Community Fund of North Miami-Dade, Inc.
an affiliate of the
Opa-locka Community Development Corporation

Lending, Rehabilitation, Servicing, and Collection Policies

Policies approved by the Board of Directors at the meeting on

April 25, 2006

Amendment draft of 04-27-2006 for approval of the Board of Directors

Community Fund of North Miami-Dade, Inc.

Lending, Rehabilitation, Servicing, and Collection Policies

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Revised in April 25, 2006

I. Introduction

These Loan, Rehabilitation, Partnership Loan Program, Loan Delinquency and Collections Policies have been reviewed and adopted by the Board of Directors of the Community Fund of North Miami-Dade, Inc. (CFNMD) a subsidiary of the Opa-locka Community Development Corporation (OLCDC). These policies provide a framework for the CFNMD in making loans for its clients, establish a lending activity to respond to the needs of residents in its service area, and ensure consistency throughout the lending program.

These policies establish clear standards by which the operations of the Community Fund of North Miami-Dade can be evaluated, including the timely and effective delivery of services and products, the fair methods of servicing and collection of loans, and the ability to sell loans on the secondary market. By including mechanisms for periodic review, amendments, and exceptions to the policy, the CFNMD acknowledges that this initial formulation may need revisions and adjustments.

General Purpose

The Rehab Loan Fund of the CNFNMD is part of a broader neighborhood revitalization and stabilization strategy. It should be used to assist in the preservation of housing within the CFNMD service area when circumstances preclude the use of conventional loans. The primary role of the Loan Fund is to enhance the structural quality, livability, and the value of the community's housing; and preserve and create affordable rental housing units in owner-occupied properties.

Priority should be given in the use of this Loan Fund to the rehabilitation of homes whose repair will produce the maximum impact in the surrounding community.

This Loan Fund is intended to complement conventional lending by lending to those residents who cannot qualify for competitively priced conventional loans. It is also a leveraging tool to prevent predatory lending practices and/or to be used in combination with conventional loans when commercial lenders alone cannot fully address a borrower's needs.

II. General Provisions

A. Conflict of Interest

Loan applications made by members of the following groups will be considered to be in conflict of interest and will not be accepted:

- Elected and appointed officials of federal, state, or local government and members of their immediate families as defined herein.

- Current and former employees of the Community Fund of North Miami-Dade or the Opa-locka Community Development Corporation who have worked directly on the loan fund program within the preceding twelve months and members of their immediate families.

- Members of the Board of Directors of the Community Fund of North Miami-Dade and their immediate families.

- Members of the Board of Directors of the Opa-locka Community Development Corporation and their immediate families.

Immediate families are defined herein as parents, spouse, siblings, and children.

B. The provisions of the "Conflict of Interest" section are subordinate to all applicable policies of agencies providing funding or financing to the CFNMD.Equal Opportunity

In accordance with the provisions of the Equal Credit Opportunity Act, the CFNMD will not discriminate against applicants on the basis of age, sex, race, marital status, national origin, handicap, religion, or sexual orientation.

C. Applicability

D. These loan policies will govern all lending activity conducted by the CFNMD. Amendment to Loan Policies

Only the Board of Directors of the Community Fund of North Miami-Dade may amend this loan policy. In consideration to the relationship between the CFNMD and the Opa-locka Community Development Corporation, the Board of Directors of the Opa-locka Community Development Corporation may suggest amendments to these loan policies, which should be promptly considered and decided upon by the Board of Directors of the CFNMD. If the board of directors of the CFNMD and OLCDC cannot reach an agreement with respect to the loan policies, then the matter should be referred to the officers of both corporations for a final resolution.

The Board of Directors of the Opa-locka Community Development Corporation has the authority to suspend in whole or in part these loan policies it if deems that such policies can adversely impact the Opa-locka Community Development Corporation.

The Loan Committee of the CFNMD should review these loan policies as necessary and seek input from the Board in the course of this review. The Committee must refer all proposed amendments that result from this review to the Board of Directors of the CFNMD for action.

E. Geographic Service Area

The geographic service area of the CFNMD will generally correspond with the service area of the Opa-locka Community Development Corporation, which is defined by OLCDC's board of directors. The CFNMD should only provide rehab loans for homes located within its geographic service area.

The service area of the CFNMD may be modified by a resolution of either board of directors of the CFNMD or the OLCDC. The CFNMD may seek partnerships with other groups or agencies to serve other neighborhoods, which will therefore require the approval of the board of directors.

F. Exceptions

The Community Fund of North Miami-Dade may make exceptions to the provisions of this loan policy with the prior approval, in each instance, of the Loan Committee of the CFNMD. Requests for approval of exceptions should be submitted in writing to the Loan Committee, which should act on them as quickly as possible.

III. Loan Committee

A. Structure and Membership

1. The Loan Committee must consist of at least three (3) members from the board of directors of the CFNMD. At least two (2) Committee members must be residents of the service area, and at least one (1) committee member should represent a financial institution.
2. The members of the Loan Committee must be appointed by the President of the Board of Directors and ratified by the Board of Directors, for a term of one (1) year. Should a Loan Committee member have to be replaced before her/his term has expired, the Board President has full authority to appoint a surrogate member for the duration of the member's tenure.
3. The Chairperson of the Loan Committee may either be appointed by the President of the Board of Directors or elected by the members of the Loan Committee.
4. The Board of Directors has the authority to remove any Loan Committee member, upon the recommendation of the Chairperson of the Loan Committee or staff. Removal may be for any of the following reasons:
   - Consistent absence or tardiness.
   - Unethical, disruptive or unprofessional like acts during the conduct of committee business.
   - Violation of Confidentiality of loan applicants.
   - Other causes that may adversely impact the CFNMD.
5. The names of the members of the Loan Committee may or may not be disclosed to the public and or to loan applicants.

B. Training

Newly appointed Loan Committee members should attend CFNMD approved Loan Committee training within 6 months of appointment. These training sessions also will be available to Loan Committee members who have already received training.

C. Meeting

1. The Loan Committee Chairperson will call meetings and set the time and place.

2. Meetings will be held as frequently as needed.

3. A quorum for the meeting will consists of a majority of the committee members present, at least one of who must be a representative of a financial institution.

4. Staff of the CFNMD has no voting privileges.

D. Roles and Authority of the Loan Committee

Decisions on loan applications are made only by the Loan Committee. Within this context, the Board of the Community Fund of North Miami-Dade must adopt policies defining the role and the authority of its Loan Committee.

1. The Loan Committee must review and make decisions on the loan applications submitted by the staff based on these policy guidelines.

2. The Loan Committee should make decisions based on the mission and goals of the CFNMD and based on prudent lending risks. When making loan decisions, the Loan Committee should seek that the fiscal integrity and long term sustainability of the CFNMD is preserved. That is, the loan committee may approve loans to risky borrowers, but should not approve loans when there is strong indication that the loan will not be repaid or the likelihood of repayment is very low.

3. The following documents should be included in the loan package to be reviewed by the Loan Committee:
    a. Loan Committee Information and Approval Form
    b. Narrative
    c. Credit Report
    d. Scope of Rehab Work

    Additional information and documentation will be available at the Loan Committee's request.

4. To protect the confidentiality of the applicants, all loan packages must be collected after Loan Committee review and vote. Loan packages must remain on site.

5. All loans, other than emergency loans, must be approved by a majority vote of Loan Committee members present.

6. A Loan Activity Report will be presented to the Board of Directors at each meeting.

IV. Revolving Rehab Loan Fund

A. General Purpose

The Rehab Loan Fund of the CNFNMD is part of a broader neighborhood revitalization and stabilization strategy. It should be used to assist in the preservation of housing within the CFNMD service area when circumstances preclude the use of conventional loans. The primary role of the Loan Fund is to enhance the structural quality, livability, and the value of the community's housing; and preserve and create affordable rental housing units in owner-occupied properties.

Priority should be given in the use of this Loan Fund to the rehabilitation of homes whose repair will produce the maximum impact in the surrounding community.

It is the intent of this policy to reaffirm the importance of private reinvestment in the target neighborhood by emphasizing the leveraging of conventional loans and the conservation of the Revolving Loan Fund. The Loan Committee and the staff must make every effort to channel bankable borrowers to conventional sources while utilizing the Revolving Loan Fund as a leveraging strategy when necessary.

The borrower's income (and) history must demonstrate to the Loan Committee that the borrower(s) has the willingness and ability to repay the loan. The credit history of the borrower should be taken into account only as an enhancement of the willingness to repay the loan.

B. Eligible Borrowers and Properties

1. Income Eligibility: Income eligibility will be determined according to the requirements established by the sources of the specific funds to be used for each loan, which should be attached in appendix #1, income eligibility chart and appendices for specific funding sources.

   For loans using funds for which the source of funds has no established income eligibility requirements, the Fund's priority is to make loans to borrowers whose household income is at or below 80% of the median income for the Miami-Dade County.

   Loans to unbankable borrowers whose household income exceeds 120% median, will be considered only when the loan will provide compelling neighborhood benefits.

2. Owner Occupancy: Loans are restricted to owner-occupied residential properties with no more than 4 housing units. The property owner must live in one of the units.

3. Owner-occupied of mixed-use properties: will be considered on a case-by-case basis, depending on the funding sources and the impact on revitalization the surrounding neighborhood. Mixed-use properties are defined as properties with both residential and commercial uses, such as a retail shop with a housing unit attached or above. Generally, a rehab loan to a mixed-use property should not be used for the commercial unit where a business loan is more appropriate, such as a renovating the interior space of a retail facility.

4. Unbankability: Loans are available to service area property owner who are unable to obtain conventional financing from financial institutions or who can use Revolving Loan Funds in tandem with maximum conventional financing for the full amount of necessary rehabilitation.

5. Location of Properties: properties should be located within the service area as defined in these loan policies.

C. Eligible Use Of Funds

The following are eligible uses of the Loan Fund:

- General repair and/or improvements of property interior and exterior.
- Emergency situations, for example failure of plumbing, heating, electrical or structural systems causing an immediate threat to the health or safety of the occupants.
- Abatement of code violations and incipient code violations that threaten life, health or safety of the customers.
- Special safety features for the elderly and handicapped.
- Energy conservation improvements.
- Restoration of unique architectural features, particularly of historic nature.
- Refinancing of existing second mortgages along with a new home improvement loan when the refinancing of the second mortgage will improve the borrower’s ability to pay and will result in a better collateral position for the CFNMD or other mitigating factors. The amount to be refinanced should not exceed the new home improvement loan.

D. Types of Loans

The Loan Committee will consider, but is not limited to, the following types of loans:

- Fully amortized loans using varying interest rates and terms.
- Refinancing of rehab loans when there is evidence of the use of the loan to be refinanced.
- Loan coupled with another loan and/or grant from a public agency.
- Bridge loans.
- Tandem loans from different funding sources.
- Any combination of the above.

E. Emergency Loans

The Loan Fund Manager is authorized to expedite consideration of loans to unbankable applicants for emergency situations (after making the necessary verifications of income and credit). Emergency is defined as the failure of plumbing, heating, electrical or structural systems causing immediate threat to the health or safety of the occupants. The Loan Fund Manager must obtain the approval of the Chairperson of the Loan Committee by telephone. The full Loan Committee must be given a full report at the next Loan Committee meeting.

Emergency loans may not exceed $3,000 each. They must be evidenced by a Promissory Note. If the income of the borrower allows it, the loan should have a maximum term of twelve months which will provide sufficient time for one of the following:

- The borrower to repay the loan,
- The loan to be refinanced into a regular or larger loan from the program.

The Community Fund of North Miami-Dade will periodically reserve a portion of its loan capital for emergency loans.

F. Loan Terms

1. Mortgage Amount:
   - Minimum: $2,500
   - Maximum - $50,000 and based on availability of funds to lend.

2. Mortgage Term: The term of the loan must be set based on the borrower's ability to pay. The maximum term for all loans cannot exceed 30 years. In setting the term, the remaining useful life of the improvement should be considered.

3. Mortgage Interest Rate: The interest rate should be set based on the applicant's ability to pay, but should be generally similar to market rate. The Loan Fund Manager and the Loan Committee should take into account borrower's current financial situation, their financial history, and any changes in income (e.g. increased rental income) or expenses (e.g. decreased heating costs) that may occur as a result of the rehabilitation loan package.

   Based on the monthly housing debt-to-income ratios, the total monthly debt-to-income ratios, and on disposable income, the Loan Fund Manager and the Loan Committee will determine what the applicant can afford as a monthly payment. The proposed loan amount, the interest rate and term will then be determined. In setting rate and terms, the Program Manager and the Loan Committee must seek a balance among the needs of the Revolving Loan Fund, the neighborhood, and the applicant. Interest rate may range from 3% (the long term average inflation rate) to market rate.

4. Security: All loans greater than $5,000 (example) should be secured with a recorded mortgage lien on the property regardless of the seniority of the lien and a 1-4 Family Rider (Assignment of Rents) where appropriate.

   All CFNMD mortgages on owner-occupied properties shall contain a "Due-On-Sale Clause requiring payment in full upon sale or refinancing of the property.

Property: Combined Loan-to-Value (CLTV) ratios in excess of the property's Fair Market Value will be allowed under the following circumstances:

- Credit and Income are strong.
- Scope of proposed work is important to meet program objectives.

The maximum allowable Combined Loan-to-Value (CLTV) will be 120% of the property's Fair Market Value.

Mortgage Position:

- If the CLTV of all secured loans and the proposed mortgage is 80% or less, mortgage will generally be considered in any position.
- First mortgages not to exceed 120% Loan to Value.
- Second Mortgages when the outstanding balance of the first and second mortgages do not exceed 120% CLTV.
- Third mortgages will generally be considered when all outstanding mortgages and the proposed mortgage do not exceed 120% CLTV.
- Fourth mortgages will generally be considered when the lines in second and third position are Soft Seconds and subsidies related to First-Time Homebuyer Program.

All prior lien holders will be advised of the operating organization's interest by certified mail.

Title Insurance: If there is an existing title insurance, a copy must be reviewed and placed in the file. If there is no existing title insurance, title insurance is required.

Hazard Insurance: Borrowers must provide evidence of homeowners, Fair Plan or other fire or liability insurance in an amount at least equal to all mortgages, including the proposed loan or 80% of the replacement value, whichever is less. The Declarations page of the policy must indicate the CFNMD's interest as the mortgagee.

Flood Insurance: If the property is located with the flood plain, flood insurance will be required.

G. Fees

Application and Origination Fees: Each applicant must pay a non-refundable Application Fee of fifty ($50.00) dollars at the time of application to the Program, and an Origination Fee of 1% to 2 % of the loan amount at the closing of the loan. These fees are based on the income level of the borrower. The fee schedule is as follows:

1 % for all deferred loans
1 % for incomes less than 80 % of the area's median income
1.5 % for incomes above 80 % and up to 100 % of the area's median income
2 % for incomes above 100 % and up to 120 % of the area's median income

These fees must be credited toward the amount due for Borrower's Costs at the time of the closing of the loan, as described in Section J. below.

<u>Rehabilitation Services Fee:</u> Each borrower will pay a Rehabilitation Services Fee of a minimum of $400 and a maximum of no more than $1000. These fees shall be based on the scope of rehab work. The Rehabilitation Services Fee will be paid to the CFNMD according to the following schedule:

- 50% at the time of the closing of the loan.
- 50% at the time of completion of the rehabilitation work.

The fee may be paid in cash at the time of settlement, or incorporated into the loan. At the option of the borrower, this fee may be paid from the loan proceeds or paid with the borrower's own funds. If the fee is to be paid from the loan proceeds, it will be included in the amount of the loan. If the fee is to be paid with the borrower's own funds, the borrower must pay 50% of this fee at closing and place an amount equal to 50% of the fee in escrow at the time of closing, to be released to CFNMD upon completion of the rehabilitation work,

H. Borrower's Costs

Each borrower () might be required to pay the cost of the following items, in the actual amount of each such cost, without addition or discount.

Credit Report	$15 (subject to changes)
Third Party Appraisals	$275-$575 (subject to changes)
Title Review	$50- 70 (subject to changes)
Title Insurance	$2.75 for each $1,000 of loan amount (subject to changes)
Recording Fee\Mortgage	$30 (subject to changes)
Assignment	$20 (subject to changes)
Lender's Attorney	$300-$550 (subject to changes)
Application Fee	$50 non-refundable at closing (subject to changes)

Origination Fee

- 1%: deferred loans
- 1%: below 80% of area median income
- 1.5%: above 80% and below 100% of area median income
- 2%:above 100 % and up to 120% of area median income

Rehabilitation Service Fee	Minimum of $400 and Maximum of no more than $1000 (subject to changes)

Payment of these costs will be made at the time of the closing of the loan. These costs may, at the option of the borrower, be paid from the loan proceeds or paid with the borrower's own funds. If the costs are to be paid from the loan proceeds, an allowance for costs will be included in the amount of the loan. In the event that the actual costs exceed the allowance, the borrower will have the option of paying the excess costs with the borrowers own funds, or requesting an increase in the amount of the loan to cover the excess.

The borrower will be provided with a good faith estimate of borrower's costs at the time of application, indicating the potential range for each item of borrower's costs. At the time of issuance of a loan commitment, the borrower will be provided with a detailed estimate of borrower's costs; but this estimate is not binding and the borrower must pay the actual costs, even if they are greater than the estimate.

I. Contingencies

CFNMD will add a percentage of the rehab budget to the loan amount for unexpected contingencies as follows:

- 15% of the rehab budget for all loans under $ 15,000
- 10% of the rehab budget for all loans over $ 15,000

Unused contingency funds may be used for additional rehabilitation work or deducted from the principal balance of the loan, but shall not be disbursed to the borrower.

J. Loan Repayment

1. Repayment: Repayment terms will be consistent with those outlined on the individual promissory notes and mortgage.

2. Loan Servicing and Collection: Loan payments are due on the first of every month. A late charge of 3% of the principal and interest is assessed for payments received after the 15th of the month. The first payment on a new loan is generally due on the first of the month following the closing. Loans may be prepaid at any time without penalty.

   In general, a partial payment on a current loan account is discouraged unless staff believes, in individual cases, that partial payments represent a good faith attempt to repay. A partial payment on an account several months past due may be accepted with the understanding that past due interest will be fully deducted prior to the reduction of principal. (See Section VII, Delinquencies and Collections for more information.)

K. Other Loan Provisions

1. Tax and Insurance Escrows: Each loan secured by a first mortgage must include provisions for escrows for real estate taxes, and property insurance.

2. Reporting to Credit Agencies: CFNMD will report every loan to a credit-reporting agency, and will also provide the agency with periodic updates of the repayment status of the loans.

3. Age of Credit Documents: Credit documents must be no more than 90 days old on the date the loan is approved and no more than 120 days old on the date the Note is signed.

4. Prohibition Against Credit Discrimination: In accordance with provisions of the

Equal Credit Opportunity Act, there shall be no discrimination against any credit applicant on the basis of age, source of income, sex, marital status, familial status, national origin, religion, or handicap. The CFNMD will also comply with all local or State anti-discriminatory regulations.

The CFNMD does reserve the right to limit the use of the loan fund to specific properties or impact areas in the target areas. The CFNMD also reserves the right to limit the amount of funds available for specific loan fund programs.

L. Sales of Loans to Secondary Market

In order to recapitalize the Loan Fund, the staff should consider selling, in a timely fashion, part or the entire loan portfolio in the secondary market. The staff must seek the approval of the Board of Directors of the CFNMD prior to selling the loan portfolio.

V. Lending Criteria and Procedures

A. Credit Reports Criteria

A credit report is necessary to make sound lending decisions. The following guidelines present requirements for content and analysis of credit reports.

- A Credit Profile Report indicating risk scores should always be required by the staff provided that all information listed on the application appears on the report; all information is timely; no undisclosed debt appears, and positive credit is indicated. The Credit Report should not be older than 60 days when the loan is presented to the Loan Committee.

- A Tri-merged Credit Report (TMCC) from an independent agency should be used when required by a funder; when negative or undisclosed credit appears on the Profile, or when the applicant disputes information obtained.

- The TMCC should reflect the applicant's overall credit history and a public record search for each locality in which the borrower has lived during the 2-year period that precedes the report's issuance. The legal search must disclose whether any judgments, foreclosures, garnishments or bankruptcies were discovered in a search of the public record. Any finding that occurred before the 2-year period, as long as it can be considered under the limitations of the Fair Credit Reporting Act, should be reported.

- The credit report must provide the terms, balances, and rating for all debts listed on the credit application. This report must reflect all adverse credit that is 30 or more days old or older and identify any debts not disclosed on the application. If the credit report does not contain a reference for each significant open debt on the application, the Staff must obtain a separate written verification for each debt that was not reported. All information in the applicant's credit report must be verified by sources other than the applicant.

- In all cases, the report must list the historical status of each accounts. This status must be in a "number of time past due" format. The format of "0 x 30, 0 x 60, 0 x 90 days" late is preferred; however, a consecutive numbering sequence for payment history, such as "00000010000" is also acceptable. The term's "current" or "satisfactory" are not sufficient, unless their meaning is clearly defined in the credit report.

- A credit report must be obtained for each borrower listed on the loan application.

B. Reviewing The Credit Report

In determining an applicant(s) willingness to pay, the program staff will consider all information contained in the credit report. The applicant(s) must provide a satisfactory explanation, with supporting documentation as necessary, for all derogatory information. Derogatory information contained in the credit report may represent an acceptable basis for denial if it is not satisfactorily explained. Staff must pay close attention to the following specific items when reviewing the credit report:

- Slow Payments: The applicant must provide a written explanation of recent slow payments or an excessive number of slow payments. • Payment History on Existing Mortgage: A Verification of Mortgage should be used for the purpose of verifying the payment history on the mortgage. The credit report must show at least the previous 6 months activity, to be acceptable.

- Undisclosed Debt: If the credit report reveals significant debt that the applicant did not disclose on the application, the applicant must produce a satisfactory written explanation for the omission.

- Judgments, garnishments, or liens: Any judgments, garnishments or liens must be paid in full before closing. The borrower must furnish a satisfactory letter of explanation and must have re-established good credit as evidenced by a credit report.

- Bankruptcy: A bankruptcy must have been discharged fully and the borrower must re-established credit and demonstrate the ability to manage financial affairs. An elapsed time of two (2) years between the discharge of the bankruptcy and the mortgage application is generally sufficient time to re-establish credit. A bankruptcy beyond the applicant's control- such as one that resulted from an extended family illness- will receive more favorable consideration than one which occurred because of poor financial management. In all cases, the applicant must furnish a satisfactory written explanation, copies of the bankruptcy petition, schedules of debts and the discharge showing the schedule of debts that were discharged.

- Previous Mortgage Foreclosure: If the foreclosure was the result of extenuating circumstances beyond the control of an owner-occupant borrower-such as long — term illness, death of the principal wage-earner; or long terms loss of employment because of factory shutdowns, reductions-in-force, etc., the application will be considered as long as the applicant has since re-established good credit and demonstrated an ability to manage financial affairs.

The applicant generally will not be considered if:

- The applicant has been a defendant in mortgage foreclosure proceedings that were completed in the last three years and is unable to document extenuating circumstances.

- The applicant used the property foreclosed upon as a second home or for investment purposes.

- Credit History: Applicant's liabilities should be related to their assets and credit history. The applicant who has a history of making payments on outstanding or previous credit obligations to the contractual terms should be considered favorably. If the credit history shows a slow payment record, suits or judgments, or that the borrower has had difficulty in making monthly payments, the credit history must provide strong offsetting factors. An applicant who continually increases liabilities and periodically refinances and consolidates debt is a marginal credit risk.

- Alternative Credit History: An alternative means may be used to develop a credit history for applicants who normally do not use credit; for example, previous rent verifications, verification of utility payments, verification of personal property tax payments, or verification of lay-away plans. When adequate credit histories cannot be established by using these techniques, an application may still be considered, provided there are other compensating factors. In that case, however, only very conservative mortgage terms can be considered.

C. Borrower's Debt-Liabilities

The applicant's liabilities include all installment loans, revolving charge accounts, real estate loans, stock pledges, alimony, child support and all other debts of a continuing nature. The total monthly obligations are the sum of monthly housing expense, payments on installment and revolving debt that extend beyond 10 months, mortgage payments on non-income producing real estate, alimony and child support payments.

D. Borrower's Income

In reviewing the loan file, the underwriter must be assured that the applicant's income is stable and that the credit report demonstrates the applicant is a reasonable credit risk and that the applicant is motivated to repay the debt in a timely manner. To arrive at a final decision, all questions in the loan file must be adequately answered and supported.

The staff considers all aspect of the applicant's credit package, and carefully review and prepare an analysis based on income, indebtedness, and credit history. Applicants must have sufficient disposable income to repay the loan and a willingness to repay credit obligations.

1. Disposable Income: Disposable Income is calculated by subtracting federal, state and social security taxes, utility expenses as well as all liabilities listed above, such as monthly housing expense, payment on installment and revolving debt that extend beyond 10 months, mortgage payments on non-income real estate, alimony and child support payments.

2. Debt Ratios: The maximum housing expense ratio (including the proposed loan) generally cannot exceed 35% of income; the total debt ratio (including liabilities listed in the loan application and credit report) generally cannot exceed 45% of income.

   The maximum housing expense ratio (including the proposed loan) when rental income from the subject property is used for qualifications purposes, as described below, generally cannot exceed 33% if income; the total debt ratio (including liabilities listed in Section C, Borrower's Debt) generally cannot exceed 38% of income.

3. Rental Income from subject property: If rental income from the subject property is documented by signed lease agreement or from verification of rent paid from current tenants, 75% of the rental income may be used to reduce the total housing expense. If projected rents are being used of vacancies, 50% of the proposed rent can be used to reduce the total housing expense. Housing expense includes all mortgages, taxes, and insurance.

   If the applicant is the occupant of the residential portion of a mixed-use-property as well as the operator of the business therein, rental income from the residential portion of the subject property will be applied as indicated above.

   Guidelines regarding self-employed individuals apply to income generated from the business portion of the mixed-use property.

   If the applicant is a residential occupant of a mixed-use property, and receives salary and/or wage income, rental income from the residential portion of the property and rental income from the commercial portion of the subject property, rental income from the residential portion will be treated as indicated above. Seventy Five Percent of rental income from the commercial unit will be added to the applicant's income when calculating ratios.

   Guidelines regarding Employment and Income will apply to income received from this source.

E. Employment Security

The applicant must establish long-term, stable income from employment or other sources. The program staff must verify the applicant's employment for the two full years that preceded the loan application. If the applicant has an employment history of less than two years and was previously in school or in the military, the program staff must obtain a copy of his or her diploma or discharge papers. The applicant must explain any employment gaps that extend beyond one month.

The program staff must determine the probable stability and continuance of employment. The following applicants may be considered favorably:

- Applicants who have been working for the same employer for a long period of time will have both stable employment and income.
- Applicants who have recently entered the job market and whose education and training predict an adequate future income.
- Applicants who are in a line of work in which advancement is possible because of a continuing demand for their services, and who have demonstrated an ability to maintain full employment and advance in standing.

- Applicants who change job frequently to advance within the same line of work, and are successful in that work.

  On the other hand, job-hopping without advancement or from one line of work to another may indicate an instability to master a job and could lead to unstable income. Applicants with questionable employment histories must have offsetting financial strengths to be considered for financing.

F. Salary and Wage Income

The adequacy and continuance of income are as important as stable income. Two full years of consecutive employment must be verified. Normally the Verification of Employment can be used to determine the adequacy and the continuance of income.

If earnings shown on the Verification of Employment form are not stated as a gross monthly income figure, the following methods may be used to translate them into gross monthly income:

- Dividing annual income by 12.
- Multiplying weekly income by 52 weeks, then divide by 12.
- Multiply hourly income by the number of hours worked per week, then multiply that result by 52 weeks, and finally divide by 12.
- Multiplying bi-weekly income by 26 pay periods, then divide by 12

The Verification of Employment must indicate the numbers of hours worked per week if the applicant is paid on an hourly basis. If it does not, or if it gives a range of hours, the borrower's actual earnings for the past year and her or his year-to-date earnings should be averaged to determine the gross monthly income.

To verify salary and wage income, the staff should pay attention to the following areas:

1. Employment Gaps: An applicant must explain any employment gaps that extend beyond one month.

2. Employment by a Relative: When applicants are employed by a relative of a closely held family business, they will be required to submit signed federal income tax returns for the past two years, in addition to the Verification of Employment.

3. Continuation of Employment: The probability of the applicant's continued employment must be determined. Negative comments received from an employer could be reason to decline an application. In this event, a detailed investigation of the comments must be performed to arrive at a precise reason to support the underwriting decision.

4. Past Year and Year-to-Date Earnings: Earnings for year-to-date and the past year must be completed by the employer. If the information is not completed, a current pay stub and a W-2 for the past year must be obtained. When this documentation

is obtained, the income reflected should correspond to the income shown on the Verification of Employment. If this is not the case, an explanation must be provided for any discrepancies. A recent promotion, can change in pay structure, etc. may be the reason.

5. Overtime and Bonus Income: Overtime and bonus income can be used to qualify the applicant if the employer verifies that this income has been received for the last two years and the overtime or bonus will, in all probability, continue.

   An average of the last two years overtime and bonus income must be developed to determine the amount of income that can be considered. If the bonus or overtime income represents more than 25% of the applicant's total income from the employer, signed federal tax returns for the past two years must be obtained.

   It is also important to establish an earnings trend for overtime and bonus income. Annual earnings that are level or increasing from one year to the next are acceptable. However, if the earnings show a decline toward the current year, there must be strong offsetting factors for the overtime or bonus income to be acceptable.

6. Future Raises: Future raises, indicated by the employer on the Verification of Employment form, may be acceptable under certain circumstances. The raise must generally be in effect prior to the date of the first payment on the mortgage and must be verified in writing by the employer. The amount of the raise and effective date must be shown on either the Verification of Employment or in a separate letter from the employer. Future raises should be used only on a case-by-case basis. There must be strong offsetting factor in each case.

7. Part-Time/Second Job Income: Part-time or second-job income may be used if it can be verified as having been uninterrupted for the previous two years, and provided it has a strong likelihood of continuation. A verification of income form and W-2's must support this income.

8. Retirement Income: Retirement income may be verified by letters from the organization providing the income, copies of the retirement award letters (with copies of cancelled checks attached), tax returns or W-2 or 1099 forms.

9. Social Security Income: Acceptable verification of this income includes a photocopy of the Social Security Award Letter, or copies of the applicant's last 12 bank statements to confirm the regular deposit of the Social Security payment. Benefit that have defined expiration dates must have a remaining term of at least three years to be considered as income. The following are types of Social Security benefits:

   - Disability Benefits: These benefits could stop if the beneficiary's condition improves. Continuance must be supported by letter from the Social Security Administration.
   - Student Benefits: These benefits are usually discontinued when the student

reaches the age of 19. Sometimes they are discontinued when the parent remarries. Continuance may be determined by the age of the beneficiary.

- Retirement Benefits: These benefits may be received if the beneficiary is age 62 or older. Continuance may be assumed bases on age.
- Other Benefits: Other types of Social Security benefits require verification of continuance. The applicant must send a written request for this information to the Social Security Administration.

10. Alimony or Child Support: In order for alimony or child support to be considered as income, it must continue for at least three (3) years after the date of the mortgage application. A photocopy of the divorce decree or the Separation Agreement must be provided. The amount of the award and the period of time over which it will be received must be specified. Evidence must be provided that the funds have been received for the past twelve (12) months. Acceptable evidence included deposit ships, cancelled checks, court records or tax returns.

11. Rent from Boarders: This form of income generally may not be considered as an acceptable source of income. However, because the receipt of "boarder" income (rent paid by a relative) can be commonplace with low and moderate-income applicants, this income may be used as compensating factors.

12. Foster Care Income: Income received from a state or county sponsored organization for the temporary care of one or more children may be considered as acceptable income provided the applicant has a two year history of providing foster-care services under a recognized program and is likely, in the foreseeable future, to continue to provide such services at a level that supports the amount of income needed for qualifying for the mortgage. Foster-care income may be verified by letters from the organizations providing the income tax returns or copies of the applicant's deposit slips or bank statements that confirm the regular deposit of the payments.

13. Military Income: Military personnel may be entitled to different types of pay. In addition to their base, flight or hazard pay, rations, clothing allowance, quarters allowance and pro-pay continuance can be established.

14. VA Benefits: Most VA Benefits are considered acceptable income provided they are documented by a letter from the Veteran's Administration and will continue for at least three (3) years. Education benefits are not acceptable income because they are offset by education expenses.

15. Welfare Benefits and Public Assistance Income: Welfare benefits and Public Assistance Income may be considered as acceptable income provided they are properly documented by letters or exhibits from the paying agency. The amount, frequency and duration of the payment must be stated in the verifying letters or exhibits.

16. Interest and Dividends: Interest and dividend income may be used if it is properly documented and has been received for the past two (2) years. Au average of the

income for the last two years should be used. Photocopies of tax returns or bank statements may be used to verify this income.

17. Notes Receivable: A copy of a note is required to establish the amount and length of payment. Payments must continue for at least three (3) years beyond the date of the mortgage application. Applicants must provide evidence that they have received the funds for the last twelve (12) months. Acceptable evidence includes deposit ships, cancelled checks or tax returns.

18. Other Rental Income: Rental income may be considered as acceptable income if it is property documented and properly calculated. Receipt of rent must be documented by signed lease agreements or signed tax returns. When income tax returns are used, the actual figures shown as expenses should be used for "taxes", maintenance and misc." on the "Schedule of Real Estate Owned" section of the application.

    Depreciation and Mortgage Interest are not considered in this figure. The actual "Rents Received" as shown on Schedule E of the income tax return should be used to calculate the monthly rent. This figure is more accurate than the Lease agreements, due to vacancies. If lease agreements are the only source of verification, 75% of the rental income may be used to offset the payment made on the property.

    If all properties in the Schedule of Real Estate Owned" section of the application net a positive figure, it may be used as rental income. If the net figure is a negative figure, it should be considered as a recurring debt and considered as a debt in calculating the total obligations-to-income ratio.

G. Self-Employed Applicants

1. Determination of Self-Employment: Self-Employed Applicants are considered any individual who has 25% or greater ownership interest in a business is considered self-employed and does not generate a salary from a job where the applicant is not an owner. The following documents are required for all self-employed borrowers:
    - Complete signed 1040's for the past years. These tax returns must include all schedules and statements.
    - A year-to-date profit and loss statement, if more than 3 months have passed since the end of the last tax year.
    - If the business is a corporation or a partnership, copies of signed federal partnership and corporate tax returns with all schedules for the past two years.
2. Minimum Length of Self-Employment: Income from self-employment is considered stable if the applicant has been self-employed for two or more years.

    A person who has been self-employed between one and two years must have had at least two years of previous successful employment in the same occupation, related field, in order to be eligible for financing. In such instance, the applicant must be able to document a reasonable probability of success based on pro forma financial statements for his or her business. The following factors must be carefully analyzed:

- The applicant's training and experience.
- The location and nature of the business.
- The demand for the business in the area.

Generally, maximum financing terms should not be used if the applicant has been self-employed for less than two years.

A person who has been self-employed for less than one year has not established a history of stable self-employment is generally not eligible for financing.

3. Determination of Self-Employed Income: An average monthly income must be developed by using at least two years of the applicant's actual tax return. When a year-to-date profit and loss statement is used, the income on that statement may be used in determining the monthly income if it is consistent with the previous years' earnings. Because self-employment may change each year, an average better approximates the applicant's long-term ability to pay. Projected income that cannot be verified is not acceptable for qualifying purposes.

4. Basic Business Structures: Since the self employed borrower is dependent on the health of the business to repay the mortgage loan, the business should be evaluated when considering the loan. The four most common business structures—sole proprietorships, partnerships, corporations, and "S" corporations—are described below.

   - Sole proprietorships: In a sole proprietorship, the individual owner has unlimited personal liability for all debt of the business. Since no distinction is made between the owner's personal assets and the asset used in the business, creditors may take either (or both) to satisfy business obligations. The success of this type of organization depends solely on the individual owner. His or her death would terminate the business and place the assets into probate, delaying the disposition of assets to creditors and heirs. Business income or loss is folded into the individual owner's tax return.

   - Partnerships: A partnership is formed when two or more individuals form a business and share profits, losses, and responsibility for running the business. In a general partnership, each partner is personally liable for the debts of the entire business and is responsible for the actions of every other partner. A general partnership is dissolved immediately on the death, withdrawal, insanity, or insolvency of any of the partners— although the personal liability to partnership is dissolved. In a limited partnership, a limited partner has limited decision-making ability and her or his liability is limited to the amount she or lie invested in the partnership. A limited partner's death, withdrawal, insanity, or insolvency does not dissolve the partnership. Individual partners pay taxes on their proportionate share of net partnership income at their individual tax rate.

- Corporations: A corporation is a state-chartered business that is owned by stockholders. A stockholder is not automatically personally liable for the debts of the corporation unless the stockholder signs a personal guarantee for part or the entire corporate debt. Although legal control of the corporation rests with its stockholders, they are not responsible for the day-to-day operations of the business. This responsibility is delegated to a board of directors and officers of the company. Corporations must file corporate tax returns to report their income and losses. Income to the officers is folded into each officer's individual tax returns.

- "S" Corporations: An "S" or Subchapter Corporation is generally a small business with a limited number of stockholders. Business gains and losses are passes on to the stockholders. Stockholders are taxed at their individual rate for their proportionate share of ownership. Income for an owner that comes from wages is folded into the individual's tax return.

H. Borrower's Collateral

In order to ensure a fair and equitable assessment of the value of the borrower's collateral, the CFNMD will use at least one of the following methods to determine the subject property's "fair market value" as defined herein. The intent of the CFNMD in evaluating appraisal information will be to specify a value, which reflects, with reasonable accuracy, the current market conditions of comparable real estate in close proximity to the subject property.

In all cases where the CLTV exceeds 100% of the fair market value, the borrowers will be counseled on the implications and will be required to sign a disclosure statement indicating that they understand the meaning of such applications.

1. Definition of Fair Market Value: Fair Market Value is defined as the most probable price at which property is transferred in a competitive and open market between a willing buyer and a willing seller, each of whom has reasonable knowledge of all pertinent facts and neither being under any compulsion to buy or to sell and that the price is not affected by undue stimulus.

2. Determination of Fair Market Value: One of the following methods may be used at the discretion of the Operating Organizations:

   For loans greater than $15,000:
   - Full FNMAIFHLMC Appraisal by Licensed, Certified Appraisers.
   - Analysis of three comparables from recent consummated sales in public records, with a narrative that sales are comparable with regards to size, conditions, neighborhood, number of units, etc, making any necessary

adjustments.

- A streamlined appraisal (Not on FNMA/FHLMC form.)

For loans less than $15,000

- Analysis of three comps from recent consummated sales in public records, as above described and/or
- Opinion of Value from a Licensed Real Estate Broker
- The Property Appraiser value plus 20%

I. Required Documentation for Loan Approval

The application package must contain sufficient information to reach an informed decision about whether to approve the loan. The application package must also include any other information necessary to verify, clarify or substantiate information provided by the applicant.

The following documents are required:

- Transmittal Summary.
- Original Residential Loan Application.
- Verified and typed Residential Loan Application.
- Verifications of Employment.
- Verifications of Mortgage.
- Verifications of Loans.
- Credit Profile or Residential Mortgage Credit Report.
- Additional documentation as required based on employment, credit and property type.
- Estimate of Fair Market Value.
- Initial Scope of Work and Budget.

VI. Rehabilitation Policies

A. Eligible Improvements

The following types of alterations and repairs are eligible uses of loans originated by CFNMD:

- Structural Repairs, Alteration and Reconstruction: includes repair or replacement of damaged or failing structural elements, including joists, rafters, carrying beams, sheathing, sills, porches, stairs, etc.; foundation repair, chimney repair, construction of contiguous structural additions or alterations to related to an approved change in use (e.g. additional hiving space, head room, or additional means of egress.)

- Reconditioning or Replacement of Building Systems: includes reconditioning or replacement of air conditioning and heating, ventilation, plumbing and electrical systems and component parts.

- Modernization/lncreased Function: includes renovation of obsolete kitchens and baths, including permanently installed appliances, plumbing and electrical fixtures.

- General Improvement of Deteriorated Finishes/Cosmetic Improvements: includes replacement of walls and ceilings, flooring, tile, carpet, woodwork, etc.; application of paint, wallpaper and other cosmetic finishes.

- Roofing, Gutters and Downspouts: includes repair or replacement roof structure and roofing materials; repair or replacement of roof drainage system.

- Energy Conservation Improvements: includes installation of energy efficient windows and door; insulation of the building envelope; pipe and heater wrap, caulking, waterproofing, etc.

- Architectural/historical Improvements: includes exterior improvements that enhance the aesthetic, architectural or historical integrity of the building, especially when viewed in a neighborhood context; repair or replacement of siding, trim and other architectural elements; application of paint or stain.

- Improved Handicap Accessibility: includes renovation of kitchens and baths, widening of doorways, installation of ramps, etc., to meet local building code requirements for handicap accessibility.

- Lead/Asbestos Abatement: includes abatement of lead-bases paint or asbestos containing materials when the presence of such poses a substantial health risk to building occupants; removal and replacement, or encapsulation of contaminated elements.

- Landscape and Site Improvements: includes correction of grading and drainage problems; improvements required to preserve the property from erosion; tree and shrub removal where a safety hazard exists or the structure is threatened; repair of existing private walks and driveways where a safety hazard exists; repair/replacement of retaining walls.

- Repair of Sewer Lines: includes repair or replacement of sewer lines contained within property lines or falling outside municipal jurisdiction.

Any alterations or additions that constitute a change in use, or that result in an increase in height or gross floor area of the building must have prior written approval form the Zoning Board of Appeals or the Commissioner of Inspectional Services. The Operating Organizations may provide technical assistance in obtaining these approvals.

B. Ineligible Improvements

The following types of alterations and repairs are ineligible uses of loans:

- Non-Contiguous and Unapproved Structures: structural additions that are unrelated to an approved change in use; improvement of outbuilding, gazebos, etc., expect where a safety or health hazard exists.

- Luxury Items: use of materials which exceed reasonable quality standards or improvements that do not become a permanent part of the property including, but not limited to, repair or installation of the following items: barbecue pit, dumbwaiter, hot tub, sauna, outdoor fireplace, swimming pool, communications hardware, tennis court.

- General Landscape Improvements alone that are not part of other eligible repairs: such as tree surgery, plantings, repair or installation of non-contiguous patios and decks, masonry walls, except where a safety or health hazard exists.

C. Prioritization of Work

When the cost of improvements is limited by funding, eligible building needs will be evaluated using the following schedule of priorities. The schedule is intended as a means for conducting a relative needs assessment on individual projects. It is not intended as a guide for evaluating the merits of one project versus another. It is the policy of the CFNMD, that the borrowers must designate available funds for the correction of highest priority needs before considering work in other categories.

1. Highest Priority
    - Correction of items that constitute a substantial and immediate threat to the safety or health of occupants.
    - Correction of flagrant or potential building and sanitary code violations.
    - Abatement of lead-bases paint and asbestos where required by law. Structural repairs where the integrity of the building is threatened.
    - Elimination of all other safety and health hazards.

2. Medium Priority
   - Replacement or reconditioning of building systems.
   - General improvement of deteriorated finishes.
   - Roofing, gutters, and downspouts.
   - General remodeling/cosmetic improvements.
   - Landscape improvements.
   - Architectural/historical improvements.
   - Energy conservation improvements.
   - Modernization/increased use of kitchens and baths.

3. Lowest Priority
   - Building Additions.

D. Lead-Based Paint

The Community Fund of North Miami-Dade will require lead-based paint abatement on all properties that are subject to a statutory Order to Correct at the time of application.

For all other properties, the CFNMD will advise the applicant of the possibility of the presence of lead-based paint and the associated health hazards and legal liability while strongly encouraging abatement and recommending available lead abatement funding sources and programs.

In all cases, head-based paint abatement is an eligible improvement for CFNMD loan funds. The contractor will be responsible for use of a licensed head abatement sub-contractor and compliance with state laws regulating lead abatement and disposal and transport of hazardous materials.

E. Asbestos

The Community Fund of North Miami-Dade will identify any required asbestos abatement in the Scope of Work and will specify it as a highest priority activity for funding. The contractor will be responsible for use of a licensed asbestos abatement sub-contractor and compliance with state laws regulating asbestos abatement and disposal and transport of hazardous materials.

F. General Contractors

It is the intent of this section to assist the applicant in identifying and selecting contractors by defining and requiring that candidates meet, minimum eligibility criteria. The CFNMD will not endorse or recommend contractors or in any way influence the final selection of an eligible contractor, which is entirely the responsibility of the homeowner, except that Community Fund of North Miami-Dade reserves the right to disapprove the use of any contractor who does not meet the minimum eligibility criteria defined herein.

G. Referral

The Community Fund of North Miami-Dade will, on written request from the applicant, refer contractors who meet the minimum eligibility requirements defined herein. It is the policy of CFNMD that operating organizations will refer contractors from within their chartered service areas, with particular emphasis on candidates who reflect the racial and ethnic composition of the local population. However, any contractor who meets eligibility requirements is eligible for referral. Referral in no way represents an endorsement of or recommendation to use a particular contractor beyond the CFNMD stipulation that the contractor meets minimum eligibility requirements.

H. Eligibility Requirements

Contractors bidding on rehabilitation projects funded by CFNMD must submit a completed, signed application and copies of the following supporting documents:

- Either, a current Florida Certified General Contractor License (CGC), or a Certified Building Contractor License (CBC), or a Florida Certified Residential Contractor (CRC), License, or their equivalent local licenses, or
- A license to perform work in a specific trade (pipefitting, HVAC, electrical, etc). Contractors licensed to perform work iii a specific trade will be restricted to bidding on jobs in which the relevant trade comprises 75% or more of the total scope of work as determined by the CFNMD.
- A certificate of general liability insurance indicating coverage of not less than $100,000 property loss and $300,000 personal injury.
- A certificate of worker's compensation insurance in statutory amounts covering all employees of the contractor performing work on the site.
- Proof of any other construction related credentials such as membership in builders associations, training certificates, etc.
- A list of completed and/or in progress jobs which may be inspected for quality or performance.

I. Use of Contractors for Emergency Response

The CFNMD reserves the right to approve contractors without regard to eligibility requirements when responding to a need for immediate, emergency assistance. The CFNMD will use sound business judgment for time sensitive referral and approval of contractors in emergency circumstances.

J. Sub-Contractors

Sub-Contractors and their employees are entirely the responsibility of the General Contractors undersigned on the contract, including, but no limited to, maintenance of proper liability and worker's compensation insurance coverage of all workers. The CFNMD may request copies of applicable licenses all supervisory trade people who will perform work in fulfillment of the contract.

K. Conflict Of Interest

Due to the potential for conflict of interest or the appearance thereof, individuals who are, and contractors whose owners or principals are, employees of the CFNMD or members of the immediate family of an employee of the CFNMD will not be eligible to serve as contractors or sub-contractors for rehabilitation projects receiving CFNMD loan funds.

Determination of whether or not members of the Board of Directors and/or Loan Committee of the CFNMD, and members of their immediate families, will be eligible to serve as contractors will be at the discretion of CFNMD.

L. Assisting the Borrower in Bidding and Construction

The CFNMD will act as an assistant to the homeowner in the bidding and construction processes. Full disclosure in writing will be made to the homeowner regarding CFNMD limited interest, and requirements for, the bidding and construction processes. The CFNMD will require the homeowner to sign the CFNMD Service Agreement detailing the responsibilities of the homeowner and the contractor and the role of the CFNMD. In consideration for the assistance of the CFNMD, the borrower should hold harmless the CFNMD for the provision of such assistance.

1. Services: The CFNMD will require the following services as a condition of loan approval and disbursal of loan proceeds, and will provide such services to the homeowner. The homeowner may not waive or separately contract any of the services described herein without written approval from the CFNMD.

   Property Inspection Service/Cost Estimate: CFNMD may contract with an independent property inspector who will provide a two-stage property inspections consisting of three elements. The fees for this service will be charged to the loan and paid by the borrower.

   - Inspection Report: This report is based on a basement-to-roof inspection of the interior and exterior of the property, will include a categorical description of all needed repairs, with emphasis on code violations.

   - Scope of Work: This document developed in cooperation with the homeowner for the purpose of identifying and prioritizing building needs of the property will include a categorical of either:

     A) all eligible work

     B) all highest priority work plus any additional, eligible work requested by the homeowner, and a preliminary cost estimate to perform such work.

     The Scope of Work will be used by appropriate Staff and the Loan Committee as the basis for determining project feasibility and amount and type of funding. The approved Scope of Work will be acknowledged in writing by the homeowner.

- Work-Write-Up/Work Specifications: This document will describe in detail the materials, methods, locations, etc., of the work. The Work Write Up/Work Specification will be used by contractors in preparing bid proposals and performing the work.

- Preparation of Bids: Community Fund of North Miami-Dade will assist in the preparation of the bid packages including but not limited to:

  1. Invitation to Bid
  2. Work Write-Up/Work Specifications
  3. General Conditions for Contractors

The CFNMD will help administer project bids, including receiving, validating and recording bid proposals. The homeowner may solicit bid proposals from three contractors. Bidders will be required to make a physical inspection of the property, acknowledged in writing by the homeowner. The CFNMD may, at its discretion, schedule a bidder's conference/informational meeting at the job site during the bidding period. Final selection of the contractor will be made in writing by the homeowner after all eligible bids have been opened and recorded. The CFNMD may, at its discretion, schedule a bidder's conference/informational meeting at the job site during the bidding period. Final selection of the contractor will be made in writing by the homeowner after all eligible bids have been opened and recorded. The CFNMD reserves the right to reject any bid, which has a cost variance of 15% relative to the preliminary cost estimate.

- Preparation and Execution of Contract Documents: The CFNMD will prepare all contract documents relating to performance of the work. Contracts will be written in the name of the homeowners(s) and the General Contractor. No other party(s) will be allowed to participate in the contract. All contracts will be reviewed and executed at the offices of the CFNMD.

- Construction Monitoring: The Home inspector hired by the CFNMD will inspect the work in progress for satisfactory and timely performance, and compliance with the Work Write-Up/Work Specifications. The Home inspector hired by CFNMD is not obligated to a fixed schedule of site visits; however, all escrow disbursements are subject to a property inspection by such inspector and the CFNMD.

M. Escrow Disbursements/Schedule Of Payments

1. Down Payments: No down payment will be made to the contractor.

2. Escrow Account: Funds designated for the performance of the work will be held in escrow by the operating organization or its agent in the name of the homeowner. Disbursements from the escrow account to the contractor will be made only with the written approval of the homeowner the home inspector and the CFNMD.

3. Retainage: The CFNMD will retain not less than 10% of the total contract price (excluding contingency) in escrow against breach of contract or contractor

performance issues. If the contractor completes the project in a satisfactory manner, the retainer will be released as a separate check upon written authorization from Community Fund of North Miami-Dade and the homeowner, not less than seven days from the date of final payment.

4. Schedule of Payments: Contractors must submit invoices for payment of labor and materials in accordance with the schedule of payments defined in the contract.

   The agreed upon line item budget will be used as the basis for a schedule of payments, which will be included in the contract. The CFNMD reserves the right to negotiate adjustment of line items costs prior to execution of the contract without impact on the total contract price.

N. Checks

Checks issued for the payments of construction contract services will be issued as multi-party checks in the name of all persons undersigned in the contract.

O. Authorization to Release Funds

The CFNMD and the homeowners must jointly or separately issue written authorization for release of escrow funds. Both parties must exercise due diligence in responding to a contractor's request for payment.

P. Contingency Funds/Overages

A contingency amount of 10% above the preliminary cost estimate for loan requests over $15,000 and 15% for loan request under $15,000 will be added to cover unforeseen or additional costs which arise during the construction process.

Use of contingency funds requires written authorization from the CFNMD. Eligible uses of the contingency funds are:

1. Repairs or Alterations, which are necessary to complete an activity, specified in the Work Write-Up/Work Specifications.

2. Eligible repairs or alterations not specified in the Work Write-Up/Work Specification which are either a building/sanitary code violation or a reasonable and necessary adjunct to the specified work.

3. Eligible repairs or alterations not specified in the Work Write-Up/Work Specifications for which contingency funds remain available after the satisfactory completion of all other work.

4. Additional costs incurred when the contractor is terminated and replaced.

Contingency repairs for which written authorization has been granted by the CFNMD will be payable upon completion of the repairs. Contingency Funds remaining unpaid after satisfaction of the Contract will applied to the principal loan amount by the CFNMD within thirty days of release of Retainage.

Q. Conflict Resolution

Conflict Resolution is the ultimate responsibility of the disputants. However, the CFNMD will conduct a limited process of arbitration in an effort to resolve disputes.

R. Mediation

The CFNMD will arbitrate a meeting with the disputants at its offices to attempt to resolve the dispute.

S. Conflict Resolution Committee/Hearings

The CFNMD will designate a Conflict Resolution Committee for the purpose of hearing disputes, which cannot be resolved through mediation. The committee will be comprised of not less than five members, three of who must be residents within the Operating Organizations Service Area. The committee will convene on an as needed basis. The committee, which will require a quorum to convene, will issue a non- binding recommendation based on arguments presented to it. The committee will establish and adhere to rules of conduct for hearings.

T. Binding Arbitration

The contractor and homeowner(s) agree to a binding arbitration process as defined in the contract when all other methods of conflict resolution fail.

VII. Loan Delinquency and Collection Policy

The following Loan Delinquency and Collection Policy provides a description of the collection process for loans.

A. Collecting Agency

The CFNMD may contract a Collecting (CA) to collect past due loans generated by the CFNMD.

B. Servicing Agency

The organization, which the CFNMD contracts with to provide loan servicing for the CFNMD, is known as the Servicing Agency (SA). Servicing includes billing borrowers, receiving and allocating payments, managing escrow accounts, making disbursements during rehabilitation and providing all required reports.

C. Loan Delinquencies

CFNMD makes loans that normally would be considered high risk. As a result, CFNMD expect a higher rate of delinquencies than normally encountered by more traditional lenders. In making these loans, CFNMD often encourages homeowners to enter into loan agreements that stretch their financial resources.

Because CFNMD actively encourages high-risk homeowners to assume rehabilitation loans, the Collecting Agency considers each loan individually when determining what action to take with regard to delinquency and default.

Within the Collection Agency, collections will generally be the responsibility of designated staff and the Loan Committee. In some cases, the Board of Directors of Community Fund of North Miami-Dade may appoint a Collections Committee (CC) with designated responsibilities for collection tasks and decisions.

Successful collections will require close cooperation between the Collecting Agency and the Servicing Agency. In addition to bi-monthly delinquency reports, the Servicing Agency will be required to provide rapid transmittal of up-to-date information as needed.

All collections are done in accordance with the guidelines set forth in the Fair Debt Collections Practices Act, even though the act is not legally binding on the CFNMD. Actions to collect on a delinquent loan are taken according to the following schedule:

Days Late	**Payments Past Due**	**Actions to be taken**
10	0	Notice sent by the Servicing Agency (SA) indicating payment has not been received.
16	1	Late Charge added. Call borrowers at home and send letter reminder of late charge.
22	1	If no contact has been made the borrower or no agreement has been made to pay due payment, again call at home or work if appropriate. If no response by the 25th day, send a second letter by regular mail.
31	1	Call again. If no response, agreement to pay, or arrangement has been made with the borrower for payment, send a third warning letter by certified and regular mail stressing potential delinquency. Report delinquency to Loan Committee.
38	1	Contact attorney for 25 Day Letter. Collateral should be evaluated. Do drive-by inspection, take photo, gets credit report.
46	2	Send letter requesting a meeting with staff or with a member of Loan Committee for a review of current financial situation.
60	2	Loan Committee to review delinquent file for action.
75	3	Letter to be sent to borrower indicating the recommended action of the Loan Committee and giving 72 hours to respond and reach an agreement.
90	3	Loan Committee to review the case for possible legal action.
120	4	Finalize legal action, if recommended: a) Foreclosure proceedings b) Loan written off c) Other Action Action initiated by attorney.

A delinquency file, including a telephone hog, will be kept by the Collection Agency for each delinquent account to document all verbal and written agreements. The staff will make available to the Loan Committee, a full delinquency loan report on a monthly basis, which includes a report of all verbal and written agreements as well as any delinquency counseling.

In order to assist the applicant with debt management, post-closing counseling may be required at any point in the transaction.

D. Forbearance Agreements

The staff is authorized to negotiate payments arrangements with respect to any account not more than 90 days delinquent. Such delinquencies continue to be listed on the delinquency report.

After a loan is 46 days (two payments) overdue, Staff at the Collecting Agency will request a meeting with the Borrower in order to arrive at a resolution of the delinquent loan. If the Borrower is unable to bring the mortgage up-to-date by a specific date, the Staff may enter into a written Forbearance Agreement. Forbearance Agreement may include:

- Additional payments in upcoming months to repay delinquent principal and interest.
- Partial payment for a period of time; add delinquent portion of the payment to the end of the loan.
- Deferred payments during forbearance period; arrange new date for monthly payments to begin; add interest and principal to the end of the loan.
- The loan recast by modifying the note and changing the interest and/or term.
- Waiver or deferment of Late Charges.
- Financial counseling as a condition of forbearance.

E. Foreclosure

After a loan is 120 days overdue, the Loan Committee reviews the loan for possible Foreclosure. The Loan Committee may recommend foreclosure when one of the following conditions exist:

- The homeowner has had sufficient income to make payments of the loan but has not met their financial obligations to the CFNMD member.
- The homeowner has demonstrated a long-term pattern (normally for at least a year) of financial and/or personal inability to handle the responsibility of homeownership.
- A prior mortgage holder has initiated foreclosure on its loan. In this event, the Loan Committee may work out the most suitable arrangement for each respective case.

Consistent with the mortgage instrument, the Loan Committee should consider recommending foreclosure proceedings when one or more of the following conditions exist:

- The owner moves out, abandons or sells the property and assumes another primary place of residence.

- The owner neglects the condition of the property such that the property deteriorates or has a blighting influence on the neighborhood.

- The owner repeatedly fails to respond to inquiries from the Collecting Agency regarding an intent to make the loan current.

The Loan Committee should consider the following factors when considering foreclosure:

- Collection Status: What efforts have been made to collect, and have the owners demonstrated any good faith efforts to pay? Is there any reasonable expectation that a successful payment plan can be devised?

- Neighborhood Impact: What impact does the condition of the property have on the surrounding neighborhood?

- Financial Liability: What is the outstanding indebtedness on the loan? What is she cost of rehab required to sell the property to a new buyer? What are the financial gains and costs resulting from the foreclosure?

- Occupancy Status: Are the owners in residence and do they want to stay? Are there relatives or tenants who would be willing to assume the mortgage? If not, is it necessary to evict the occupants during rehab, or to sell the property to someone else?

- Impact On Collectability Of Other Loans: Will a decision not to take strong action on a delinquent loan get around and cause other Borrowers not to take delinquency seriously?

Strategies that should be considered when making the decision to recommend foreclosure include:

A. Avoid Foreclosure

1. Negotiate final payment plan with owner.
2. Work with relatives or tenants to assume the mortgage.
3. Appeal to junior lien holder to buy the mortgage.
4. Have Borrower deed house over to the CFNMD in lieu of an action.

B. Auction/No Sale

1. Wait for First lien holder to foreclose. Pay off CFNMD, and assume foreclosure costs.
2. Give away to another bidder at auction.

The Loan Committee will normally not recommend foreclosure if one or more of the following conditions exist:

- The income of the homeowner has decreased significantly due to a change in employment status, poor health, or another acceptable reason, and the homeowner is making a good faith effort to recover from this setback and increase her/his income and make payments on the loan. All information provided by the homeowner must be documented and verified by the Collecting Agency.

For former CFNMD loans, the Collection Agency will present its recommendations to foreclose to the Collections Committee of the CFNMD, which will make the final decision to foreclose. This Committee may decide to foreclose or to pursue other options.

VIII Special Provisions for loans made under the Miami-Dade Housing Agency Rehab Loan Program

The CFNMD desires to enter into a working agreement with the Miami-Dade Housing Agency (MDHA) to make rehab loans under MDHA guidelines, which are briefly described below. These loans will be made by the CFNMD and purchased by MDHA.

A. General Purpose

This loan fund is intended to complement conventional lending by lending to those residents that cannot qualify for competitively priced conventional loans. It is also a leveraging tool to prevent predatory lending practices.

B. Eligible Borrowers and Properties

These loans will be for Detached, Single Family Residences for Low- and Moderate-Income people.

C. Eligible use of Funds

These loans are meant to rehabilitate homes, to bring them up to current safety & sanitation code level. It is not intended for home improvements purposes; including but not limited to additions, pools, recreations rooms, etc.
Examples include:

- Roof Repair or replacement
- Electrical system repair or replacement
- Kitchen, bath & appliance repair or replacement
- Air conditioning & floor repair and replacement
- Septic system or sanitary sewer system repairs

D. Types of Loans

1. Fully performing (amortize) loans:
   - Maximum Loan amount is $20,000.00
   - Monthly payment is based on a 20 year term
   - The Interest charged is based on the applicant’s total household income level. And family size
   - For moderate income house hold whose total income is over 80% of the HUD median income (and up to a maximum 120% of the HUD median income) the rate is from 4% to 6%
   - At the time of application the owner must already have occupied the property as the primary residence for the past 12 month.
   - The 2 most recent year’s tax returns with the W-2 statement are required.

2. Partially performing (amortize) Loans
   - Maximum Loan amount is $20,000.00
   - For low income household whose total household income is under 80% of the HUD median income the rate is from 0% to 3%

3. Non-performing (deferred) Loans
   - Maximum loan amount is $20,000.00
   - For extremely-low income household, whose total income is up to 30% of the HUD median income the payment are deferred
   - For Disabled & Elderly applicants, the maximum loan amount is $30,000.00 (anyone over 62 is consider elderly)
   - Loans to handicap or elderly are forgivable after 10 years. If the person sells the property before year 10, then the borrower must repaid the balance assuming that 10% of the loan is forgiven every year the person lived in the property.

E. Emergency Loans

Emergency loans are exempt from loan ratios. Emergency loans are those to address rehab problems that directly impact the Safety or Sanitation of a house and its resident. For example, a leaking roof, structural problems that represent a hazard, electrical problems, sewer backing up, etc.

IX. Special Provisions for business loans made to projects for the OLCDC or it's subsidiaries

The loan committee is hereby authorized to consider and approved loans for projects the OLCDC or it's subsidiaries are undertaking. These loans can only be funded by non-government funds. This section is in effect until the board adopts it's polices for business loans.

X. Quality Control Policies and Procedures

A. Purpose

The Community Fund of North Miami-Dade, Inc. (CFNMD) quality control policies and procedures provide for the monitoring of loan activities from application through servicing to ensure that loan underwriting, closing, servicing, and portfolio management meet CFMND standards, applicable laws, guidelines, and regulations.

B. Responsibility and Authority

The CFNMD Board of Directors (the Board) has the authority and responsibility for quality control. The Board delegate responsibility for the implementation of quality control policy and procedures to an agent external to the organization, who in the judgment of the Board is qualified to implement quality control activities.

Reports on quality control activities will be made to the Board for consideration and action, with a copy submitted to the Opa-Locka CDC Board of Directors and the staff.

C. Selection Procedures

The selection of loans for quality control review will be conducted based on a percentage of the loans closed. The basis to select loans for review should include, but is not limited to:

1. An assurance that all products that CFNMD offers are covered in the review.
2. Canceled or declined loans.
3. Loans repurchased from investors.
4. Delinquent loans, particularly all loans showing delinquent payment histories in the first 12 months after the loans are originated.
5. Problem areas identified by earlier quality control reviews or requested by the CFNMD Board of Directors.

D. Review Procedures

All loans selected for review will be registered in a quality control log. Each document file on each loan pulled will be reviewed for compliance with CFNMD standards, regulatory guidelines, and requirements of the appropriate funding source. The following steps will be taken as part of the review of the selected files.

1. Review the completeness of the loan file and the use of the corrected forms.
2. Review the quality and timeliness of the document and the consistency of the information presented.
3. Review underwriting decisions for consistency, compliance, appropriate regulatory guidelines, sufficiency of documentation, and sound underwriting judgment.
4. Review processing procedures for timeliness and accuracy.
5. Review servicing and portfolio management procedures to evaluate the tracking of loan repayment, the timely issue of past due notices, corrective actions, and workout procedures.