

Mammoth Lakes Housing, Inc.



Manufactured Home, Mortgage Assistance, Rehabilitation & Replacement, and ADU/JADU Program Guidelines



CalHome Program

Serving the Town of Mammoth Lakes,
the unincorporated areas of Mono County,

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Manufactured Home Mortgage Assistance, Rehabilitation Program, & ADU/JADU

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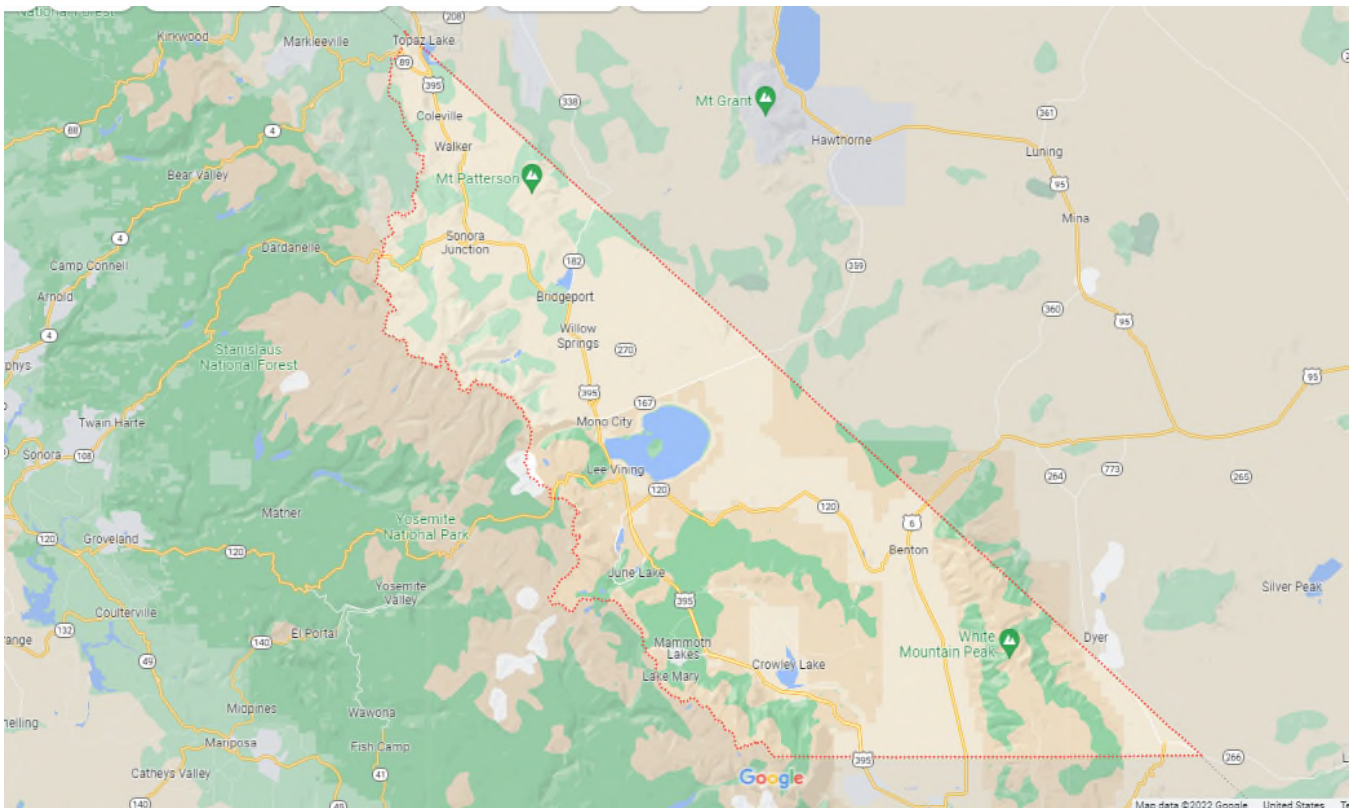
MAMMOTH LAKES HOUSING, INC.
**MANUFACTURED HOME MORTGAGE ASSISTANCE, REHABILITATION, &
ADU/JADU
PROGRAM GUIDELINES**

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, ADU/JADU, and replacement program through CalHome. The homebuyer and rehabilitation program described herein (the “Program”) is designed support existing homeownership programs aimed at low and very low-income households. Thereby increasing homeownership, encouraging neighborhood revitalization and sustainable development, and maximizing use of existing 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.



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.

“ADU/JADU” means an attached or a detached residential dwelling unit that provides complete independent living facilities for one or more persons and is located on a lot with a proposed or existing primary residence. It shall include permanent provisions for living, sleeping, eating, cooking, and sanitation on the same parcel as the single-family or multifamily dwelling is or will be situated. An accessory dwelling unit also includes the following:

(A) An efficiency unit.

(B) A manufactured home, as defined in Section 18007 of the Health and Safety Code.

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.

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% or have income level at or below 120%, if victims of natural disaster, 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 <https://www.hcd.ca.gov/docs/grants-and-funding/inc2k22.pdf>, 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, in accordance with attachment A. 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						
Household Size	1	2	3	4	5	6
Mono County	\$45,300	\$51,800	\$58,250	\$64,700	\$69,900	\$75,100
Mono County 120% *	\$68,200	\$77,950	\$87,700	\$97,450	\$105,750	\$113,550

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:

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

FIRST-TIME HOMEBUYER MORTGAGE ASSISTANCE

3.1. HOUSING ELIGIBILITY

- A. Household eligibility will be determined based on the following:
 - a. 3 years of IRS transcript
 - b. proof of separation and proof of minor child custody

3.2. 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 and the unincorporated areas of Mono County.”
- B. Housing unit types eligible for the homebuyer Program are new or previously owned single family homes, condominiums, or 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.

3.3. 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.

3.4. 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.

3.5. 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.

3.6. PURCHASE PRICE LIMITS

The purchase price cannot exceed 100% of the area median purchase price, according to the local Multiple Listing Service, for the specific housing type, for the previous 12-months.

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

3.7. 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.

3.8. THE PROGRAM LOAN

A. **AMOUNT:** The maximum loan amount is 40 percent of the Borrower's purchase price for the property, up to a maximum of \$100,000. The minimum Loan to a Borrower will be not less than \$1,000.

B. TERM:

- a. 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.
- b. 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. For single family homes and condominiums, the interest rate will be 3% for 30 years. Payments begin immediately when the Program loan is in first position and the borrower's ratios support regular payments. When the program loan is not in first position, no regular payments are required, because the household's full payment capacity will be going toward their primary loan

C. SECURITY INSTRUMENTS

- a. For manufactured homes in mobile home parks, the Promissory Note and Security Agreement shall be used to secure the loan (**Attachment J**).
- b. 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.

OWNER OCCUPIED REHABILITATION

Owner-occupancy will be determined with a current mortgage statement, grant deed, or other documentation of ownership. 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, plus a maximum of up to 5% of the sales price to cover actual closing costs. 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 HOUSING UNITS

- A. Housing units must be located within the eligible area. The eligible area is described as follows: "Within the Town of Mammoth Lakes and the unincorporated areas of Mono County."
- B. Housing unit types eligible are new or previously owned single family homes, condominiums, or manufactured homes..
- C. 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.

4.2. 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

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.

- a. Program funds cannot be used to refinance existing loans or payoff of personal obligations.
- b. Mobile home park owners are not eligible for the Program.

4.3. FINANCING TERMS

- A. **AMOUNT:** The maximum Loan to an eligible Borrower will be \$100,000 unless the home is in need of reconstruction. If the home is in need of reconstruction, the maximum Loan amount will be \$150,000. The minimum Loan to a Borrower will be not less than \$1,000. Dependent upon the applicant’s income, debt-to-income ratios, available funding, and after-rehab value
- B. **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.

- a. When the home constitutes real property, the loan accrue interest at 3% and be due in 15 years
 - b. Payments begin immediately if the borrower's ratios support regular payments
 - c. 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.
- C. **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
- D. **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 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.

4.4. MAXIMUM AFTER REHAB VALUE

All assisted units shall have After-Rehabilitation Values (Guidelines Section 7716, subd. (f)) at or below the current local median sales price of the home type being rehabilitated (Guidelines Section 7734, subd. (a)). Recipients may use the most recent median sales price, by county, posted at the California Association of Realtors website at <https://www.car.org/en/marketdata/data/countysalesactivity>. However, if prices have significantly changed, Recipients may request Department approval to use different limits based on a local calculation of median values (Guidelines Section 7735, subd. (b)).

4.5. APPRAISAL

Prior to the commencement of Rehabilitation work, and Appraisal shall be obtained.

4.6. 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.

4.7. 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.

4.8. 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.

4.9. ADU/JADU

Applicants must complete a loan application. The maximum Loan amount by an award recipient to an eligible Borrower for ADU/JADU construction will be \$100,000. The minimum Loan to a Borrower will be not less than \$1,000.

4.10. ELIGIBLE USES

- A. Cost of construction, reconstruction, repair, conversion or rehabilitation.
- B. Cost of structural modifications to the existing home necessary to accommodate an ADU or a JADU
- C. Cost of building permits and other related government fees, including all fees necessary to build and occupy and ADU or a JADU
- D. Cost of appraising, architectural, engineering, and other consultant services that are directly related to the construction

E. Non-recurring Loan closing costs

F. CalHome Activity Delivery Fees

4.11. UNDERWRITING AND CONSTRUCTION REQUIREMENTS

Once the loan approval package has been completed the Program Operator will submit it for approval. Upon approval, a final closing date for escrow is set and Program funds are accessed by the Applicant.

- A. Applicant must obtain title insurance equal to the Loan amount at close of escrow
- B. Cash out or equity lines of credit are prohibited
- C. Borrower must obtain fire insurance (and flood insurance where applicable) to maintain insurance on the property in an amount at least equal to the replacement value of the improvement
- D. Mammoth Lakes Housing, Inc. must be named as additional loss payee on the policy

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.

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 from AnnualCreditReport.com 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.

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.

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), 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 (but see subdivision (b)(3))
- (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;
- (8) 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 (but see subdivision (b)(5)).

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**

COUNTY NAME	One-Family Existing Home
MONO	\$474,000

Income Limits for Program Service Area, 2014						
Household Size	1	2	3	4	5	6
Mono County	\$45,300	\$51,800	\$58,250	\$64,700	\$69,900	\$75,100
Mono County 120% *	\$68,200	\$77,950	\$87,700	\$97,450	\$105,750	\$113,550

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:

* 120% AMI Activities: Any of the activities may be operated and provided to households up to moderate income where the condition of Health & Safety Code, section 50650.3, subdivision (g) are met. To qualify, a Household must be a victim of a disaster and must be located in a county where one of the following has occurred:

- a. The governor has proclaimed a state or emergency, pursuant to Section 8625 of the Government Code, resulting from a disaster, as defined in Section 8680.3 of the Government Code
- b. A special appropriation of federal emergency supplemental as instance or a presidential declaration of disaster has occurred

<https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/>

<https://www.hcd.ca.gov/docs/grants-and-funding/inc2k22.pdf>

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:

- Real estate sales contract
- Residential loan application
- Credit report
- Verified income documentation
- Disclosure statement

- Breakdown of closing costs
- Structural pest control clearance
- Appraisal with photos
- Escrow instructions

- 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

**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").

- 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.
- 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:

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 F

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").

- 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.
- 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.
- 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 G

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 H

**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").

- 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.
- 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:
