, on private land, the mortgage assistance to purchase the home shall be for a maximum of 30 years. When the program loan is in second position, the principal shall be deferred for the term of the loan with a 3% interest rate. When the program loan is in first position, payments will begin immediately if the borrower's ratios support regular payments.

C. SECURITY INSTRUMENTS

- i. For manufactured homes in mobile home parks, the Promissory Note and Security Agreement shall be used to secure the loan (**Attachment J**).
- ii. For manufactured homes on private property and fixed foundations, both a Promissory Note (**Attachment F**) and a Deed of Trust shall be used to secure the loan (**Attachment G**).

D. COMBINED LOAN-TO-VALUE RATIO: Homebuyer mortgage assistance loans when combined must have a loan-to-value ratio not exceeding 100% of the sales price (or appraised value if lower) plus a maximum of up to 5% of the sales price to cover actual non-recurring closing costs.

4.0 OWNER OCCUPIED REHABILITATION

Owner-occupied rehabilitation applicants must complete a loan application. The subject property's after-rehab value with the CalHome loan cannot exceed 100% of the current median sales price of a single family home in the county where it is located. The total loan to value, including all loans on the property and the new CalHome loan may not exceed 105% of the after-rehab value. A credit report will be required from the applicant.

4.1 ELIGIBLE IMPROVEMENTS

Rehabilitation needs will be addressed in the following priority:

A. Health and Safety Issues, Correction of Code Violations, or Compliance with a Local Ordinance

Eligible costs include repair or replacement of electrical, heating and plumbing systems. It also includes roof replacement, and repairs to remedy mold, dry rot, water damage or termite damage. Also included are lead-based paint hazard reduction and improvements for disability access.

Eligible costs include additional work required to rehabilitate and modernize a home, and bring it into compliance with current building codes and regulations. Items in a detached garage are generally not eligible except to the extent that the residence is affected by the current condition. For example, out-of-code electrical wiring between the house and the garage which could create a fire hazard to the residence, or mold or termites in the garage which could easily move to the residence.

Painting, weatherization and energy efficient improvements are included when required by code. Energy efficient items and green building items cannot be stand-alone but must be connected in some fashion to one of the four eligible uses of CalHome funds. For instance, dual pane windows may replace windows which must be repaired because they are not operational. Insulation may be added when a roof or ceiling requires repair. However, a tankless water heater is considered an enhancement and is not usually eligible to replace a tank-style water heater. When in doubt, consult your CalHome Representative.

B. Demolition and Clean-up

Eligible costs include the tear down and disposal of dilapidated structures. Eligible costs also include clearance of weeds, junk, debris, stagnant water, and garbage which directly affect the residence structure and constitute a health and safety hazard. Removal of debris and weeds is generally considered normal maintenance and is an ineligible use of CalHome funds. However, because situations are variable, consult your CalHome Representative.

C. Closing Costs and Other Charges

Eligible costs include up to 5% of the purchase price for non-recurring closing costs for the loan paid to third party providers for such items as title searches, credit reports, notary fees, recording fees, escrow fees, or appraisals. The homeowner does not pay any costs for the CalHome loan such as refundable application fees, loan processing or document fees. These costs are incurred by the Recipient and reimbursed by CalHome to the Recipient as Activity Delivery Fees. Other costs such as termite inspections (when termite work is done), haul away, disposal bins, architect fees, permit fees, should be included in the loan.

D. Additions

Eligible costs include construction of additional bedrooms and bathrooms if needed to alleviate overcrowding (as defined in the latest Census). The program will not fund additions to a home for a den, home office or family room. No detached additions or buildings are permitted unless required by a local ordinance (such as covered parking).

E. General Property Improvements

General property improvements are permitted if they relate to health and safety, or code or local ordinance compliance activities. All improvements must be physically attached to the property and permanent in nature. They must remain with the home if the home is sold. A driveway, landscaping or fencing may be considered part of rehabilitation if it is determined to be a health and safety issue. Luxury items are not permitted to be paid with CalHome funds.

F. Appliances

Built in appliances such as garbage disposals, dishwashers, stoves and ovens may be replaced if they are broken or non-repairable. Free standing appliances such as refrigerators,

washers and dryers are not included. New built-in appliances are ineligible if they do not replace a similar existing appliance.

G. Relocation and Storage

Relocation costs and storage costs are considered secondary costs and allowed only when absolutely necessary for health and safety. These costs are part of the loan which must be repaid and are not a grant. Homeowners should be encouraged to stay with friends or relatives so that most of the funds are used for property improvements.

H. Rehabilitation Standards

All repair work related to health and safety conditions will meet Uniform Building Code standards. The priority will be the elimination of health and safety hazards and code compliance. The replacement materials will be of a similar grade and quality compared to the original construction. Substantial upgrades such as premium carpet, travertine tile, marble tile, granite or marble countertops, or are normally not permitted to be paid with CalHome funds.

I. Mobile Homes

Rehabilitation or Replacement of a manufactured home not on a permanent foundation with a similar structure is permitted. Rehabilitation of a manufactured home may include the replacement of the unit with a new or used manufactured home. A mobile home is eligible for replacement if the cost to rehabilitate it is not feasible. The footprint of the new structure may be larger if the cost of the new manufactured home does not exceed 110% of the cost that would have been incurred if the existing manufactured home had been rehabilitated. This is usually feasible when a “gently-used” coach is purchased. All costs associated with the purchase and transportation can be added to the loan.

J. Ineligible Costs and Improvements

- i. Property improvements not related to health and safety, correction of code violations or compliance with local ordinances are not permitted. A partial list of ineligible upgrades are: bar-b-ques, outdoor kitchens, patios, decks, patio covers, swimming pools, hot tubs, animal shelters, sports courts, storage sheds, workshops, fountains, security systems, TV antennas, plantation shutters, wall paper, tankless water heaters, upgraded carpet, built in entertainment centers, granite counter tops; travertine or marble tile, and garage floor coatings.
- ii. Program funds cannot be used to refinance existing loans or payoff of personal obligations.
- iii. Mobile home park owners are not eligible for the Program.

4.2 FINANCING TERMS

- iii. **AMOUNT:** The maximum loan for rehabilitation shall not exceed \$56,650 dependent upon the applicant’s income, debt-to-income ratios, available funding, and after-rehab value.

- iv. **TERM:** When the manufactured housing is located in a mobile home park and not permanently affixed to a foundation the assistance to rehabilitate, repair, or replace the home shall be in the form of a secured forgivable loan to an individual household. The loan shall be at 3% interest and due and payable in 20 years. Payments begin immediately when the Program loan is in first position and the borrower's ratios support regular payments. The loan is deferred for 20 years when the borrower's ratios do not support regular payments. With the 20 year loan, 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.

When the manufactured housing is located on a fixed foundation, on private land, the assistance to rehabilitate, repair, or replace the home shall be for a maximum of 30 years. The principal shall be deferred for the term of the loan with a 3% interest rate. Payments will begin immediately when the Program loan is in the first position and the borrower's ratios support regular payments.

- v. **COMBINED LOAN-TO-VALUE RATIO:** The loan-to-value ratio for a owner-occupied rehabilitation loan, when combined with all other indebtedness secured by the property, shall not exceed 105% of the estimated after-rehabilitation-value. In addition, for Acquisition with Rehabilitation and owner-occupied rehabilitation, the after-rehabilitation value shall not exceed 100% of the median sales price in the county in which the property is located, according to the local Multiple Listing Service.
- vi. **SECURITY INSTRUMENTS:** For owner-occupied rehabilitation, the Owner-Occupied Rehabilitation/Replacement Manufactured Housing Promissory Note & Security Agreement shall be used to secure the loan (**Attachment H**).

The Program loan shall be due upon sale or transfer of the property, when the property ceases to be owner-occupied, or upon the loan maturity date.

No financing, junior or senior the the CalHome loan may have a balloon payment due before the maturity date of the CalHome loan.

Cash out of escrow to the homeowner is prohibited.

4.3 LOAN APPROVAL

All loans must be approved by Mammoth Lakes Housing. In order to obtain CalHome financing, applicants must meet all property and eligibility guidelines in effect at the time of loan approval. Applicants will be provided written notification of approval or denial.

4.4 PROGRAM COMPLAINT AND APPEAL PROCEDURE

Complaints concerning the CalHome Program should be made in writing and filed with Mammoth Lakes Housing. MLH will then schedule a meeting with CalHome. Their written response will be made within fifteen (15) working days. If the applicant is not satisfied with the committee's decision, a request for an appeal may be filed with Mammoth Lakes Housing. Final appeal may be

filed in writing with HCD within one year after denial or the filing of the Project Notice of Completion.

4.5 GRIEVANCES BETWEEN PARTICIPANTS & CONSTRUCTION CONTRACTOR

Contracts signed by the contractor and the participant include the following clause, which provides a procedure for resolution of grievances:

Any controversy arising out of or relating to this Contract, or the breach thereof, shall be submitted to binding arbitration in accordance with the provisions of the California Arbitration Law, Code of Civil Procedure 1280 et seq., and the Rules of the American Arbitration Association. The arbitrator shall have the final authority to order work performed, to order the payment from one party to another, and to order who shall bear the costs of arbitration. Costs to initiate arbitration shall be paid by the party seeking arbitration. Notwithstanding, the party prevailing in any arbitration proceeding shall be entitled to recover from the other all attorney's fees and costs of arbitration.

4.6 CONTRACTING PROCEDURES

See **Attachment D** for the Rehabilitation Construction Contract and **Attachment E** for the Contractor's Payment Request.

- All housing rehabilitation work must be carried out using these CalHome adopted housing rehabilitation guidelines.
- MLH will determine the rehabilitation work to be performed on the property by conducting an initial property inspection.
- MLH will ensure that the rehabilitation work funded pursuant to the Program Guidelines will be performed in a competent, professional manner at the lowest reasonable cost consistent with market conditions.
- The general contractors and subcontractors selected by the borrower must be licensed by the Contractors State License Board and have Workers' Compensation and Employer Liability insurance to the extent required by State law.
- The contractor selected shall complete the work in accordance with a construction contract executed between the contractor and the borrower and approved by MLH.
- All contractors must comply with CalHome state regulations.
- A Notice of Completion must be recorded with the County Recorder.
- "Payments to Contractor for Owner-Occupied Rehabilitation shall be on an advance or reimbursement basis. Upon the effective date of this Agreement, and upon submission of the required draw request form(s) and submission of any documentation required by the Department, as identified in Paragraph 1.C of this Exhibit, Contractor may obtain in advance, in an amount not to exceed

25 percent (25%) of the total amount provided under this Agreement. As these funds are used for eligible expenditures, the Contractor shall forward all required documentation to the Contract manager. When two-thirds (2/3) of the initial disbursement of CalHome Program funds on hand has been expended, the Contractor may request the next advance of 25% of the total amount provided under this Agreement. This procedure of advances shall continue until the total amount provided under this Agreement is expended and is subject to the requirements of Exhibit A, Paragraph 4, of this Agreement.”

5.0 PROGRAM LOAN REPAYMENT

5.1 PAYMENTS

Payments should be remitted to:

**Mammoth Lakes Housing, Inc.
587 Old Mammoth Rd. #4 / P.O. Box 260
Mammoth Lakes, CA 93546**

5.2 RECEIVING LOAN PAYMENTS

The Sponsor will be the receiver of loan payments or recaptured funds 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 Sponsor’s Program Income Account, as required by HCD programs. The Program lender will accept loan payments from borrowers prepaying deferred loans, and from borrowers making payments in full upon sale or transfer of the property. All loan payments are payable to the Sponsor. The Sponsor 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.

5.3 DUE UPON SALE OR TRANSFER

In the event that an owner sells, transfers title, or discontinues residence in the purchased property for any reason, the principal balance of the loan is due and payable, except:

- A. If the owner of the property dies, and the heir to the property meets income requirements, the First-Time Homebuyer definition, and intends to occupy the home as a principal residence, the heir may be permitted, upon approval of the Sponsor, to assume the loan at the rate and terms the heir qualifies for under the current participation guidelines. If the property owner dies and the heir does not meet eligibility requirements, the loan is due and payable.
- B. If an owner wants to convert the property to a rental unit, or any commercial or non-residential use, the loan is due and payable.
- C. The loan will be in default if the borrower fails to maintain required fire or flood

insurance or fails to pay property taxes. See **Attachment I** on loan servicing policies and procedures.

5.4 LOAN SERVICING POLICIES AND PROCEDURES

See **Attachment I** for local 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.

5.5 LOAN MONITORING PROCEDURES

Sponsor will monitor Borrowers and their housing units to ensure adherence to Program requirements including, but not limited to, the following:

- A. Owner-occupancy – verified annually. Client will be required to submit current utility bill as proof of occupancy.
- B. Property tax payment – verified annually.
- C. Hazard insurance coverage – verified annually.
- D. Good standing on Primary loans – follow-up as needed.
- E. General upkeep of housing units – drive by inspection conducted every other year.

6.0 PROGRAM LOAN PROCESSING AND APPROVAL

6.1 LOAN PROCESSING

All homebuyers or their representatives will be sent out an eligibility packet with all the necessary forms, disclosures, information, and application. They should submit a complete application packet with all the Sponsor's Program loan documents executed as well as all the information from the Primary Lender. The Primary Lender should submit: 1) accepted property sales contract with proper seller notification; 2) mortgage application with good faith estimates and first mortgage disclosures; 3) full mortgage credit report and rent verification; 4) current third party income verifications and verifications of assets; 5) homeownership education certificate, if applicable; and 6) signed underwriting transmittal summary and final signed loan application, both from primary lender. Staff will work with local lenders to ensure qualified participants receive only the benefit from the Sponsor's Program needed to purchase the housing unit and that leveraged funds will be used when possible.

6.2 CREDIT WORTHINESS

Qualifying ratios are only a rough guideline in determining a potential borrower's credit worthiness. Many factors such as excellent or poor credit history, amount of down payment, and size of loan will influence the decision to approve or disapprove a particular loan. The borrower's credit history will be reviewed by MLH and documentation of such maintained in the loan file. MLH will obtain a credit report or rely on a current copy obtained by the primary lender.

6.3 DOCUMENTS FROM PRIMARY LENDER

After initial review of the qualified homebuyer's application packet, MLH will request additional documents. Documents may be faxed, e-mailed, or mailed. Based on receipt and review of the final documents, MLH will do an income certification (using most recent HCD program's guidance on income calculation and determination), and homebuyer certification (review of credit report, third-party employment verification, and income taxes). Documentation of affordability will then be verified and subsidy requirement determined.

6.4 DISCLOSURE OF PROGRAM & LOAN INFORMATION TO HOMEBUYERS

The Program's application and disclosure forms will contain a summary of the loan qualifications of the borrower with and without Program assistance. Housing ratios with and without Program assistance are also outlined in these guidelines. Information on the Program's application will be documented with third party verifications in the file. For example, the sales contract will provide the final purchase price and outline how much of the closing costs are to be paid by the seller, etc. The appraisal, termite and title report will provide information to substantiate the information in the sales contract and guide the construction inspection. The Program loan application will provide current debt and housing information and will be documented by the credit report and income/asset verifications. The Primary Lender's approval letter and estimated closing cost statement should reflect all the information in the loan package and show any contingencies of loan funding. Reviewing the Primary Lender's loan underwriting documentation will provide basic information about the qualification of the applicant and substantiate the affordability provided by the Program

loan. By reviewing and crosschecking all the Primary Lender information, the final Program loan amount approved will fall within the affordability parameters of the Program.

6.5 COMPLETION OF UNDERWRITING AND APPROVAL OF PROGRAM LOAN

Once the loan approval package has been completed the Program Operator will submit it to the Sponsor for approval. Sponsor will review the request and may approve it with or without conditions. Upon approval, a final closing date for escrow is set and Program funds are accessed for the homebuyer.

6.6 ESCROW PROCEDURES

The escrow/title company shall review the escrow instruction provided by the Program lender and shall issue a California Land Title Association (CLTA) and the American Land Title Association (ALTA) after closing. The CLTA policy is issued to the homebuyer and protects them against failure of title based on public records and against such unrecorded risks as forgery of a deed. The ALTA is issued to each lender providing additional coverage for the physical aspects of the property as well as the homebuyer's title failure. These aspects include anything which can be determined by only physical inspection, such as correct survey lines; encroachments; mechanics liens; mining claims and water rights. The Program lender instructs the escrow/title company in the escrow instructions as to what may show on the policy; the amount of insurance on the policy (all liens should be covered) and the loss payee (each lender should be listed as a loss payee and receive an original ALTA).

6.7 SUBORDINATE FINANCING

With today's high costs, in order for a low-income household to obtain a home, several funding sources might be required. Subordinate loans may be used to cover mortgage subsidy costs that exceed the Program maximum loan amount. All subordinate liens must have the payments deferred and the term must be for at least as long as the term of the Program loan.

7.0 EXCEPTIONS AND SPECIAL CIRCUMSTANCES

The Sponsor may make amendments to these Participation Guidelines. Any changes shall be made in accordance with regulations. Changes shall then be sent to HCD for approval.

7.1 DEFINITION OF EXCEPTION

Any case to which a standard policy or procedure, as stated in the guidelines, does not apply or an applicant treated differently from others of the same class would be an exception.

7.2 PROCEDURES FOR EXCEPTIONAL CIRCUMSTANCES

- A. The Sponsor or its agent may initiate consideration of an exception and prepare a report. This report shall contain a narrative, including the Sponsor's recommended course of action and any written or verbal information supplied by the applicant.
- B. The Sponsor shall make a determination of the exception based on the information provided.

8.0 DISPUTE RESOLUTION AND APPEALS PROCEDURE

Any applicant denied assistance from the Program has the right to appeal. Complaints concerning the Program should be made to the Program Operator first. If unresolved in this manner, the complaint or appeal must be made in writing and filed with the Sponsor. The Sponsor will then schedule a meeting with the Program Operator. Their written response will be made within thirty (30) working days. If the applicant is not satisfied with the Committee's decision, a request for an appeal may be filed with the Sponsor's governing body. Final appeal must be filed in writing with HCD within one year after denial.

ATTACHMENT A

Title 25 Section 6914 Gross Income Inclusions

“Gross income” shall mean the anticipated income of a person or family for the twelve-month period following the date of determination of income.

“Income” shall consist of the following:

(a) Except as provided in subdivision (b), “Exclusions”, all payments from all sources received by the family head (even if temporarily absent) and each additional member of the family household who is not a minor shall be included in the annual income a a family. Income shall include, but not be limited to:

- (1) The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses;
- (2) The net income from operation of a business or profession or from rental or real or personal property (for this purpose, expenditures for business expansion or amortization of capital indebtedness shall not be deducted to determine the net income from a business);
- (3) Interest and dividends;
- (4) The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;
- (5) Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay
- (6) Public Assistance. If the public assistance payment includes an amount specifically designated for shelter and utilities which is subject to adjustment by the public assistance agency in accordance with the actual cost of shelter and utilities, the amount of public assistance income to be included as income shall consist of:
 - (A) The amount of the allowance or grant exclusive of the amount specifically designated for shelter and utilities, plus
 - (B) The maximum amount which the public assistance agency could in fact allow for the family for shelter and utilities,
- (7) Periodic and determinable allowances such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling;

All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the family or spouse.

Title 25 Section 6914 Gross Income Exclusions

- (b) The following items shall not be considered as income:
- (1) Casual, sporadic or irregular gifts;
 - (2) Amounts which are specifically for or in reimbursement of the cost of medical expenses;
 - (3) Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses;
 - (4) Amounts of educational scholarships paid directly to the student or to the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment. Any amounts of such scholarships, or payments to veterans not used for the above purposes of which are available for subsistence are to be included in income;
 - (5) The special pay to a serviceman head of a family away from home and exposed to hostile fire;
 - (6) Relocation payments made pursuant to federal, state, or local relocation law;
 - (7) Foster child care payments;
 - (8) The value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964 which is in excess of the amount actually charged the eligible household;
 - (9) Payments received pursuant to participation in the following volunteer programs under the ACTION Agency:
 - (A) National Volunteer Antipoverty Programs which include VISTA, Service Learning Programs and Special Volunteer Programs.
 - (B) National Older American Volunteer Programs for persons aged 60 and over which include Retired Senior Volunteer Programs, Foster Grandparent Program, Older American Community Services Program, and National Volunteer Program to Assist Small Business Experience, Service Corps of Retired Executive (SCORE) and Active Corps of Executives (ACE).

Resources: Annual Income Inclusions (www.hcd.ca.gov/fa/calhome/grossincomeinclusionse.doc) and Annual Income Exclusions (www.hcd.ca.gov/fa/calhome/grossincomeinclusionsf.doc).

ATTACHMENT B

**MAXIMUM PURCHASE PRICE/AFTER-REHAB VALUE
LIMIT FOR SERVICE AREA
*Effective 5/2/16***

| COUNTY NAME | One-Family Existing Home |
|------------------------|-------------------------------------|
| MONO | \$399,000 |
| INYO | \$271,000 |

| Income Limits for Program Service Area <i>Effective 5/24/16</i> | | | | | | |
|--|----------|----------|----------|----------|----------|----------|
| Household Size | 1 | 2 | 3 | 4 | 5 | 6 |
| Mono County | \$44,750 | \$51,150 | \$57,550 | \$63,900 | \$69,050 | \$74,150 |
| Inyo County | \$40,350 | \$46,100 | \$51,850 | \$57,600 | \$62,250 | \$66,850 |

Sponsor will insert the limits for the county in which the Program is located, and will update the limits annually as HCD provides new information. The link to the official, HCD-maintained, income limits is:

<http://www.hcd.ca.gov/hpd/hrc/rep/state/incNote.html>.

ATTACHMENT C

**MAMMOTH LAKES HOUSING, INC.
INSTRUCTIONS TO HOMEBUYER**

- A. Participant works with lender of choice to obtain the primary lender's pre-qualification letter, residential loan application and credit report. These documents are sent by the lender to Mammoth Lakes Housing, Inc. (MLH).
- B. Participant completes MLH First Time Homebuyer Application and provides income documentation and proof of down payment and/or gift letter.
- C. Participant regarding approved bedroom and bathroom maximums (always 3 bedrooms and 2 bathrooms unless extenuating circumstances justify more to be approved), participant works with real estate agent to select home. Program disclosures are reviewed with agent for presentation to seller. Home must be vacant or owner-occupied rather than tenant-occupied. The HOME Program allows only homes vacant for three months or more prior to the date of the purchase contract, unless the current tenant is purchasing the home.

Homes purchased under this program must be modest first-time homebuyer type homes with no more than three bedrooms and two bathrooms. Property must be under one acre.

- D. Participant selects home and enters into a purchase contract (contingent upon receiving Program loan approval). Agent provides MLH with a copy of the fully-executed Purchase and Sale Agreement with program disclosures.

Lender provides the Program Operator with a copy of:

- | | |
|--|---|
| <ul style="list-style-type: none">• Real estate sales contract• Residential loan application• Credit report• Verified income documentation• Disclosure statement | <ul style="list-style-type: none">• Breakdown of closing costs• Structural pest control clearance• Appraisal with photos• Escrow instructions• Preliminary title report |
|--|---|

- E. Program Operator reviews paperwork to determine program eligibility and financing affordability for participant etc.
- F. Program Operator staff meets with qualified applicant to provide information relative to the program requirements, the lending process, and home ownership responsibilities.
- G. Program Operator has home inspected (if necessary) to meet HQS or document health & safety and code compliance (dependent upon the program). Notice of any deficiencies or needed corrections are given to participant's real estate agent, with recommended course of action. Property must also have Section 1 clearance on the property's pest report and septic clearance, if applicable, prior to close of escrow.
- H. Program Operator prepares Deed of Trust, Promissory Note, Request for Notice of Default, Grant Agreement, Owner-Occupant Agreement with MLH, and Escrow Instructions, and prepares checks and deposits same into escrow.
- I. Escrow company furnishes Program Operator with proof of documents to be recorded, and any escrow close out information. After receipt of recorded loan documents, Final HUD-1, Insurance Loss Payee Certification and Final Title Insurance Policy, Program Operator closes out the loan file.

ATTACHMENT D

REHABILITATION CONSTRUCTION CONTRACT

Home Improvement Construction Contract

This Home Improvement Construction Contract is entered into this ___ day of _____, 20___, between the following parties: (Owner(s) Name): _____ and (Contractor's Name and Address): _____

(Notice of Cancellation, see paragraph 28, may be sent to Contractor at the above address).

The parties agree as follows:

1. **Work to be Performed:** Contractor agrees to provide a Schedule of Work, in accordance with the Work Write-up and furnish all supervision, technical personnel, labor, materials, tools and equipment necessary to complete the work described in the work write-up attached hereto at the real property commonly described as: _____. Contractor will be responsible for all construction means, methods, techniques, sequences and procedures and for the coordination of all portions of the work under the Contract. All materials shall be new, unless otherwise specified, and of good quality. Owner has a right to require the Contractor to have a performance and payment bond; the expense of the bond may be borne by the Owner.
2. **Contract Price:** Owner agrees to pay Contractor the sum of \$_____ for the work to be performed.
3. **Completion Time:**
 - a. **Approximate Start Date:** The Contractor agrees to file a complete permit application within ten (10) days after receipt of written Notice to Proceed from the Owner. Owner and Contractor agree that the Start Date of construction shall be the date the permits are issued by the corresponding jurisdiction. In no event shall the Contractor commence work or place any materials on the site thereof prior to receipt of Notice to Proceed from the Owner.
 - b. **Approximate Completion Date:** Contractor shall prosecute the work diligently and continuously to completion. The work shall be completed within _____ days after the Start Date, subject to such delays as are permissible under paragraph 7 herein below.
4. **Payment:**
 - a. Price will be paid to Contractor in installments based on completion of work tasks and individual item prices on the Work Write-up attached, and any Change Orders.
 - b. Contractor shall submit all required payment forms to Owner for approval of payment. Prior to authorization of payment, the Contractor shall provide lien releases for claims by subcontractors, laborers, and material suppliers involved in the work and/or represented by Contractor's invoices. Owner may also request written guarantees and warranties.
 - c. After approval by Owner, Contractor shall submit payment request forms to Mammoth Lakes Housing, Inc., hereinafter referred to as "MLH." MLH shall then make payment to the Contractor. MLH may, at its option, inspect the work to ensure that it has been satisfactorily completed in accordance with the Contract requirements. Should MLH determine that work has not been performed in accordance with the Contract, MLH may, in its sole discretion,

withhold or reduce payment in accordance with the terms of the agreement between Owner and MLH.

- d. At the time the work is completed, the Contractor shall submit the final pay request along with the recorded Notice of Completion, final building inspection report, insulation certificate, any warranties and guarantees, conditional lien releases, and Section 3 report (for contracts over \$100,000).
 - e. An amount equal to ten percent of the total Contract price, including any Change Orders, will be withheld by Owner and shall be paid to Contractor 35 days after notice of completion has been recorded, final inspection by the jurisdiction's building official and approval by Owner, provided that Contractor is not in default under this Contract. Final payment will be subject to withholding any amounts due to Owner for actual costs due to unexcused delays.
 - f. The payment of any progress payment shall not constitute acceptance of defective work or improper material, nor is it a waiver of the warranties or any other remedies to which the Owner may be entitled under the terms of this Contract
5. Relationship of the Parties to Mammoth Lakes Housing, Inc.: Work to be performed under this Contract is financed by funds from Mammoth Lakes Housing, Inc. and administered by MLH. Owner is solely responsible for monitoring all work performed under this Contract and enforcing the terms of this Contract. MLH shall inspect all work for the purposes of monitoring loan disbursements in accordance with terms of this Contract and enforcing the terms of the loan agreement. Inspections performed by MLH are solely for the protection of the lender and solely for the purpose of assuring that the construction is progressing reasonably and that the lender's collateral interest is adequately protected. Owner acknowledges that MLH's inspections are not for the purpose of assuring Contractor's compliance with applicable building codes. MLH shall not be liable under any circumstances for its failure to discover or require correction by Contractor of work that fails to comply with applicable building codes or for its failure to discover or require correction of any dangerous condition or defective work by contractor or by any subcontractor.

MLH shall not, under any circumstances, have any liability either to the Owner or to the Contractor for any disbursement or refusal to approve of any disbursement requested by Contractor.

6. Failure to Commence Work: Failure by the Contractor without lawful excuse to substantially commence work within 20 days from the date specified in the Notice to Proceed is a violation of the Contractors' License Law.
7. Excusable Delays: Contractor shall not be charged with delay in the completion of the work due to: any acts of Owner which cause delay; general strikes; acts of God or the public enemy; unavailability of materials, or casualty beyond Contractor's control, provided, however, that Contractor promptly (within 14 days) notifies Owner, in writing, of the cause of the delay. If the facts show the delays to be excusable under the terms of the Contract, the time for completion shall be extended for a period equal to the amount of time due to such delay.
8. Unexcused Delays: The parties agree that the Owner would incur additional expenses as a result of Contractor's unexcused delays in the completion of the work. "Additional expenses" shall include but not be limited to housing and storage costs incurred by the owner due to the inability to fully occupy the property.
9. Provisions for the Owner: While this Contract is in force, Owner shall permit Contractor the use of existing utilities including light, heat, power, and water, without charge, in order to carry out and complete the work. Owner may continue to occupy the premises during the rehabilitation but shall

cooperate with Contractor to facilitate the performance of the work including the abandonment of limited areas as may be essential to the conduct of the work.

10. **Compliance with the Law:** By signing this contract, the Contractor certifies that it is licensed and in good standing in California, and not listed on the Federal Consolidated List of Debarred, Suspended and Ineligible Contractors. Contractors are regulated by the Contractors' State License Board which has jurisdiction to investigate complaints against contractors if a complaint regarding a patent act or omission is filed within four years of the date of the alleged violation. A complaint regarding a latent act or omission pertaining to structural defects must be filed within 10 years of the date of the alleged violation. Any questions concerning a contractor may be referred to the Registrar, Contractors' State License Board, P.O. Box 26000, Sacramento, California 95826. All work shall be completed in strict compliance with the laws, ordinances, rules, regulations and Codes of the State, County, and local governments, whether such applicable laws, ordinances, rules, regulations and codes are mentioned in this Contract or not. Contractor shall obtain, pay for, and provide permits and licenses, as required to complete all work outlined under this Contract. Where applicable, Contractor agrees to the following provisions:

- a) Standard Contract Language, All Contracts and Subcontracts, pertaining to civil rights, HCD, age discrimination, rehabilitation acts assurance, etc. (see **Attachment 1**).
- b) By the statement below, Contractor hereby furnishes Owner with Contractor Notice in compliance with California Business and Professions Code Section 7159:

INFORMATION ABOUT THE CONTRACTORS' STATE LICENSE BOARD (CSLB)

CSLB is the state consumer protection agency that licenses and regulates construction contractors.

Contact CSLB for information about the licensed contractor you are considering including information about disclosable complaints, disciplinary actions and civil judgments that are reported to CSLB.

Use only licensed contractors. If you file a complaint against a licensed contractor within the legal deadline (usually four years), CSLB has authority to investigate the complaint. If you use an unlicensed contractor, CSLB may not be able to help you resolve your complaint. Your only remedy may be in civil court, and you may be liable for damages arising out of any injuries to the unlicensed contractor or the unlicensed contractor's employees.

For more information:

Visit CSLB's Web site at www.cslb.ca.gov

Call CSLB at 800-321-CSLB (2752)

Write CSLB at P. O. Box 26000, Sacramento, CA 95826

- c) The contractor hereby agrees to abide by the requirements of Executive Order 11246 and all implementing regulations of the Department of Labor.

11. Required Insurance: Contractor shall obtain and keep in effect during the life of this contract, insurance in the following minimum amounts:

Worker's Compensation and Employer's Liability Insurance meeting the statutory requirements of the State of California.

Comprehensive General Liability and Property Damage Insurance with Combined Single Limits of at least \$1,000,000. This insurance shall be on an occurrence basis and shall protect the Contractor against liability arising from: Contractor's operations, operations by subcontractors, products, completed operations or professional liability where applicable and contractual liability assumed under the indemnity provisions above insured. Any Excavation, Collapse and Underground exclusions must be deleted when applicable to operations performed by the Contractor or his subcontractors.

An original certificate of such insurance shall be filed with MLH. Said certificate shall evidence coverage through the life of this Contract.

12. Safety to Public and Property: Contractor shall be responsible for initiating, maintaining, and supervising all safety precautions and programs in connection with the work. In such, Contractor shall provide reasonable protection to prevent damage, injury, and loss to: all employees on the work, all work and materials and equipment to be incorporated therein and other property at the site or adjacent thereto, including trees, shrubs, lawns, pavements, structures, and utilities not designated for removal or replacement under the terms of this Contract.

13. Hold Harmless: With the exception that this Section shall in no event be construed to require indemnification by Contractor to a greater extent than permitted under the public policy of the State of California, Contractor shall indemnify and save harmless Owner and MLH, including their officers, agents, employees, affiliates, parents and subsidiaries, and each of them, of and from any and all claims, demands, causes of action, damages, costs, expenses, actual attorney's fees, losses or liability, in law or in equity, of every kind and nature whatsoever ("Claims") arising out of or in connection with Contractor's operations to be performed under this Agreement for, but not limited to:

- (a) Personal injury, including, but not limited to, bodily injury, emotional injury, sickness or disease, or death to persons, including, but not limited to any employees or agents of Owner, MLH, or any other subcontractor and/or damage to property of anyone (including loss of use thereof), caused or alleged to be caused in whole or in part by any negligent act or omission of Contractor or anyone directly or indirectly employed by Contractor or anyone for whose act Contractor may be liable regardless of whether such injury or damage is caused by a party indemnified hereunder.
- (b) Penalties imposed on account of the violation of any law, order, citation, rule, regulation, standard, ordinance, or statute, caused by the action or inaction of Contractor.
- (c) Infringement of any patent rights which may be brought against MLH or Owner arising out of Contractor's work.
- (d) Claims and liens for labor performed or materials used or furnished to be used on the job, including all incidental or consequential damages resulting to MLH or Owner from such claims or liens.
- (e) Contractor's failure to fulfill the covenants set forth in collective bargaining agreement, wage order or any other agreement or regulation concerning labor relations.
- (f) Failure of Contractor to provide Casualty Insurance.
- (g) Any violation or infraction by Contractor of any law, order, citation, rule, regulation, standard, ordinance or statute in any way relating to the occupational health or safety of employees, including, but not limited to, the use of MLH's or other's equipment, hoist,

elevators, or scaffolds. The indemnification provisions of (a) through (g) above shall extend to Claims occurring after this Agreement is terminated as well as while it is in force. Such indemnity provisions apply regardless of any active and/or passive negligent act or omission of Owner or MLH or their agents or employees. Contractor, however, shall not be obligated under this Agreement to indemnify Owner or MLH for Claims arising from the sole negligence or willful misconduct of Owner or MLH or their agents, employees or independent contractors who are directly responsible to Owner or MLH, or for defects in design furnished by such persons.

(h) Contractor shall:

- i. At Contractor's own costs, expense and risk, defend any claims that may be brought or instituted by third persons, including but not limited to, governmental agencies or employees of Contractor, against or Owner or their agents or employees or any of them;
- ii. Pay and satisfy any judgment or decree that may be rendered against MLH or Owner or their agents or employees, or by any of them, arising out of any such Claim; and/or
- iii. Reimburse MLH or Owner or their agents or employees for any and all legal expense incurred by any of them in connection herewith or in enforcing the indemnity granted in this Section.

(i) All work covered by this Agreement done at the site or in preparing or delivering materials or equipment, or any or all of them, to the site shall be at the risk of Contractor exclusively until the completed work is accepted by MLH.

(j) The indemnities set forth in this Section shall not be limited by any insurance requirements set forth elsewhere within this agreement.

14. Assignment: Contractor shall not assign or transfer any right or obligation under this Contract without first obtaining the written consent of Owner. Any attempted assignment by Contractor shall be void.

15. Changes in Work to be Performed: No changes shall be made in the work, Contract price or Contract time for completion of work, except by written change order. The change order shall bear the signatures of the parties to this Contract and approved (by signature) as to propriety with funding requirements by MLH. No claim for an adjustment of Contract work, price or time will be valid unless so ordered. Payment for change orders that bear additional cost shall be made in accordance with paragraph 4, above.

16. Guarantees and Material Warranties: All labor, materials and installation shall be guaranteed for a period of one year from the date of final acceptance by Owner, when subjected to normal use and care, and provided Owner has complied, in full, with the terms and payments and other conditions of this Contract. Upon written notice from Owner, Contractor shall repair or remedy any defect in materials and workmanship within the one-year period specified. Contractor shall furnish Owner with and assign to Owner all manufacturers' and suppliers' written guarantees and warranties covering materials and equipment furnished under this Contract.

17. Surplus Materials and Clean-up of Premises: All materials and equipment removed and not reused as a condition of this Contract shall remain or become the property of Owner, unless otherwise so stated in writing. All surplus materials as well as all rubbish and construction debris resulting from construction activities shall be removed promptly from the job site by Contractor. Upon completion of the work, Contractor shall leave the building and premises in a "broom-clean" condition.

18. Divisibility: It is intended that each paragraph of this agreement shall be viewed as separate and divisible, and in the event that any paragraph shall be held to be invalid, the remaining paragraphs shall continue to be in full force and effect.
19. Materials Restriction: Lead base paint hazards specified in the work write-up shall be mitigated in accordance with Federal Lead Based Paint regulations listed at 24 CFR 35. All new paint used must be a non-lead based paint.
20. Arbitration:
- a. Should any controversy arise out of or related to this Contract or the breach thereof, that falls within the provisions of 7085 et seq. of the California Business and Professions Code, other than a controversy based upon your failure to comply with a notice to return to the project under paragraph 23, the parties shall agree to submit the issue to Contractors State License Board (CSLB) arbitration. The decision of the arbitrator is final and binding on both parties. CSLB will pay for the hearing, the arbitrator, and the services of one Board-appointed expert witness per complaint. The parties are responsible for their own attorney fees, if any, and additional expert witnesses, if any.
 - b. Any controversy arising out of or relating to this Contract, or the breach thereof, that does not qualify for CSLB arbitration, or the parties do not agree to CSLB arbitration, shall be submitted to binding arbitration in accordance with the provisions of the California Arbitration Law, Code of Civil Procedure 1280 et seq., and the Rules of the American Arbitration Association. The arbitrator shall have the final authority to order work performed, to order the payment from one party to another, and to order whom shall bear the costs of arbitration. Costs to initiate arbitration shall be paid by the party seeking arbitration. Notwithstanding, the party prevailing in any arbitration proceeding and in any litigation arising out of or relating to this contract shall be entitled to recover from the other all attorneys' fees and costs of arbitration.
21. Mechanics Liens: Contractor shall pay promptly all valid bills and charges for materials, labor or otherwise, in connection with or arising out of the rehabilitation of said property and will hold Owner free and harmless against all of them, filed against the property or any part thereof, and from and against all expense and liability in connection therewith, including but not limited to, court costs and attorneys' fees resulting or arising there from. Should any liens or claim of liens be filed for record against the property, or should Owner receive notice of any unpaid bill or charge in connection with the Contract, Contractor shall forthwith pay and discharge the same and cause the same to be released of record. Contractor authorizes MLH to issue joint checks as part of any disbursement otherwise payable to Contractor whenever MLH, in its sole discretion, determines that payment in this fashion is necessary in order to protect the interests of the Lender or the Owner. (See also, Notice to Owner, **Attachment 2**).
22. Termination of Contract: Should Contractor commit any of the acts specified in this paragraph, the Owner may, give 72 hours' notice in writing thereof to Contractor, to commence and continue thereafter to diligently prosecute the correction thereof, and if contractor fails to do so, then without prejudice to any other rights or remedies given Owner by law or by this contract, Owner may terminate the services of Contractor under this contract; take possession of said project and the premises on which it is located; take possession of all materials, located on such premises; and, complete said project by whatever method Owner may deem expedient. Contractor shall be deemed to have committed an act specified in this paragraph if contractor shall:
- a. refuse or fail to supply enough properly skilled workers or proper materials to complete said project in the time specified in this contract and in the approved time schedule.

- b. fail to make prompt payment to subcontractors, laborers, or material men for labor performed on or materials furnished to said project;
- c. fail to comply with the time schedule for completion of the project;

The preceding notwithstanding, the following actions by the Contractor shall be deemed to be material breaches of the contract which are not subject to cure. Should Contractor commit any of the acts specified in this paragraph, the Owner may, by giving 72 hours' notice in writing thereof to Contractor, without prejudice to any other rights or remedies given Owner by law or by this contract, terminate the services of Contractor under this contract; take possession of said project and the premises on which it is located; take possession of all materials, located on such premises; and complete said project by whatever method owner may deem expedient:

- d. Commence with any proceedings of bankruptcy;
 - e. make a general assignment for the benefit of contractors;
 - f. persist in disregarding any law or ordinance relating to said project or the completion thereof;
 - g. suffer the revocation or suspension of its contractor's license.
24. Rights on Termination by Owner: Should Owner terminate the service of Contractor under this contract and complete said project pursuant to Paragraph 10 of this contract, the Contractor shall not be entitled to receive any further payment under this contract until said project is fully completed. On completion of said project by Owner, if the unpaid balance of the contract price exceeds the expenses incurred by Owner in completing said project, including any compensation paid by Owner for managerial, administrative, or supervisory services in completing said project, such excess shall be paid by Owner to Contractor. If the expense incurred by Owner in completion of said project exceeds the unpaid balance of the purchase price, Contractor shall pay such excess to Owner with thirty days following written demand by Owner.
25. Force Majeure: Neither Owner nor Contractor shall be deemed to be in default if performance of the improvements required by this contract is delayed or becomes impossible because of any act of God, war, earthquake, fire, civil commotion, epidemic, act of government, its agencies or officers, court order, or any other legitimate cause beyond the control of the party and not caused by the negligent, unreasonable or intentional acts of the party.
26. Availability of Funds: In the event the loan or grant of funds upon which this Contract is contingent is not approved, this Contract shall be considered null and void, and shall not create any liability to either Owner or Contractor.
27. Contract Nullity: This entire Contract shall be considered null and void if either of the following shall occur:
- a. Owner is not approved for funding to finance the Contract Price;
 - b. Owner chooses not to proceed with the project before construction begins.
28. Three-Day Right to Cancel: "You, the Owner, have the right to cancel this contract within three business days. You may cancel by e-mailing, mailing, faxing, or delivering a written notice to the Contractor at the Contractor's place of business by midnight of the third business day after you received a signed and dated copy of the contract that includes this notice. Include your name, your address, and the date you received the signed copy of this contract including this notice.

If you cancel, the Contractor must return any moneys paid within 10 days of receiving the notice of cancellation. For your part, you must make available to the Contractor at your residence, in substantially as good condition as you received it, any goods delivered to you under this contract or sale. Or, you may, if you wish, comply with the Contractor's instructions on how to return the goods at the Contractor's expense and risk. If you do make the goods available to the Contractor, and the Contractor does not pick them up within 20 days of the date of your notice of cancellation, you make keep them without any further obligation. If you fail to make the goods available to the Contractor, or if you agree to return the goods to the Contractor and fail to do so, then you remain liable for performance of all obligations under this Contract."

29. "You, the Owner, are entitled to a completely filled in copy of this Contract, signed by both you and the Contractor, before any work may be started."

THE OWNER AND THE CONTRACTOR ACKNOWLEDGE THAT THEY HAVE READ, UNDERSTAND AND AGREE TO ALL PROVISIONS OF THIS CONTRACT INCLUDING ALL ADDITIONAL CONTRACT DOCUMENTS.

OWNER(S):

CONTRACTOR:

By:

Business Name:

Title:

Address:

Telephone:

License Number:

Tax ID or Soc. Sec. #

Attachments:

- 1 – Standard Contract Language
- 2 – Notice to Owner

STANDARD CONTRACT LANGUAGE:
ALL CONTRACTS AND SUBCONTRACTS

1. The Civil Rights, HCD, and Age Discrimination Acts Assurances:

During the performance of this Agreement, the Grantee assures that no otherwise qualified person shall be excluded from participation or employment, denied program benefits, or be subjected to discrimination based on race, color, national origin, sex, age, or handicap, under any program or activity funded by this contract, as required by Title VI of the Civil Rights Act of 1964, Title I of the Housing and Community Development Act of 1974, as amended, and the Age Discrimination Act of 1975, and all implementing regulations.

2. Rehabilitation Act of 1973 and the "504 Coordinator"

The Grantee further agrees to implement the Rehabilitation Act of 1973, as amended, and its regulations, 24 CFR Part 8, including, but not limited to, for Grantees with 15 or more permanent full or part time employees, the local designation of a specific person charged with local enforcement of this Act, as the "504 Coordinator".

3. The Training, Employment and Contracting Opportunities for Business and Lower Income Persons Assurance of Compliance:

- a) The grant activity to be performed under this Agreement is on a project assisted under a program providing direct federal financial assistance from the Department of Housing and Urban Development and is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C 1701u. Recipients, contractors and subcontractors shall direct their efforts to provide, to the greatest extent feasible, training and employment opportunities generated from the expenditure of Section 3 covered assistance to Section 3 residents in the order of priority provided in 24 CFR 135.34(a)(2).
- b) The parties to this Agreement will comply with the provisions of said Section 3 and the regulations issued pursuant thereto by the Secretary of Housing and Urban Development set forth in 24 CFR Part 135, and all applicable rules and orders of the Department issued thereunder prior to the execution of this contract. The parties to this contract certify and agree that they are under no contractual or other disability which would prevent them from complying with these requirements.
- c) The Grantee will include these Section 3 clauses in every contract and subcontract for Work in connection with the grant activity and will, at the direction of the State, take appropriate action pursuant to the contract or subcontract upon a finding that the Grantee or any contractor or subcontractor is in violation of regulations issued by the Secretary of Housing and Urban Development, 24 CFR Part 135 and, will not let any contract unless the Grantee or contractor or subcontractor has first provided it with a preliminary statement of ability to comply with the requirements of these regulations.
- d) Compliance with the provisions of Section 3, the regulations set forth in 24 CFR Part 135, and all applicable rules and orders of the Department issued thereunder prior to the execution of the Agreement shall be a condition of the federal financial assistance provided to the project, binding upon the Grantee, its successors and assigns. Failure to fulfill these requirements shall subject the Grantee, its contractors and subcontractors, its successors and assigns to those sanctions specified by the grant or contract through which federal assistance is provided, and to such sanctions as are specified by 24 CFR Part 135.

4. Assurance of Compliance with Requirements Placed on Construction Contracts of \$10,000 or more

The Grantee hereby agrees to place in every contract and subcontract for construction exceeding \$10,000 the Notice of Requirement for Affirmative Action to ensure Equal Employment Opportunity (Executive Order 11246), the Standard Equal Employment Opportunity, and the Construction Contract Specifications. The Grantee furthermore agrees to insert the appropriate Goals and Timetables issued by the U.S. Department of Labor in such contracts and subcontracts.

5. State Nondiscrimination Clause:

- a) During the performance of this contract, contractor and its subcontractors shall not unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of sex, race, color, ancestry, religious creed, national origin, physical disability (including HIV and AIDS), mental disability, medical condition (cancer), age (over 40) marital status, and denial of family care leave. Contractors and subcontractors shall ensure that the evaluation and treatment of their employees and applicants for employment are free of such discrimination and harassment. Contractors and subcontractors shall comply with the provisions of the Housing Act (Government Code, Section 12990 (a-f) et seq.) and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7258 et seq.) The applicable regulations of the Fair Employment and Housing Commission implementing Government Regulations, are incorporated into this contract by reference and made a part hereof as if set forth in full. Contractor and its subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement.
- b) Contractor shall include the nondiscrimination and compliance provisions of this clause in all subcontracts to perform work under the contract.

6. Labor Standards –Federal Labor Standards Provisions

The Grantee shall cause or require to be inserted in full, in all such contracts subject to such regulations, provisions meeting the requirements of:

Davis-Bacon Act (40 USC 276a-276a-5) requires that workers receive no less than the prevailing wages being paid for similar work in their locality. Prevailing wages are computed by the Department of Labor and are issued in the form of Federal wage decisions for each classification of work. The law applies to most construction, alteration, or repair contracts over \$2,000.

Copeland “Anti-Kickback” Act (47 USC 276(c)) requires that workers be paid at least once a week without any deductions or rebates except permissible deductions.

Contract Work Hours and Safety Standards Act – CWHSSA (40USC 327-333) requires that workers receive “overtime” compensation at a rate of 1-1/2 times their regular hourly wage after they have worked 40 hours in one week.

Title 29, Code of Federal Regulations, Subtitle A, Parts 1, 3 and 5 are the regulations and procedures issued by the Secretary of Labor for the administration and enforcement of the Davis-Bacon Act, as amended.

NOTICE TO OWNER

"Under the California Mechanics' Lien Law, any contractor, subcontractor, laborer, supplier, or other person or entity who helps to improve your property, but is not paid for his or her work or supplies, has a right to place a lien on your home, land, or property where the work was performed and to sue you in court to obtain payment.

This means that after a court hearing, your home, land, and property could be sold by a court officer and the proceeds of the sale used to satisfy what you owe. This can happen even if you have paid your contractor in full if the contractor's subcontractors, laborers, or suppliers remain unpaid.

To preserve their rights to file a claim or lien against your property, certain claimants such as subcontractors or material suppliers are each required to provide you with a document called a "Preliminary Notice." Contractors and laborers who contract with owners directly do not have to provide such notice since you are aware of their existence as an owner. A preliminary notice is not a lien against your property. Its purpose is to notify you of persons or entities that may have a right to file a lien against your property if they are not paid. In order to perfect their lien rights, a contractor, subcontractor, supplier, or laborer must file a mechanics' lien with the county recorder which then becomes a recorded lien against your property. Generally, the maximum time allowed for filing a mechanics' lien against your property is 90 days after substantial completion of your project.

TO INSURE EXTRA PROTECTION FOR YOURSELF AND YOUR PROPERTY, YOU MAY WISH TO TAKE ONE OR MORE OF THE FOLLOWING STEPS:

(1) Require that your contractor supply you with a payment and performance bond (not a license bond), which provides that the bonding company will either complete the project or pay damages up to the amount of the bond. This payment and performance bond as well as a copy of the construction contract should be filed with the county recorder for your further protection. The payment and performance bond will usually cost from 1 to 5 percent of the contract amount depending on the contractor's bonding ability. If a contractor cannot obtain such bonding, it may indicate his or her financial incapacity.

(2) Require that payments be made directly to subcontractors and material suppliers through a joint control. Funding services may be available, for a fee, in your area which will establish voucher or other means of payment to your contractor. These services may also provide you with lien waivers and other forms of protection. Any joint control agreement should include the addendum approved by the registrar.

(3) Issue joint checks for payment, made out to both your contractor and subcontractors or material suppliers involved in the project. The joint checks should be made payable to the persons or entities which send preliminary notices to you. Those persons or entities have indicated that they may have lien rights on your property; therefore, you need to protect yourself. This will help to insure that all person due are actually paid.

(4) Upon making payment on any completed phase of the project, and before making any further payments, require your contractor to provide you with unconditional "Waiver and Release" forms signed by each material supplier, subcontractor, and laborer involved in that portion of the work for which payment was made. The statutory lien releases are set forth in exact language in Section 3262 of the Civil Code. Most stationery stores will sell the "Waiver and Release" forms if your contractor does not have them. The material suppliers, subcontractors, and laborers that you obtain releases from are those persons or entities who have filed preliminary notices with you. If you are not certain of the material suppliers, subcontractors, and laborers working on your project, you may obtain a list from your contractor. On projects involving improvements to a single-family residence or a duplex owned by the individuals, the person signing these releases lose the right to

file a mechanics' lien claim against your property. In other types of construction, this protection may still be important, but may not be as complete.

To protect yourself under this option, you must be certain that all material suppliers, subcontractors, and laborers have signed the "Waiver and Release" form. If a mechanics' lien has been filed against your property, it can only be voluntarily released by a recorded "Release of Mechanics' Lien" signed by the person or entity that filed the mechanics' lien against your property unless the lawsuit to enforce the lien was not timely filed. You should not make any final payments until any and all such liens are removed. You should consult an attorney if a lien is filed against your property."

Read and acknowledged:

Signature

Dated

Signature

Dated



ATTACHMENT E

CONSTRUCTION PAYMENT REQUEST: # _____

Date _____

Participant _____ Project _____ Job # _____

Project Address _____

Total Contract Amount \$ _____ Payment Amount \$ _____

Contractor: _____ Construction Supervisor: _____

Items Completed:

I request payment for work in progress on the above property. I certify that the work itemized above has been completed as of this date.

Contractor's Signature

Date

NOTE: Construction advances may be dispersed in increments of twenty-five (25%). Ten percent (10%) of the total contract amount will be retained by Mammoth Lakes Housing, Inc. until 35 days after Notice of Completion is recorded.

The items listed above have been completed satisfactorily. _____
Please release payment to Contractor as requested (or amended). OWNER'S SIGNATURE DATE

APPROVED FOR PAYMENT:

PRINT TITLE

SIGN DATE

NOTES: Mail Pick-up

Copy for: MLH Owner Contractor

ATTACHMENT F

**MAMMOTH LAKES HOUSING, INC.
CALHOME PROGRAM**

**FIRST TIME HOMEBUYER
MANUFACTURED HOUSING
ON A FIXED FOUNDATION
PROMISSORY NOTE AND SECURITY AGREEMENT
(hereinafter referred to as this "Note")**

**NOTICE TO BORROWER
THIS DOCUMENT CONTAINS PROVISIONS
RESTRICTING ASSUMPTIONS**

LOAN #: _____
AMOUNT: \$ _____
DATE: _____, 20_____

FOR VALUE RECEIVED, the undersigned, _____ (the "Borrower") hereby promises to pay to the order of _____ ("Lender") at the following address _____ or at such other place as the holder may from time to time designate by written notice to Borrower, in lawful money of the United States, the sum of _____ Dollars (\$ _____) with simple interest at the rate of _____ percent per annum on the unpaid principal balance from the date of this Note, until paid.

The obligation of the Borrower with respect to this Note is secured by that certain _____ (Make and/or Model) Manufactured Home manufactured by _____ in the year of _____ having the Decal (License) Number(s) of _____, the Serial Number(s) of _____, the HUD Label/HCD Insignia Number(s) of _____ and physically located at the address of _____ (the "Manufactured Home").

1. **Borrower's Obligation.** This Note evidences the obligation of the Borrower to the Lender for the repayment of funds loaned (the "CalHome Loan") to finance the purchase of the Manufactured Home.
2. **Borrower(s) Acknowledge(s) and Agrees:** that the CalHome Loan is subject to the terms, conditions, and restrictions of the State of California CalHome Program as set forth in Health and Safety Code section 50650 et seq. and implementing guidelines or regulations adopted by the California Department of Housing and Community Development, all of which are hereby incorporated by reference.

3. **Repayment of Loan Principal and Interest.** No periodic payments are required hereunder. Borrower agrees to pay the unpaid principal balance, unpaid accrued interest, and any other amounts due under this Note upon the earlier of:
- (a) 30 years from the date of this Note; or
 - (b) Upon sale, transfer, lease, or encumbrance of all or any interest in the Manufactured Home without Lender's prior written consent, except for transfers permitted in Paragraph 8; or
 - (c) Upon Borrower's failure to occupy the Manufactured Home as Borrower's principal place of residence.
4. **Security Interest.** Borrower hereby grants to Lender a security interest under the applicable certificate of title law or Uniform Commercial Code in the Manufactured home and any property added or attached to it, to secure Borrower's obligations under this Note. Borrower also grants to Lender a security interest in any interest Borrower may have in premium refunds or proceeds under any insurance covering the Manufactured Home. Borrower further agrees to execute any application for certificate of title or ownership, financing statement, or other document necessary to perfect Lender's security interest in the Manufactured Home. The security interest under this Note secures payment of all of the Borrower's indebtedness, including debts, obligations or liabilities which now exist or are hereafter created, and whether they are absolute or contingent, and includes future advances.
5. **Title.** Borrower represents and warrants that Borrower will be the registered owner on the title to the Manufactured Home upon disbursement of the loan funds, which are evidenced by this Note.
6. **Protection of the Manufactured Home.** Borrower shall with respect to the Manufactured Home: (a) keep it in good condition and repair; (b) not commit waste on it or any property added or attached to it; (c) not use it for any unlawful purpose; (d) not remove, nor permit to be removed, any part of it or any property added or attached to it (from the above stated physical address) without the prior written consent of Lender which shall not be unreasonably withheld (e) pay all taxes, charges and space rent due for it and the real estate it is located on; (f) not move, sell, lease or otherwise transfer title to it; (g) not attach it to any real estate and to maintain it as personal property; (h) not sell, assign or create or permit to exist any lien on or security interest in it in favor of anyone other than Lender, unless Lender consents thereto in advance in writing; (i) remove, upon Lender's request, any unauthorized lien or security interest in it, and defend any claim affecting it; (j) pay all charges against it, including but not limited to taxes, assessments, encumbrances, rents, and insurance, and upon Borrower's failure to do so, Lender may pay any such charge as it deems necessary and add the amount paid to the indebtedness of Borrower secured hereunder; and (k) permit Lender and Lender's representatives to inspect it at any reasonable time and upon reasonable notice.

7. **Insurance.** Borrower shall keep the Manufactured Home insured against such risks and in such amounts as Lender may reasonably require with an insurance company satisfactory to Lender. Borrower shall arrange for Lender to be named as loss payee on the policy. Borrower shall provide Lender written evidence of insurance as requested by Lender from time to time. Borrower agrees that the insurance company may make any payments due under the policy directly to Lender, and Borrower hereby directs the insurance company to do so. Lender may do whatever it thinks necessary to be sure that any proceeds of the insurance will be used to repair the Manufactured Home or pay off this Note. Borrower hereby gives Lender a power of attorney (which Borrower cannot cancel) so that Lender may do whatever it needs to in order to collect the insurance proceeds. If Borrower fails to obtain, maintain or pay for the required insurance, or if Borrower fails to arrange for Lender to be named as loss payee, Lender may treat that as a default of Borrower's obligations under this Note, and Lender may (but is not required to) purchase such insurance. If Lender purchases such insurance, Borrower will immediately repay Lender for any amounts Lender spends in purchasing the insurance or, at Lender's option, pay Lender over time as a workout of the obligation.

8. **Permitted Transfers.**

The CalHome Loan is not assumable except under the following limited circumstances:

- (a) The transfer of the Manufactured Home to the surviving joint tenant by devise, descent or operation of the law, on the death of a joint tenant.
- (b) A transfer of the Manufactured Home where the spouse becomes an owner of the property;
- (c) A transfer of the Manufactured Home resulting from a decree of dissolution of marriage, legal separation or from an incidental property settlement agreement by which the spouse becomes an owner of the Manufactured Home.
- (d) A transfer to an inter vivos trust in which the Borrower is and remains the beneficiary and occupant of the Manufactured Home.

9. **Events of Default.** Any of the following shall constitute an event of default under this Note:

- (a) Borrower fails to make any payment due hereunder on time.
- (b) Borrower ceases to occupy the Manufactured Home as Borrower's principal place of residence. Borrower's failure to occupy the Manufactured Home as Borrower's principal place of residence shall be considered an on-going event of default under this Note.
- (c) Borrower fails to perform any obligation set forth in this Note.
- (d) Borrower fails to pay space rent, utilities and related charges due a landlord or mobile home park where the Manufactured Home is located.

- (e) Any of Borrower's representations or warranties in this Note or in Borrower's application for the CalHome Loan shall prove to have been untrue in any material respect when made; or the Borrower shall have concealed any material fact from the Lender; or any of the Borrower's representations or warranties in this Note or in Borrower's application for the CalHome Loan shall cease to be true and shall remain untrue for fifteen (15) days after notice of such change to Borrower by Lender.
- (f) Lender in good faith considers itself insecure because the prospect of payment is impaired, or the prospect of performance of an agreement or covenant is impaired or the value or priority of Lender's security interest in the Manufactured Home is impaired.

10. Remedies. In the event of default under this Note, after any notice period required by state or federal law, Lender may:

- (a) Declare all sums secured by this Note immediately due and payable. Failure of the holder to exercise this option to accelerate payment will not constitute waiver of the right to exercise this option in the event of subsequent cause for acceleration. As the result of an acceleration of the then unpaid principal balance under the terms of this Note, the entire unpaid principal balance shall automatically bear an annual interest rate (instead of the rate specified in the first paragraph of this Note) equal to the less of (i) _____ percent (____%) or (ii) the maximum interest rate allowed by law (the Default Rate).
- (b) Incur expenses, including reasonable attorney's fees and legal expenses, to exercise any right or power under this Note.
- (c) Perform any obligation of the Borrower and make any payments, purchase, or compromise any encumbrance, charge or lien, and pay taxes and expenses.
- (d) Retain the Manufactured Home in satisfaction of the obligation, dispose of the Manufactured Home and apply the proceeds of disposition, including provision for reasonable attorney's fees and legal expenses incurred by Lender. It is further agreed, subject to applicable law, that upon any sale of the Manufactured Home according to law, or under the power herein given, that Lender may bid at said sale, or purchase the Manufactured Home, or any part thereof at said sale.

11. Place and Manner of Payment. All amounts due and payable under this Note are payable at the principal office of the Lender set forth above, or at such other place or places as the Lender may designate to the Borrower in writing from time-to-time.

12. Application of Payments. All payments received on account of this Note shall be first applied to accrued interest, if any, and the remainder shall be applied to the reduction of principal.

13. **Attorney's Fees.** The Borrower hereby agrees to pay all costs and expenses, including reasonable attorney's fees, which may be incurred by the Lender in the enforcement of this Note.
14. **Notices.** Except as may be otherwise specified herein, any approval, notice, direction, consent, request or other action by the Lender shall be in writing and must be communicated to the Borrower at the address of the Manufactured Home, or at such other place or places as the Borrower shall designate to the Lender in writing, from time to time, for the receipt of communications from the Lender. Mailed notices shall be deemed delivered and received five (5) working days after deposit in the United States mails in accordance with this provision.
15. **Prepayment Policy:** Borrower may prepay this Note at any time without penalty.
16. **Borrower's Waiver:** Borrower waives any right to require Lender to proceed against another person or to pursue any other remedy that the Lender may have. Borrower waives presentment, demand for performance, notice of nonperformance, protest, notice of protest, and dishonor with respect to the Manufactured Home. Borrower waives the right to require the Lender to preserve rights against prior parties to instruments or chattel paper. Notwithstanding the provisions of Paragraph 10 above, Borrower also waives any right to notice of an event of default under this Note if Borrower has voluntarily surrendered or abandoned the Manufactured Home.
17. **Governing Law.** This Note shall be construed in accordance with and be governed by the laws of the State of California.
18. **Severability.** If any provision of this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.
19. **No Waiver by the Lender.** No waiver of any breach, default or failure of condition under the terms of the Note shall thereby be implied from any failure of the Lender to take, or any delay by the Lender in taking action with respect to such breach, default or failure or from any previous waiver of any similar or unrelated breach, default or failure; and a waiver of any term of the Note or any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver.
20. **Successors and Assigns.** The promises and agreements herein contained shall bind and inure to the benefit of, as applicable, the respective heirs, executors, administrators, successors and assigns of the parties.

If more than one Borrower executes this Promissory Note and Security Agreement, the obligations hereunder are joint and several. All words used herein in the singular shall be deemed to have been used in the plural when the context and construction so require

Executed as of the date set forth above at _____, California
City

Borrower

Borrower

Mailing Address for Notices:

provided, however, that furniture and other personal property of Borrower now or hereafter situated on said real property are not intended to be included as part of the Property.

2. FOR THE PURPOSE OF SECURING:

2.1. Repayment of the indebtedness evidenced by that certain Promissory Note of the Borrower dated _____, 20_____, and entitled *Mammoth Lakes Housing, Inc.* CalHome Program Mortgage Assistance Loan or Owner-Occupied Rehabilitation Loan, “Loan No. _____” (the “Note”) of the Borrower in the principal amount of _____ Dollars (\$ _____), together with simple interest on such indebtedness according to the terms of the Note, and any and all amendments, modifications, extensions or renewals of the Note. The Note and this Deed of Trust are subject to the terms, conditions, and restrictions of the State of California CalHome Program as set for the in the Health and Safety Code section 50650 et seq. and implementing guidelines or regulations adopted by the California Department of Housing and Community Development, all of which are hereby incorporated by reference.

2.2. Payment of such additional sums, with interest thereon:

- (a) As may hereafter be borrowed from Lender by the then-record owner of the Property and evidenced by a promissory note or notes reciting that it or they are so secured and all modifications, extensions, or renewals of the Note; and
- (b) As may be incurred, paid, or advanced by Lender, or as may otherwise be due to Trustee or Lender, under any provision of this Deed of Trust and any modification, extension, or renewal of this Deed of Trust; and
- (c) As may otherwise be paid or advanced by Lender to protect the security or priority of this Deed of Trust.

2.3. Performance of each obligation, covenant, and agreement of Borrower contained in this Deed of Trust, the Note, or any other document executed by Borrower in connection with the loan(s) secured by this Deed of Trust, and all amendments to these documents whether set forth in this Deed of Trust or incorporated in this Deed of Trust by reference.

3. BORROWER COVENANTS:

Borrower hereby covenants to maintain and protect the security of this Deed of Trust, to secure the full and timely performance by Borrower of each and every obligation, covenant, and agreement of Borrower under the Note and this Deed of Trust, and as additional consideration for the obligation(s) evidenced by the Note, Borrower covenants as follows:

3.1. Title. That Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the Property, and that Borrower will warrant and defend generally the title of the Property against all claims and demands subject to any declarations, easements, or restrictions listed in the schedule of exemptions to coverage in any title insurance policy insuring Lender’s interest in the Property.

3.2. Payment of Principal and Interest. That Borrower shall promptly pay, when due, the principal and interest on the Note, and such other charges as are provided in the Note, and such other amounts as are provided under this Deed of Trust.

3.3. Maintenance of the Property. (a) To keep the Property in a decent, safe, sanitary, tenantable condition and repair and permit no waste thereof; (b) not to commit or suffer to be done or exist on or about the Property any condition causing the Property to become less valuable; (c) remove, demolish or structurally alter any buildings and improvements now or hereinafter located on the Property; (d) to repair, restore or rebuild promptly any buildings or improvements on the Property that may become damaged or be destroyed while subject to the lien of this Deed of Trust; (e) to comply with all applicable laws, ordinances and governmental regulations affecting the Property or requiring any alteration or improvement thereof, and not to suffer or permit any violations of any such law, ordinance or governmental regulation, nor of any covenant, condition or restriction affecting the Property; (f) not to initiate or acquiesce in any change in any zoning or other land use or legal classification which affects any of

the Property without the Lender's written consent; and (g) not to alter the use of all or any part of the Property without the prior written consent of the Lender.

3.4. Appear and Defend. Borrower shall appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of the Lender or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which the Lender or Trustee may appear, and in any suit brought by the Lender to foreclose this deed.

3.5. Payment of Taxes and Utility Charges. Borrower shall pay, at least ten (10) days before delinquency all taxes and assessments affecting the Property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, fines and impositions attributable to the Property, leasehold payments or ground rents, if any, and any interest on the Property or any part thereof; all costs, fees and expenses of this trust. Borrower shall make such payments when due, directly to the payee thereof. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and Borrower shall promptly furnish to Lender receipts evidencing all such payments made.

3.6. Insurance. To keep the Property insured with loss payable to the Lender, against loss or damage by fire and such other hazards, casualties and contingencies and by such companies on such forms and in the amount of the replacement cost of the Property, and to deliver the original of all such policies to the Lender, together with receipts satisfactory to the Lender evidencing payment of the premiums. All such policies provide that the Lender shall be given thirty (30) days advance written notice of the cancellation, expiration or termination of any such policy or any material change in the coverage afforded by it. Renewal policies and any replacement policies, together with premium receipts satisfactory to the Lender, shall be delivered to the Lender at least thirty (30) days prior to the expiration of existing policies. Neither Trustee nor the Lender shall by reason of accepting, rejecting, approving or obtaining insurance incur any liability for the existence, nonexistence, form or legal sufficiency of such insurance, or solvency of any insurer for payment of losses. All insurance proceeds for such losses must be utilized for the repair or restoration of the insured property.

3.7. Payments and Discharge of Liens. Borrower will pay, when due, all claims of every kind and nature which might or could become a lien on the Property or any part thereof; provided, however, that the following are excepted from this prohibition: (a) liens for taxes and assessments which are not delinquent although by law are given the status of a lien, and (b) such of the above claims as are, and only during the time they are, being contested by Borrower in good faith and by appropriate legal proceedings, and Borrower shall post security for the payment of these contested claims as may be requested by the Lender. Borrower shall not default in the payment or performance of any obligation secured by a lien, mortgage or deed of trust which is superior to this Deed of Trust.

4. IT IS MUTUALLY AGREED THAT:

4.1. Application of Payments. Unless applicable law provides otherwise, all payments received by Lender under the Note and Section 2.1 shall be applied by Lender first to interest payable on the Note and then to the principal due on the Note.

4.2. Future Advances. Upon request by Borrower, Lender, at Lender's option, may make future advances to Borrower. All such future advances, with interest thereon, shall be added to and become a part of the indebtedness secured by this Deed of Trust when evidenced by promissory note(s) reciting that such note(s) are secured by this Deed of Trust.

4.3. Disbursements to Protect Lender's Security. All sums disbursed by Lender to protect and preserve the Property, this Deed of Trust, or Lender's security for the performance of Borrower's obligations under the Note shall be and be deemed to be an indebtedness of Borrower secured by this Deed of Trust.

4.4. Protection of Lender's Security. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, eminent domain, insolvency, code enforcement, arrangements or proceedings involving a bankrupt or decedent, foreclosure of any mortgage secured by the Property or sale of the Property under a power of sale of any instrument secured by the Property, then Lender, at Lender's option, upon

notice to Borrower, may make such appearance, disburse such sums and take such action as is necessary to protect Lender's interest, including, but not limited to, disbursement of reasonable attorney's fees and entry upon the Property to make repairs.

Any amounts disbursed by Lender pursuant to this Section 4.4, with interest thereon, shall become additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment thereof, and shall bear interest from the date of disbursement at the highest rate permissible under applicable law. Nothing contained in this Section 4.4 shall require Lender to incur any expense or take any action hereunder.

4.5. Inspection. Lender or its agent may make or cause to be made reasonable entries upon and inspections of the Property. Lender shall give Borrower notice at the time of or prior to any such inspection specifying reasonable cause for the inspection

4.6. Awards and Damages. All judgments, awards of damages, settlements and compensation made in connection with or in lieu of (a) taking of all or any part of or any interest in the Property by or under assertion of the power of eminent domain, (b) any damage to or destruction of the Property or any part thereof by insured casualty, and (c) any other injury or damage to all or any part of the Property, are hereby assigned to and shall be paid to the Lender. The Lender is authorized and empowered (but not required) to collect and receive any such sums and is authorized to apply them in whole or in part upon any indebtedness or obligation secured hereby, in such order and manner as the Lender shall determine at its option. The Lender shall be entitled to settle and adjust all claims under insurance policies provided under this Deed of Trust and may deduct and retain from the proceeds of such insurance the amount of all expenses incurred by it in connection with any such settlement or adjustment. All or any part of the amounts so collected and recovered by the Lender may be released to Borrower upon such conditions as the Lender may impose for its disposition. Application of all or any part of the amounts collected and received by the Lender or the release thereof shall not cure or waive any default under this Deed of Trust. If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within thirty (30) days after the date such notice is mailed, Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to the sum secured by this Deed of Trust.

4.7. Prohibition on Transfers of Interest. With the exception of the transfers permitted in Section 4.11 below, if all or any part of the Property or an interest therein is sold or transferred by Borrower without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Security Instrument to be immediately due and payable. If Lender exercises such option to accelerate, Lender shall mail Borrower notice of acceleration in accordance with Section 6.9 hereof. Such notices shall provide a period of not less than 30 days from the date the notice is mailed within which Borrower may pay the sums declared due. If borrower fails to pay such sums prior to the expiration of such period, Lender may, without further notice or demand on Borrower, invoke any remedies permitted by Section 5.2(a) hereof.

4.8. Sale or Forbearance. No sale of the Property, forbearances on the part of the Lender or extension of the time for payment of the indebtedness hereby secured shall operate to release, discharge, waive, modify, change or affect the liability of Borrower either in whole or in part.

4.9. The Lender's Rights to Release. Without affecting the liability of any person for payment of any indebtedness hereby secured (other than any person released pursuant hereto), including without limitation any one or more endorsers or guarantors, and without affecting the lien hereof upon any of the Property not released pursuant hereto, at any time and from time to time without notice: (a) The Lender may, at its sole discretion, (I) release any person now or hereafter liable for payment of any or all such indebtedness. (II) extend the time for or agree to alter the terms of payment of any or all of such indebtedness, and (III) release or accept additional security for such indebtedness, or subordinate the lien or charge hereof; and (b) Trustee, acting pursuant to the written request of the Lender, may reconvey all or any part of the Property, consent to the making of any map or plot thereof, join in granting any assessment thereon, or join in any such agreement of extension or subordination.

4.10. Reconveyance. Upon payment of all sums secured by this Security Instrument, Lender shall request Trustee to reconvey the Property and shall surrender this Security Instrument and all notes evidencing indebtedness secured by this Security Instrument to Trustee. Trustee shall reconvey the Property without warranty and without charge to the person or persons legally entitled thereto. Such person or persons shall pay all costs of

recordation, if any. The recitals in the reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof.

4.11. Requirement of Owner-occupancy and Permitted Transfers. Borrower shall occupy the Property as Borrower's principal place of residence during the term of the Note. Notwithstanding any other provision of the Note or this Deed of Trust, the following transfers shall not be deemed to be a default under the Note or this Deed of Trust:

- (a) The transfer of the Property to the surviving joint tenant by devise, descent or operation of the law, on the death of a joint tenant.
- (b) A transfer of the Property where the spouse becomes an owner of the property;
- (c) A transfer of the Property resulting from a decree of dissolution of marriage, legal separation or from an incidental property settlement agreement by which the spouse becomes an owner of the Property.
- (d) A transfer to an inter vivos trust in which the Borrower is and remains the beneficiary and occupant of the property.

5. EVENTS OF DEFAULT

5.1. Events of Default. Any one or more of the following events shall constitute a default under this Deed of Trust (a) failure of the Borrower to pay the indebtedness secured hereby or any installment thereof, whether principal, interest or otherwise, when and as the same become due and payable, whether at maturity or by acceleration or otherwise; or (b) failure of Borrower to observe or to perform any covenant condition or agreement to be observed or performed by Borrower pursuant to the Note or this Deed of Trust including but not limited to the occupancy of property by Borrower provision; or (c) the occurrence of any event which, under the terms of the Note, shall entitle the Lender to exercise the rights or remedies thereunder; or (d) the occurrence of any event which, under the terms of the First Note and First Deed of Trust shall entitle the Lender to exercise the rights or remedies thereunder.

5.2. Acceleration and Sale.

(a) **Acceleration.** Except as provided in Section 4.7, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, including the covenants to pay when due any sums secured by this Deed of Trust, upon Borrower's failure to make any payment or to perform any of its obligations, covenants and agreements pursuant to the Note, Lender shall mail notice to Borrower as provided in Section 6.9 hereof specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, by which such breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the nonexistence of a default or any other defense of Borrower to acceleration and sale. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this paragraph, including, but not limited to, reasonable attorney's fees.

(b) **Borrower's Right to Reinstate.** Notwithstanding Lender's acceleration of the sums secured by this Deed of Trust, Borrower will have the right to have any proceedings begun by Lender to enforce this Deed of Trust discontinued at any time prior to five (5) days before sale of the Property pursuant to the power of sale contained in this Deed of Trust or at any time prior to entry of the judgment enforcing this Deed of Trust if: (1) Borrower pays Lender all sums which would be then due under this Deed of Trust and the Note, had no acceleration occurred; (2) Borrower pays all reasonable expenses incurred by Lender and Trustee in enforcing the covenants and agreements of Borrower contained in this Deed of Trust, remedies

including, but not limited to, reasonable attorneys' fees; and (3) Borrower takes such action as Lender may reasonably require to assure that the lien of this Deed of Trust, Lender's interest in the Property and Borrower's obligation to pay the sums secured by this Deed of Trust shall continue unimpaired. Upon such payment and cure by Borrower, this Deed of Trust and the obligations secured hereby will remain in full force and effect as if no acceleration had occurred.

(c) **Sale.** After delivery to Trustee of a Notice of Default and Demand for Sale and after the expiration of such time and the giving of such notice of default and sale as may then be required by law, and without demand on Borrower Trustee shall sell the Property at the time and place of sale fixed by it in said notice of sale, at public auction to the highest bidder for cash in lawful money of the United States of America, payable at time of sale. Trustee may postpone sale of all or any portion of the Property by public announcement at such time and place of sale and from time to time thereafter may postpone such sale by public announcement at the time and place fixed by the preceding postponement. Any person, including Borrower, Trustee or the Lender, may purchase at such sale. Upon such sale by Trustee it shall deliver to such purchaser its deed conveying the Property so sold, but without any covenant or warranty expressed or implied. The recitals in such deed of any matters or facts shall be conclusive proof of their truthfulness. Upon sale by Trustee and after deducting all costs, expenses and fees of Trustee and of this Deed of Trust, Trustee shall apply the proceeds of sale to the payment of the principal indebtedness hereby secured, whether evidenced by the Note or otherwise, or representing advances made or costs or expenses paid or incurred by the Lender under this Deed of Trust, or the secured obligations or any other instrument evidencing or securing any indebtedness hereby secured and to the payment of all other sums then secured thereby, including interest as provided in this Deed of Trust, the secured obligations or any other such instrument, in such order as the Lender shall direct; and then the remainder, if any, shall be paid to the person or persons legally entitled thereto.

(d) **Assignment of Rents; Appointment of Receiver; Lender in Possession.** Upon acceleration under paragraph (a) of Section 5.2 hereof or abandonment of the Property, Lender (in person, by agent or by judicially appointed receiver) shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property (if any) including those past due. All rents collected by Lender or the Receiver shall be applied first to payment of the costs of management of the Property and collection of rents including, but not limited to, receiver's fees, premiums on receiver's bonds and reasonable attorney's fees, and then to the sums secured by this Security Instrument. Lender and the receiver shall be liable to account only for those rents actually received. The provisions of this paragraph and paragraph (a) of Section 5.2 shall operate subject to the claims of prior lien holders.

5.3. Exercise of Remedies; Delay. No exercise of any right or remedy by the Lender or Trustee hereunder shall constitute a waiver of any other right or remedy herein contained or provided by law, and no delay by the Lender or Trustee in exercising any such right or remedy hereunder shall operate as a waiver thereof or preclude the exercise thereof during the continuance of any default hereunder.

5.4. Trustee Substitution. The irrevocable power to appoint a substitute trustee or trustees hereunder is hereby expressly granted to the Lender, to be exercised at any time hereafter, without specifying any reason therefore by filing for record in the office where this Deed of Trust is recorded a deed of appointment, and said power of appointment of successor trustee or trustees may be exercised as often as and whenever the Lender deems advisable. The exercise of said power of appointment, no matter how often, shall not be deemed an exhaustion thereof, and upon recording of such deed or deeds of appointment, the trustee or trustees so appointed shall thereupon, without further act or deed of conveyance, succeed to and become fully vested with identically the same title and estate in and to the Property hereby conveyed and with all the rights, powers, trusts and duties of the predecessor in the trust hereunder, with the like effect as if originally named as trustee or as one of the trustees.

5.5. Remedies Cumulative. No remedy herein contained or conferred upon the Lender or Trustee is intended to be exclusive of any other remedy or remedies afforded by law or by the terms hereof to the Lender or Trustee but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

6. MISCELLANEOUS PROVISIONS

6.1. Successors, Assigns, Gender, Number. The covenants and agreements contained in this Deed or Trust shall bind, and the benefit and advantages under it shall inure to, the respective heirs, executors, administrators, successors and assigns of the parties. Wherever used, the singular number shall include the plural, and the plural the singular, and the use of any gender shall be applicable to all genders.

6.2. Headings. The headings are inserted only for convenience of reference and in no way define, limit, or describe the scope or intent of this Deed of Trust, or of any particular provision thereof, or the proper construction thereof.

6.3. Actions on Behalf of the Lender. Except as otherwise specifically provided herein, whenever any approval, notice, direction, consent, request or other action by the Lender is required or permitted under this Deed of Trust, such action shall be in writing.

6.4. Terms. The words “the Lender” means the present Lender, or any future owner or holder, including pledgee of the indebtedness secured hereby.

6.5. Obligations of Borrower. If more than one person has executed this Deed of Trust as “Borrower,” the obligations of all such persons hereunder shall be joint and several.

6.6. Incorporation by References. The provisions of the CalHome Program security instruments and the documents relating to that program are incorporated by reference as though set out verbatim.

6.7. Severability. If any provision of this Deed of Trust shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

6.8. Indemnification. Borrower will indemnify and hold the Lender, its officers and agents harmless against any and all losses, claims, demands, penalties and liabilities which the Lender, its officers or agents may sustain or suffer by reason of anything done or omitted in good faith pursuant to or in connection with this Deed of Trust and not assert any claim against the Lender, its officers or agents by reason of any action so taken or omitted. Borrower shall, at Borrower’s expense, defend, indemnify, save and hold the Lender, its officers and agents harmless from any and all claims, demands, losses, expenses, damages (general, punitive or otherwise), causes of action (whether legal or equitable in nature) asserted by any person, firm, corporation or other entity arising out of this Deed of Trust and Borrower shall pay the Lender upon demand all claims, judgments, damages, losses or expenses (including reasonable legal expense) incurred by the Lender as a result of any legal action arising out of this Deed of Trust.

6.9. Notice. Except for any notice required under applicable law to be given in another manner (a) any notice to Borrower provided for in this Deed of Trust shall be given by mailing such notice by certified mail directed to the Property Address or any other address Borrower designates by notice to Lender as provided herein; and, (b) any notice to Lender shall be given by certified mail, return receipt requested, to Lender’s mailing address stated herein or to such other address as Lender may designate by notice to Borrower as provided herein. Any notice provided for in this Deed of Trust shall deem to have been given to Borrower or Lender when given in the manner designated herein.

6.10. Beneficiary Statement. Lender may collect a fee for furnishing the beneficiary statement in an amount not to exceed the amount as provided by Section 2943 of the Civil Code of California.

6.11. Use of Property. Borrower shall not permit or suffer the use of any of the Property for any purpose other than as a single family residential dwelling.

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust on the day and year set forth above. By signing below, Borrower agrees to the terms and conditions as set forth above.

MAILING ADDRESS FOR NOTICES:

SIGNATURE OF BORROWER(s):

(Street)

(City) (State) (Zip)

Acknowledgements

ATTACHMENT H

**MAMMOTH LAKES HOUSING, INC.
CALHOME PROGRAM**

**REHABILITATION
MANUFACTURED HOUSING
PROMISSORY NOTE AND SECURITY AGREEMENT**
(hereinafter referred to as this "Note")

**NOTICE TO BORROWER
THIS DOCUMENT CONTAINS PROVISIONS
RESTRICTING ASSUMPTIONS**

LOAN #: _____
AMOUNT: \$ _____
DATE: _____, 20_____

FOR VALUE RECEIVED, the undersigned, _____ (the "Borrower") hereby promises to pay to the order of _____ ("Lender") at the following address _____ or at such other place as the holder may from time to time designate by written notice to Borrower, in lawful money of the United States, the sum of _____ Dollars (\$ _____) with simple interest at the rate of _____ percent per annum on the unpaid principal balance from the date of this Note, until paid. The obligation of the Borrower with respect to this Note is secured by that certain _____ (Make and/or Model) Manufactured Home manufactured by _____ in the year of _____ having the Decal (License) Number(s) of _____, the Serial Number(s) of _____, the HUD Label/HCD Insignia Number(s) of _____ and physically located at the address of _____ (the "Manufactured Home").

1. **Borrower's Obligation.** This Note evidences the obligation of the Borrower to the Lender for the repayment of funds loaned (the "CalHome Loan") to finance the repair and rehabilitation of the Manufactured Home.
2. **Borrower(s) Acknowledge(s) and Agrees:** that the CalHome Loan is subject to the terms, conditions, and restrictions of the State of California CalHome Program as set forth in Health and Safety Code section 50650 et seq. and implementing guidelines or regulations adopted by the California Department of Housing and Community Development, all of which are hereby incorporated by reference.
3. **Repayment of Loan Principal and Interest.** No periodic payments are required hereunder. Borrower agrees to pay the unpaid principal balance, unpaid accrued interest, and any other amounts due under this Note upon the earlier of:

- (a) _____ years from the date of this Note; or
 - (b) Upon sale, transfer, lease, or encumbrance of all or any interest in the Manufactured Home without Lender's prior written consent, except for transfers permitted in Paragraph 8; or
 - (c) Upon Borrower's failure to occupy the Manufactured Home as Borrower's principal place of residence.
4. **Security Interest.** Borrower hereby grants to Lender a security interest under the applicable certificate of title law or Uniform Commercial Code in the Manufactured home and any property added or attached to it, to secure Borrower's obligations under this Note. Borrower also grants to Lender a security interest in any interest Borrower may have in premium refunds or proceeds under any insurance covering the Manufactured Home. Borrower further agrees to execute any application for certificate of title or ownership, financing statement, or other document necessary to perfect Lender's security interest in the Manufactured Home. The security interest under this Note secures payment of all of the Borrower's indebtedness, including debts, obligations or liabilities which now exist or are hereafter created, and whether they are absolute or contingent, and includes future advances.
5. **Title.** Borrower represents and warrants that Borrower will be the registered owner on the title to the Manufactured Home upon disbursement of the loan funds, which are evidenced by this Note.
6. **Protection of the Manufactured Home.** Borrower shall with respect to the Manufactured Home: (a) keep it in good condition and repair; (b) not commit waste on it or any property added or attached to it; (c) not use it for any unlawful purpose; (d) not remove, nor permit to be removed, any part of it or any property added or attached to it (from the above stated physical address) without the prior written consent of Lender which shall not be unreasonably withheld (e) pay all taxes, charges and space rent due for it and the real estate it is located on; (f) not move, sell, lease or otherwise transfer title to it; (g) not attach it to any real estate and to maintain it as personal property; (h) not sell, assign or create or permit to exist any lien on or security interest in it in favor of anyone other than Lender, unless Lender consents thereto in advance in writing; (i) remove, upon Lender's request, any unauthorized lien or security interest in it, and defend any claim affecting it; (j) pay all charges against it, including but not limited to taxes, assessments, encumbrances, rents, and insurance, and upon Borrower's failure to do so, Lender may pay any such charge as it deems necessary and add the amount paid to the indebtedness of Borrower secured hereunder; and (k) permit Lender and Lender's representatives to inspect it at any reasonable time and upon reasonable notice.
7. **Insurance.** Borrower shall keep the Manufactured Home insured against such risks and in such amounts as Lender may reasonably require with an insurance company satisfactory to Lender. Borrower shall arrange for Lender to be named as loss payee on the policy. Borrower shall provide Lender written evidence of insurance as requested by

Lender from time to time. Borrower agrees that the insurance company may make any payments due under the policy directly to Lender, and Borrower hereby directs the insurance company to do so. Lender may do whatever it thinks necessary to be sure that any proceeds of the insurance will be used to repair the Manufactured Home or pay off this Note. Borrower hereby gives Lender a power of attorney (which Borrower cannot cancel) so that Lender may do whatever it needs to in order to collect the insurance proceeds. If Borrower fails to obtain, maintain or pay for the required insurance, or if Borrower fails to arrange for Lender to be named as loss payee, Lender may treat that as a default of Borrower's obligations under this Note, and Lender may (but is not required to) purchase such insurance. If Lender purchases such insurance, Borrower will immediately repay Lender for any amounts Lender spends in purchasing the insurance or, at Lender's option, pay Lender over time as a workout of the obligation.

8. Permitted Transfers.

The CalHome Loan is not assumable except under the following limited circumstances:

- (a) The transfer of the Manufactured Home to the surviving joint tenant by devise, descent or operation of the law, on the death of a joint tenant.
- (b) A transfer of the Manufactured Home where the spouse becomes an owner of the property;
- (c) A transfer of the Manufactured Home resulting from a decree of dissolution of marriage, legal separation or from an incidental property settlement agreement by which the spouse becomes an owner of the Manufactured Home.
- (d) A transfer to an inter vivos trust in which the Borrower is and remains the beneficiary and occupant of the Manufactured Home.

9. Events of Default. Any of the following shall constitute an event of default under this Note:

- (a) Borrower fails to make any payment due hereunder on time.
- (b) Borrower ceases to occupy the Manufactured Home as Borrower's principal place of residence. Borrower's failure to occupy the Manufactured Home as Borrower's principal place of residence shall be considered an on-going event of default under this Note.
- (c) Borrower fails to perform any obligation set forth in this Note.
- (d) Borrower fails to pay space rent, utilities and related charges due a landlord or mobilehome park where the Manufactured Home is located.
- (e) Any of Borrower's representations or warranties in this Note or in Borrower's application for the CalHome Loan shall prove to have been untrue in any material respect when made; or the Borrower shall have concealed any material fact from the Lender; or any of the Borrower's representations or warranties in this Note or in Borrower's application for

the CalHome Loan shall cease to be true and shall remain untrue for fifteen (15) days after notice of such change to Borrower by Lender.

- (f) Lender in good faith considers itself insecure because the prospect of payment is impaired, or the prospect of performance of an agreement or covenant is impaired or the value or priority of Lender's security interest in the Manufactured Home is impaired.

10. **Remedies.** In the event of default under this Note, after any notice period required by state or federal law, Lender may:

- (a) Declare all sums secured by this Note immediately due and payable. Failure of the holder to exercise this option to accelerate payment will not constitute waiver of the right to exercise this option in the event of subsequent cause for acceleration. As the result of an acceleration of the then unpaid principal balance under the terms of this Note, the entire unpaid principal balance shall automatically bear an annual interest rate (instead of the rate specified in the first paragraph of this Note) equal to the less of (a) _____ percent (____%) or (b) the maximum interest rate allowed by law (the Default Rate).
- (b) Incur expenses, including reasonable attorney's fees and legal expenses, to exercise any right or power under this Note.
- (c) Perform any obligation of the Borrower and make any payments, purchase, or compromise any encumbrance, charge or lien, and pay taxes and expenses.
- (d) Retain the Manufactured Home in satisfaction of the obligation, dispose of the Manufactured Home and apply the proceeds of disposition, including provision for reasonable attorney's fees and legal expenses incurred by Lender. It is further agreed, subject to applicable law, that upon any sale of the Manufactured Home according to law, or under the power herein given, that Lender may bid at said sale, or purchase the Manufactured Home, or any part thereof at said sale.

11. **Place and Manner of Payment.** All amounts due and payable under this Note are payable at the principal office of the Lender set forth above, or at such other place or places as the Lender may designate to the Borrower in writing from time-to-time.

12. **Application of Payments.** All payments received on account of this Note shall be first applied to accrued interest, if any, and the remainder shall be applied to the reduction of principal.

13. **Attorney's Fees.** The Borrower hereby agrees to pay all costs and expenses, including reasonable attorney's fees, which may be incurred by the Lender in the enforcement of this Note.

14. **Notices.** Except as may be otherwise specified herein, any approval, notice, direction, consent, request or other action by the Lender shall be in writing and must be communicated to the Borrower at the address of the Manufactured Home, or at such

other place or places as the Borrower shall designate to the Lender in writing, from time to time, for the receipt of communications from the Lender. Mailed notices shall be deemed delivered and received five (5) working days after deposit in the United States mails in accordance with this provision.

15. **Prepayment Policy:** Borrower may prepay this Note at any time without penalty.
16. **Borrower's Waiver:** Borrower waives any right to require Lender to proceed against another person or to pursue any other remedy that the Lender may have. Borrower waives presentment, demand for performance, notice of nonperformance, protest, notice of protest, and dishonor with respect to the Manufactured Home. Borrower waives the right to require the Lender to preserve rights against prior parties to instruments or chattel paper. Notwithstanding the provisions of Paragraph 10 above, Borrower also waives any right to notice of an event of default under this Note if Borrower has voluntarily surrendered or abandoned the Manufactured Home.
17. **Governing Law.** This Note shall be construed in accordance with and be governed by the laws of the State of California.
18. **Severability.** If any provision of this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.
19. **No Waiver by the Lender.** No waiver of any breach, default or failure of condition under the terms of the Note shall thereby be implied from any failure of the Lender to take, or any delay by the Lender in taking action with respect to such breach, default or failure or from any previous waiver of any similar or unrelated breach, default or failure; and a waiver of any term of the Note or any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver.
20. **Successors and Assigns.** The promises and agreements herein contained shall bind and inure to the benefit of, as applicable, the respective heirs, executors, administrators, successors and assigns of the parties.

If more than one Borrower executes this Promissory Note and Security Agreement, the obligations hereunder are joint and several. All words used herein in the singular shall be deemed to have been used in the plural when the context and construction so require

Executed as of the date set forth above at _____, California
City

Borrower

Borrower

Mailing Address for Notices:

ATTACHMENT I

Mammoth Lakes Housing, Inc. CalHome Loan Servicing Policies & Procedures

Mammoth Lakes Housing, Inc., hereafter called “Lender,” has adopted these policies and procedures in order 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 handled on a case-by-case basis. The Lender has formulated this document to comply with State of California 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 following areas: 1) making required monthly payments or voluntary payments on a loan’s principal and interest; 2) required payment of property taxes and insurance; 3) required Request for Notice of Default on all second mortgages; 4) loans with annual occupancy restrictions and certifications; 5) required noticing and limitations on any changes in title or use of property; 6) required noticing and process for requesting a subordination during a refinance; 7) processing of foreclosure in case of default on the loan; 8) owner-occupied rehabilitation loans.

1. Loan Repayments:

The Lender will collect monthly payments from those borrowers who are obligated to do so under Notes which are amortized promissory notes. A late fee of \$50.00 (fifty) dollars will be charged for payments received after the assigned monthly due date.

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

When all debt to the lender has been satisfied, a Notice of Reconveyance will be issued to the borrower, without warranty, all the estate, title and interest acquired by the Lender under the Deed of Trust for that property.

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

When a property is located in a 100-year flood plain, the Borrower will be required to carry the necessary flood insurance. A certificate of insurance for flood and for standard property insurance with an endorsement naming Mammoth Lakes Housing, Inc. as additional insured will be required at close of escrow. The lender will verify the insurance on an annual basis.

Property taxes must be kept current during the term of the loan. If the Borrower fails to maintain payment of property taxes then the 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.

3. Required Request for Notice of Default:

When the Borrower'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, if possible. 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 their best interest to contact any other senior lien holders regarding the status of their loans.

4. Annual Occupancy Restrictions and Certifications:

On owner-occupant and owner-occupied rehabilitation loans, the Lender will require that Borrowers submit utility bills and/or other documentation annually to prove occupancy during the term of the loan. Some loans may have income and housing cost evaluations, which require a household to document that they are not able to make amortized loan payments, typically every five years. These loan terms are incorporated in the original Note and Deed of Trust.

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

In all cases where there is a change in title or occupancy or use, the Borrower must notify the 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-income families. These types of changes are typical when Borrowers do estate planning (adding a relative to title) or if a Borrower dies and property is transferred to heirs or when the property is sold or transferred as part of a business transaction. In some cases the Borrower may move and turn the property into a rental unit without notifying the Lender. Changes in title or occupancy must be in keeping with the objective of benefit to low-income households (below 80 percent of AMI).

CalHome Program loans are not assumable.

The following transfers of interest shall not require the repayment of the loan:

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 an 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 homebuyer is and will remain the beneficiary and occupant of the property.

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

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

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

6. Requests for Subordinations:

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

Also, provisions of Section 5.0.B and 5.0.C of these guidelines still apply, which state that the loan must:

- a) Be fully amortized and have a fixed interest rate that does not exceed the current market rate, as established by an index identified in the most recent NOFA;
- b) Not have a temporary interest rate buy-down;

- c) Have a term “all due and payable” in no fewer than 30 years; and;
- d) Not have a balloon payment due before the maturity date of the Program loan.

Upon receiving the proper documentation from the refinance lender, 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.

7. Process for Loan Foreclosure:

Upon any condition of loan default: 1) non-payment; 2) lack of insurance or property tax payment; 3) change in title or use without approval; 4) 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 cancel the foreclosure proceedings by "reinstating" the senior lien holder. The reinstatement amount or payoff amount must be obtained by contacting the senior lien holder. This amount will include all delinquent payments, late charges and fees to date. 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 restructure 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 they may choose to cure the senior lien holder and foreclose on the property themselves. As long as there is sufficient value in the property, the Lender can afford to pay for the foreclosure process and pay off the senior lien holder and retain some or all of their investment.

If the 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 holder before five (5) days prior to the foreclosure sale date, the senior lien holder would then require a full pay off of the balance, plus costs, to cancel foreclosure. If the 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's staff will consider the following factors before initiating foreclosure:

1. Can the loan be cured and can the rates and terms be adjusted to allow for affordable payments such that foreclosure is not necessary?
2. Can the Borrower refinance with a private lender and pay off the Lender?
3. Can the Borrower sell the property and pay off the Lender?
4. Does the balance warrant foreclosure?
5. Will the sales price of home "as is" cover the principal balance owing, necessary advances, (maintain fire insurance, maintain or bring current delinquent property taxes, monthly yard maintenance, periodic inspections of property to prevent vandalism, etc.) foreclosure, and marketing costs?

If the balance is substantial and all of the above factors have been considered, the 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 (such as, funds to bring a delinquent Borrower current or pay off a DPL).

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.

8. Owner-Occupied Rehabilitation Loans

When the amount used for an owner-occupied rehabilitation is less than the amount borrowed, the loan principal will be discounted by the unused amount. The unused portion of the loan will be deposited in the the Mammoth Lakes Housing CalHome Reuse Account.

ATTACHMENT J

**MAMMOTH LAKES HOUSING, INC.
CALHOME PROGRAM**

**FIRST TIME HOMEBUYER
MANUFACTURED HOUSING
IN A MOBILE HOME PARK OR NOT ON A FIXED FOUNDATION
PROMISSORY NOTE AND SECURITY AGREEMENT
(hereinafter referred to as this "Note")**

**NOTICE TO BORROWER
THIS DOCUMENT CONTAINS PROVISIONS
RESTRICTING ASSUMPTIONS**

LOAN #: _____
AMOUNT: \$ _____
DATE: _____, 20_____

FOR VALUE RECEIVED, the undersigned, _____ (the "Borrower")
hereby promises to pay to the order of _____ ("Lender")
at the following address _____

or at such other place as the holder may from time to time designate by written notice to
Borrower, in lawful money of the United States, the sum of _____ Dollars
(\$ _____) with simple interest at the rate of _____ percent per
annum on the unpaid principal balance from the date of this Note, until paid.

The obligation of the Borrower with respect to this Note is secured by that
certain _____ (Make and/or Model) Manufactured Home manufactured by
_____ in the year of _____ having the Decal
(License) Number(s) of _____, the Serial
Number(s) of _____, the HUD Label/HCD
Insignia Number(s) of _____ and physically
located at the address of _____ (the
"Manufactured Home").

1. **Borrower's Obligation.** This Note evidences the obligation of the Borrower to the Lender for the repayment of funds loaned (the "CalHome Loan") to finance the purchase of the Manufactured Home.
2. **Borrower(s) Acknowledge(s) and Agrees:** that the CalHome Loan is subject to the terms, conditions, and restrictions of the State of California CalHome Program as set forth in Health and Safety Code section 50650 et seq. and implementing guidelines or regulations adopted by the California Department of Housing and Community Development, all of which are hereby incorporated by reference.

3. **Repayment of Loan Principal and Interest.** No periodic payments are required hereunder. Borrower agrees to pay the unpaid principal balance, unpaid accrued interest, and any other amounts due under this Note upon the earlier of:
- (a) 20 years from the date of this Note; or
 - (b) Upon sale, transfer, lease, or encumbrance of all or any interest in the Manufactured Home without Lender's prior written consent, except for transfers permitted in Paragraph 8; or
 - (c) Upon Borrower's failure to occupy the Manufactured Home as Borrower's principal place of residence.
 - (d) Payments begin immediately when the Program loan is in first position and the borrower's ratios support regular payments. The original principal is forgiven by 10 percent for each additional year beyond the 10th year that the home is owned and continuously occupied by the borrower.
4. **Security Interest.** Borrower hereby grants to Lender a security interest under the applicable certificate of title law or Uniform Commercial Code in the Manufactured home and any property added or attached to it, to secure Borrower's obligations under this Note. Borrower also grants to Lender a security interest in any interest Borrower may have in premium refunds or proceeds under any insurance covering the Manufactured Home. Borrower further agrees to execute any application for certificate of title or ownership, financing statement, or other document necessary to perfect Lender's security interest in the Manufactured Home. The security interest under this Note secures payment of all of the Borrower's indebtedness, including debts, obligations or liabilities which now exist or are hereafter created, and whether they are absolute or contingent, and includes future advances.
5. **Title.** Borrower represents and warrants that Borrower will be the registered owner on the title to the Manufactured Home upon disbursement of the loan funds, which are evidenced by this Note.
6. **Protection of the Manufactured Home.** Borrower shall with respect to the Manufactured Home: (a) keep it in good condition and repair; (b) not commit waste on it or any property added or attached to it; (c) not use it for any unlawful purpose; (d) not remove, nor permit to be removed, any part of it or any property added or attached to it (from the above stated physical address) without the prior written consent of Lender which shall not be unreasonably withheld (e) pay all taxes, charges and space rent due for it and the real estate it is located on; (f) not move, sell, lease or otherwise transfer title to it; (g) not attach it to any real estate and to maintain it as personal property; (h) not sell, assign or create or permit to exist any lien on or security interest in it in favor of anyone other than Lender, unless Lender consents thereto in advance in writing; (i) remove, upon Lender's request, any unauthorized lien or security interest in it, and defend any claim affecting it; (j) pay all charges against it, including but not limited to taxes, assessments, encumbrances, rents, and insurance, and upon Borrower's failure to

do so, Lender may pay any such charge as it deems necessary and add the amount paid to the indebtedness of Borrower secured hereunder; and (k) permit Lender and Lender's representatives to inspect it at any reasonable time and upon reasonable notice.

7. **Insurance.** Borrower shall keep the Manufactured Home insured against such risks and in such amounts as Lender may reasonably require with an insurance company satisfactory to Lender. Borrower shall arrange for Lender to be named as loss payee on the policy. Borrower shall provide Lender written evidence of insurance as requested by Lender from time to time. Borrower agrees that the insurance company may make any payments due under the policy directly to Lender, and Borrower hereby directs the insurance company to do so. Lender may do whatever it thinks necessary to be sure that any proceeds of the insurance will be used to repair the Manufactured Home or pay off this Note. Borrower hereby gives Lender a power of attorney (which Borrower cannot cancel) so that Lender may do whatever it needs to in order to collect the insurance proceeds. If Borrower fails to obtain, maintain or pay for the required insurance, or if Borrower fails to arrange for Lender to be named as loss payee, Lender may treat that as a default of Borrower's obligations under this Note, and Lender may (but is not required to) purchase such insurance. If Lender purchases such insurance, Borrower will immediately repay Lender for any amounts Lender spends in purchasing the insurance or, at Lender's option, pay Lender over time as a workout of the obligation.

8. **Permitted Transfers.**

The CalHome Loan is not assumable except under the following limited circumstances:

- (a) The transfer of the Manufactured Home to the surviving joint tenant by devise, descent or operation of the law, on the death of a joint tenant.
- (b) A transfer of the Manufactured Home where the spouse becomes an owner of the property;
- (c) A transfer of the Manufactured Home resulting from a decree of dissolution of marriage, legal separation or from an incidental property settlement agreement by which the spouse becomes an owner of the Manufactured Home.
- (d) A transfer to an inter vivos trust in which the Borrower is and remains the beneficiary and occupant of the Manufactured Home.

9. **Events of Default.** Any of the following shall constitute an event of default under this Note:

- (a) Borrower fails to make any payment due hereunder on time.
- (b) Borrower ceases to occupy the Manufactured Home as Borrower's principal place of residence. Borrower's failure to occupy the Manufactured Home as Borrower's principal place of residence shall be considered an on-going event of default under this Note.
- (c) Borrower fails to perform any obligation set forth in this Note.

- (d) Borrower fails to pay space rent, utilities and related charges due a landlord or mobilehome park where the Manufactured Home is located.
- (e) Any of Borrower's representations or warranties in this Note or in Borrower's application for the CalHome Loan shall prove to have been untrue in any material respect when made; or the Borrower shall have concealed any material fact from the Lender; or any of the Borrower's representations or warranties in this Note or in Borrower's application for the CalHome Loan shall cease to be true and shall remain untrue for fifteen (15) days after notice of such change to Borrower by Lender.
- (f) Lender in good faith considers itself insecure because the prospect of payment is impaired, or the prospect of performance of an agreement or covenant is impaired or the value or priority of Lender's security interest in the Manufactured Home is impaired.

10. Remedies. In the event of default under this Note, after any notice period required by state or federal law, Lender may:

- (a) Declare all sums secured by this Note immediately due and payable. Failure of the holder to exercise this option to accelerate payment will not constitute waiver of the right to exercise this option in the event of subsequent cause for acceleration. As the result of an acceleration of the then unpaid principal balance under the terms of this Note, the entire unpaid principal balance shall automatically bear an annual interest rate (instead of the rate specified in the first paragraph of this Note) equal to the less of (i) _____ percent (____%) or (ii) the maximum interest rate allowed by law (the Default Rate).
- (b) Incur expenses, including reasonable attorney's fees and legal expenses, to exercise any right or power under this Note.
- (c) Perform any obligation of the Borrower and make any payments, purchase, or compromise any encumbrance, charge or lien, and pay taxes and expenses.
- (d) Retain the Manufactured Home in satisfaction of the obligation, dispose of the Manufactured Home and apply the proceeds of disposition, including provision for reasonable attorney's fees and legal expenses incurred by Lender. It is further agreed, subject to applicable law, that upon any sale of the Manufactured Home according to law, or under the power herein given, that Lender may bid at said sale, or purchase the Manufactured Home, or any part thereof at said sale.

11. Place and Manner of Payment. All amounts due and payable under this Note are payable at the principal office of the Lender set forth above, or at such other place or places as the Lender may designate to the Borrower in writing from time-to-time.

12. Application of Payments. All payments received on account of this Note shall be first applied to accrued interest, if any, and the remainder shall be applied to the reduction of principal.

13. **Attorney's Fees.** The Borrower hereby agrees to pay all costs and expenses, including reasonable attorney's fees, which may be incurred by the Lender in the enforcement of this Note.
14. **Notices.** Except as may be otherwise specified herein, any approval, notice, direction, consent, request or other action by the Lender shall be in writing and must be communicated to the Borrower at the address of the Manufactured Home, or at such other place or places as the Borrower shall designate to the Lender in writing, from time to time, for the receipt of communications from the Lender. Mailed notices shall be deemed delivered and received five (5) working days after deposit in the United States mails in accordance with this provision.
15. **Prepayment Policy:** Borrower may prepay this Note at any time without penalty.
16. **Borrower's Waiver:** Borrower waives any right to require Lender to proceed against another person or to pursue any other remedy that the Lender may have. Borrower waives presentment, demand for performance, notice of nonperformance, protest, notice of protest, and dishonor with respect to the Manufactured Home. Borrower waives the right to require the Lender to preserve rights against prior parties to instruments or chattel paper. Notwithstanding the provisions of Paragraph 10 above, Borrower also waives any right to notice of an event of default under this Note if Borrower has voluntarily surrendered or abandoned the Manufactured Home.
17. **Governing Law.** This Note shall be construed in accordance with and be governed by the laws of the State of California.
18. **Severability.** If any provision of this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.
19. **No Waiver by the Lender.** No waiver of any breach, default or failure of condition under the terms of the Note shall thereby be implied from any failure of the Lender to take, or any delay by the Lender in taking action with respect to such breach, default or failure or from any previous waiver of any similar or unrelated breach, default or failure; and a waiver of any term of the Note or any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver.
20. **Successors and Assigns.** The promises and agreements herein contained shall bind and inure to the benefit of, as applicable, the respective heirs, executors, administrators, successors and assigns of the parties.

If more than one Borrower executes this Promissory Note and Security Agreement, the obligations hereunder are joint and several. All words used herein in the singular shall be deemed to have been used in the plural when the context and construction so require

Executed as of the date set forth above at _____, California
City

Borrower

Borrower

Mailing Address for Notices:

