

Resolution 142-2014 is within these guidelines listed
as attachment A.

Guidelines

For

Microenterprise Financial Assistance Program

Funded By

County of El Dorado

With

Community Development Block Grant

Board Adopted: September 9, 2014

TABLE OF CONTENTS

1.	INTRODUCTION	1
2.	MICROENTERPRISE FINANCIAL ASSISTANCE PROGRAM OVERVIEW	
	1. Program Administration	1
	2. Program Service Area	1
	3. Funding Source for Loans and Grants	2
3.	CDBG PROGRAM REQUIREMENTS	
	1. Eligible Program Applicants.....	2
	2. Ineligible Program Applicants	2
	3. Eligible Use of Funds	2
	4. Ineligible Use of Funds	3
	5. Microenterprise Technical Assistance Availability	3
	6. Meeting Microenterprise Definition Requirement.....	3
	7. Meeting CDBG National Objective Requirement	3
	8. Other CDBG Federal Laws and Regulations	4
4.	APPLICATION PROCESSING FOR LOANS / GRANTS	
	1. Program Marketing and Outreach	5
	2. Equal Opportunity Compliance.....	6
	3. Loan Application Process	6
	4. Program Loan Advisory Board (LAB)	6
	5. Loan Applicant Confidentiality	6
	6. Dispute Resolution/Appeals Procedure	6
	7. Exceptions / Special Circumstances	7
	8. Loan Closing Process and Disbursing Funds	7
5.	LOAN TERMS AND SECURITY	
	1. Two Types of Financial Assistance	7
	2. Loan Terms and Fees	8
	3. Collateral and Security Requirement	8
	4. Loan Security Position	8
	5. Loan-to-Value Ratio	8
	6. Debt Service Coverage	8
6.	LOAN UNDERWRITING PROCESS	
	1. General Credit Requirements	9
	2. Management Capacity Market Demand	9
	3. Additional Project Underwriting Criteria	9
7.	LOAN SERVICING	
	1. Loan Collection and Servicing	10

8. GRANTS FOR MICRO BUSINESS EXPANSION
1. Small Grants for Limited Expansion Activities 11
2. Underwriting and Administration of Grants 11

ATTACHMENT A: EXECUTED RESOLUTION ADOPTING GUIDELINES

ATTACHMENT B: SAMPLE MICROENTERPRISE FINANCIAL ASSISTANCE APPLICATION FORMS

ATTACHMENT C: SAMPLE LOAN AND GRANT AGREEMENT FORMS

ATTACHMENT D: GRANTEE’S SAMPLE BUSINESS LOAN SERVICING POLICIES

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) MICROENTERPRISE FINANCIAL ASSISTANCE PROGRAM GUIDELINES

1.0 INTRODUCTION

The County of El Dorado hereafter referred to as the "Grantee" has established a microenterprise financial assistance program, hereafter called "the Program". The Program is designed to stimulate economic growth and create businesses that will improve the living conditions of residents in the community. The Program provides affordable financing to eligible businesses to start up or expand. The Program is useful for small start up businesses as the loan or grant terms are flexible and can be tailored to the needs of the business. These financial assistance guidelines have been formally adopted by the Grantee and approved by the California Department of Housing and Community Development, hereafter called "the Department". See Attachment A for a copy of the adopting resolution.

2.0 MICROENTERPRISE FINANCIAL ASSISTANCE PROGRAM OVERVIEW

2.1 PROGRAM ADMINISTRATION

The Grantee will:

- Originate microenterprise financial assistance loans and/or grants;
- Market the Program;
- Accept and process applications;
- Complete 24 Code of Federal Regulations Part 5 Income Eligibility qualification and document an adequate number of employees;
- Underwrite and recommend approval of loans and grants;
- Ensure a timely loan closing and disbursement of funds;
- Maintain loan files and fiscal records;
- Administer state grants and program income used to fund this program; and
- Work with program participants and ensure compliance with these program guidelines.

The Grantee's staff will serve as the primary contact with the Department. The Grantee will follow these adopted program guidelines.

2.2 PROGRAM SERVICE AREA

Financing under this Program is available to all eligible businesses or persons located in the Grantee's jurisdictional limits; the unincorporated areas of the County. These CDBG funds may not be used in entitlement jurisdictions that receive CDBG funds directly from the federal Department of Housing and Urban Development (HUD) entitlement program. Funds may not be provided to program participants outside of Grantee's jurisdiction without Department written approval.

2.3 FUNDING SOURCE FOR LOANS AND GRANTS

The Program is paid for with CDBG funds provided by HUD to the Department. As such, these funds have a number of state and federal requirements that must be met, as described below. CDBG funds are either awarded to the Grantee through a competitive NOFA process or originate from local CDBG program income (PI) funds administered under the Grantee's PI Reuse Plan approved by the Department in writing.

3.0 CDBG PROGRAM REQUIREMENTS

3.1 ELIGIBLE PROGRAM APPLICANTS

All eligible applicants must meet the following criteria:

- Meet the CDBG definition of a microenterprise:
 - A microenterprise is defined as a commercial enterprise that has five or fewer employees, one or more of whom owns the enterprise; or
 - Persons developing microenterprises means persons who have expressed an interest in, or who are after an initial screening process, expected to be actively working toward developing businesses, each of which is expected to be a microenterprise at the time it is formed.
- Eligible applicants must have a physical business address in the unincorporated area of the county.
- Individuals wishing to start a new business are also eligible applicants, but they must provide proof that their primary residence is located in the unincorporated area of the county.
- Eligible applicants must be participating in a CDBG microenterprise Technical Assistance program offered in the same service area as this program.

Eligible applicants documented as meeting the definition of microenterprise are here after referred to as "program participants".

3.2 INELIGIBLE PROGRAM APPLICANTS

An ineligible existing business applicant is one that has a physical business location outside of the service area. An ineligible person applying for the program is one with a residence outside of the service area. Nonprofits are not an eligible microenterprise business.

3.3 ELIGIBLE USE OF GRANT OR LOAN FUNDS

The Grantee will review the project scope of work proposed by the business. The Grantee and the loan/grant applicant will collect third party cost estimates for all project costs at the application stage. CDBG funds are restricted to certain eligible costs, such as:

- Operating capital for staff salaries or leasing space;
- Purchasing inventory, supplies, computer programs for accounting and

- inventory control or furniture, fixtures and equipment (FF&E);
- Rehabilitation of owner occupied or leased space (tenant improvements) including engineering, architectural and local permits or fees;
- Equipment purchase (with or without installation costs);
- Refinancing of existing business debt in conjunction with financing other eligible costs, except credit cards; and
- Marketing materials and advertising with website development and servicing.

3.4 INELIGIBLE USE OF FUNDS

Funds under this Program will not reimburse expenses incurred prior to Grantee approval of loan or grant. Program funds will not be used to pay off non business debt, such as personal credit cards not associated with the business. Loan funds may not be used for personal expenses such as buying a new family car or making repairs to a participant's home. CDBG funds may not be shifted from one approved type of cost to another without resubmitting to the Grantee for approval. Funds may not be used to support other businesses in which the borrower may have an interest.

3.5 MICROENTERPRISE TECHNICAL ASSISTANCE AVAILABILITY

The Grantee will require all loan applicants for this Program to attend one or more technical assistance (TA) session offered by a Grantee approved local Small Business Development Center (SBDC) or other local private for profit/nonprofit business development agency. Each applicant must have a letter of recommendation from the local SBDC or approved TA agency which states, at a minimum, that the applicant has completed or updated a professional business plan, has adequate management capacity and a defined financial management system in place to operate the existing or proposed business successfully. The local business development agency will confirm that the business and the owner are both financially sound and possess the capacity to execute the new business plan in order to be successful with the use of CDBG funds.

3.6 MEETING CDBG MICROENTERPRISE DEFINITION REQUIREMENT

Loan applicants for this Program must meet the CDBG definition of a microenterprise business. The CDBG definition is a business that has five (5) or fewer employees, including the owner(s). All employees, part time and full time, on the business payroll at the time of loan application will be counted. The term "employee" includes all owners of the business on the payroll, even if the owner's "salary draws" are not on a regular basis. The Grantee will require the business to provide third party records documenting the current number of employees on the payroll, including all owners of the business. To be eligible for CDBG microenterprise financial assistance, the microenterprise business owner(s) must also be income eligible per Section 3.7 of these guidelines.

3.7 MEETING CDBG NATIONAL OBJECTIVE REQUIREMENT

Under federal regulations, use of CDBG funds for microenterprise activities must

meet the national objective of benefit to low/mod income persons under the Limited Clientele definition. As such, all microenterprise owners must be documented as meeting HUD's low/mod income definition prior to receiving any Program services. This is in addition to meeting the "definition" of a microenterprise, as described above in Section 3.6. The Grantee will verify the microenterprise owner(s) meet HUD's low/mod income requirement by completing the Part 5 income verification process. Financial assistance program applicants must submit documentation to complete the Part 5 income verification process to determine program eligibility. (Separate files will be maintained by the Grantee for each CDBG Microenterprise Program).

As with other microenterprise program activities, if the Grantee determines that the applicant income information is not accurate and the program participant is over HUD's income limits, then all program services must cease immediately.

3.8 OTHER CDBG FEDERAL REGULATIONS

There are a number of other federal laws and state regulations that are triggered with use of CDBG funding. The Grantee, if applicable, will take the lead and ensure compliance with these requirements. Any impacts on a proposed project will be explained at the time of loan application screening so that the loan applicant knows and understands how the project might be impacted by these overlays.

An environmental review is required by HUD for each business funded with CDBG monies (24 CFR 58). The review must be completed prior to any activities commencing with the business and the review must encompass all aggregated activities for the business. The environmental review will comply with HUD's regulations regarding the National Environmental Policy Act (NEPA). The Grantee is required to complete and certify the NEPA review along with any State environmental review under California's Environmental Quality Act (CEQA). The level of environmental review is determined by the type of proposed project and the associated activities. The loan applicant will be informed of any additional loan processing time due to the NEPA review. No costs will be charged to the applicant for this process.

Federal Davis Bacon regulations and related compliance Acts are required when utilizing CDBG funding for construction which may add additional costs to projects. In addition, state prevailing wage may be triggered with the use of CDBG funding. The Grantee will work with applicants to ensure that funded business projects are in compliance with state and federal prevailing wage laws. Applicants will be informed of any additional time, costs or administrative work required due to the prevailing wage regulations and any additional costs may be incorporated into the business loan.

Federal acquisition and Relocation laws may be triggered when using CDBG funds (24 CFR 570.606). Acquisition laws, both federal and state, must be

followed when CDBG funds are used to assist in the purchase of real property. In the same way, federal and state relocation laws apply if a person or a business is displaced because of the use of CDBG funding. The Grantee will work with loan applicants to ensure that the business is in compliance with any state or federal acquisition /relocation laws triggered by the project. Applicants will be informed of any additional time or costs or administrative work required due to acquisition or relocation regulations.

Federal regulations require the use of CDBG program income (PI) first when the Grantee is operating a loan program activity with an open grant that is the same as an existing PI revolving loan account (RLA) activity.

All businesses receiving funds under this Program will be required to obtain a Dun and Bradstreet DUNS number. The DUNS number is free and can be obtained online. A copy of the printout with the applicable DUNS number should be kept in the program participant file.

Verification must be provided to the Grantee that all businesses and participants are not on the federal debarred list.

The Department requires the Grantee collect certain income and demographic data from all program applicants and participants.

No conflict of Interest is allowed, in accordance with Title 24, Section 570.611 of the code of Federal Regulations. As such no elected official, or department head, or person who exercise or have exercised any functions or responsibilities with respect to CDBG activities assisted under this part, or who are in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from a CDBG-assisted activity, or have a financial interest in any contract, subcontract, or agreement with respect to a CDBG-assisted activity, or with respect to the proceeds of the CDBG-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter.

Grantee will verify and certify that a conflict of interest does not exist with the business or applicant.

Exceptions to this policy may be approved by the federal Department of Housing and Urban Development (HUD) made only after public disclosure and formal approval by the Board of Supervisors provided that the Grantee's legal counsel makes a written determination that potential conflicts are acceptable.

4.0 PROGRAM OPERATIONS AND LOAN PROCESSING

4.1 PROGRAM MARKETING AND OUTREACH

Program marketing will be conducted by the Grantee or the Program Operator.

Examples of marketing include media coverage with ads in local papers, distribution of marketing brochures to local chamber of commerce and business networking organizations. Presentations will be scheduled for these groups as well as real estate groups, local commercial banks and Grantees. The SBDC will be used as a referral agency.

4.2 EQUAL OPPORTUNITY COMPLIANCE

This Program will be implemented in ways consistent with the Grantee's commitment to state and federal equal opportunity laws. No person or business shall be excluded from participation in, denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with CDBG program funds on the basis of his or her religion, religious affiliation, age, race, color, ancestry, national origin, sex, marital status, familial status (number or ages of children), physical or mental disability, sexual orientation, or other arbitrary cause.

4.3 LOAN APPLICATION PROCESSING

Loan applications will be processed on a first come first served basis after the microenterprise has received adequate technical assistance required under this program. See **Attachment B** for microenterprise financial assistance application forms. The Grantee will accept loan applications and review for income eligibility, number of employees and financial viability. Applications that do not meet basic requirements of the Program will be returned with an explanation of needed requirements. The Grantee will interview the applicants and review the application for funding in combination with these program guidelines. A site visit may be conducted if the business is in operation. The Grantee will compile a loan package with all the credit, financial, and underwriting information required for loan analysis. All loan documents from application through loan approval and disbursement of CDBG funds will be contained in a project file for future monitoring by the Department.

4.4 PROGRAM LOAN ADVISORY BOARD

The Loan Advisory Board (LAB) shall have an odd number of members. LAB members shall volunteer for this board. The LAB members can be from local financial institutions, the Grantee, or other interested parties who have the professional capacity to review and evaluate commercial loans.

LAB loan review will take place for each loan applicant prior to funding. LAB meetings will be scheduled by Grantee staff once a loan has been underwritten and is ready for review and approval. LAB members are responsible for reviewing each loan application funding proposals and making recommendations to the Grantee. LAB may request additional information and or attach contingencies for final approval and loan closing.

4.5 LOAN APPLICANT CONFIDENTIALITY

All personal and business financial information will be kept confidential. Program

participant files with personal and business confidential information will be kept in locked secured storage units.

4.6 DISPUTE RESOLUTION/APEALS PROCEDURE

Any applicant denied assistance from the Program has the right to appeal. An appeal should include a statement explaining the reason for appeal. The appeal must be made in writing and submitted to the County within 10 days of the denial notice. The appeal must be submitted to:

El Dorado County
CAO/HCED Programs
330 Fair Lane, Building A
Placerville, CA 95667

The County has 30 days to review the appeal, seek recommendations from the Loan Advisory Board or County Counsel, and respond in writing to the applicant. This procedure is outlined in the Program Grievance Resolution Notification included with each Program application.

4.7 EXCEPTIONS / SPECIAL CIRCUMSTANCES

Exceptions are defined as any action, which would depart from policy and procedures stated in the guidelines. Exceptions to these guidelines will require County and HCD approval.

4.8 LOAN CLOSING PROCESS

Upon local LAB recommendation and Grantee approval, submittal of the CDBG Loan/Grant Certification Form to HCD and meeting of all special conditions of funding, the Grantee will prepare for the loan closing.

Local title companies may process all loan closings, especially when real property is being secured. The Grantee will prepare the escrow loan closing documents; prepare title and lien searches, and UCC-1 filings, as appropriate. Escrow loan closing costs may be paid with Program funds. After closing, the Grantee requests funds from the Department or local finance department (depending on the source of funds; open grant or local program income funds).

All agreements and documents should be reviewed by the Grantee's legal counsel, as necessary. See **Attachment C** of these guidelines for the Grantee's Sample Loan and Grant Agreement Forms.

CDBG funds will only be disbursed for reimbursement to the borrower for documented eligible project expenses or may be paid directly to third party vendors for project costs. Ongoing operating costs for the business for working capital will be reimbursed based on monthly documented costs.

5.0 LOAN TERMS AND SECURITY

5.1 TWO TYPES OF FINANCIAL ASSISTANCE

Eligible microenterprise businesses may be awarded up to \$50,000 in loan funds with this Program. Loans made with this Program require repayment. If a loan applicant requires more than \$50,000, the applicant may be eligible for a business assistance loan, which requires job creation.

Grants funds may also be awarded with this Program. Grants of up to \$10,000 may be provided for eligible microenterprise businesses/owners that are not able to afford or support a loan. An applicant may not receive both a grant and a loan simultaneously with this program. If a business receives a grant and is successful, such that the business documents the ability to support debt, a financial assistance loan application may be processed. Grant applicants receive the same review and analysis of financial feasibility of the business and personal financials, but loan rates and terms with collateral and security do not apply.

5.2 LOAN TERMS AND FEES

Loan terms may range from five to twenty-five years; depending on the type of financing and the security being offered by the borrower. Typically the loan terms are longer and more flexible than those used by conventional commercial Lenders.

The interest rate for loans will vary based on cash flow needs of business. In certain cases, interest only payments may be available for up to six months based on the need of the business for cash flow.

A loan servicing fee may be charged to the borrower upon close of the loan. This fee will be used to set up the loan servicing entity. Borrowers will be provided with a loan disclosure detailing all fees associated with the loan transaction. There is no loan pre-payment penalty.

5.3 COLLATERAL AND SECURITY REQUIREMENTS

All loans should be collateralized to the greatest extent possible. Both personal and business assets will be reviewed for collateral coverage. Types of collateral may include:

- Liens on real property secured by Deeds of Trust;
- Liens on machinery, equipment, or other fixtures;
- Lease assignments, as appropriate;
- Grantee Named as Beneficiary on Life Insurance;
- Other collateral, as appropriate; and
- Personal and corporate guarantees.

5.4 LOAN SECURITY POSITION

All loans will be secured in the strongest possible position to ensure loan repayment in the event of a default. Loans may be secured in a second or third

lien position.

5.5 LOAN-TO-VALUE RATIO (LTV)

All loans will be secured to the highest degree possible, up to and more than 100% of collateral value. In some instances the collateral being used to secure the loan may already be fully encumbered by another Lender, in which case the LTV ratio may exceed 100%. The Grantee may choose to lien these assets although they are over encumbered.

5.6 DEBT SERVICE COVERAGE

The business must show that the loan payment will be covered by the projected revenue of the business. In addition, the business owner should be able to pay themselves a reasonable living wage. Typical debt coverage ratios for the program are 1.25; coverage as low as 1.10 may be accepted on a case by case basis.

The debt ratio will be calculated for the borrower's personal financials as well as the business financials. Borrower's personal financials and debt service levels must be reviewed to ensure the existing or proposed microenterprise business is not adversely impacted by negative personal financials. In the same way, the business must contribute to the borrower's financial health. This is necessary because the financials of the borrower and business are closely tied.

6.0 LOAN UNDERWRITING PROCESS

6.1 GENERAL CREDIT REQUIREMENTS

In the private sector, credit scoring is a generally accepted means to underwrite certain loans, particularly small loans where the cost of underwriting can exceed the interest and fee income generated by that loan. The standard in the banking industry is a credit scoring system developed by the Fair Isaac Corporation. This system uses a formula that is applied to raw data in consumer credit files of the three largest credit-reporting bureaus. The result is known as the FICO score. The FICO credit score ranges from 300 to 850 and quantifies an individual's creditworthiness. In general, a credit score of 680 or above is considered an acceptable risk, scores at or below 620 are considered poor risks.

Applicants with FICO scores 620 and below will require targeted analysis, economic impact assessment, and mitigation for the identified credit risk.

6.2 MANAGEMENT AND CAPACITY REQUIREMENTS

A Loan Applicant must show:

- Ability to operate a business successfully;
- Adequate borrowing ability or equity to operate with the new loan payments, on a sound financial basis;
- The proposed loan is of sound value and provides for the current and future needs of the business; and

- The past earning records and future prospects of profits.

6.3 ADDITIONAL PROJECT UNDERWRITING CRITERIA

Each project/business will be evaluated based on how it has performed in the past and its future financial forecasts:

- The amount of private dollars used as leveraging funds;
- The past financial viability of the proposed project;
- The future financial viability of the proposed project;
- The demonstrated need for the funds; and
- Personal financial strength of borrowers.

7.0 LOAN SERVICING

7.1 LOAN COLLECTION AND SERVICING

The Grantee will act as the loan collection agent for its CDBG economic development loans. The duties of the collection agent will include the following:

- Loan payment collection and accounting;
- Return all loan payments and payoffs to the Grantee;
- Agent will provide monthly receipts of loan payments;
- Provide quarterly statements on each loan;
- Undertake loan collections, including asset liquidation;
- Obtain annual financial statements from each business to assess health of the business; and
- Negotiate any change in repayment terms to avoid foreclosure.

See **Attachment D** of these guidelines for samples of the Grantee's sample business loan servicing policies. These policies and procedures include: collection of loan payments, occupancy restrictions and monitoring, changes in title or transfers of title, changes in use, being current on insurance and property tax, default and foreclosure process.

At each LAB meeting the Grantee's staff will brief the members on any problems or concerns regarding repayments of existing loans. This includes decisions to foreclose and declare defaults. In addition, the Board of Supervisors will make the final decisions regarding loan collection in conjunction with legal counsel and staff.

Grantee staff will complete required Department CDBG financial reports for program income. Grantee staff will complete the proper quarterly and annual program income reports for review, approval, signature and submittal to the Department CDBG program representative.

8.0 GRANTS FOR MICROENTERPRISE BUSINESS EXPANSION

8.1 SMALL GRANTS FOR LIMITED EXPANSION ACTIVITIES

The Grantee may make small grants of up to \$10,000 to eligible existing microenterprise businesses. The microenterprise business must be participating in the Grantee's or other agency technical assistance program and grant funds may be provided upon completion of technical assistance activities.

The grants compliment the training provided by the technical assistance activities provided by the Grantee or other agency. The technical assistance activities focus primarily on development of business/ marketing plans and financial management capacity building. As such, examples of good uses of grant funds to strengthen capacity of microenterprise businesses are: 1) payment for marketing costs such as business cards, logo /branding design and development, flyers and publications/ advertisements, web site enhancement or development; 2) payment for computers and/or software to implement improved financial and accounting systems or software systems to help manage inventory or billings/ invoices.

8.2 UNDERWRITING AND ADMINISTRATION OF GRANTS

The Grantee will only make grants available to eligible existing microenterprise businesses that have successfully completed the technical assistance courses needed for expansion of their business. The owners must have credit scores of 620 or above, unless there is a reasonable explanation of negative credit history that shows poor credit occurred for reasons beyond the owner's control (divorce, identity thief, health issues or tragic accident, etc.). The Grantee will also require documentation that the grant funded activities will have a positive impact on the future profitability and sustainability of the business. This will be done through analysis of future financial projections /proformas for the business that include the impact of the grant funded activities. Lastly, the Grantee must receive third party cost estimates of the grant eligible costs being requested.

Grant funds will be disbursed to the business as a reimbursement of costs or can be disbursed directly to third party vendors. Microenterprise grantees will be required to sign a grant agreement stipulating eligible costs, payment process and reporting procedures.

ATTACHMENT A
COUNTY'S EXECUTED RESOLUTION ADOPTING GUIDELINES



RESOLUTION NO. 142-2014
OF THE BOARD OF SUPERVISORS OF THE COUNTY OF EL DORADO

**APPROVING THE REVISED PROGRAM GUIDELINES GOVERNING ELIGIBLE HOMEBUYER
LOAN PROGRAM AND ECONOMIC DEVELOPMENT LOAN AND TECHNICAL ASSISTANCE
PROGRAMS FOR THE COUNTY'S COMMUNITY DEVELOPMENT BLOCK GRANT-
ASSISTED ACTIVITIES**

WHEREAS, it is necessary to revise the El Dorado County Homebuyer Loan Program and Economic Development Loan and Technical Assistance Program Guidelines for the purpose of ensuring ongoing compliance with changes to statutes and regulations pursuant to the Community Development Block Grant (CDBG) Program under CFR Section 570.489 (e)(1) [CDBG Final Rule 2012]; and

WHEREAS, the County has established Program Guidelines for the Homebuyer Loan Program, Business Assistance Loan Program, Microenterprise Financial Assistance Loan Program and Microenterprise Technical Assistance Program that contain guidelines for the administration and utilization of CDBG grant funding and program income received as a result of activities funded under the CDBG Program; and

WHEREAS, a Public Hearing has been conducted on this date to allow public comment and input on the proposed Program Guideline revisions; and

WHEREAS, the Assistant Chief Administrative Officer, or successor, is the official designated to oversee the use of CDBG grant funding and program income received by the County.

NOW THEREFORE BE IT RESOLVED, by the El Dorado County Board of Supervisors to adopt the revised CDBG Program Guidelines for the Homebuyer Loan Program, Business Assistance Loan Program, Microenterprise Financial Assistance Loan Program and Microenterprise Technical Assistance Program, and that the Assistant Chief Administrative Officer, or successor, is authorized and directed to submit Program Guidelines to the California Department of Housing and Community Development.

PASSED AND ADOPTED by the Board of Supervisors of the County of El Dorado at a regular meeting of said Board, held the 9th day of Sept., 2014 by the following vote of said Board:

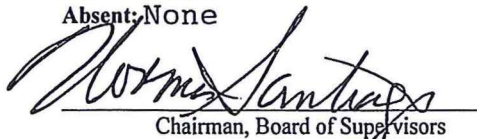
Attest:
James S. Mitrishin
Clerk of the Board of Supervisors

By: 
Deputy Clerk

Ayes: Briggs, Mikulaco, Veerkamp, Santiago

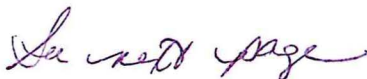
Noes: None

Absent: None


Chairman, Board of Supervisors

Norma Santiago

I CERTIFY THAT:



THE FOREGOING INSTRUMENT IS A CORRECT COPY OF THE ORIGINAL ON FILE IN THIS OFFICE.

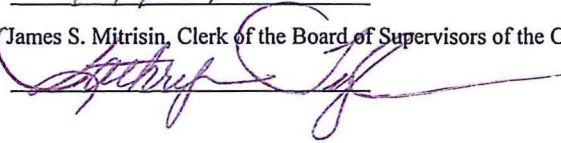
DATE:

9-17-14

Attest:

James S. Mitrisin, Clerk of the Board of Supervisors of the County of El Dorado, State of California.

By:

A handwritten signature in purple ink, appearing to read "James S. Mitrisin", is written over a horizontal line.

ATTACHMENT B

**SAMPLE MICROENTERPRISE FINANCIAL ASSISTANCE APPLICATION
FORMS**



El Dorado County Chief Administrative Office
330 Fair Lane, Bldg. A, Placerville CA 95667 (530) 621-5595



El Dorado County Microenterprise Loan Program

APPLICANT INFORMATION

Principal in Charge: Name (include Jr. or Sr. if applicable):		Mailing Address:	
Social Security Number:	Disabled: Yes / No	Married: Yes / No	Date of Birth: ____/____/____
Contact Phone (include area code):		Work Phone (include area code):	
Email Address:			

SAMPLE

BUSINESS INFORMATION

Legal Status of Business: <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Limited Liability Company (LLC) <input type="checkbox"/> Sole Proprietorship (choose one)	
Business Name:	dba (if different):
Date Established:	Number of Years under Current Ownership:
Type of Business:	Annual Sales:
	Business License Number:
Business Address:	DUNS Number:
<input type="checkbox"/> Own <input type="checkbox"/> Lease	Are all taxes current (payroll, sales, federal, state, local, business, property)? <input type="checkbox"/> Yes <input type="checkbox"/> No

COMPANY OWNERSHIP AND MANAGEMENT INFORMATION

Name: _____	Title: _____	% of ownership _____
Name: _____	Title: _____	% of ownership _____
Name: _____	Title: _____	% of ownership _____
Name: _____	Title: _____	% of ownership _____

☐ Yes ☐ No Have any of the persons listed above ever been convicted of an offense against the law or forfeited collateral?
You may omit: (1) Minor traffic violations and (2) any offense committed before the age of 18th.

☐ Yes ☐ No Have any of the persons listed above ever been in receivership or filed bankruptcy?

☒ Yes ☐ No Have any of the persons listed above had any credit problems in the last 5 years?

☐ Yes ☐ No Do any of the persons listed above have an ownership interest in a business other than one one listed above?

EMPLOYER INFORMATION

Employer Identification Number (EIN) or Tax ID #:	Number of Current Business Employees, including owner(s):
Please indicate how many employees you plan to hire as a result of this funding request: _____ Full-Time _____ Part-Time	
How many of these positions will be created or retained for low- to moderate-income people (employees will be required to provide information on household income):	

BUSINESS LOAN INFORMATION

Loan Amount Requested: \$ _____ Total Estimated Project Costs: \$ _____

A minimum of 10% of the total project cost must be funded by the loan recipient through existing business resources. _____ (initial)

Description of Project:

Proposed Use and Amount of Funds Requested:

Leasehold Improvements _____
Machinery & Equipment _____
Vehicles _____
Working Capital _____
Inventory/Supplies _____
Other: _____

Sources of Total Project Funding:

Business Contribution: _____ Date of Funding Commitment: _____
Bank Financing _____ Date of Funding Commitment: _____
Private Lender _____ Date of Funding Commitment: _____
Other: _____ Date of Funding Commitment: _____
Total Project Funding: _____

BUSINESS LOAN SECURITY AND REPAYMENT INFORMATION

Collateral Available: Describe real estate, vehicles, personal or business assets, which may be pledged to secure your loan request.

Description of Collateral	Market Value	Purchase Cost	Balance Owed	Current Lienholder

Loan Repayment Sources:

Primary _____
Secondary _____

CERTIFICATION - READ BEFORE SIGNING

I certify to the best of my knowledge that the above information and attachments are correct. I understand that funds are limited and acceptance of application does not guarantee a funding commitment or project approvals from the RLF Program. I authorize the County to obtain all the necessary credit reports (business and personal) and inquiries to verify the accuracy of the above statements and to determine creditworthiness pertaining to this loan request. I also understand the County may provide a copy of this loan application and any additional materials to its authorized agents, including the Loan Advisory Board, consultants and/or economic development loan underwriters contracted by the County to evaluate this loan request. In determining my eligibility for a loan from the County's Business Loan Program and that the County will keep this application whether or not this application is approved and all information provided in this loan application.

WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.

Applicant Signature: _____ Date: _____

Title: _____

Print Name: _____

BUSINESS OWNER INCOME SOURCE INFORMATION

Must be completed for

Primary Source of Income (Wages, Social Security, AFDC, Self Employed, Pension, Disability, Unemployment, Alimony, Child Support etc):

Name, Street, City, State and ZIP

Secondary Source of Income (Wages, Social Security, AFDC, Self Employed, Pension, Disability, Unemployment, Alimony, Child Support, etc):

Name, Street, City, State and ZIP**MONTHLY INCOME (For all persons in household)**

Name of Person in Household	Relationship	Age	Source of Income	Monthly Income
	Self			

PERSONAL REFERENCES

Name	Address	Phone	Relationship
1)			
2)			

Are any residents of the household employed by El Dorado County? Yes _____ No _____

Is any resident of the household a member of the governing body or agency of government who exercises housing or economic development policy?

Yes _____ No _____ If yes, please explain:

I certify that the information provided in this application and all information furnished in support of this application are true and accurate to the best of my knowledge; that I have no additional income; and that there are no persons living in or contributing to my household other than those described here. I understand that the information provided is subject to verification. I am aware that there are penalties for willfully and knowingly giving false information on an application for Federal or State funds.

Signature: _____ Date: _____

Print Name: _____ Date of Birth: _____

Email Address: _____ SSN: _____

Return to: El Dorado County Chief Administrative Office
HCED Programs - Business Loans
330 Fair Lane, Bldg. A
Placerville, CA 95667

STAFF USE ONLY BELOW THIS LINE

Total persons in household	_____	In Target Area	No	Yes
Annual Household Income	\$ _____	Conflict of Interest	No	Yes
HCD Definition (circle one)	LI VLI XLI	Disabled	No	Yes
		Microenterprise	No	Yes
HCD Limit for Household Size	\$ _____	Effective Date:	_____	

Notes:

OWNER ASSETS AND LIABILITIES INFORMATION

ASSETS AND LIABILITIES

List the creditor name and account number for all outstanding debts, including but not limited to automobile loans, revolving charge accounts, alimony, child support, stock pledges, real estate loans, etc. Use continuation sheet, if necessary. Indicate by (*) those liabilities which will be satisfied upon sale of real estate owned or within the next 5 payments.

This Statement and any applicable supporting schedules may be completed jointly by both married and unmarried Co-Applicants if their assets and liabilities are sufficiently joined so that the Statement can be meaningfully and fairly presented on a combined basis; otherwise separate

Statements and Schedules are required.

Completed Jointly ☐

Not Jointly ☐

[illegible]

PROPERTY INFORMATION

Schedule of Real Estate Owned (if additional properties are owned, use continuation sheet.)

Property address

(Enter S if sold, PS if pending sale or R if rental being held for income)

Type of Property	Present Market Value	Amount of Mortgages & Liens	Gross Rental Income	Mortgage Payments	Insurance, Maintenance, Taxes & Misc.	Net Rental Income
Totals	\$	\$	\$	\$	\$	\$

List any additional names under which credit has previously been received and indicate appropriate creditor name(s) and account number(s):

Alternate Name

Creditor Name

Account Number

DECLARATIONS

If you answer "Yes" to any questions "a" through "h", please use continuation sheet for explanation.

- a. Are there any outstanding judgments against you?
- b. Have you been declared bankrupt within the past 7 years?
- c. Have you had property foreclosed or given title or deed in lieu thereof in the last 7 years?
- d. Have you directly or indirectly been obligated on any loan which resulted in foreclosure, transfer of title in lieu of foreclosure, or judgment? (This would include such loans as home mortgage loans, SBA loans, home improvement loans, educational loans, manufactured (mobile) home loans, any mortgage, financial obligation, bond, or loan guarantee. If "Yes," provide details including date, name and address of Lender, FHA or V.A. case number, if any, and reasons for the action.)
- e. Are you presently delinquent or in default on any federal debt or any other loan, mortgage, financial obligation, bond, or loan guarantee? If "Yes", give details.
- f. Are you obligated to pay alimony, child support, or separate maintenance?
- g. Are you a co-maker or endorser on a note?
- h. Are you a U.S. citizen?
- i. Are you a permanent resident alien?
- j. Have you had an ownership interest in a property in the last two years?
- (1) What type of property did you own - principal residence (PR), second home (SH), or investment property (IP)?
- (2) How did you hold title to the home - solely by yourself (S), jointly with your spouse (SP), or jointly with another person (O)?

	Borrower		Co-Borrower	
	Yes	No	Yes	No
a.				
b.				
c.				
d.				
e.				
f.				
g.				
h.				
i.				
j.				
j (1)				
j (2)				

Applicant Signature: _____	Date: _____
Print Name: _____	
Co-Applicant Signature: _____	Date: _____
Print Name: _____	

ATTACHMENT C
SAMPLE LOAN AND GRANT AGREEMENT FORMS

SAMPLE
LOAN AGREEMENT

THIS AGREEMENT is made and entered into [DATE] by and between the County of El Dorado, (hereafter the "Lender") and [BUSINESS OWNER] (hereafter the "Borrower").

WHEREAS, the Borrower has applied to the Lender for a loan of [DOLLAR AMOUNT] for the purposes of helping expand business operations and provide working capital the business, located at [ADDRESS, CITY, STATE, ZIP].

WHEREAS, the Borrower has read and agrees to comply with the restrictions and requirements of the loan; and

WHEREAS, the Lender is willing to make such a loan to the Borrower on the terms and conditions hereafter set forth.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

1. **THE LOAN**

a. **LOAN/NOTE:** Subject to the terms and conditions of this Agreement, the Lender hereby agrees to lend to the Borrower, and the Borrower hereby agrees to borrow from the lender and repay the Lender, the amount of **[LOAN AMOUNT] DOLLARS (\$XXX)** (Hereinafter called "Loan"). The obligation of the Borrower to repay the Lender shall be evidenced by the promissory note (hereinafter the "Note") of the Borrower in a form satisfactory to the Lender dated the date on which the Loan is made (Hereinafter known as the "Closing Date") payable to the order of the Lender for the amount of the Loan with interest on the unpaid principal and secured by a Security Agreement and Promissory Note.

b. **TERMS and REPAYMENT:** The term of the Loan shall be [TERM] years. The Note shall be repayable in [#] equal installments of \$[XX] **per month**. The first monthly installment shall be due and payable on [DATE]. All payments shall be applied first to interest and then to principal. All payments will be made promptly to the Lender at the addresses specified by the lender. Prepayment of the loan is allowable with no prepayment penalty.

The interest rate on the principal amount shall be **[X%] percent**.

c. **PURPOSE:** The purpose of the Loan is to [ENTER SPECIFIC USE OF FUNDS.]

d. **DISBURSEMENT OF FUNDS:** Funds for the purchase of equipment, furniture and fixtures shall be disbursed by Lender as two party checks payable to Borrower and vender(s) only upon presentation of invoices from said vender(s), evidencing materials, services or labor provided in connection with the project approved by the Lender. Disbursements for working capital, using the funds, by Borrower shall only be for the approved uses contained in the CDBG Standard Agreement, which has been reviewed by Borrower, and in accordance with State of California Department of Housing and Community Development regulations.

2. CONDITIONS OF LENDING

The obligations of the Lender to make the Loan shall be subject to the fulfillment at the time of closing of each of the following conditions:

a. **NOTE AND LOAN AGREEMENT:** The Borrower shall have executed and delivered to the Lender this Loan Agreement and the Note in a form satisfactory to the Lender and its Counsel.

b. **DEEDS OF TRUST:** The liens granted to the Lender pursuant to the terms of the Security Agreement and the Promissory Note are or will be, when executed, liens in the respective property described therein, including the proceeds and products thereof.

c. **GOVERNMENTAL APPROVAL:** The Borrower shall have secured all necessary approvals or consents, if required, of governmental bodies having jurisdiction with respect to any construction contemplated in accordance with the use and proceeds of the Loan. The Borrower shall comply with the Zoning Ordinances of the County of El Dorado throughout the development and use of the property described herein.

d. **APPROVAL OF OTHERS:** The Borrower shall have secured all necessary approvals or consents required with respect to this transaction by any mortgagor, creditor, or other party having any financial interest in the Borrower.

3. EVENTS OF DEFAULT

The entire unpaid principal of the Note, and the interest then accrued thereon, shall become and be immediately due and payable upon written demand of the Lender, without any other notice or demand of any kind or any presentment or protest, if any one of the following events (hereinafter an "Event of Default") shall occur and be continuing at the time of such demand, whether voluntarily or involuntarily or, without limitation, occurring or brought about by operation of law or pursuant to or in compliance with judgment, decree or order of any court or any order, rules, or regulations of any administrative or governmental body, provided, however, that such

sum shall not be then payable if Borrower's payments have been waived, or the time for making the Borrower's payments has been extended by the Lender:

a. **NON-PAYMENT OF LOAN:** If Borrower shall fail to make payment when due of any installment of principal on the Note, or interest accrued thereon, and if the default shall remain un-remedied for fifteen (15) days.

b. **NON-PAYMENT OF OTHER INDEBTEDNESS:** If Borrower shall be in default of payment when due of any installment of principal or of interest on any of the Borrower's other indebtedness, if such default shall remain un-remedied for fifteen (15) days.

c. **INCORRECT REPRESENTATION OR WARRANTY:** If any representation or warranty contained in or made in connection with the execution and delivery of this loan agreement, or in any certificate furnished pursuant hereto, shall prove to have been incorrect when made in any material respect.

d. **DEFAULT IN COVENANTS:** If the Borrower shall materially default in the performance of any other term, covenant, or agreement contained in this Loan Agreement, and such default shall continue un-remedied for thirty (30) days after either: (1) it becomes known to an executive officer of the Borrower, or (2) written notice thereof shall have been given to the Borrower by the Lender.

e. **EMPLOYMENT:** If the Borrower shall fail to comply with the provisions of the Non-Financial Employment Plan Agreement, if applicable.

f. **VOLUNTARY INSOLVENCY:** If the Borrower shall become insolvent or shall cease to pay its debts as they mature or shall voluntarily file a petition seeking reorganization of, or the appointment of a receiver, trustee, or liquidation for it or a substantial portion of its assets, or to effect a plan or other arrangement with creditors, or shall be adjudicated bankrupt, or shall make a voluntary assignment for the benefit of creditors.

g. **INVOLUNTARY INSOLVENCY:** If an insolvency petition shall be filed against the Borrower under any bankruptcy, insolvency, or similar law or seeking the reorganization of the Borrower or the appointment of a receiver, trustee, or liquidator for the Borrower, or for a substantial part of the property of the Borrower, or a writ or warrant of attachment or similar process shall be issued against a substantial part of the property of the Borrower, and such petition shall not be dismissed, or such writ of warrant of attachment or similar process shall not be released or bonded, within sixty (60) days after filing of levy.

h. **JUDGMENTS:** If any final judgment for the payment of money that is not fully covered by liability insurance shall be rendered against the Borrower, and within sixty (60) days shall not be discharged, or an appeal therefrom taken and execution thereon effectively stayed pending such appeal, and if such judgment be affirmed on such appeal, the same shall not be discharged within thirty (30) days.

i. **RIGHT UPON DEFAULT:** Upon default by Borrower, Lender has all remedies available to it under State law in enforcing this Agreement and Lender rights to the collateral mentioned herein including, but not limited to, the following:

- i. Accelerate and declare the full balance immediately due on the Note and commence suit for collection thereof;
- ii. Take possession of the collateral or render it unusable, without notice, except as required by law, provided that said self-help shall be done without breach of peace;
- iii. Request and demand that Borrower assemble the collateral at an acceptable location for delivery to Lender;
- iv. Sell or dispose of collateral by sale and pursuant to the law;
- v. Specifically enforce the terms of the Note and related agreements;
- vi. Foreclose on any real property or appropriate personal property by strict foreclosure in equity;
- vii. Pursue any and all other remedies available under law to enforce the terms of this Agreement and Lender's rights to the real and personal property identified herein, and in collateral security documents of the Lender.

j. **SALE/REFINANCING/CHANGE OF OWNERSHIP:** The Loan shall be due and payable upon the sale of the business, sale or refinance of any real property financed with this Loan where used, sale or refinancing, of any real property used as collateral for this loan, change in ownership of the business involving any guarantees of this loan, or wherein Borrower ceases to be a majority owner of the business.

4. OTHER DOCUMENTS

Lender may require and Borrower agrees to execute such other documents as may be required by the Lender in its sole discretion in order to comply with State and Federal regulations governing (a) the loan proceeds and (b) prudent lending practices.

5. COLLECTION AGENT

Borrower hereby appoints the Lender as its agent to appoint a loan collection agent to provide loan servicing in accordance with this agreement and other loan documents. Lender may remove or replace the loan agent in its sole discretion. Lender shall provide or cause to be provided notice to Borrower of change in the loan collection agent.

6. WAIVER

No failure or delay on the part of the Lender in exercising any right, power or remedy there under shall operate as a waiver thereof,

7. ATTORNEY FEES

If any of the Parties to this Agreement breaches any provision of this Agreement, or becomes Party to litigation concerning this Loan or the security for this Loan, then the other Party may institute legal action against the defaulting Party for specific performance, injunction, declaratory relief, damages, or any other remedy provided by law. In addition to the recovery of any such sum or sums expended on behalf of the defaulting Party, the prevailing Party shall be entitled to recover from the losing Party such amount as the court may adjudge to be reasonable attorneys' fees for the services rendered to the prevailing party in such action. The Parties each waive the applicability of Davis-Stirling Common Interest Development Act, Civil Code Section 1350.

8. EXHIBITS INCORPORATED BY REFERENCE

Borrower agrees to each of the covenants and commitments contained in Exhibits A through E are attached hereto and by this reference incorporated herein.

9. NOTICES:

Notices shall be sent to:

Borrower:

Name(s): _____
Address: . _____

Lender:

Name: County of El Dorado
Address: 330 Fair Lane
Placerville, CA 95667
Attn: COA/HCED

Phone: (530) 333-4856

Phone: (530) 621-5595

10. HEIRS, SUCCESSORS AND ASSIGNS

This agreement shall be binding upon and inure to the benefit of the heirs, successors and assigns of the parties to this agreement.

11. AMENDMENTS

Any amendments or modifications to this agreement must be in writing and signed by both parties.

Acceptance

IN WITNESS WHEREOF, the parties hereto have each caused this Loan Agreement to be duly executed as of the date first written above.

BORROWER: _____

[BUSINESS NAME]

By: _____

Owner Signature

Print Name

By: _____

Owner Signature

Print Name

LENDER: _____

By: _____

Kimberly A. Kerr
Assistant Chief Administrative Office
County of El Dorado

EXHIBIT A

REPRESENTATIONS AND WARRANTIES

The borrower represents and covenants the following:

- a. **DULY ORGANIZED:** The Borrower is a corporation duly organized, validly existing, and in good standing under the laws of the State of California and has the power to enter into this agreement and to borrow hereunder.
- b. **DULY AUTHORIZED:** The making and performance by the Borrower of this Agreement, and the execution and delivery of the Note, and any Security Agreements and Instruments have been duly authorized by all necessary corporate actions and will not violate any law, rule regulation, order, writ, judgment, decree, determination, or award presently in effect or result in a breach of or constitute a default under any bank loan or any other agreement or instrument to which the Borrower is a party or by which is or its property may be bound or affected.
- c. **LEGALLY BINDING INSTRUMENTS:** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors. The parties agree to execute such further documents and instruments as shall be necessary to carry out the terms of this Agreement, and such documents and agreements shall likewise be binding upon the parties and their successors.
- d. **NO LEGAL SUITS:** The Borrower certifies there are no legal actions, suits, or proceedings against the Borrower before any court or administrative agency, which if determined adversely to the Borrower, should have a material adverse effect on the financial condition or business of the Borrower.
- e. **NOT IN DEFAULT:** The Borrower is not in default of any obligation, covenant, or condition contained in any bond, debenture, note, or other evidence of indebtedness or any mortgage or collateral instrument securing the same.
- f. **TAXES ARE PAID:** Borrower has paid in full all taxes and assessments levied by any taxing agency, federal, state, or local against Borrower or its personal or real property.
- g. **NO ADVERSE CHANGE:** The Borrower certifies that there has been no adverse change since the date of the loan application in the financial conditions, organization, operation, business prospects, fixed properties, or personnel of the Borrower.
- h. **EVIDENCE OF PROJECT FUNDING:** The Borrower has submitted to the Lender acceptable evidence (e.g., bank commitment letter) of financing or liquidity for the balance of the project cost.

i. **HAZARDOUS SUBSTANCES:** The Borrower does not know or believe or have reason to know or believe, that hazardous substances are now, or have been, generated, stored, treated, handled, disposed of, released or otherwise located on the property.

EXHIBIT

EXHIBIT B

AFFIRMATIVE COVENANTS OF THE BORROWER

The Borrower agrees to comply with the following covenants from the date hereof until the Lender has been fully repaid with interest, unless the Lender shall otherwise consent in writing:

- a. **PAYMENT OF THE LOAN:** To pay punctually the principal and interest on the Note according to its terms and conditions and to pay punctually any other amounts that may become due and payable to the Lender pursuant to the terms of this Agreement or Note.
- b. **PAYMENT OF OTHER INDEBTEDNESS:** To pay punctually the principal and interest due on any other indebtedness now or hereafter owing the Borrower to the Lender or any other lender.
- c. **INSURANCE:** To obtain at its sole cost and keep in full force and effect during the term of this agreement broad form property damage, hazard insurance covering fire and extended coverage in amounts at least equal to the unpaid balance of the note naming the County as a loss payee; personal injury, employers and comprehensive form liability insurance in the amount of \$1,000,000 per occurrence providing that the County, its officers, agents, and employees shall be named insured under the policy, and that the policy shall stipulate that this insurance will operate as primary insurance, and that no other insurance effected by the County or other named insured will be called upon to cover a loss covered thereunder. To obtain evidence of fire and extended coverage insurance in the amount of at least the fair market value of the real property and any and all improvements which are the subject of the security described in Paragraph 1 of the Loan Agreement shall be submitted to the County within 15 days of the execution of this Agreement naming the County as a loss payee under such policy. Such evidence shall be acceptable to Lender in its sole discretion, with endorsements required by Lender shall be provided by Borrower.
- d. **CERTIFICATES OF INSURANCE:** To file with County within 15 days of the execution of this agreement, a certificate of insurance and an endorsement which shall provide that no cancellation, major change in coverage, or expiration will be made during the term of this agreement, without 30 days written notice to the County prior to the effective date of such cancellation, or no change in coverage.
- e. **PAY ALL TAXES:** To pay and discharge all personal property taxes, assessments, and governmental charges upon it or against its properties prior to the date on which the penalties attached thereto apply, except that the Borrower shall not be required to pay such taxes, assessment, or governmental charge which is being contested in good faith and by appropriate proceedings. If so requested by Lender, Borrower will provide a bond guaranteeing payment of such taxes or assessments in any case in which Borrower contests any tax and refuses to pay under this section.

f. **PROVIDE ADDITIONAL EQUITY:** To provide additional equity funds to cover additional project costs incurred as a result of overruns or unanticipated expenses or changes in work orders in the project as specified in the Loan Commitment Letter.

g. **MAINTAIN EXISTENCE:** To maintain its existence, rights, privilege, and franchises within the State of California and qualify and remain qualified in each jurisdiction in which its present or future operations or its ownership of property requires such qualifications.

h. **PROVIDE FINANCIAL AND JOB INFORMATION:** To maintain adequate records and books of account, in which all of its business and financial transactions will be entered in accordance with generally accepted accounting principles.

In addition, the Borrower agrees to deliver to the Lender financial statements certified by an authorized officer of the Borrower to be true and accurate copies within sixty (60) days of the end of the year annual financial statements. The lender retains the right to request audited statements from the Borrower, to be obtained at the Borrower's expense.

The Borrower will comply with record keeping requirements. All records concerning the construction, including invoices, receipts and contracts will be kept for a period of not less than three years from the closing of the loan or completion of the construction, whichever is later. All relevant records pertaining to the project shall be accessible and available for inspection or audit by Lender for the same period. If directed so by the Lender, Borrower shall deliver to the Lender all records, accounts, documentation and other relevant materials relating to the receipt and disbursement of loan funds.

The borrower further agrees to provide written notice of the Lender of any public hearing or meeting before any administrative or other public agency which may in any manner affect the chattel, personnel property, or real estate securing the Loan.

i. **RIGHT TO INSPECTION:** To grant the Lender, until the Note has been fully repaid with interest, the right at all reasonable hours to inspect the chattel, personal property, and real estate used to secure the Loan, and to provide the Lender free access to the Borrower's premises for the purpose of such inspection.

j. **NOTICE OF DEFAULT:** To give written notice to the Lender of any event within 15 days of the event that constitutes and Event of Default under this Loan Agreement as described in Article VI herein or that would, with notice or lapse of time or both, constitute an Event of Default under this loan.

k. **INDEMNIFY AND HOLD HARMLESS:** Borrower shall indemnify and hold harmless the County, its officers, agents and employees from all claims, suits, or actions of every name, kind and description, brought forth on account of injuries to or

death of any person or damage to property arising from or connected with the willful misconduct, negligent acts, errors or omission, activities giving rise to strict liability, or defects in design by the Borrower or any person directly or indirectly employed by or acting as agent for Borrower in the performance of this Agreement, including the concurrent or successive passive negligence of the County, its officers, agents or employees.

It is understood that the duty of the Borrower to indemnify and hold harmless includes the duty to defend as set forth in Section 2778 of the California Civil Code.

Acceptance of insurance certificates and endorsements required under this agreement does not relieve Borrower from liability under this indemnification and hold harmless clause. This indemnification and hold harmless clause shall apply whether or not such insurance policies shall have been determined to be applicable to any such damages or claims for damages.

l. **EXPENSES OF COLLECTION OR ENFORCEMENT:** To pay the Lender, if the Borrower defaults on any provision of this agreement, in addition to any other amounts that may be due, and amount equal to the costs and expense of collection, enforcement, or correction or waiver of the default incurred by the Lender's rights under the Note and this Agreement; the prevailing party shall be entitled to its reasonable attorney's fees.

m. **NULL AND VOID COVENANTS:** In the event that any provision of this Loan Agreement or any other instrument executed at closing or the application thereof to any person or circumstances shall be declared null and void, invalid, or held for any reason to be unenforceable by a Court of competent jurisdiction, the remainder of such agreement shall nevertheless remain in full force and effect, and to this end, all covenants, conditions, and agreements described herein are deemed separate.

n. **COLLATERAL:** To maintain all collateral property or equipment in good condition and at the original site identified in the loan agreement.

o. **HAZARDOUS SUBSTANCES:** Neither borrower nor any tenant of space in the real property shall generate, sell, treat, store, handle dispose of or otherwise deal with hazardous material on the property. The Borrower shall comply with all applicable laws, regulations, ordinances, licenses, permits, rules and other codes pertaining to hazardous materials. The Borrower shall indemnify and hold harmless from all liability, claims, penalties, fines, losses damages and expenses of any kind, including, without limitation, clean-up costs and reasonable attorney fees, incurred by Lender as a result of Borrower's breach of the provisions of the Deed of Trust, as a result of Borrower's breach of warranty regarding hazardous substances, or as a result of the presence of hazardous substances on the property.

EXHIBIT C

NEGATIVE COVENANTS OF THE BORROWER

The Borrower covenants and agrees that, from the date hereof until payment in full of the Note, unless the Lender shall otherwise consent in writing, the Borrower will not enter into any agreement or other commitment the performance of which would constitute a breach of any of the covenants contained in this Loan Agreement including, but not limited to, the following covenants. Any breach of these covenants would constitute an event of Default, and the rights of default by the Lender may be executed.

- a. **ENCUMBER THE BORROWER'S ASSETS:** The Borrower will not further encumber its assets or incur indebtedness in addition to that now existing and that provided for in this Loan Agreement, except indebtedness incurred in the ordinary course of business and payable within one year.
- b. **SELL THE BORROWER'S ASSETS:** The Borrower will not sell or transfer all or a substantial part of its assets except those usually sold in the ordinary course of the business.
- c. **LEASE OR SUBLEASE PROPERTY:** The Borrower will not lease or sublease all or any portion of the property to be acquired with the proceeds of this Loan.
- d. **CHANGE OWNERSHIP:** The principals of the Borrower will not permit, without the written permission of the Lender, any material change in the ownership structure, control, or operation of the Borrower including, but not limited to: (1) merger into or consolidation with any other person, firm, or corporation; (2) changing the nature of its business as carried on at the date hereof; (3) substantial distribution, liquidation, or other disposal of the borrower's assets to the stockholders or any other party.
- e. **CHANGE THE PROJECT:** The Borrower will neither permit nor suffer to exist, without prior written Lender consent, any material change in the project's plans and/or specifications submitted to the Lender as per the Preliminary Loan Application.

EXHIBIT D

MISCELLANEOUS

- a. **WAIVER OF NOTICE:** No failure or delay on the part of the Lender in exercising any right, power, or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power, or remedy preclude any other right, power, or remedy hereunder. No modification or waiver or any provision of the Loan Agreement or of the Note, nor any consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances.
- b. **AMENDMENTS - WRITING REQUIRED:** The Lender hereby expressly reserves all rights to amend any provisions of this Agreement, to consent to or waive any departure from the provisions of this Loan Agreement, to amend or consent to, or waive departure from the provisions of the note, and to release or otherwise deal with any collateral security for payment if the Note provided, however, that all such amendments be in writing and executed by the Lender and the Borrower.
- c. **NOTICES:** All notices, consents, requests, demands, and other communications hereunder shall be in writing, and shall be deemed to have been duly given to a party hereto if mailed by certified mail, prepaid, to the Lender at its address set forth at the beginning of this Loan Agreement, and to the Borrower at the address set forth at the end of this Loan Agreement or at such other addresses as any party may have designated in writing to any other party hereto. This section does not limit other means of delivering written notice if said notices are actually received.
- d. **PAYMENTS:** The Borrower will make payments to the Lender in accordance with the terms and conditions and instructions contained in this Loan Agreement and the Promissory Note.
- e. **SURVIVAL OF REPRESENTATIONS AND WARRANTIES:** All agreements, representations, and warranties made by the Borrowers herein or any other document or certificate delivered to the Lender in this transaction survive the delivery of this Agreement, the Note and the Security Agreements hereunder, and shall continue in full force and effect so long as the Note is outstanding.
- f. **SUCCESSORS AND ASSIGNS:** This Loan Agreement shall be binding upon the Borrower, its successors, and assigns, except that the Borrower may not assign or transfer its rights without prior written consent of the Lender. This Agreement shall inure to the benefit of the Lender and, except as otherwise expressly provided in

particular provisions hereof, all subsequent holders of the Note. Borrower acknowledges that Lender contemplates and may assign the Note and this Agreement and consents to such assignments.

g. **COUNTERPARTS:** This Loan Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

h. **GOVERNING LAW:** This Loan Agreement and the Note and Security Agreements, Financing Statements, and Deeds of Trust shall be deemed contracts made under the Laws of the State of California and for all purposes shall be construed in accordance with the laws of said State.

i. **WAIVER:** Failure by Lender at any time to require performance by Borrower of any of the provisions of this Agreement shall in no way affect Lender's rights hereunder to enforce the same, nor shall any waiver by Lender of any breach hereof be held to be a waiver of any succeeding breaches or a waiver of this non-waiver clause.

EXHIBIT E

PROJECT ASSURANCE

The Borrower hereby assures and certifies that he will comply with all regulations, policies, guidelines, and requirements as they relate to the County of El Dorado CDBG Business Loan Program and/or Revolving Loan Fund (RLF). Also, the Borrower assures and certifies to the County of El Dorado that the project:

- a. Will comply with Title VI of the Civil Rights Act of 1964 (P.L. 88-352) whereby no person in the United States shall on the grounds of race, color, or national origin be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination under the County of El Dorado RLF by which the Borrower receives Federal financial assistance and will immediately take any measures necessary to effectuate this agreement.
- b. Will comply with Title VI of the Civil Rights Act of 1964 (42-USE 2000d) prohibiting employment discrimination where 1) the primary purpose of the financial assistance is to provide employment, or 2) discriminatory employment practices will result in unequal treatment of persons who are or should be benefiting from the loan-aided activities.
- c. Will comply with Section 112 of the Public Law 92-65 and Title III of Public Law 94-135 whereby the borrower assures that no person in the United States shall on the grounds of sex or age be excluded from participating in, be denied the benefits of, or otherwise be subject to discrimination in connection with loan-aided activities.
- d. Will comply with the flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973, Public Law 93-234, 87 Stat. 975, approved December 31, 1976. Section 102(a) requires, on and after March 2, 1975, the purchase of flood insurance in communities where such insurance is available on a condition for the receipt of any purposes for use in any area that has been identified by the Secretary of the Department of Housing and Urban Development as an area having special flood hazards. The phrase "Federal financial assistance" includes any form of loan, grant, or any other form of direct or indirect federal assistance.
- e. Will comply with Section 106 of the National Historic Preservation Act of 1966 as amended (16 USC 47 O), Executive Order 11593, and the Archeological and Historic Preservation Act of 1966 (16 USC 469a-1 et seq.) by a) consulting with the State's Historic Preservation Officer on the conduct of investigation, as necessary to identify properties listed in or eligible for inclusion in the National Historic Register (see 36 CFR Part 880.8 by the activity, and notifying of existence of any such properties, and by b) complying with all requirements established by the State to avoid or mitigate adverse missing effects.

- f. Will give the County of El Dorado through any authorized representative the access to the right to examine all records, books, papers, or documents related to the loan.
- g. Will comply with Section 2, of the Public Works and Economic Development Act which state that under the provisions of this Act new employment opportunities should be created by developing and expanding new and existing facilities and resources rather than by merely transferring jobs from one labor area to another.
- h. Will assure that any building or facility financed in whole or in part by any fund provided under the County of El Dorado Business Loan Program will be designed, constructed or altered so as to assure ready access to and use of such building or facility by the physically handicapped. This provision applies only to firms which deal directly with the general public in the normal and usual course of their business, and to facilities in which business is customarily transacted by and with members of the general public.
- i. Will insure that the facilities under its ownership, lease or supervision which shall be utilized in the accomplishment of the project are not listed on the Environmental Protection Agency's (EPA) list of Violating Facilities and that it will notify the County of El Dorado Community Services Department of the receipt of any communication from the Director of the EPA Office of Federal Activities indicating that a facility to be used in the project is under consideration for listing by the EPA.
- j. Will comply with all requirements imposed by the Federal sponsoring agency concerning special requirements of law, program, and other administrative requirements.
- k. Will comply with the Davis Bacon Act, as amended (40 U.S.C. 276a-5).

ATTACHMENT D

GRANTEE'S SAMPLE BUSINESS LOAN SERVICING POLICIES

**El Dorado County
Microenterprise Financial Assistance program**

SAMPLE BUSINESS LOAN SERVICING POLICIES

INTRODUCTION

The purpose of loan servicing is to establish policies and procedures for the monitoring and review of loans and investments made by the County of El Dorado through the Community Development Block Grant (CDBG) Economic Development Business Loan Program (BLP) and/or the County's Revolving Loan Fund (RLF). Through loan servicing activity, the County will obtain information on the continuing operations of borrowers, ensure compliance with the terms and conditions of loans, and adequately protect the County's Loan Program security requirements.

ADMINISTRATION OF THE CDBG-BLP/RLF LOAN FUND PORTFOLIO

The Chief Administrative Office, Housing, Community and Economic Development (HCED) Program staff (Lender) shall be responsible for day-to-day administration of the loan program portfolio, including establishment and maintenance of recordkeeping and tickler file systems, preparing and submitting progress reports, collecting and analyzing financial statements, conducting field visits, monitoring repayments on loans and working with problem loans.

Program loan repayments will be collected by the Lender for deposit into the proper CDBG program income revolving loan account(s) in accordance with the currently approved CDBG program income reuse plan. Program loan repayments will adhere to the Program Income Reuse Plan's general administration annual allowable costs. The Lender will keep an itemized accounting of the source of the loan payments.

The Lender will require periodic financial statements from borrowers (typically annually) that will be reviewed by the Lender to determine the financial health of the business. This review will allow the Lender to be proactive in providing the business with technical assistance and effectively managing the status of the asset.

LOAN MONITORING AND REPORTS:

Two separate loan files will be maintained by the Lender. The first is the legal file which holds all the original loan documentation. This file shall be kept in appropriate fire-proof storage for safekeeping. The second is a credit file which shall contain the day-to-day administrative records of the loan. The legal file shall include as appropriate: the Note, the original Loan Agreement, General Security Agreements, Deed of Trust, UCC filings, Personal Guaranty, Hazard Insurance Policy and Assignments.

The second file, a "credit file" shall contain, at a minimum, the loan application, the loan agreement recommendation, disbursement records, reports of site visits, updated financial information provided by borrower, job creation/retention date, and payment receipts. A

reporting system will be established by the Lender for each loan and the loan portfolio as a whole.

A quarterly report will be presented to the Program Manager. The Lender shall be responsible for preparation of this report. The report will be used by the Program Manager and the County to monitor the loans and identify problems. The report will contain the following:

- a. **Fund Report Balance:** A monthly summary of the beginning fund balance, principal and interest recaptured during the month, disbursements made during the month and funds committed but not yet disbursed, and amount remaining in the Program which is unencumbered.
- b. **Portfolio Summary Report:** A quarterly summary of the total loans obligated and authorized. The quarterly report shall include the total job and private fund contribution. Delinquent loans shall be identified and a summary of actions to date to collect delinquent loans shall be included.
- c. **Tickler File:** A listing of the current loan portfolio and dates for receipt of financial statements, employment information, dates for insurance renewal and other information. In addition, the tickler shall include a summary of the monitoring requirements of the State Department of Housing and Community Development.

ASSET AND PROPERTY MANAGEMENT

The CDBG Grant Management Manual provides information on how to manage and dispose of CDBG-funded assets and property. The County must comply with the federal requirements for the management and disposition of assets and property acquired in whole or part with CDBG funds. The treatment and disposition of property purchased with CDBG funds will depend on its type, either real or personal.

Guidelines

For

Business Loan Program

Funded By

County of El Dorado

With

Community Development Block Grant

Board Adopted: September 9, 2014

TABLE OF CONTENTS

1.0	PURPOSE	3
2.0	POLICY	4
3.0	SOURCE OF FUNDING	4
4.0	DESCRIPTION OF FUNDING	4
5.0	ELIGIBILITY	7
6.0	LOAN APPLICANT CONFIDENTIALITY	8
7.0	DISPUTE RESOLUTION/APPEALS PROCEDURE.....	9
9.0	LOAN SELECTION AND APPROVAL PROCESS	10
10.0	LOAN UNDERWRITING.....	14
11.0.	OTHER CDBG FEDERAL REGULATIONS.....	21

ATTACHMENT A: EXECUTED RESOLUTION ADOPTING GUIDELINES

EL DORADO COUNTY BUSINESS LOAN PROGRAM GUIDELINES

1.0 PURPOSE

The County of El Dorado Business Loan Program (BLP) is designed to provide the critical and necessary capital needs for business and real estate projects within the County. The BLP is designed to stimulate economic growth and create businesses that will improve the living conditions of residents in the community. Capitalized with funds from the State of California Community Development Block Grant (CDBG) Program, the BLP provides appropriate assistance to businesses and real estate development projects, which in turn will create or retain jobs, along with increasing the commercial and industrial base of the community.

The Business Loan Program provides loans, in which repayments are “revolved” or “recycled” to be loaned again for CDBG-eligible activities. Therefore, the initial funds that capitalize the program may be used again to create additional jobs, assist more businesses and projects, and provide significant benefits beyond the Business Loan Program’s initial loans.

The Business Loan Program will assist businesses and projects that start-up, expand, and/or locate within the unincorporated areas of the county. The Business Loan Program proceeds can be used to finance:

- Operating capital for staff salaries or leasing space;
- Purchasing inventory, supplies, computer programs for accounting and inventory control or furniture, fixtures and equipment (FF&E);
- Rehabilitation of owner occupied or leased space (tenant improvements) including engineering, architectural and local permits or fees;
- Equipment purchase (with or without installation costs);
- Refinancing of existing business debt in conjunction with financing other eligible costs, except credit cards; and
- Marketing materials and advertising with website development and servicing.
- Real Property Acquisition and Construction

These financial assistance guidelines have been formally adopted by the County and approved by the California Department of Housing and Community Development, hereafter called “the Department”. See Attachment A for a copy of the adopting resolution.

2.0 POLICY

The following elements are critical in the selection of loans for the BLP:

- That a sufficient number of jobs will be created or retained in accordance with CDBG requirements;
- At least 51% of the jobs created and/or retained must be from the Target Income Group (TIG). The TIG is a low/moderate income person whose family income does not exceed 80% of County median household income, adjusted by family size. In order to meet the criterion for created and/or retained jobs, the employees must be from the TIG at the time they are hired or retained. For job retention projects, income self-certification will be conducted on all employees prior to the approval of the loan. For job creation projects, all of the TIG employees will complete income self-certification; and
- The loan meets the Business Loan Programs underwriting requirements.

Eligible applicants include ongoing and start-up private, for profit business concerns, corporations, partnerships, sole proprietorships and cooperatives that are incorporated and licensed, and are located in or locating to the County. The project to be financed with the Business Loan Program must be within the unincorporated area of the County.

The project must be commercial or industrial. Business Loan Program funds may be used for construction and permanent financing, working capital, inventory equipment, real property acquisition, construction and rehabilitation.

3.0 SOURCE OF FUNDING

The source of funding for the Business Loan Program is paid for with CDBG funds provided by HUD to the Department. As such, these funds have a number of state and federal requirements that must be met, as described below. CDBG funds are either awarded to the County through a competitive NOFA process or originate from local CDBG program income (PI) funds administered under the County's PI Reuse Plan approved by the Department in writing.. Loans are not from the El Dorado County General Fund.

4.0 DESCRIPTION OF FUNDING

4.1 Guidelines:

Loans may range from a minimum of \$5,000 up to \$100,000. Although all loans must be reviewed by the State Department of Housing and Community Development's (HCD), CDBG Program, prior to final approval, requests for loans over \$100,000 will require additional approval by the County and HCD loan committees

- **Leveraging:** The Program's overall goal is to leverage a realistic pledge of dollars from equity and/or debt for every one Program dollar loaned. On a case-by-case basis this leverage requirement may be waived. A private dollar can be either debt financing or owner equity. Owner equity can be cash and/or land. The land is counted only for construction projects. Expenditures made by the loan applicant prior to the Business Loan Program loan award are not counted unless made as part of the submittal, and made within 60 days of the Business Loan Program loan submittal, related to and in anticipation of such submittal. A minimum of 10% of the total project funding must be from owner equity.
- **Loan Terms:** Up to 10 years, depending on the asset being financed, and the demonstrated need for the BLP funds. The length of loan shall not exceed the economical life of the equipment/asset being financed.
- **Loan Fee:** A loan fee of up to 1.5% may be charged to the borrower.
- **Prepayment Penalty:** No prepayment penalty.
- **Deferral of Payments:** On a case-by-case basis, determined based on the financial gap.
- **Job Creation and/or Retention:** One full time equivalent job (1,750 hours annually) per \$35,000 loaned shall be achieved for each loan. Two permanent part-time jobs (at least 875 hours annually) may be aggregated to count as one full time equivalent job. All loans must meet the national objective of principally benefiting the Targeted Income Group (TIG); at least 51% of the jobs created/retained shall be held by TIG persons.
- **Collateral Requirements:** All loans should be collateralized to the greatest extent possible. No unsecured loans shall be made. Both personal and business assets will be reviewed for collateral coverage. Types of collateral may include:
 - Liens on real property by Deed of Trust;
 - Liens on machinery, equipment, or other fixtures;
 - Lease assignments, as appropriate;
 - County named as Beneficiary on Life Insurance;
 - Other collateral, as appropriate; and
 - Personal and corporate guarantees.

4.2 General Administrative Features:

The Business Loan Program will comply with all CDBG requirements, including, but not limited to:

- Confidentiality of Client Financial Information, as allowed by law;
- Equal Opportunity/Affirmative Action Policy;
- Attorney review all contracts and legal forms;
- Monitoring and Reporting Forms;
- Collection and Foreclosure Policy;
- Labor standards (where applicable);
- Clearing CDBG special conditions;

- Relocation assistance (where applicable);
- Section 3 requirements;
- Fair Housing requirements;
- Environmental reviews; and
- County staff will be responsible for overall program marketing, loan evaluation, loan packaging, and monitoring.

4.3 Project Evaluation Criteria

The following evaluation criteria will be adhered to during the course of the Business Loan Program:

- The number of jobs created and/or retained and the percentage benefiting members of the targeted income group;
- The amount of private dollars leveraging BLP funds;
- The financial viability of the proposed enterprise; and
- The demonstrated need for the funds.

4.4 Management and Capacity Requirements

Loan Applicant must show:

- Good character;
- Ability to operate a business successfully;
- Adequate borrowing ability or equity to operate with the new loan payments, on a sound financial basis;
- The proposed loan is of sound value and provides for the current and future needs of the business; and
- Past earnings record and future prospects of the firm indicate ability to repay the loan and other fixed debt, if any, out of the profits.

4.5 Loan Packaging

County staff will be responsible for the loan packaging activities, including review of all proposals presented to the Loan Advisory Board (LAB).

4.6 Loan Advisory Board

The Loan Advisory Board (LAB) shall have an odd number of members. LAB members shall volunteer for this board. The LAB members can be from local financial institutions, County staff, or other interested parties who have the professional capacity to review and evaluate commercial loans.

LAB loan review will take place for each loan applicant prior to funding. LAB meetings will be scheduled by County staff once a loan has been underwritten and is ready for review and approval. LAB members are responsible for reviewing each loan application funding proposals and making recommendations to the County. LAB may request additional information and or attach contingencies for final approval and loan closing. HCD/CDBG will make the final loan determination after LAB and County approval.

4.7 Linking Jobs with Long-Term Unemployed

County staff will work closely with the local One Stop Center to support the Workforce Investment Act (WIA) programs and services that provide assistance to the unemployed and low- to moderate-income persons. Early and consistent involvement with each loan applicant will be an integral policy of the BLP.

5.0 ELIGIBILITY

5.1 Eligible Applicants

Eligible applicants include ongoing and start-up private, for profit business concerns, corporations, partnerships, sole proprietorships and cooperatives that are incorporated and licensed in the County, and are located in or locating to the unincorporated area of County.

5.2 Conflict of Interest

No conflict of Interest is allowed, in accordance with Title 24, Section 570.611 of the code of Federal Regulations. As such no elected official, or department head, or person who exercise or have exercised any functions or responsibilities with respect to CDBG activities assisted under this part, or who are in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from a CDBG-assisted activity, or have a financial interest in any contract, subcontract, or agreement with respect to a CDBG-assisted activity, or with respect to the proceeds of the CDBG-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter.

Grantee will verify and certify that a conflict of interest does not exist with the business or applicant.

Exceptions to this policy may be approved by the federal Department of Housing and Urban Development (HUD) made only after public disclosure and formal approval by the Board of Supervisors provided that the Grantee's legal counsel makes a written determination that potential conflicts are acceptable.

5.3 Eligible Use of Loan Funds

The project must be commercial or industrial. The County will review the project scope of work proposed by the business. The County and the loan applicant will collect third party cost estimates for all project costs at the application stage. CDBG funds are restricted to certain eligible costs, such as:

- Operating capital for staff salaries or leasing space;
- Purchasing inventory, supplies, computer programs for accounting and inventory control or furniture, fixtures and equipment (FF&E);

- Rehabilitation of owner occupied or leased space (tenant improvements) including engineering, architectural and local permits or fees;
- Equipment purchase (with or without installation costs);
- Refinancing of existing business debt in conjunction with financing other eligible costs, except credit cards;
- Marketing materials and advertising with website development and servicing, and
- Land costs, including engineering, legal, grading, testing, site, mapping and related costs associated with the acquisition and preparation of land.
- Building costs, including real estate, engineering, architectural, legal and related costs associated with acquisition, construction and rehabilitation of buildings including leasehold improvements.
- Working capital, inventory, furniture, fixtures, machinery and equipment.

5.4 Ineligible Use of Loan Funds

Funds under this Program will not reimburse expenses incurred prior to County approval of the loan and environmental review requirements except for private leverage as specified in Section 4.1. Program funds will not be used to pay off non business debt, such as personal credit cards not associated with the business. Loan funds may not be used for personal expenses such as buying a new family car or making repairs to a participant's home. CDBG funds may not be shifted from one approved type of cost to another without resubmitting to the County for approval. Funds may not be used to support other businesses in which the borrower may have an interest.

Projects must be located in the unincorporated part of El Dorado County. Projects cannot be residential in nature. Projects must have reasonable assurance of repayment. Projects are not eligible if they create a conflict of interest pursuant to California Government Code S87100 et seq for any current County employee or Loan Advisory Board (LAB) member. Projects must create or retain jobs, primarily for the Targeted Income Group, and must leverage private or equity funds.

5.5 Eligible Projects

Project eligibility is based on the project satisfying the CDBG Program's national objective of principally benefiting TIG persons through job creation and/or retention. Additionally, the eligibility of a project is dependent on the appropriate determination being made to justify the provision and extent of CDBG assistance.

6.0 **LOAN APPLICANT CONFIDENTIALITY**

All personal and business financial information will be kept confidential. Program participant files with personal and business confidential information will be kept in locked secured storage units.

7.0 DISPUTE RESOLUTION/APPEALS PROCEDURE

Any applicant denied assistance from the Program has the right to appeal. An appeal should include a statement explaining the reason for appeal. The appeal must be made in writing and submitted to the County within 10 days of the denial notice. The appeal must be submitted to:

El Dorado County
CAO/HCED Programs
330 Fair Lane, Building A
Placerville, CA 95667

The County has 30 days to review the appeal, seek recommendations from the Loan Advisory Board or County Counsel, and respond in writing to the applicant. This procedure is outlined in the Program Grievance Resolution Notification included with each Program application.

8.0 Role of the County Staff

The County of El Dorado staff is responsible to:

- Publicize and market the BLP
- Screen all applicants for loans
- Meet with potential lenders
- Perform site visits to businesses, as appropriate
- Refer candidates that are not eligible, do not meet the BLP criteria or need technical assistance to the Small Business Development Center
- Obtain from candidates preliminary information and an application, along with accompanying financial information
- Meet with each BLP applicant at the application conference (prior to submission of application to LAB) to review application and ensure the applicant understands all requirements and obligations of the BLP
- Prepare loan package, along with recommendation to LAB
- If approved, assist with loan processing and closing
- Perform any special conditions clearances required by CDBG;
- Review the standard loan documents (in conjunction with County Legal)
- Assist other County departments as required to implement loan application (Planning/Building, DOT, etc.)
- Provide the overall oversight and liaison among the County Staff, loan applicants, recipients, lenders, and other interested parties
- Prepare all reports, financial information and performance reports as required by CDBG on each loan during the term of the loan
- Once closed, monitor the loan, maintain the loan records, and monitor compliance with job objectives
- Make the final decisions to foreclose and/or declare defaults (in consultation with legal counsel, based upon recommendations of staff)

- Serve as the contact for the State Department of Housing and Community Development for the BLP

8.1 Role of the Loan Collection Agent

The County will conduct the duties of loan collection agent. The duties will include the following:

- Loan servicing and accounting;
- Provide monthly receipts of loan payments;
- Provide quarterly statements on each loan;
- In concurrence with the County's legal counsel, undertake loan collections, including asset liquidation; and
- Obtain credit reports on all loan applicants.

9.0 **LOAN SELECTION AND APPROVAL PROCESS**

9.1 Marketing

Program marketing will be conducted by the County or the Program Operator. Examples of marketing include media coverage with ads in local papers, distribution of marketing brochures to local chamber of commerce and business networking organizations. Presentations will be scheduled for these groups as well as real estate groups, local commercial banks and Grantees. The SBDC will be used as a referral agency.

9.2 Equal Opportunity Compliance

The BLP will be implemented in ways consistent with the County's commitment to state and federal equal opportunity laws. No person or business shall be excluded from participation in, denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with CDBG program funds on the basis of his or her religion, religious affiliation, age, race, color, ancestry, national origin, sex, marital status, familial status (number or ages of children), physical or mental disability, sexual orientation, or other arbitrary cause.

9.2 Procedure

Once a potential project has been identified, County staff will conduct a preliminary review for eligibility with the BLP criteria. If another lending source is more appropriate, or the project does not meet the BLP criteria, County staff will refer the prospective borrower to another organization for assistance and technical assistance. This will include referrals to the Greater Sacramento Small Business Development Center, the SCORE program, and financial institutions. As a condition of the loan, County staff or LAB may require that applicants receive pre-loan and/or post-loan counseling.

County staff may require applicants who have received loans to undertake business counseling if it appears that the applicant's financial position is declining and the BLP loan may become delinquent.

If the project appears to meet BLP criteria, the applicant will be asked to submit preliminary information. Preparation and submission by an applicant of preliminary information and supporting documents include, but are not limited to:

- Business and personal tax returns for the last three years or since commencement of operations (whichever is less);
- Business financial statements (balance sheet and income statement) for current year and prior three years;
- Current personal financial statement;
- Credit history; and
- A proposed project summary.

Start-up businesses must submit pro-forma financial statements for the first three years. Real estate projects must submit proforma projections for the first five years, and pre-leasing information.

The County staff will review the preliminary information. If the project is determined to be viable, a draft loan analysis will be prepared. If the decision is to decline the request, the County staff will provide the applicant with a written explanation of the denial. If appropriate, referrals to other organizations will be made.

If the review is positive, the applicant will be invited to an application conference with County staff and to submit a formal application to County staff, which will be presented to the LAB for their recommendation. At the application conference, County staff will review with the applicant the formal BLP checklist and required information, forms and financial schedules deemed necessary by County staff to complete the loan package. County staff will determine project needs/conformance with local requirements, including the necessary environmental review for the project.

The applicant, in conjunction with County staff, will develop a job creation (employment) agreement in accordance with CDBG rules and regulations.

Upon completion of the necessary information, County staff will present applications to the LAB. The presentation will include a completed BLP Project Evaluation form. If the private funds are from equity, the commitment letter must be from the applicant. The County staff presentation will include a recommendation. This recommendation will include the proposed terms and conditions, based upon the identified "financial gap" and the appropriate analysis undertaken by County staff, along with a checklist insuring that the loan meets the BLP guidelines and criteria.

The LAB will decide to recommend approval or to decline the loan request. If loan request is declined, the applicant will be informed in writing by County staff as to the reason. If recommended, the LAB's recommendation may be based on the terms and conditions proposed by County staff, or the LAB can recommend alternative terms and conditions. The LAB recommendation is to be presented to the County staff. Prior to final County approval, County staff will review the loan package for completeness and regulatory compliance, as well as final review for compliance with BLP guidelines and criteria.

When the County approves or denies the loan request, the applicant will be notified in writing. If denied, the reasons for denial will be included. County staff approval shall include a certification statement that based on review of the staff report and LAB recommendation, the County finds that the CDBG loan is appropriate and that the assistance is commensurate with both the needs of the borrower and level of benefit to TIG persons in addition to other public benefits stemming from the project.

HCD/CDBG will make the final loan determination after LAB and County approval.

9.3 Loan Closing

Upon approval by County LAB, County Staff will complete the special conditions (including the environmental review). Once approved by HCD/CDBG, the Borrower will sign all the necessary documents and agreements. County staff will request a draw down of funds from the State Department of Housing, Community and Economic Development (the timing of the request may vary depending on the project). County staff will prepare the loan closing documents; prepare title and lien searches, and UCC-1 filings, if appropriate. County legal counsel will review all agreements and documents, as necessary.

County staff will undertake loan closing. At the time of closing, the Borrower will be provided with a checklist outlining their obligations under the BLP. At closing, or another specified time, funds will be disbursed to the Borrower.

County staff will complete any remaining legal, regulatory or other items. Monitoring and compliance files will be set up at this time.

9.4 Loan Monitoring

Two separate loan files will be maintained. The first is the legal file, which holds all the original loan documentation, along with the original documents. This file shall be kept in the County's fireproof vault for safekeeping. The second is a credit file, which shall contain the day-to-day administrative records of the loan.

The legal file shall include, at a minimum:

- Note
- Loan Agreement, including Non-Financial Employment Plan (Job Creation [Employment] Agreement)

- Mortgage
- General Security Agreement
- Personal Guaranty
- Corporate Guaranty
- Subordination Agreement
- Life Insurance Policy and Assignment
- Hazard Insurance Policy and Assignment
- General Resolution
- Certificate of Secretary
- Opinion of Counsel
- Inter-creditor Agreement

The credit file shall contain, at a minimum:

- Loan Application
- Financial Information Associated with the Application
- Credit Memo
- LAB Recommendation
- Final County Approval
- Disbursement Records
- Reports of Site Visits
- Updated Financial Information Provided by Borrower
- Job Creation/Retention Data

A reporting system will be established for each loan and the loan portfolio as a whole. The report should be updated at least quarterly. County staff shall be responsible for preparation of this report. County staff will use the report to monitor the loans and identify problems. The report will contain the following:

- **Fund Report Balance:** A monthly summary of the beginning fund balance, principal and interest recaptured during the month, disbursements made during the month and funds committed but not yet disbursed, and amount remaining in the BLP which is unencumbered. The monthly receipts from the lender on each loan will serve as the basis for this report.
- **Portfolio Summary Report:** A quarterly summary of the total loans outstanding and authorized loans. The report shall include a quarterly statement on each loan, prepared by the lender. The quarterly report shall include the last payment date and loan balance. Delinquent loans shall be identified and a summary of actions to date to collect delinquent loans shall be included.
- **Employment Report:** A quarterly report on each project detailing the jobs created/retained, and those hired that meet the Targeted Income Group.
- **Loan Loss and Delinquent File:** A list of all loans that have been classified as uncollectible and a summary of foreclosure procedures to

date on the loan. Loans that are delinquent will also be listed, along with a summary of recommended steps, and steps taken to date.

- **Tickler File:** A listing of the current loan portfolio and dates for receipt of financial statements, employment information, renewal of UCC-1 filings, review date, dates for insurance renewal and other information.

In addition, County staff will establish and maintain a loan monitoring file which will include a summary of the monitoring requirements of the State Department of Housing and Community Development. A tickler file will be part of this overall file to insure that loan and BLP monitoring is undertaken and completed.

10.0 LOAN UNDERWRITING

The loan underwriting policies of the El Dorado County Business Loan Program (BLP) are designed to insure the Program's ongoing viability, assist businesses that could not proceed without the BLP, and ensure that the BLP assistance is appropriate.

10.1 HUD Underwriting Guidelines

The County has adopted the HUD underwriting guidelines for the BLP to determine whether a proposed CDBG subsidy is appropriate to assist with business expansion or retention. In addition, the project will be reviewed to determine that a minimum level of **public benefit** will be obtained from the expenditure of the CDBG funds in support of the project.

The objectives of the underwriting guidelines are to ensure that:

- Project costs are reasonable;
- All sources of project financing are committed;
- To the extent practicable, BLP funds are not substituted for non-Federal financial support;
- The project is financially feasible;
- To the extent practicable, the return on the owner's equity investment will not be unreasonably high;
- To the extent practicable, BLP funds are disbursed on a pro rata basis with other financing provided to the project; and
- Sufficient public benefit will be received from the expenditure of BLP funds.

10.2 Project Costs are Reasonable

All project costs will be reviewed for reasonableness, and to avoid providing either too much or too little BLP assistance. The amount of time and resources expended evaluating the reasonableness of a cost element shall be commensurate with its costs. In some instances, it will be necessary to obtain third-party, fair-market price quotations or a cost element. Particular attention will be given to documenting the cost elements in non-arms-length transactions.

Procedures:

1. Start with Sources and Uses of Funds.
2. For each Use of funds, determine if costs are reasonable.
 - a. For construction, machinery, equipment, determine if the costs are estimated by a third-party (e.g. architect, engineer, equipment supplier, etc.). Determine if the estimates are included in the application. Determine if the contingency is adequate.
 - b. For land, determine if the price is based upon Fair Market Value. If not, determine the Fair Market Value and how was price determined. Obtain an appraisal or an opinion of Fair Market Value.
 - c. For development costs (building fees, architectural/engineering costs, financing costs, franchise fees, etc.), determine if these costs are itemized and supported by contracts or other documentation.
 - d. For working capital, compare the amount of working capital to industry averages, risk, historical needs of the business and the projected need. Analyze business financial statements, projections, operating cycle and financial ratios.
3. A higher level of review will be required if there are no third party estimates.
4. Sources of information:
 - Sources and Uses of Funds Statement;
 - Financial Statements and Projections;
 - Industry Averages (Robert Morris);
 - Third Party Costs Estimates;
 - Building Department/Public Works;
 - Realtors;
 - Appraisers;
 - Architects/Engineers;
 - Contractors;
 - Equipment Suppliers; and
 - Other similar projects.

10.3 Commitment of All Sources of Project Financing

Prior to the commitment of BLP funds to the project, a review shall be conducted to determine if sufficient sources of funds have been identified and committed to the project, and the participating parties have the financial capacity to provide the funds to ascertain if the project is viable and will move ahead in a timely manner. In certain circumstances, the BLP may commit its funds in advance of final commitments from other funding sources. However, to conduct the underwriting analysis, the approximate terms and conditions of the other funding sources should be known. Final commitments from the other funding sources will be required, with substantially similar terms and conditions as used in the underwriting analysis, prior to any loan closing or disbursement of funds.

Procedures:

1. Start with Sources and Uses Form.

- a. For all sources of funds, determine if there is evidence verifying commitment or intent to commit.
 - b. For debt sources, be in receipt of letters of intent or interest which specify the level of commitment and terms/conditions of the loan. The proposed terms should be reflected in the business' projected debt schedule and in the financial projections. Determine if actual loan packages have been submitted to lenders.
 - c. For equity sources, determine if the equity injection is verified on the business or personal financial statements. Or, if an investor provides the equity, obtain evidence of the level and terms of commitment (e.g. letter of intent with accompanying financial statement verifying availability of funds).
2. Sources of information:
- a. Sources and Uses of Funds,
 - b. Business and Personal Financial Statements, and
 - c. Letters of intent/interest from lenders, partners and investors.

10.4 Avoid Substitution of CDBG Funds for Non-Federal Financial Support

The project will be reviewed to ensure that, to the extent practicable, BLP funds will not be used to substantially reduce the amount of non-federal financial support for the project to make the most efficient use of the BLP funds.

10.5 Financial Feasibility of the Project

Each project will be examined to determine the financial viability of the project, and thus the reasonable assurance that the public benefit will be realized. The current and past financial statements for both the business and individuals must be analyzed, along with tax returns and projections. The assumptions behind the projections must be critically analyzed. Income and expense costs shall be evaluated and compared historically, where applicable, and compared to industry averages (using guides such as Robert Morris' Annual Financial Statements). Project costs, including both hard and soft costs, must be determined to be reasonable. Accurate project costs are vital to determining project feasibility.

As part of the financial analysis, the past, current, and projected financial data shall be analyzed to determine if the job estimates are reasonable and supportable. Labor costs shall be evaluated at the break-even point. In addition, labor costs shall be checked against industry averages. Variations should be explained in the loan analysis.

The terms and conditions of the BLP loan must be appropriate. In general, the interest rate shall be set at a rate where available cash flow is able to meet debt obligations, after other obligations are met, with enough cash flow remaining to operate successfully. The loan term typically is based on the asset being financed. The term should not exceed the economic life of the asset being financed. However, a longer loan amortization schedule, with the loan due at the end of the economic life, may be justifiable

Each loan shall include a written explanation of the appropriate analysis that was undertaken and the reason the terms and conditions of the loan were approved.

10.6 Financial Analysis.

Historical and projected financial statements will be subject to financial analysis to determine the gap, and structure the terms and conditions of the BLP loan, as discussed above, but also to determine that the project is feasible. In addition, County staff will use prudent underwriting guidelines, to demonstrate that the proposed loan is of sound value, and will note how past earnings and future prospects indicate an ability to meet debt obligations from profits.

Information that the applicant will be required to submit will depend on the project, ownership structure and whether it is an ongoing or start-up business. In general, the information required is outlined in the BLP checklist in the exhibits.

The financial analysis will differ depending on whether the business is a start-up or existing business. For existing businesses, the analysis will include a spread of the current financial statements to determine trends. The pro forma statements will then be compared to these past statements. Financial ratios will be analyzed. The statements and ratios will be compared to industry averages. For start-up businesses, the projections will be analyzed and ratios developed, and both compared to industry averages.

Ratios that will be analyzed include:

- Current Ratio: Current assets/current liabilities. This ratio is a rough indication of a firm's ability to service its current obligations. A ratio of 2:1 is considered secure.
- Quick Ratio: Cash and equivalents plus accounts and notes receivable/current liabilities. The ratio is a refinement of the current ratio. A ratio of 1:1 usually indicates ample liquidity.
- Cash Flow Coverage: Net profit and depreciation and depletion-amortization expenses/current portion of long term debt. This ratio is a measure of the ability to service long term debt.
- Another coverage ratio: Earnings before interest and taxes/annual interest expenses. This ratio is a measure of a firm's ability to meet interest payments. A Cash Flow Coverage of 1.25 debt service shall be used as a guideline.
- Debt to Worth: Total liabilities/tangible net worth. This ratio is the relationship between debt and a businesses net worth. A lower ratio is an indication of greater long-term financial safety and greater flexibility to borrow. In general, a Debt to Worth ratio of higher than 5:1 should not be exceeded as an underwriting policy. There are exceptions when the industry average is high due to its capital intensive nature or when projections show the ratio lowering quickly.

- Collateral Coverage: The value of collateral as compared to the amount of the loan. Typical underwriting guidelines suggest that 125% of loan balance be used. However, this is highly dependent on the quality and security of the collateral. In addition, collateral requirements are a cause of “financial gaps”. The BLP shall use 125% as a guideline, which shall only be lowered with specific and detailed analysis and explanation.
- Break-Even Analysis: The analysis of the project’s ability to support the projected labor costs and additional debt service at its break-even point (BEP) will be analyzed to determine what proportion of the jobs can be supported at that BEP. This will serve as a worst case look at the business’ prospects for success, ability to service new debt, etc.

The financial and ratio analyses must be supported by the business plan. The business plan must provide a clear understanding of the project, competition, market strategy, sales estimates, management capacity and other factors.

Lastly, to ensure project feasibility, an evaluation will be conducted of the experience and capacity of the business principals to manage the business and achieve the projections.

County Staff Procedures:

1. Perform financial underwriting analysis.
 - a. Spread historical financial statement and projections. Identify any significant differences and compare to industry averages.
 - b. Review assumptions to projections. Determine if projections are reasonable and supported by market studies, business plan, and historical trends.
 - c. Review financial ratios for project and compare to industry averages. If significantly different, determine the reasons and impact on feasibility.
 - d. Review cash flow for project. Determine if there is adequate working capital.
 - e. Determine break-even point for project, and how much the projections are above the break-even point. Determine if the public benefit will be realized at the break-even point.
2. Review the business plan, market information, historical financial statements, projections, ratio analysis, break-even analysis, spreadsheet analysis, and management capacity to determine the project feasibility.
3. Sources of information:
 - a. Historical Financial Statement;
 - b. Financial Projections;
 - c. Business Plan;
 - d. Market and Industry information; and
 - e. Industry Averages.

10.7 Return on Equity Investment

The return on equity investment is the amount of cash that the investor/business owner is projected to receive in relation to their initial equity. For a sole proprietor, this equates to salary plus net income. To the extent practicable, the BLP should not provide more than a reasonable return on investment to the business owner. This will help ensure that the BLP will maximize the use of BLP funds and not unduly enrich the business owner/investor. However, care shall be taken to ensure that the rate of return will not be too low, so that the business owner's motivation remains high to pursue the business with vigor.

If the project's financial returns are projected to be too low to motivate the business and/or investor to proceed with the project, the risks of the project outweigh the returns. An inadequate rate of return, adjusted for industry and locational risks, is a third method to determine the gap appropriate to be funded with BLP funds. To analyze this gap, the projected return on investment must be compared to the return on investment on similar projects. If it is shown that a gap does exist, then the BLP financing rate and terms must be set at a rate that provides a return equal to the "market rate." Real estate appraisers and lenders are important sources of information on "market rate" returns.

County Staff Procedures:

1. Review projections.
 - a. Review revenues, expenses (including officer's salary/owners' draw), debt service and net operating income, and compare to historical financial information and to industry averages. Determine if these items are reasonable.
 - b. Review indicators of owners' return on equity, including officers' salary, owners' draw, and net operating income. Given the project's risk and local conditions, determine if the return on equity is reasonable compared to industry averages.
2. Review the business and personal obligations. Determine what return on equity is necessary to meet personal and business obligations.
3. If return on equity is above industry averages, adjusted for risk and local conditions, take steps to reduce the return to within a reasonable rate by restricting owners' draw/officers' salary, or adjusting the BLP loan terms.
4. If return is below average, adjust BLP subsidy to bring the rate of return closer to the industry average.
5. Sources of information:
 - a. Financial projections;
 - b. Historical financial statements;
 - c. Personal financial statements; and
 - d. Industry averages.

10.8 Disbursement of BLP Funds on a Pro Rata Basis

To the extent practicable, BLP funds should be disbursed on a pro rata basis with other funding sources to avoid placing BLP funds at a greater risk than other funding sources. When it is determined that it is not practicable to disburse BLP funds on a pro rata basis, other steps shall be taken to safeguard BLP funds in the event of a default.

County Staff Procedures:

1. Review Sources and Uses of Funds. Determine when BLP funds will be expended as compared to other funds.
2. Determine other funding sources' policies towards expenditure of funds. These policies may require the use of BLP funds first. If so, may need to negotiate with other funding sources.
3. If BLP funds are to be expended first, consider actions to safeguard BLP funds (e.g. performance or completion bonds).
4. Sources of information:
 - a. Sources and Uses of Funds,
 - b. Construction Contracts, and
 - c. Lender Requirements/Policies.

10.9 Standards for Evaluating Public Benefit

Each project will be reviewed to determine if a minimum level of public benefit will be obtained from the expenditure of BLP funds. The minimum standard is

- The project must lead to the creation or retention of at least one full-time equivalent (FTE) job per \$35,000 of BLP funds used.

Procedures:

1. Review historical financial statements.
 - a. Review historical labor costs as a percentage of revenues. Compare the percentage to projected labor costs. Determine if the two figures are consistent. If not, obtain an explanation.
 - b. Determine if the number of projected jobs is consistent with the projected increase in labor costs. Compare the labor costs percentage to industry averages.
2. Review the projections.
 - a. Determine if the assumptions used to project revenues and labor costs are reasonable. Determine if market/industry information and historical financial statements support revenues and labor costs.
3. Determine if project meets minimum public benefit requirements (one full-time equivalent job for every \$35,000 in BLP funds).
4. For infrastructure projects, determine the area of benefit; negotiate fair share contributions; develop, execute, and implement fair share agreement; and track jobs from the benefiting business(s) if the projected cost/job is less than \$10,000.

11.0. OTHER CDBG FEDERAL REGULATIONS

There are a number of other federal laws and state regulations that are triggered with use of CDBG funding. The County, if applicable, will take the lead and ensure compliance with these requirements. Any impacts on a proposed project will be explained at the time of loan application screening so that the loan applicant knows and understands how the project might be impacted by these overlays.

An environmental review is required by HUD for each business funded with CDBG monies (24 CFR 58). The review must be completed prior to any activities commencing with the business and the review must encompass all aggregated activities for the business. The environmental review will comply with HUD's regulations regarding the National Environmental Policy Act (NEPA). The County is required to complete and certify the NEPA review along with any State environmental review under California's Environmental Quality Act (CEQA). The level of environmental review is determined by the type of proposed project and the associated activities. The loan applicant will be informed of any additional loan processing time due to the NEPA review. No costs will be charged to the applicant for this process.

Federal Davis Bacon regulations and related compliance Acts are required when utilizing CDBG funding for construction which may add additional costs to projects. In addition, state prevailing wage may be triggered with the use of CDBG funding. The County will work with applicants to ensure that funded business projects are in compliance with state and federal prevailing wage laws. Applicants will be informed of any additional time, costs or administrative work required due to the prevailing wage regulations and any additional costs may be incorporated into the business loan.

Federal acquisition and Relocation laws may be triggered when using CDBG funds (24 CFR 570.606). Acquisition laws, both federal and state, must be followed when CDBG funds are used to assist in the purchase of real property. In the same way, federal and state relocation laws apply if a person or a business is displaced because of the use of CDBG funding. The County will work with loan applicants to ensure that the business is in compliance with any state or federal acquisition /relocation laws triggered by the project. Applicants will be informed of any additional time or costs or administrative work required due to acquisition or relocation regulations.

Federal regulations require the use of CDBG program income (PI) first when the County is operating a loan program activity with an open grant that is the same as an existing PI revolving loan account (RLA) activity.

All businesses receiving funds under this Program will be required to obtain a Dun and Bradstreet DUNS number. The DUNS number is free and can be

obtained online. A copy of the printout with the applicable DUNS number should kept in the program participant file.

Verification must be provided to the County that all businesses and participants are not on the federal debarred list.

The Department requires the County collect certain income and demographic data from all program applicants and participants.

ATTACHMENT A

COUNTY'S EXECUTED RESOLUTION ADOPTING GUIDELINES

County of El Dorado

Homebuyer Program Guidelines

For:

Community Development Block Grant
(CDBG) Program
and
CalHome Program
and
HOME Investment Partnerships Program

Serving the unincorporated areas of
EL DORADO COUNTY

Board of Supervisors Approved September 9, 2014

HOMEBUYER PROGRAM GUIDELINES

Table of Contents

1.0. GENERAL

- 1.1. PROGRAM OUTREACH AND MARKETING**
- 1.2. APPLICATION PROCESS AND SELECTION**
- 1.3. THE HOME PURCHASE PROCESS**
- 1.4. HOMEBUYER COSTS**
- 1.5. HOMEBUYER EDUCATION**
- 1.6. CONFLICT OF INTEREST REQUIREMENTS**
- 1.7. NON-DISCRIMINATION REQUIREMENTS**

2.0. APPLICANT QUALIFICATIONS

- 2.1. CURRENT INCOME LIMITS**
- 2.2. INCOME QUALIFICATION CRITERIA**
- 2.3. DEFINITION OF AN ELIGIBLE HOMEBUYER**

3.0. HOUSING UNIT ELIGIBILITY

- 3.1. LOCATION AND CHARACTERISTICS**
- 3.2. CONDITIONS**
- 3.3. ACQUISITION WITH REHABILITATION**
- 3.4. ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE**
- 3.5. PROPER NOTIFICATION AND DISCLOSURES**

4.0. PURCHASE PRICE LIMITS

5.0. THE PRIMARY LOAN

- 5.1. QUALIFYING RATIOS**
- 5.2. INTEREST RATE**
- 5.3. LOAN TERM**
- 5.4. IMPOUND ACCOUNT**

6.0. THE PROGRAM LOAN

- 6.1. MAXIMUM AMOUNT OF PROGRAM ASSISTANCE**
- 6.2. NON-RECURRING CLOSING COSTS**
- 6.3. AFFORDABILITY PARAMETERS FOR HOMEBUYERS**
- 6.4. RATES AND TERMS FOR PROGRAM LOANS**
- 6.5. LOAN-TO-VALUE RATIO**

7.0. PROGRAM LOAN REPAYMENT

- 7.1. PAYMENTS ARE VOLUNTARY**
- 7.2. RECEIVING LOAN REPAYMENTS**
- 7.3. DUE UPON SALE OR TRANSFER**
- 7.4. LOAN SERVICING POLICIES AND PROCEDURES**
- 7.5. LOAN MONITORING PROCEDURES**

8.0. PROGRAM LOAN PROCESSING AND APPROVAL

- 8.1. COMPLETION OF UNDERWRITING AND APPROVAL OF PROGRAM LOAN**
- 8.2. PRIMARY AND PROGRAM LOAN DOCUMENT SIGNING**
- 8.3. ESCROW PROCEDURES**

9.0. SUBORDINATE FINANCING

10.0. EXCEPTIONS AND SPECIAL CIRCUMSTANCES

- 10.1. DEFINITION OF EXCEPTION**
- 10.2. PROCEDURES FOR EXCEPTIONAL CIRCUMSTANCES**

11.0. DISPUTE RESOLUTION AND APPEALS PROCEDURE

12.0. MINOR REHABILITATION COMPONENT FOR HOME-FUNDED FIRST-TIME HOMEBUYER PROGRAM

- 12.1. WORK WRITE-UP**

TABLE OF CONTENTS (CONTINUED)

- 12.2. CONTRACTING PROCEDURES**
- 12.3. LIST OF QUALIFIED CONTRACTORS**
- 12.4. CONTRACTOR SELECTION**
- 12.5. CONTRACTOR REQUIREMENTS**
- 12.6. CODE CORRECTION REPAIRS**
- 12.7. ENERGY CONSERVATION**
- 12.8. ASBESTOS REMOVAL**
- 12.9. FRONT LANDSCAPING**
- 12.10. ELIGIBLE GENERAL PROPERTY IMPROVEMENTS**
- 12.11. METHOD OF ESTIMATING AFTER-REHABILITATION VALUE**

ATTACHMENTS

- ATTACHMENT A: 24 CFR PART 5 ANNUAL INCOME INCLUSIONS AND EXCLUSIONS**
- ATTACHMENT B: ANNUAL INCOME NET FAMILY ASSET INCLUSIONS AND EXCLUSIONS**
- ATTACHMENT C: MAXIMUM PURCHASE PRICE/AFTER-REHAB VALUE LIMITS; HOME SUBSIDY
LIMITS PER UNIT; CURRENT INCOME LIMITS**
- ATTACHMENT D: LOAN SERVICING POLICIES AND PROCEDURES**
- ATTACHMENT E: SELLER'S LEAD-BASED PAINT DISCLOSURE**
- ATTACHMENT F: DISCLOSURE TO SELLER WITH VOLUNTARY, ARM'S LENGTH,
PURCHASE OFFER**
- ATTACHMENT G: INSTRUCTIONS TO HOMEBUYER**
- ATTACHMENT H: LEAD-BASED PAINT NOTICE OF PRESUMPTION AND HAZARD REDUCTION
FORM**
- ATTACHMENT I: HOMEBUYER PROGRAM LEAD COMPLIANCE DOCUMENT CHECKLIST**

COUNTY OF EL DORADO
HOMEBUYER PROGRAM GUIDELINES

1.0. GENERAL

The above-named entity, hereinafter referred to as the “County” has entered into a contractual relationship with the California Department of Housing and Community Development (“HCD”) to administer one or more HCD-funded homebuyer programs, including the Community Development Block Grant (CDBG) homebuyer program, HOME Investment Partnerships (HOME) homebuyer programs, and/or CalHOME homebuyer program. The homebuyer program described herein (the “Program”) is designed to provide assistance in the form of a Program Loan described below to eligible homebuyers purchasing homes, also referred to herein as “housing units”, located within the unincorporated areas of El Dorado County. The Program provides this assistance in the form of deferred payment “silent” second priority loans as “Gap” financing toward the purchase price and closing costs of affordable housing units that will be occupied by the borrower as their primary residence. The Program will be administered by El Dorado County Chief Administrative Office, Economic Development Division, Housing, Community and Economic Development (HCED) Programs, (the “Program Operator”).

1.1. 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 County will ensure that all persons, including those qualified individuals with handicaps, have access to the Program.

- A. The Fair Housing Lender logo 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. The First-Time Homebuyer Marketing Plan, attached as Exhibit A, provides further description on the outreach efforts that will be made to inform the community of the availability of 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.

- C. Section 504 of the Rehabilitation Act of 1973 prohibits the exclusion of an otherwise qualified individual, solely by reason of disability, from participation under any program receiving Federal funds. The Program Operator should take appropriate steps to ensure effective communication with disabled housing applicants, residents and members of the public.

1.2. APPLICATION PROCESS AND SELECTION

A. The Program Operator maintains a waiting list of potential 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. 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.

B. Once the applicant's name comes to the top of the waiting list, 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 along with the following forms: Program Brochure, Attachment G - Instructions to Home Buyer, List of Participating Lenders, Attachment E - Sellers Lead-Based Paint Disclosure and the EPA Booklet (Protect Your Family from Lead in Your Home) and Attachment F - Notice to Seller.

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 Program Operator 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.

- C. Each applicant must participate in individual Homebuyer Counseling or a Homebuyer Education Course approved by the Program Operator and presents a certificate of completion.
- D. 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 by the Program Operator. However, if it appears the potential homebuyer cannot participate in the Program, the reservation of funds expires and the next person on the waiting list is given an opportunity to participate in the Program.

1.3. THE HOME PURCHASE PROCESS

- A. The following is a simplified example of how a primary lender would analyze a

homebuyer's finances to determine how much the homebuyer could afford to borrow from the primary lender towards homeownership.

**DEBT SERVICE
FOR A FAMILY OF FOUR EARNING \$4,000 PER MONTH**

HOUSING PAYMENTS		TOTAL OVERALL PAYMENTS	
Principal & Interest Payment	\$ 859	\$1,197	Housing
Insurance	84	+300	Other Debt Service
Taxes	<u>254</u>	\$1,497	Total Debt Service
Total Housing Expense	\$1,197		

(Overall debt service per month of \$1,497 is 37% of \$4,000)
(Principal, Interest, Taxes and Insurance [PITI] is 30% of \$4,000)

OTHER HOUSEHOLD DEBT SERVICE

Car Payment	\$ 250
Credit Card Payment	<u>50</u>
Total Other Debt	\$ 300

An \$859 per month loan payment equates to borrowing \$160,000 at 5.0% for a 30 year term.

**PROGRAM LOAN CALCULATION
FOR A FAMILY OF FOUR EARNING \$4,000 PER MONTH**

Purchase Price of Property	\$ 280,000
Less Primary Loan amount	160,000
Less down payment of 2%	<u>5,600</u>
 Equals "GAP"	 \$ 114,400
 Plus estimated allowable settlement charges	 <u>6,600</u>
 Equals Maximum Program Loan*	 \$ 121,000

***100% Loan-to-Value**

B. The housing unit selection process will be conducted by the homebuyers. Prior to making an offer to purchase an eligible housing unit (see Section 3.0), homebuyer shall provide seller with a disclosure containing the following provisions:

- 1) Homebuyer has no power of eminent domain and, therefore, will not acquire the property if negotiations fail to result in an amicable agreement; and
- 2) Homebuyer's offer is an estimate of the fair market value of the housing unit, to be finally determined by a state licensed appraiser;

- 3) The housing unit will be subject to inspection. The housing unit must comply with local codes and local health and safety standards;
 - 4) All housing units built prior to January 1, 1978, will require a lead paint disclosure to be signed by both the homebuyer and Seller (Attachment E);
 - 5) Since the purchase would be voluntary, the seller would not be eligible for relocation payments or other relocation assistance;
 - 6) The seller understands that the housing unit must be either currently owner-occupied, purchased by a tenant currently occupying the unit, newly constructed, or vacant for three months prior to submission of the purchase offer.
 - 7) If the seller is not provided with a statement of the above six provisions prior to the purchase offer, the seller may withdraw from the agreement after this information is provided.
- C. Applicant submits executed standard form purchase and sale agreement and primary lender preapproval letter to Program Operator. The purchase and sale agreement will be contingent on the household and housing unit meeting Program eligibility requirements and receiving Program Loan approval. Program Operator verifies applicant eligibility, housing unit and loan eligibility and amount of Program Loan to be provided consistent with these guidelines.
- D. The Program Operator submits recommendation to the Loan Review Committee for approval or denial, including the reasons for the recommendation. Loan Review Committee determines, by majority vote, Applicant's approval or denial, and instructs Program Operator to notify Applicant. Program Operator provides written notification to Applicant of approval or denial with reason and, if denied, a copy of the Program Grievance Resolution Notice procedures. In the case of a denial, the applicant may re-apply after six months have elapsed from the time of written assistance denial.
- E. When Primary Lender and Program Loan requirements are met, Program Loan funds are deposited into escrow, with required closing instructions and loan documents.
- F. At the time of escrow closing, the County of El Dorado shall be named as an additional loss payee on fire, flood, if required, and extended coverage insurance for the length of the loan and in an amount sufficient to cover all encumbrances or full replacement cost of the housing unit. A policy of Title Insurance naming the County as insured is also required.

1.4. COSTS TO THE HOME BUYER

- 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 County. The Program's down payment requirement (below) applies 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 required by the Program.
- B. The homebuyer funds shall be used in the following order:

- 1) Down payment - Minimum Requirement: Two percent (2%) of the purchase price or \$2,500, whichever is greater.
 - 2) To the extent possible after satisfying 1), above, appraisal fee; cost of the purchase price, credit report; the loan origination fee; discount points; customary homebuyer closing costs; homebuyer's customary portion of the escrow fees; title insurance; and, the establishment of impound accounts for property taxes and insurance.
 - 3) After 1) and 2), above, are satisfied, any balance of homebuyer funds may be applied either to the purchase price or to reduce the interest rate of the Primary Loan as necessary.
- C. If the items in B.2) above cannot be satisfied with homebuyer funds, the County may provide additional Program Loan assistance to cover the remaining balance up to Program funding restrictions.
- D. County will not provide more than fifty percent (50%) of the acquisition cost (purchase price plus all closing costs).
- E. The Program Operator will determine the amount of the Program Loan and affordability during underwriting of the Program's loan to make sure that it conforms to the requirements of the HCD funding program. The Program will provide sufficient assistance as a Program Loan to reduce the first mortgage monthly payment for principal, interest, taxes and insurance (PITI) to an affordable level of household income, subject to program requirements. The Program Loan will write down the cost of the primary lender's loan so that the payments of PITI are within approximately 28% to 35% of the gross household income.

1.5. 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 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 participate in a County-approved homebuyer education class. The homebuyer education class will include, but is not limited to, such topics as: 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: online sessions, 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, and worksheets, etc.

1.6. CONFLICT OF INTEREST REQUIREMENTS

When the County's program contains Federal funds, the following shall be addressed in accordance with Title 24, Section 570.611 of the Code of Federal

Regulations, and Section 92.356 of the HOME Final Rule: No elected official, or department head, or person who exercise or have exercised any functions or responsibilities with respect to CDBG or HOME activities assisted under this part, or who are in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from a CDBG- or HOME-assisted activity, or have a financial interest in any contract, subcontract, or agreement with respect to a CDBG- or HOME-assisted activity, or with respect to the proceeds of the CDBG- or HOME-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter.

Grantee will verify and certify that a conflict of interest does not exist with the business or applicant.

Exceptions to this policy may be approved by the federal Department of Housing and Urban Development (HUD) made only after public disclosure and formal approval by the Board of Supervisors provided that the Grantee's legal counsel makes a written determination that potential conflicts are acceptable.

1.7. NON-DISCRIMINATION REQUIREMENTS

The Program will be implemented in ways consistent with the County'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.

2.0 APPLICANT QUALIFICATIONS

2.1. CURRENT INCOME LIMITS FOR THE AREA, BY HOUSEHOLD SIZE

All applicants must certify that they meet the annual household income eligibility requirements for the applicable HCD program(s) and have their annual household income documented. Income eligibility will be subject to the Income Calculation and Determination Guide for Federal Programs published by the California Department of Housing and Community Development (HCD). The income limits in place at the time of loan approval will apply when determining applicant income eligibility. All applicants must have incomes at or below 80% of the County's area median income (AMI), adjusted for household size, as published by HCD for the HOME and CDBG Programs. (Attachment C).

Household: Means one or more persons who will occupy a housing unit. Unborn children count in household size determination when the pregnancy can be verified by a health care professional.

Annual Household Income: Generally, the gross amount of income of all adult household members, 18 years and older, that is anticipated to be received during the coming 12-month period. Projected annual household income is determined based on HCD income

qualification criteria outlined below.

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 will be followed to independently determine and certify the household's annual gross income. Income criteria can be found at <http://www.hcd.ca.gov/fa/cdbg/GuideFedPrograms.html>. The Program Operator will compare this annual gross income to the income the Primary Lender used when qualifying the household. The Primary Lender is usually underwriting to FHA or conventional guidelines and may not calculate the household income or assets in the same way as required by the Program. Income will be verified by reviewing and documenting tax returns, copies of wage receipts, subsidy checks, bank statements and third party verification of employment forms sent to employers. All documentation shall be dated within six months prior to loan closing and kept in the applicant file and held in strict confidence.

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 in Attachment A 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 or 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.

The link to Annual Income Inclusions and Exclusions is:

http://www.hcd.ca.gov/fa/cdbg/FedProgGuideDocs/AppendixB_AnnualIncomeInclusionsExclusions.doc

See Attachment A: 24 CFR Part 5 Annual Income Inclusions and Exclusions

B. ASSETS

There is no asset limitation for participation in the Program. Income from assets is, however, recognized as part of annual income under the Part 5 definition. An asset is a cash or non-cash item that can be converted to cash. The value of necessary items such as furniture and automobiles are not included. *(Note: it is the income earned – e.g. interest on a savings account – not the asset value, which is counted in annual income.)*

The cash value (rather than the market value) of an item is counted as an asset for determining income. An asset's cash value is the market value less reasonable expenses required to convert the asset to cash, including, for example, penalties or fees for converting financial holdings and costs for selling real property.

The Link to Asset Inclusions and Exclusions is:

http://www.hcd.ca.gov/fa/cdbg/FedProgGuideDocs/AppendixC_AnnualIncomeAssetInclusionsExclusions.doc

See Attachment B: Part 5 Annual Income Net Family Asset Inclusions and Exclusions

NOTE: Non-occupant co-signers will not be required to submit income and asset documentation. Co-signers income will not be included in the household income determination. Co-signers are acceptable as long as their names do not appear on the Grant Deed or Deed of Trust.

2.3. DEFINITION OF AN ELIGIBLE HOMEBUYER

For CDBG, an eligible homebuyer means an individual or individuals or an individual and his or her spouse who meets the income eligibility requirements and is/are not currently on title to real property. Persons may be on title of a manufactured home unit, who are planning to sell the unit as part of buying a home located on real property. Documentation of homebuyer status will be required for all homebuyers. CDBG-funded programs may assist eligible homebuyers who are not “first-time” homebuyers. HOME and CalHome-funded Programs are required to use the following definition of an eligible homebuyer, which is a “first-time homebuyer” from 8201(l) Title 25 California Code of Regulations:

“First-time homebuyer” means an individual or individuals or an individual and his or her spouse who have not owned a home during the three-year period before the purchase of a home with subsidy (“Program Loan”) 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 a Program Loan, 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.

3.0. HOUSING UNIT ELIGIBILITY

3.1. LOCATION AND CHARACTERISTICS

- A. Housing units to be purchased must be located within the eligible area. The eligible area is described as follows: “Within the unincorporated areas of El Dorado County.”
- B. Housing unit types eligible for the homebuyer Program are new or previously owned single-family residences, condominiums, or manufactured homes on a single-family lot and placed on a permanent foundation system.
- C. All housing units must be in compliance with State and local codes and ordinances.
- D. Units located within a 100 year flood zone will be required to provide proof of flood insurance with an endorsement naming the County of El Dorado as loss payee in order to close escrow.
- E. Housing must be “modest”, so it may not exceed three bedrooms and two bathrooms 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 Loan Review Committee approves the exception request.

3.2. CONDITIONS

- A. Construction Inspection and Determining Need for Repairs.

Once the participating homebuyer has executed a purchase agreement for a housing unit and prior to a commitment of Program Loan funds, the following steps must be taken for the housing unit to be eligible for purchase under the Program:

- 1) The County’s inspector will walk through the housing unit, determine if it is structurally sound, and identify any code related and health and safety deficiencies that need to be corrected. A list of code related repair items will be given to the homebuyers and their Realtor to be negotiated with the seller. If there are one or more health and safety deficiencies, and/or violations of applicable building codes noted in the written report, the County will approve the Program Loan only if:
 - a. Repair prior to close of escrow. The homebuyer and seller agree to make necessary repairs to the dwelling unit prior to transfer of property ownership at their own expense; or
 - b. HOME acquisition and rehabilitation loan. If HOME funds are available, the buyer may use up to \$10,000 of the County’s First-Time Homebuyer loan to make necessary eligible repairs. All health and safety hazards and code violations must be addressed under this option. The minor rehabilitation component of HOME funded First Time Homebuyer loans is outlined in Section 12.0.

- 2) When the County's Program utilizes Federal funds (HOME and CDBG) and if the housing unit was constructed prior to 1978, then the lead-based paint requirements of Section 3.2.C. will apply.
- 3) A clear pest inspection report will be required for each housing unit. Smoke detectors will be installed by the seller if there are none in place. The Program Operator will encourage each homebuyer to secure a homeowner's warranty policy as part of the purchase of a resale housing unit.
- 4) With the exception of allowable repairs and rehabilitation with HOME Program Loan funds described in 1)b. above, upon completion of all work required by the Program Operator, the County, an appraiser, a pest inspector and/or certified housing inspector, a final inspection will be conducted prior to close of escrow. The inspector will sign off on all required construction work assuring that each housing unit purchased with a Program Loan is in compliance with local codes and health and safety requirements at the time of purchase and prior to occupancy.

- B. Per Section 8208 of the State HOME regulations, no additional HOME assistance, including rehabilitation funds, may be provided to the homebuyer during the period starting one year following the filing of the Project Completion Report through the end of the Affordability Period.

The HOME Affordability Period is as follows (amount does not include Activity Delivery Costs paid to the State Recipient [County] by HCD):

Amount of HOME Assistance	Period of Affordability in Years
Under \$15,000	5 years
\$15,000 to \$40,000	10 years
Over \$40,000	15 years

- C. Lead-Based Paint Hazards: All housing units built prior to 1978 for which HOME or CDBG funding is anticipated are subject to the requirements of this section 3.2.C. Such homes must undergo a visual assessment by a person who has taken HUD's online Visual Assessment course, prior to loan approval. Deteriorated paint must be stabilized using work safe methods. Clearance must be obtained after paint stabilization by a State of California Department of Health Services (DHS) certified LBP Risk Assessor/Inspector. HOME and CDBG general administrative and activity delivery funds, if available, may be used to pay for lead-based paint visual assessments, and if lead mitigation and clearance costs are incurred, these programs may incorporate the costs into the calculation of Program Loan assistance, if eligible.

Any work related to lead abatement may be in the form of a grant and may be provided in addition to the maximum loan amount allowed under the funding program. Grants of up to \$5,000 may be provided for the cost of lead hazard evaluation and reduction activities. Eligible costs under the grant are limited to the additional cost of paint stabilization above the cost of any normal paint repairs. Grants will only be available

when funding is available and when proposed paint stabilization measures do not add value to the home.

The following requirements must be met:

- 1) **Notification:** a) Prior to homebuyer's obligation to purchase a pre-1978 home, the Buyer will be given the most recent copy of and asked to read the EPA pamphlet "*Protect Your Family From Lead in Your Home*" (EPA 747-K-94-001). A signed receipt of the pamphlet will be kept in the County's homebuyer file; b) A notice to the homebuyer is required following a risk assessment/inspection using form DHS 8552, which is provided by the DHS-certified Risk Assessor/Inspector; c) a notice to the homebuyer is required following lead-based paint mitigation work using Visual Assessment and Lead-based Paint Notice of Presumption and Hazard Reduction form, LBP – 1 (Attachment I).
 - 2) **Disclosure:** Prior to the homebuyer's obligation to purchase a pre-1978 housing unit, the HUD disclosure (Attachment E), "Seller's Lead-based Paint Disclosure" notice must be provided by the seller to the homebuyer.
 - 3) **Inspections:** The Inspector, or staff who have taken HUD's online Visual Assessment course, shall conduct a "Visual Assessment" prior to loan approval of all the dwelling unit's painted surfaces in order to identify deteriorated paint. All deteriorated paint will be stabilized by the seller in accordance with CFR 35.1330 (a) and (b); and a Clearance shall be made in accordance with CFR 35.1340.
 - 4) **Mitigation:** If stabilization is required, the contractor performing the mitigation work must use appropriately trained workers. Prior to the contractor starting mitigation work the Program Operator shall obtain copies of the contractor's and workers' appropriate proof of LBP training, as applicable to the job in order to assure that only qualified contractors and workers are allowed to perform the mitigation.
- D. The Program Operator will: 1) confirm that the housing unit is within the unincorporated area of the county, 2) will review each proposed housing unit to ensure that it meets all eligibility criteria before funding, and 3) ensure a completed Homebuyer Lead Compliance Document Checklist is placed in each purchaser's file (Attachment I).

3.3. ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE

Eligible homes will be those that are currently owner-occupied, newly constructed, have been vacant for three months prior to the acceptance of a contract to purchase, or are being purchased by the tenant currently occupying the unit. A unit is ineligible if its purchase would result in the displacement of a tenant. It is not anticipated that the implementation of the Program will result in the displacement of any persons, households, or families. However, if tenant occupied homes are included in the Program and relocation becomes necessary, the activity will be carried out in compliance with County's relocation plan which describes how those permanently displaced will be relocated and paid benefits in accordance with the following Federal laws.

A. Uniform Relocation Assistance (URA) and Real Property Acquisition Policies Act of 1970

The federal URA and Real Property Acquisition Policies, as amended by the URA Amendments of 1987, contains requirements for carrying out real property acquisition or the displacement of a person, regardless of income status, for a project or program for which HUD financial assistance (including CDBG and HOME) is provided. Requirements governing real property acquisition are described in Chapter VIII. The implementing regulations, 49 CFR Part 24, require developers and owners to take certain steps in regard to tenants of housing to be acquired, rehabbed or demolished, including tenants who will not be relocated even temporarily.

B. Section 104(d) of the Housing and Community Development Act of 1974

Section 104(d) requires each contractor (CHDO or State Recipient), as a condition of receiving assistance under HOME or CDBG, to certify that it is following a residential anti-displacement plan and relocation assistance plan. Section 104(d) also requires relocation benefits to be provided to low-income persons who are physically displaced or economically displaced as the result of a HOME or CDBG assisted project, and requires the replacement of low-income housing, which is demolished or converted. The implementing regulations for Section 104(d) can be found in 24 CFR Part 570(a).

3.4. PROPER NOTIFICATION AND DISCLOSURES

- A. Upon selection of a housing unit, a qualified seller and homebuyer shall be given the necessary disclosures for the Program. The homebuyer must have read and signed all Program disclosure forms. Any and all property disclosures must be reviewed and signed by the homebuyer and seller.
- B. All owners who wish to sell their housing units must receive an acquisition notice (Attachment G) prior to submission of the homebuyer's original offer. This notice will be included in the contract and must be signed by all owners on title. The disclosure must contain the items listed in 1.3.B. (required for federally funded programs).

4.0. PURCHASE PRICE LIMITS

The purchase price limits for a single-family home shall not exceed the Maximum HOME Program Purchase Price/After-Rehab Value Limit for El Dorado County as updated by HCD or HUD, (Attachment C), or maximum Loan-to-Value limit for solely CDBG-funded programs.

Note: For HOME- and CalHome-funded Programs the home purchase price of owner-occupied and homebuyer properties must be limited as follows: For CalHome-funded Programs, the purchase price cannot exceed 100% of the area median purchase price as established by comparable sales or information provided by the California Real Estate

Association; for HOME-funded Programs the value (with or without rehabilitation) cannot exceed 95 percent of the area median purchase price as established by HCD and HUD.

Attachment C: HOME Maximum Purchase Price/After Rehab Value Limits. The County will update these limits annually as HCD provides new information.

5.0. THE PRIMARY LOAN

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

5.1. QUALIFYING RATIOS

The front-end (housing) debt-to-income ratio shall be between 28% and 35% and is the percentage of a borrower’s gross monthly income (before deductions) that would cover the cost of loan principal and interest payment, property taxes, property insurance (collectively “PITI”), mortgage insurance, and Homeowner Association dues, if any.

The back-end (total) debt-to-income ratio shall be between 36% and 48% and is the percentage of a borrower’s gross monthly income that would cover the cost of housing expenses 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.

The County will allow the front-end and back-end qualifying ratios to be somewhat flexible depending on the loan-to-value ratios. The higher the LTV, the more conservative the ratios should be. A qualifying ratio higher than the guidelines may be acceptable if there are compensating factors. Some examples of compensating factors are: 1) the prospective homebuyer has successfully demonstrated that over a minimum 12-month period the ability to pay housing costs equal to or greater than the proposed monthly housing costs for the home to be purchased; 2) the prospective homebuyer is a limited user of credit and they show a history of being able to save money; 3) there will be no more than a 5% increase in the prospective homebuyer’s housing expense.

5.2. INTEREST RATE

The Primary Loan must 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.

5.3. LOAN TERM

The Primary Loan shall be fully amortized and have a term “all due and payable” in no fewer than 30 years. There shall not be a balloon payment due before the maturity date of the Program Loan.

5.4. IMPOUND ACCOUNT

All households will be required to have an impound account set up with their Primary Loan

wherein they pay for taxes and insurance as part of their monthly mortgage payment.

6.0. THE PROGRAM LOAN

6.1. MAXIMUM AMOUNT OF PROGRAM LOAN

The amount of the Program Loan to a borrower toward purchase of a home shall be subject to the following funding limitations:

1. HOME Funded Programs. Maximum amount of the HOME Program Loan is \$80,000 or the maximum HOME Program Loan limit if less than \$80,000 for El Dorado County per bedroom (Attachment C) and shall never exceed more than 49% of the total indebtedness. Any approved “grant” amount for lead-based paint evaluation and reduction activities or for relocation assistance shall not be included in this amount. Under a HOME funded program, up to \$10,000 of the Program Loan may be used for eligible rehabilitation.
2. CDBG Funded Programs. Maximum amount of the CDBG Program Loan is limited to 100% Loan-to-Value, up to \$150,000, and shall never exceed the amount of the Primary Loan and shall never exceed more than 49% of the total indebtedness. Any approved “grant” amount for lead-based paint evaluation and reduction activities or for relocation assistance shall not be included in this amount.

6.2. NON-RECURRING CLOSING COSTS

Non-recurring costs such as credit report, escrow, closing and recording fees, and title report and title insurance, title updates and/or related costs may be included in the Program Loan.

6.3. AFFORDABILITY PARAMETERS FOR HOMEBUYERS

The actual amount of a Program Loan shall be computed according to the housing ratio parameters specified in Section 5.1. Each borrower shall receive only the Program Loan amount needed (“the Gap”) to allow them to become homeowners while keeping their housing costs affordable. The Program Operator will use the “front-end ratio” of housing-expense-to-income to determine if the amount of the proposed Primary Loan is acceptable and, ultimately, the Program Loan amount required, bridging the gap between the acquisition cost (purchase price plus closing costs) less down payment, and the amount of the Primary Loan.

6.4. RATE AND TERMS FOR PROGRAM LOAN

All Program Loans to individual households shall be made in the form of a deferred payment (interest and principal) loan (DPL).

The Program Loan term shall be for 30 years.

The Program Loan interest rate shall be 3% simple. The accrued interest on the Program Loan will, starting at year twenty-one of the loan term, be decreased by 10% per year until all interest is fully forgiven at year 30 and only the principle balance remains as due and payable. This will encourage homebuyers to use the unit as their primary residence for as long as possible.

All Program Loan payments shall be deferred because the borrowers will have their repayment ability fully utilized under the Primary Loan. Program Loan principal shall not be forgiven, and the Program Loan term cannot be extended.

6.5. LOAN-TO-VALUE RATIO

The loan-to-value ratio for a CDBG-funded Program Loan, when combined with all other indebtedness to be secured by the property shall not exceed 100% of the appraised property value.

The loan-to-value ratio for a HOME-funded Program Loan, when combined with all other indebtedness to be secured by the property shall not exceed 100% of the appraised property value plus a maximum of up to 5% of the sales price to cover eligible closing costs.

7.0. PROGRAM LOAN REPAYMENT

7.1. LOAN SERVICING POLICIES AND PROCEDURES

See Attachment D for the Program Loan servicing policies and procedures. While the attached policy outlines a system that can accommodate a crisis that restricts a borrower's 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.

7.2. PROGRAM LOAN PAYMENTS ARE VOLUNTARY

Borrowers may begin making voluntary Program Loan payments at any time. Each payment shall be applied first to interest then due and the remainder on principal.

7.3. RECEIVING LOAN PAYMENTS

A. Program Loan payments will be made to:

County of El Dorado
Chief Administrative Office/HCED Programs
330 Fair Lane, Bldg. A
Placerville, CA 95667

B. The County will be the receiver of loan payments or recaptured Loan funds (such as proceeds from a sale or foreclosure) 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 County's Program Income Account, as required by HCD programs. The County will accept loan payments from borrowers

prepaying deferred loans, and from borrowers making payments in full upon sale, refinance or transfer of the property. All loan payments are payable to the County of El Dorado. The County 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.

7.4. DUE UPON CONVERSION, SALE OR TRANSFER

If a borrower wants to convert the property to a rental unit, or any commercial or non-residential use, the Program Loan is due and payable.

In the event that an owner sells, transfers title, or discontinues primary residence in the purchased property for any reason, the principal balance and interest of the Program Loan is due and payable.

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 County, to assume the Program Loan at the rate and terms the heir qualifies for under the current participation and funding guidelines. If the property owner dies and the heir does not meet eligibility requirements, the Program Loan is due and payable.

The Program Loan will be in default if the borrower fails to maintain required fire or flood insurance or fails to pay property taxes. See Attachment D on loan defaults for further information on property restrictions.

7.5. LOAN MONITORING PROCEDURES

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

- A. Owner-occupancy
- B. Property tax payment
- C. Hazard insurance coverage
- D. Good standing on Primary Loan
- E. General upkeep of housing units

8.0. PROGRAM LOAN PROCESSING AND APPROVAL

- A. Loan Processing

The Program Operator maintains a waiting list of potential applicants. Once selected, homebuyers or their representatives will be sent an application packet with all the necessary forms, disclosures, information, and Program Loan application. They should submit a complete application packet with all the County's Program Loan documents executed as well as Primary Loan verification from the Primary Lender. Staff will work with lenders to ensure qualified borrowers receive only the benefit from the County's Program needed to purchase the housing unit and that leveraged funds will be used when possible.

B. Creditworthiness

Qualifying ratios are used as a guide in determining a potential borrower's creditworthiness. Many factors such as excellent or poor credit history, amount of down payment, and size of loan will influence the decision of the Loan Review Committee to approve or disapprove a particular loan. The borrower's credit history will be reviewed by the County and documentation of such maintained in the loan file. The County may elect to obtain a credit report or rely on a current copy obtained by the primary lender.

C. Documents from Primary Lender

After initial review of the qualified homebuyer's application packet, the Program Operator will request any additional documents needed for underwriting. Documents may be faxed or electronically transmitted but originals shall be received through the mail before determining Program eligibility. Based on receipt and review of the final documents, the Program Operator will do an income certification (using most recent HCD program's guidance on income calculation and determination), and homebuyer certification (review of credit report and income taxes). Documentation of affordability will then be verified and Program Loan requirement determined.

If determined to be eligible, the qualified homebuyer will be issued a Reservation of Funds letter. The letter determines the amount of Program funds to be reserved for a period not to exceed ninety (90) days for the purchase of a home. A reservation of funds is not a guarantee of a Program Loan. Final loan qualification and amount is determined after receipt of an executed sales contract and Primary Loan documentation.

Prior to Program Loan approval, the Primary Lender must 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; and 5) signed underwriting transmittal summary and final signed loan application.

D. Disclosure of Program and 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 Loan assistance. Housing ratios with and without Program Loan 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 housing 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 potential borrower and substantiate the affordability provided by the Program Loan. By reviewing and crosschecking all the Primary Lender information, the Program Operator will verify that the final Program Loan amount approved by the Loan Review Committee will fall within the affordability parameters of the Program.

8.1. COMPLETION OF UNDERWRITING AND APPROVAL OF PROGRAM LOAN

Once the loan approval package has been completed the Program Operator will submit it to the Loan Review Committee for approval. The Loan Review Committee 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.

8.2. PRIMARY AND PROGRAM LOAN DOCUMENT SIGNING

The homebuyer(s) sign promissory notes, loan agreements, deeds of trust, and statutory lending notices (Truth In Lending, etc.); the Deeds of Trust are recorded with the County Clerk/Recorder at the same time, and the Request for Notice of Default is also recorded with the County Clerk/Recorder. The primary lender's loan documents and Program Loan documents must be recorded concurrently.

8.3. 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).

9.0. SUBORDINATE FINANCING

Subordinate loans may be used to cover mortgage loan 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.

10.0. EXCEPTIONS AND SPECIAL CIRCUMSTANCES

The County may make amendments to these Participation Guidelines. Any changes shall be made in accordance with regulations and approved by the County Board of Supervisors. Changes shall then be sent to HCD for approval.

10.1. DEFINITION OF EXCEPTION

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

10.2. PROCEDURES FOR EXCEPTIONAL CIRCUMSTANCES

- A. The Program Operator or its agent may initiate consideration of an exception and prepare a report to the Program Manager. This report shall contain a narrative, including the recommended course of action and any written or verbal information supplied by the applicant.
- B. The Program Manager shall make a determination of the exception based on the recommendation of the Program Operator. The request may be presented to the Loan Review Committee and/or the County Board of Supervisors for a decision.

11.0. DISPUTE RESOLUTION AND APPEALS PROCEDURE

Any applicant denied assistance from the Program has the right to appeal. An appeal should include a statement explaining the reason for appeal. The appeal must be made in writing and submitted to the County within 10 days of the denial notice. The appeal must be submitted to:

El Dorado County
CAO/HCED Programs
330 Fair Lane, Building A
Placerville, CA 95667

The County has 30 days to review the appeal, seek recommendations from the Loan Review Committee or County Counsel, and respond in writing to the applicant. This procedure is outlined in the Program Grievance Resolution Notification included with each Program application.

12.0. ACQUISITION WITH REHABILITATION PROCESS

MINOR REHABILITATION COMPONENT FOR HOME-FUNDED FIRST-TIME HOMEBUYER LOAN PROGRAM

As noted in Section 3.2 (1.b), when HOME funding is available for First Time Homebuyer Program Loan assistance, up to \$10,000 of the loan amount may be used to bring the unit into compliance with health and safety standards and/or to correct code violations. If such repairs are required, then a portion of this money may be used to make accessibility modifications for a household member with a disability as described in the section above. Eligible general property improvements are limited (see Section 12.10). Eligibility for weatherization repairs will be determined on a case-by-case basis. Weatherization repairs

may include replacement of single-pane windows, caulking around window-panes, weather-stripping of doors, and minor installation of insulation in ceiling and exterior walls.

No later than six (6) months following close of escrow, repairs to the housing unit must address ALL health and safety and code issues to be in compliance with HOME regulations; otherwise, the loan becomes due and payable.

If a portion of the HOME Program Loan is used for acquisition with rehabilitation, the following process will be followed:

- Any funds used for rehabilitation on homes built prior to 1978 will require an assessment for lead-based paint. Lead hazard reduction activities must be conducted using safe work practices. The County may provide a grant to cover expenses incurred as a result of lead based paint as noted in section 3.2 c, entitled *Lead-Based Paint Hazards*.

12.1 Work Write-Up

The housing inspector shall develop a work write-up. The work write-up shall incorporate the findings of the inspection. From this work write-up, an in-house cost estimate will be generated with a 10% contingency for items that may be unforeseen. If the nature of the repairs is such that a 10% contingency is not used, the housing inspector shall provide a written explanation of the difference. The in-house estimate is developed utilizing a combination of two different sources: 1) an in-house data base of historic information for the Program of recent jobs and bids and 2) the "Guide to Construction Costs" (2012 edition). The in-house estimate shall serve as the basis for determining if the bids received are cost reasonable. The work write-up shall be sufficient to serve as construction and bidding documents. The work write-up must be accepted by the borrower(s) before bid solicitation. The work write-up and in-house estimate shall be reviewed by the Program Manager as part of the evaluation for Program Loan assistance under the Minor Rehabilitation Component of the Program.

12.2 Contracting Procedures

The Program Operator will provide the County's Housing Rehabilitation Program list of licensed and insured general contractors. The borrower may select a contractor from this list or may select a contractor of their own. Selected contractors who are not on the list provided by the Housing Rehabilitation Program will be verified to ensure they meet the requirements of the Program.

12.3 List of Qualified Contractors

Program Operator solicits licensed, certified building and general contractors to be on the list of interested contractors who meet the Housing Rehabilitation Program eligibility requirements. Minority and female contractors are encouraged to apply to participate in the Program. A contractor not already on the list may be added to it at any time. Contractors must hold a current and valid State of California General Contractor's license if the work consists of correction of health and safety issues or code violations. The general requirements for inclusion on the list are:

- Possession of a valid Class B license (or specialty license for relevant jobs) issued by the State of California and evidence of the relevant bond;
- Proof of public liability and property damage insurance;
- Proof of workers compensation insurance, or a statement that the contractor has no employees;
- Proof of license to do business in the County of El Dorado, or a statement of intent to acquire one upon award of contract, if applicable;
- Three recent references of satisfied customers in the area of remodeling or rehabilitation;
- Three recent references of material suppliers in the area; one company bank reference;
- Verification that the contractor is not on the Federal Debarred Contractors List (this shall be re-verified prior to awarding a contract to the contractor).
- Reference and credit checks may be obtained on contractors who participate in the program.

12.4 Contractor Selection

Upon borrower's acceptance of the scope of work write-up and any related bid documents, the borrower will be responsible for obtaining three (3) bids from qualified licensed contractors. . The borrower will review the bids with the Program Operator to ensure that the scope of work will correct identified deficiencies identified in the housing inspection, that it only includes allowable expenses and that the bids are reasonable, competitive and complete.

12.5 Contractor Requirements

In addition to the general requirements specified under section 12.3 above, the contractor is required to comply with the following:

1. The contractor will be responsible for securing all required permits for the scope of work.
2. Work may not commence until the close of the acquisition loan and contractor receives a notice to proceed from the Program Operator.
3. Prior to issuance of a notice to proceed, the contractor will submit a list of any and all proposed subcontractors to the Program Operator for verification by the Program Operator that the subcontractors are not on the list of federal debarred contractors list. The contractor will not use any subcontractor appearing on the debarred contractors list.
4. The contractor will guarantee the work performed under the contract for a minimum period of one year from the date of the final inspection.
5. The contractor will furnish the borrower(s) with all manufacturers' and suppliers' written guarantees and warranties for equipment furnished under the contract.
6. The contractor will permit the Program Operator the right to examine and inspect the work at all times during the course of the contract. As work progresses, the contractor shall provide the borrower with a completed Payment and Construction Approval form

provided by the County to request progress payments as outlined in the contract terms. The form must be signed by the contractor, the borrower, the inspector, and the Program Operator before a payment may be issued to the contractor.

7. The contractor will not assign the contract without prior written consent from the Program Operator and the borrower.
8. The contractor will furnish the Program Operator with satisfactory proof of payment from the subcontractors, laborers, and material suppliers.
9. The contractor will not discriminate against any employee or applicant for employment because of race, creed, color, national origin, or sex. The contractor will take affirmative action to ensure that minority applicants are employed and that employees are treated without regard to race, creed, color, national origin, or sex during employment.
10. The contractor will acknowledge the work performed under the contract is financed with funding from HOME and is subject to the requirements of Section 3 for the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u. Section 3 requires to the greatest extent feasible, opportunities for training and employment be given to lower income residents of El Dorado County. It also requires contracts for work in connection with the project are awarded, whenever feasible, to businesses which are located in or owned in substantial part by persons residing in the county.
11. The contractor will acknowledge it is a criminal offense, under the Copeland (Anti-Kickback) Act (40 USC 276c), to induce anyone employed on a project under the Program to relinquish any compensation to which he/she is entitled.
12. The contractor will comply with the Fair Labor Standards Act of 1938, as amended (29 USC 201, et. seq.), which establishes the basic minimum wage for all work, requires the payment of overtime at the rate of at least time and one-half, requires the payment of wages for the entire time that an employee is required or permitted to work, and establishes child labor standards.
13. Final payment of a 10% retention will be released to contractor once the contractor submits the following to the Program Operator: (1) lien releases from any subcontractors, material suppliers, and laborers; (2) final or signed off Building Inspection card for contracted work (if applicable); and (3) Notice of Completion.

12.6 Eligible Repairs

Every loan for minor rehabilitation made in the HOME-funded First Time Homebuyer Program shall be used to finance housing rehabilitation so that the property, at a minimum, meets Housing Quality health and safety Standards. No HOME-funded First Time Homebuyer Program Loan will be approved which would permit a dwelling unit after rehabilitation to be out of compliance with health and safety standards.

Examples of allowable expenses include, but are not limited to: foundation repair, electrical repair or rewiring, plumbing or sewer repair, roof repair or replacement, heating system installation or repair, and repair of structurally-significant damaged wood.

General property improvements are eligible on a limited basis as described in section 12.10 or if required to bring the dwelling unit into compliance with local health and safety

standards or applicable building codes. For example, sidewalk repair would not be an eligible use of funds. However, if a sidewalk must be removed to correct a sewer problem, funds may be used to replace the portion of the sidewalk removed for the work.

Incipient repair items are also eligible under the HOME-funded Minor Rehabilitation Component of the First Time Homebuyer loan. Incipient means that the fixture or system is functional now, but is likely to fail in a few years. Removable household appliances are eligible if the file contains documentation that the item needs to be replaced because of incipient failure and the replacement item will be of moderate quality only. All work performed must comply with the Program's Housing Rehabilitation Standards.

12.7 Energy Conservation

In addition to repairs required because of code violations or health and safety issues, the borrower may request that loan proceeds be used to upgrade the property to meet energy conservation standards.

12.8 Asbestos Removal

Removal of materials containing asbestos will be included in the property rehabilitation.

12.9 Front Landscaping

Replacement and/or improvements to landscaping are eligible under the Minor Rehabilitation Component of the HOME-funded First Time Homebuyer Program. Front landscaping eligible under the Minor Rehabilitation Component of the Program shall not exceed \$2,500 of the rehabilitation portion of the Program Loan.

12.10 Eligible General Property Improvements

In addition to the above, a Program Loan made under the Minor Rehabilitation Component of the Program may be used to finance limited general property improvements. Eligible general property improvements include those items which are in an adequate state of repair that the borrower desires to change/upgrade; or features or fixtures that are being added to improve the structure.

General property improvements shall not exceed 20% of the rehabilitation portion of the Program Loan unless repairs are required to bring the dwelling unit into compliance with local health and safety standards or applicable building codes. For example, sidewalk repair would not be an eligible use of funds. However, if a sidewalk must be removed to correct a sewer problem, funds may be used to replace the portion of the sidewalk removed for the work.

All improvements required to correct code violations and minimum program requirements must be completed prior to general improvements.

Luxury items (such as hot tubs) are not eligible.

12.11 Method of Estimating After-Rehabilitation Value

Because of the minor nature of the Rehabilitation Component, the repairs made under the program will not have a significant impact on the home's value. Therefore, the value of the home as determined by the outside appraisal obtained for the acquisition component of the program will be used as the after-rehabilitation value of the property.

ATTACHMENT A

24 CFR Part 5 ANNUAL INCOME INCLUSIONS AND EXCLUSIONS

Part 5 Inclusions

This table presents the Part 5 income inclusions as stated in the HUD Technical Guide for Determining Income and Allowances for HOME Program (Third Edition; January 2005).

General Category	(Last Modified: January 2005)
1. Income from wages, salaries, tips, etc.	The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
2. Business Income	The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
3. Interest & Dividend Income	Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in number 2 (above). Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.
4. Retirement & Insurance Income	The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic payment (except for certain exclusions, listed in Income Exclusions, number 14).
5. Unemployment & Disability Income	Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (except for certain exclusions, listed in Income Exclusions, number 3).
6. Welfare Assistance	Welfare Assistance. Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income: <ul style="list-style-type: none"> Qualify as assistance under the TANF program definition at 45 CFR 260.31; and Are otherwise excluded from the calculation of annual income per 24 CFR 5.609(c). If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of: <ul style="list-style-type: none"> the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus: the maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family welfare assistance is reduced from the standard of need by applying a percentage, the amount calculated under 24 CFR 5.609 shall be the amount resulting from one application of the percentage.
7. Alimony, Child Support, & Gift Income	Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.
8. Armed Forces Income	All regular pay, special pay, and allowances of a member of the Armed Forces (except as provided in number 8 of Income Exclusions).

Part 5 exclusions

This table presents the Part 5 income exclusions as stated in the HUD Technical Guide for Determining Income and Allowances for HOME Program (Third Edition; January 2005).

General Category	(Last Modified: January 2005)
1. Income of Children	Income from employment of children (including foster children) under the age of 18 years.
2. Foster Care Payments	Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone).
3. Inheritance and Insurance Income	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 (except for certain exclusions, listed in Income Inclusions, number 5).
4. Medical Expense Reimbursements	Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.
5. Income of Live-in	Income of a live-in aide (as defined in 24 CFR 5.403).

Aides	
6. Income from a Disabled Member	Certain increase in income of a disabled member of qualified families residing in HOME-assisted housing or receiving HOME tenant-based rental assistance (24 CFR 5.671 (a)).
7. Student Financial Aid	The full amount of student financial assistance paid directly to the student or to the educational institution.
8. "Hostile Fire" Pay	The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
9. Self-Sufficiency Program Income	<ul style="list-style-type: none"> a. Amounts received under training programs funded by HUD. b. Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS). c. Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program. d. Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time. e. Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment-training program.
10. Gifts	Temporary, nonrecurring, or sporadic income (including gifts).
11. Reparation Payments	Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.
12. Income from Full-time Students	Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household or spouse).
13. Adoption Assistance Payments	Adoption assistance payments in excess of \$480 per adopted child.
14. Social Security & SSI Income	Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts.
15. Property Tax Refunds	Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit.
16. Home Care Assistance	Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep this developmentally disabled family member at home.
17. Other Federal Exclusions	<p>Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Register and distributed to housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary. The following is a list of income sources that qualify for that exclusion:</p> <ul style="list-style-type: none"> ▶ The value of the allotment provided to an eligible household under the Food Stamp Act of 1977; ▶ Payments to volunteers under the Domestic Volunteer Service Act of 1973 (employment through AmeriCorps, VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions); ▶ Payments received under the Alaskan Native Claims Settlement Act; ▶ Income derived from the disposition of funds to the Grand River Band of Ottawa Indians; ▶ Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes; ▶ Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program. ▶ Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721); ▶ The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the U.S. Claims Court and the interests of individual Indians in trust or restricted lands, including the first \$2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands; ▶ Amounts of scholarships funded under Title IV of the Higher Education Act of 1965, including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs; ▶ Payments received from programs funded under Title V of the Older Americans Act of 1985 (Green Thumb, Senior Aides, Older American Community Service Employment Program); ▶ Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other

	<p>fund established pursuant to the settlement in the <u>In Re Agent Orange</u> product liability litigation, M.D.L. No. 381 (E.D.N.Y.);</p> <ul style="list-style-type: none"> ▶ Earned income tax credit refund payments received on or after January 1, 1991, including advanced earned income credit payments; ▶ The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990; ▶ Payments received under programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, state job training programs and career intern programs, AmeriCorps). ▶ Payments by the Indians Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation; ▶ Allowances, earnings, and payments to AmeriCorps participants under the National and Community Services Act of 1990; ▶ Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran; ▶ Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act; and ▶ Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998.
--	---

ATTACHMENT B

PART 5 ANNUAL INCOME NET FAMILY ASSET INCLUSIONS AND EXCLUSIONS

This table presents the Part 5 asset inclusions and exclusions as stated in the HUD Technical Guide for Determining Income and Allowances for HOME Program (Third Edition; January 2005).

Statements from 24 CFR Part 5 – Last Modified: January 2005

Inclusions

1. Cash held in savings accounts, checking accounts, safe deposit boxes, homes, etc. For savings accounts, use the current balance. For checking accounts, use the average 6-month balance. Assets held in foreign countries are considered assets.
2. Cash value of revocable trusts available to the applicant.
3. Equity in rental property or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and all reasonable costs (e.g., broker fees) that would be incurred in selling the asset. Under HOME, equity in the family's primary residence is not considered in the calculation of assets for owner-occupied rehabilitation projects.
4. Cash value of stocks, bonds, Treasury bills, certificates of deposit and money market accounts.
5. Individual retirement, 401(K), and Keogh accounts (even though withdrawal would result in a penalty).
6. Retirement and pension funds.
7. Cash value of life insurance policies available to the individual before death (e.g., surrender value of a whole life or universal life policy).
8. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.
9. Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, victim's restitution, insurance settlements and other amounts not intended as periodic payments.
10. Mortgages or deeds of trust held by an applicant.

Exclusions

1. Necessary personal property, except as noted in number 8 of Inclusions, such as clothing, furniture, cars and vehicles specially equipped for persons with disabilities.
2. Interest in Indian trust lands.
3. Assets not effectively owned by the applicant. That is, when assets are held in an individual's name, but the assets and any income they earn accrue to the benefit of someone else who is not a member of the household and that other person is responsible for income taxes incurred on income generated by the asset.
4. Equity in cooperatives in which the family lives.
5. Assets not accessible to and that provide no income for the applicant.
6. Term life insurance policies (i.e., where there is no cash value).
7. Assets that are part of an active business. "Business" does not include rental of properties that are held as an investment and not a main occupation.

ATTACHMENT C

2014 HOUSEHOLD INCOME LIMIT FOR EL DORADO COUNTY FOR HOME AND CDBG FUNDED PROGRAMS *

Program Loan eligibility is subject to total annual household income that does not exceed the HCD limits for HOME and CDBG funded programs of less than 80% of the area median income adjusted for household size as indicated below:

<i>Number of Persons in Household</i>								
	1	2	3	4	5	6	7	8
Low Income	\$38,550	\$44,050	\$49,550	\$55,050	\$59,500	\$63,900	\$68,300	\$72,700
www.hcd.ca.gov/fa/home/2014_IncomeLimitsEffective_5/1/2014								

*The County will update the income limits annually as HCD provides new information. The web site for the official HCD-maintained, income limits is www.hcd.ca.gov/fa/home/homelimits.html

State of California HOME Program SINGLE FAMILY MAXIMUM PURCHASE PRICE/AFTER-REHAB VALUE LIMIT FOR EL DORADO COUNTY

(HOME Value Limits as of 1/1/2014)

\$257,000

ATTACHMENT D

LOAN SERVICING POLICIES AND PROCEDURES FOR THE COUNTY OF EL DORADO

The County of El Dorado, 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 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 and federal regulations regarding the use of these public funds and any property restrictions, which are associated with them.

The policies and procedures are broken down into the following areas: 1) making 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 Program Loans; 4) 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 Program Loan.

1. Loan Repayments:

The Lender must accept voluntary payments on the Program Loan. Each payment shall be applied first to interest then due and the remainder on. The borrower may repay the Program Loan balance at any time with no penalty.

2. Payment of Property Taxes and Insurance:

As part of keeping the Program Loan from going into default, borrower must maintain property insurance coverage naming the Lender as additional insured. 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 providing the necessary insurance will be added to the loan balance at the instatement of borrower's new insurance.

When a home 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 the County 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 Program Loan. All borrowers will be required to have impound accounts set up with their Primary Loan wherein they pay for taxes and insurance as part of their monthly mortgage payment.

3. Required Request for Notice of Default:

When the borrower's Program Loan is in second position behind Primary Loan's first mortgage, the Lender will prepare and record a "Request for Notice of Default" for the senior lien in front of

Lender's loan. This document requires the 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 Primary Loan current, if possible. The Lender can also monitor the foreclosure process and go through the necessary analysis to determine if the Program Loan can be made whole or preserved.

4. Annual Occupancy Restrictions and Certifications:

The Lender will require that borrowers submit utility bills and/or other documentation annually to prove occupancy during the term of the Program Loan.

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 Loan terms and conditions. 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.

If a transfer of the property occurs through inheritance, the heir (as owner-occupant) may be provided the opportunity to assume the Program 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 upon transfer. All such changes are subject to the review and approval of the Lender's Loan Review Committee.

6. Requests for Subordinations:

When a borrower wishes to refinance the property, they must make 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.

Upon receiving and reviewing the proper documentation from the refinance lender, and if all Program requirements are met and the terms of the loan remain unchanged, the request will be considered by the Program Operator for review and approval. Upon approval, the escrow company will provide the proper subordination document for execution by the Lender and record the document.

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 reinstatement amount 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 the Program Operator must determine if it is cost effective to protect the Lender's 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 may 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 could 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 borrower 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? (If the balance is under \$5,000, the expense to foreclose may not be worth pursuing.)
- 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 Program Loan current or pay off a deferred payment loan).

At the end of thirty days, the Lender will contact a reputable foreclosure service or local title company to prepare and record foreclosure documents and make all necessary notifications to the borrower 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 borrower 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 may also contract with a local real estate broker to list and sell the home and use those funds for program income eligible uses.

ATTACHMENT E

SELLERS LEAD-BASED PAINT DISCLOSURE

Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards Lead Warning Statement

Every purchaser of any interest in residential real property on which a residential dwelling was built prior to 1978 is notified that such property may present exposure to lead from lead-based paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems, and impaired memory. Lead poisoning also poses a particular risk to pregnant women. The seller of any interest in residential real property is required to provide the buyer with any information on lead-based paint hazards from risk assessments or inspections in the seller's possession and notify the buyer of any known lead-based paint hazards. A risk assessment or inspection for possible lead-based paint hazards is recommended prior to purchase.

Seller's Disclosure

(a) Presence of lead-based paint and/or lead-based paint hazards (check (i) or (ii) below):

(i) ____ Known lead-based paint and/or lead-based paint hazards are present in the housing (explain).

(ii) ____ Seller has no knowledge of lead-based paint and/or lead-based paint hazards in the housing.

(b) Records and reports available to the seller (check (i) or (ii) below):

(i) ____ Seller has provided the purchaser with all available records and reports pertaining to Lead-based paint and/or lead-based paint hazards in the housing (list documents below).

(ii) ____ Seller has no reports or records pertaining to lead-based paint and/or lead-based paint hazards in the housing.

Purchaser's Acknowledgment (initial)

(c) ____ Purchaser has received copies of all information listed above.

(d) ____ Purchaser has received the pamphlet Protect Your Family from Lead in Your Home.

(e) ____ Purchaser has (check (i) or (ii) below):

(i) ____ received a 10-day opportunity (or mutually agreed upon period) to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards; or

(ii) ____ waived the opportunity to conduct a risk assessment or inspection for the presence of Lead-based paint and/or lead-based paint hazards (NOT PERMISSIBLE FOR HOME AND CDBG).

Agent's Acknowledgment (initial)

(f) ____ Agent has informed the seller of the seller's obligations under 42 U.S.C. 4852d and is aware of his/her responsibility to ensure compliance.

Certification of Accuracy

The following parties have reviewed the information above and certify, to the best of their knowledge, that the information they have provided is true and accurate.

Seller	Date	Seller	Date
Purchaser	Date	Purchaser	Date
Agent	Date	Agent	Date

ATTACHMENT F

Disclosure to Seller with Voluntary, Arm's Length Purchase Offer

DECLARATION

This is to inform you that _____ (buyer) would like to purchase the property, located at _____, if a satisfactory agreement can be reached. I/We are prepared to pay \$ _____ for a clear title to the property under conditions described in the attached proposed contract of sale.

Because Federal funds may be used in the purchase, however, we are required to disclose to you the following information:

1. The sale is voluntary. If you do not wish to sell, the buyer listed above, thru the El Dorado County Chief Administrative Office, HCED Programs will not acquire your property. The buyer does not have the power of eminent domain to acquire your property by condemnation (i.e. eminent domain) and the County of El Dorado will not use the power of eminent domain to acquire the property.
2. The estimated fair market value of the property is \$ _____ and was estimated by _____, to be finally determined by a professional appraiser prior to close of escrow.

Since the purchase would be a voluntary, arms length, transaction you would not be eligible for relocation payments or other relocation assistance under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), or any other law or regulation. Also, as indicated in the contract of sale, this offer is made on the condition that no tenant will be permitted to occupy the property before the sale is completed.

Again, please understand that if you do not wish to sell your property, we will take no further action to acquire it. If you are willing to sell the property under the conditions described in the attached contract of sale, please sign the contract and return it to us at: Chief Administrative Office, HCED Programs, 330 Fair Lane Bldg. A, Placerville, CA 95667. If you have any questions about this matter, please contact El Dorado County HCED Programs at (530) 621-5595.

Buyer (sign and print name)

Date

Buyer (sign and print name)

Date

Form continues on next page with Seller's Acknowledgment

Acknowledgement

As the Seller I/we understand that the County of El Dorado will inspect the property for health and safety deficiencies. I/we also understand that public funds may be involved in this transaction and, as such, if the property was built before 1978, a lead-based paint disclosure must be signed by both the buyer and seller, and that a Visual Assessment will be conducted to determine the presence of deteriorated paint.

As the Seller, I/we understand that under the County's program, the property must be currently owner-occupied, vacant for three months at the time of submission of purchase offer, new (never occupied), or it is the current renter purchasing the unit they occupy. I/we hereby certify that the property is:

☐ Vacant at least 3 months; ☐ Owner-occupied; ☐ New; or ☐ Being Purchased by Occupant

I/we hereby certify that I have read and understand this "Declaration" and

☐ *a copy of said Notice was given to me prior to the offer to purchase.*

If received after presentation of the purchase offer, I/We choose

☐ *to withdraw or*

☐ *not to withdraw, from the Purchase Agreement.*

Seller (sign and print name)

Date

Seller (sign and print name)

Date

ATTACHMENT G
COUNTY OF EL DORADO

INSTRUCTIONS TO HOME BUYER PROGRAM APPLICANT

- A. Applicant receives Program Loan application documents and works with lender of choice to obtain the primary lender's pre-approval letter.
- B. Once a completed application is submitted and reviewed for applicant eligibility, Program Operator staff meets with qualified applicant to provide information relative to the program requirements, the lending process, and home ownership responsibilities.
- C. After consultation with Program Operator and receiving a reservation of funds letter, applicant will be advised regarding eligible loan amount and housing size (typically 3 bedrooms and 2 bathrooms unless extenuating circumstances justify more upon approval). Applicant works with real estate agent to select home. Program disclosures are reviewed with agent for presentation to seller. The Program allows only newly constructed homes, owner-occupied homes, or homes vacant for three months or more prior to the date of the purchase contract, unless a tenant is purchasing the home they currently occupy.
- D. Applicant selects home and enters into a purchase contract with a minimum 45-day escrow, contingent upon receiving Program Loan approval. Primary Lender and realtor provide the Program Operator with a copy of:
 - Real estate sales contract
 - Disclosure statement
 - Residential loan application, signed
 - Credit report
 - Verified income documentation
 - Proof of personal funds (down payment) for participation in program
 - Breakdown of estimated closing costs (Estimated HUD 1 form)
 - Structural pest control clearance
 - Appraisal with photos
 - Preliminary title report
 - Escrow instructions
- E. Program Operator reviews documentation to determine program eligibility and financing affordability for applicant.
- F. Program Operator inspects home for Health Quality Standards and code compliance. Notice of any deficiencies or needed corrections are given to applicant and applicant's real estate agent, with recommended course of action.
- G. Program Operator completes underwriting and submits loan requests to the Loan Review Committee for decision by simple majority. Upon loan approval, Program Operator prepares Deed of Trust, Promissory Note, Notice of Default, Program Loan Agreement, and Escrow

Instructions, submits a check request to the County Auditor and deposits same into Title Company's escrow account.

- H. Title/escrow company furnishes Program Operator with certified copies of documents to be recorded and any escrow closeout information. After receipt of recorded loan documents including but not limited to Request for Notice of Default, Final HUD-1, Insurance Loss Payee Certification and Final Title Insurance Policy, Program Operator closes out the loan file.

ATTACHMENT H

LEAD-BASED PAINT

Form #: LBP - 1

VISUAL ASSESSMENT, NOTICE OF PRESUMPTION, AND HAZARD REDUCTION FORM

Section 1: Background Information			
Property Address:		No LBP found or LBP exempt <input type="checkbox"/>	
Select one:	Visual Assessment <input type="checkbox"/>	Presumption <input type="checkbox"/>	Hazard Reduction <input type="checkbox"/>

Section 2: Visual Assessment. Fill out Sections 1, 2, and 6. If paint stabilization is performed, also fill out Sections 4 and 5 after the work is completed.	
Visual Assessment Date:	Report Date:
Check if no deteriorated paint found <input type="checkbox"/>	
Attachment A: Summary where deteriorated paint was found. For multi-family housing, list at least the housing unit numbers and common areas and building components (including type of room or space, and the material underneath the paint).	

Section 3: Notice of Presumption. Fill out Sections 1, 3, 5, and 6. Provide to occupant w/in 15 days of presumption.	
Date of Presumption Notice:	
Lead-based paint is presumed to be present <input type="checkbox"/> and/or Lead-based paint hazards are presumed to be present <input type="checkbox"/>	
Attachment B: Summary of Presumption: For multi-family housing, list at least the housing unit numbers and common areas, bare soil locations, dust-lead location, and or building components (including type of room or space, and the materials underneath the paint) of lead-based paint and/or hazards presumed to be present.	

Section 4: Notice of Lead-Based Paint Hazard Reduction Activity. Fill out Sections 1, 4, 5, and 6. Provide to occupant w/in 15 days of after work completed.	
Date of Hazard Reduction Notice:	
Initial Hazard Reduction Notice? Yes <input type="checkbox"/> No <input type="checkbox"/>	Start & Completion Dates:
If "No", dates of previous Hazard Reduction Activity Notices:	
Attachment C: Activity locations and types. For multi-family housing, list at least the housing unit numbers and common areas (for multifamily housing), bare soil locations, dust-lead locations, and/or building components (including type of room or space, and the material underneath the paint), and the types of lead-based paint hazard reduction activities performed at the location listed.	
Attachment D: Location of building components with <u>lead-based paint remaining</u> in the rooms, spaces or areas where activities were conducted.	
Attachment E: Attach clearance report(s), using DHS form 8552 (and 8551 for abatement activities)	

Section 5: Resident Receipt of Notice for Presumption or Lead-Based Paint Hazard Reduction Activity		
Printed Name:	Signature:	Date:

Section 6: Contact Information	Organization:	
Contact Name:	Contact Signature:	
Date:	Address:	Phone:

ATTACHMENT I

Homebuyer Program Lead Compliance Document Checklist

The following documents should be in each Homebuyer unit file to document compliance with the lead requirements:

Document Name	Purpose	✓
Lead Safe Housing Rule Screening Sheet if the home was built prior to 1978.	Documents exemptions	
Physical inspection form (HQS or equivalent)	Documents visual assessment results	
Seller Certification, if applicable	Seller certifies that paint was stabilized by qualified workers and that safe work practices were followed during paint stabilization	
Clearance Report and Clearance Review Worksheet, If applicable	Documents that unit passed clearance	
Disclosure Form	Documents that borrower received disclosure and pamphlet.	
Lead Hazard Reduction Notice	Documents that borrower received required lead hazard reduction notification.	



RESOLUTION NO. 142-2014
OF THE BOARD OF SUPERVISORS OF THE COUNTY OF EL DORADO

**APPROVING THE REVISED PROGRAM GUIDELINES GOVERNING ELIGIBLE HOMEBUYER
LOAN PROGRAM AND ECONOMIC DEVELOPMENT LOAN AND TECHNICAL ASSISTANCE
PROGRAMS FOR THE COUNTY'S COMMUNITY DEVELOPMENT BLOCK GRANT-
ASSISTED ACTIVITIES**

WHEREAS, it is necessary to revise the El Dorado County Homebuyer Loan Program and Economic Development Loan and Technical Assistance Program Guidelines for the purpose of ensuring ongoing compliance with changes to statutes and regulations pursuant to the Community Development Block Grant (CDBG) Program under CFR Section 570.489 (e)(1) [CDBG Final Rule 2012]; and

WHEREAS, the County has established Program Guidelines for the Homebuyer Loan Program, Business Assistance Loan Program, Microenterprise Financial Assistance Loan Program and Microenterprise Technical Assistance Program that contain guidelines for the administration and utilization of CDBG grant funding and program income received as a result of activities funded under the CDBG Program; and

WHEREAS, a Public Hearing has been conducted on this date to allow public comment and input on the proposed Program Guideline revisions; and

WHEREAS, the Assistant Chief Administrative Officer, or successor, is the official designated to oversee the use of CDBG grant funding and program income received by the County.

NOW THEREFORE BE IT RESOLVED, by the El Dorado County Board of Supervisors to adopt the revised CDBG Program Guidelines for the Homebuyer Loan Program, Business Assistance Loan Program, Microenterprise Financial Assistance Loan Program and Microenterprise Technical Assistance Program, and that the Assistant Chief Administrative Officer, or successor, is authorized and directed to submit Program Guidelines to the California Department of Housing and Community Development.

PASSED AND ADOPTED by the Board of Supervisors of the County of El Dorado at a regular meeting of said Board, held the 9th day of Sept., 2014 by the following vote of said Board:

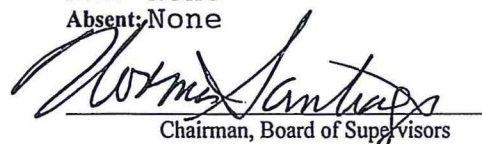
Attest:
James S. Mitrisin
Clerk of the Board of Supervisors

By: 
Deputy Clerk

Ayes: Briggs, Mikulaco, Veerkamp, Santiago

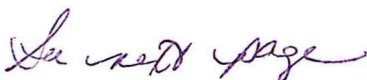
Noes: None

Absent: None


Chairman, Board of Supervisors

Norma Santiago

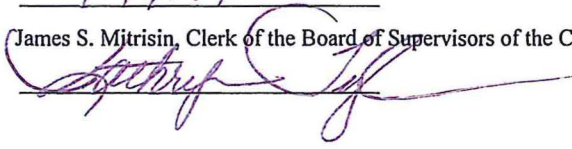
I CERTIFY THAT:



THE FOREGOING INSTRUMENT IS A CORRECT COPY OF THE ORIGINAL ON FILE IN THIS OFFICE.

DATE: 9-17-14

Attest: James S. Mitrison, Clerk of the Board of Supervisors of the County of El Dorado, State of California.

By: 

Guidelines

For

Microenterprise Technical Assistance Services Program

Funded By

County of El Dorado

With

Community Development Block Grant

Board Adopted: September 9, 2014

TABLE OF CONTENTS

1.	INTRODUCTION	1
2.	MICROENTERPRISE TECHNICAL ASSISTANCE (TA) SERVICES PROGRAM OVERVIEW	
	1. Program Administration	1
	2. Program Service Area	1
	3. Funding Source for TA Program Services	1
3.	CDBG PROGRAM REQUIREMENTS	
	1. Eligible Program Applicants	2
	2. Ineligible Program Applicants	2
	3. Eligible TA Program Costs	2
	4. Ineligible TA Program Costs	2
	5. Timeframe for Receiving TA Program Services	3
	6. Meeting CDBG Microenterprise Definition Requirement	3
	7. Meeting CDBG National Objective Requirement	3
	8. Other CDBG Federal Laws and Regulations	4
4.	APPLICATION PROCESSING FOR TA PROGRAM SERVICES	
	1. Program Marketing and Outreach	4
	2. Equal Opportunity Compliance	4
	3. Program Application Processing	5
	4. Program Participant / Applicant Confidentiality	5
	5. Dispute Resolution / Appeals Procedure	5
	6. Exceptions / Special Circumstances	5
5.	PROGRAM SERVICE DELIVERY	
	1. Program Participant Capacity Evaluation	5
	2. Program Participant Capacity Development Work Plan	5
	3. Business Development via Classes	6
	4. Business Development via "One on One" Counseling	6
	5. Business Development via "Peer to Peer" Counseling	7
	6. Business Development via Online Computer Training	7
	7. Participation and Completion of Capacity Development Work Plan	7
6.	PROGRAM OVERSIGHT BY GRANTEE	
	1. Oversight of Program Operator	7
	2. Tracking TA Services of Participants	8
ATTACHMENT A: GRANTEE'S EXECUTED RESOLUTION ADOPTING GUIDELINES		
ATTACHMENT B: GRANTEE'S CDBG MICROENTERPRISE TECHNICAL ASSISTANCE SERVICES PROGRAM APPLICATION		
ATTACHMENT C: GRANTEE'S APPLICANT AND PROGRAM PARTICIPANT TRACKING FORMS FOR TECHNICAL ASSISTANCE		

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) MICROENTERPRISE TECHNICAL ASSISTANCE PROGRAM GUIDELINES

1.0 INTRODUCTION

The County of El Dorado, herein after called "Grantee," has established a Microenterprise Technical Assistance (TA) Program, herein after called the "Program." TA will allow program participants to be more successful in their efforts to create businesses or expand existing businesses. TA provides technical assistance services including Business Development Classes, One-on-One Business Development Counseling and/or Business Development On-Line Computer Training. These TA Program Guidelines have been formally adopted by the Grantee and approved by the California Department of Housing and Community Development, herein after called "the Department." See Attachment A for a copy of the adopting resolution.

2.0 MICROENTERPRISE TA SERVICES PROGRAM OVERVIEW

2.1 PROGRAM ADMINISTRATION

The Grantee will:

- Market the TA Program;
- Accept and process participant applications;
- Document participant CDBG income eligibility and adequate number of employees; and
- Ensure set up of participant files to document all provided services and associated costs.

Grantee will work with program participants and ensure CDBG compliance with these program guidelines.

2.2 PROGRAM SERVICE AREA

TA services are available to all eligible businesses/persons located within the Grantee's jurisdictional boundaries; the unincorporated areas of the county. These CDBG funds may not be used in entitlement jurisdictions that receive CDBG funds directly from the federal Department of Housing and Urban Development (HUD) entitlement program.

2.3 FUNDING SOURCE FOR TA PROGRAM SERVICES

The TA Program is paid for with CDBG funds provided by HUD to the Department. As such, these funds have a number of state and federal requirements that must be met, as described below. These CDBG funds come to the Grantee from Department grant awards that are administered under a formal grant contract or from local CDBG program income (PI) funds administered under an approved PI Waiver.

3.0 CDBG PROGRAM REQUIREMENTS

3.1 ELIGIBLE PROGRAM APPLICANTS

All eligible applicants must meet the following criteria:

- Meet the CDBG definition of a microenterprise:
 - A microenterprise is defined as a commercial enterprise that has five or fewer employees, one or more of whom owns the enterprise; or
 - Persons developing microenterprises means persons who have expressed an interest in, or who are after an initial screening process, expected to be actively working toward developing businesses, each of which is expected to be a microenterprise at the time it is formed.
- Eligible applicants must have a physical business address in the unincorporated area of the county.
- Individuals wishing to start a new business are also eligible applicants, but they must provide proof that their primary residence is located in the unincorporated area of the county.

Eligible applicants documented as meeting the definition of microenterprise are here after referred to as “program participants”.

3.2 INELIGIBLE PROGRAM APPLICANTS

An ineligible existing business applicant is one that has a physical business location outside of the service area. An ineligible person applying for the program is one with a residence outside of the service area. Non-profits are not an eligible microenterprise business. An applicant currently participating in a CDBG microenterprise TA or CDBG financial assistance program offered in another service area as this Program is not eligible.

No conflict of Interest is allowed, in accordance with Title 24, Section 570.611 of the code of Federal Regulations. As such no elected official, or department head, or person who exercise or have exercised any functions or responsibilities with respect to CDBG activities assisted under this part, or who are in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from a CDBG-assisted activity, or have a financial interest in any contract, subcontract, or agreement with respect to a CDBG-assisted activity, or with respect to the proceeds of the CDBG-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter.

Grantee will verify and certify that a conflict of interest does not exist with the business or applicant.

Exceptions to this policy may be approved by the federal Department of Housing and Urban Development (HUD) made only after public disclosure and formal approval by the Board of Supervisors provided that the Grantee’s legal counsel

makes a written determination that potential conflicts are acceptable.

3.3 ELIGIBLE PROGRAM COSTS

Use of CDBG funds for TA Program services is restricted to certain eligible costs. All costs associated with funding TA must be “indirect costs.” Indirect is defined as third-party costs to a Program Operator and other consultants that provide TA to Program Participants. Common TA costs may provide: 1) business development workshops or classes restricted to CDBG-eligible Program Participants; 2) “one-on-one” counseling using professional business development staff; 3) opportunities for “structured peer networking;” and 4) online business training courses. The Grantee’s specific CDBG TA services are outlined in Sections 5.3 to 5.5.

3.4 INELIGIBLE PROGRAM COSTS

Microenterprise “direct financial assistance” costs will not be funded under this Program. Direct financial assistance may be provided only under an approved CDBG microenterprise financial assistance program. Direct financial assistance activities are typically any costs associated with day-to-day business operations. These operations costs are ineligible, whether the business is operating out of a private leased commercial space, their home or a public facility.

Examples of ineligible direct financial assistance costs include but are not limited to: 1) payment of costs to produce/purchase marketing materials (printing, language translations or professional design costs); 2) payment of marketing ads or distribution of marketing materials; 3) payment of third-party costs for website building or hosting; 4) payment of rents / lease payments, utilities or other business fees or operating / overhead expenses; 5) payment of purchasing real property or furniture, fixtures or equipment for the business; 6) payment of any personal or business debt; 7) payment of any cash or wages; 8) paying for credit reports; and 9) paying for loan or grant underwriting services.

In addition, no payment for food or drinks offered at the TA classes or other instruction sessions are eligible costs. Cash or like-cash payments and undocumented TA costs are not eligible.

3.5 TIMEFRAME FOR RECEIVING TA SERVICES

Under federal regulations, a Program Participant may receive TA services for up to three (3) years, after completing income verification as an eligible microenterprise. It is expected that most Program Participants will use all microenterprise TA services well before the three-year limit.

3.6 MEETING CDBG MICROENTERPRISE DEFINITION REQUIREMENT

Program applicants for this Program must meet the CDBG definition of a microenterprise business. The CDBG definition of a microenterprise business is one that has five (5) or fewer employees, including the owner(s). All employees, part time and full time, on the business payroll at the time of loan application will be counted. The term “employee” includes all owners of the business on the

payroll, even if the owner's "salary draws" are not on a regular basis. The Program requires a current CDBG income self-certification form which should be placed in the Program Participant file to document the number of employees and compliance with the CDBG microenterprise definition.

3.7 MEETING CDBG NATIONAL OBJECTIVE REQUIREMENT

Under federal regulations, use of CDBG funds for microenterprise activities must meet the national objective of benefit to low/mod income persons under the Limited Clientele definition. As such, all microenterprise owners must be documented as meeting HUD low/mod income definition prior to receiving any Program services. Low/mod income is defined as total gross family income that does not exceed eighty (80) percent of the median monthly income for El Dorado County adjusted for family size, as published annually by the CDBG at <http://www.hcd.ca.gov/fa/home/homelimits.html>. This is in addition to meeting the definition of a microenterprise, as described above in Section 3.6. The CDBG income self-certification form will be used to verify income of Program applicants for the Microenterprise Technical Assistance Program.

As with other Microenterprise Program activities, if the Grantee finds that the applicant income information is not accurate and the Program Participant is over HUD's income limits, then a Program applicant is ineligible and Program services currently being offered to Program Participants must cease immediately.

3.8 OTHER CDBG FEDERAL LAWS AND REGULATIONS

There are a number of federal laws and state regulations that are triggered with the use of CDBG funding for a services Program. The Grantee will take the lead and ensure compliance with these other CDBG regulations.

National Environmental Policy Act (NEPA) federal environmental laws per regulation 24 CFR 58 are not triggered for individual Program Participants. Nor are there any compliance requirements for Davis Bacon and related Acts for TA activities under these guidelines. Acquisition and relocation laws are also not triggered when using CDBG funds for microenterprise TA services. However, these federal laws may be triggered as part of using the TA funds in conjunction with providing the Program Participant with financial assistance.

Federal regulations require that local program income be spent first prior to drawing down any federal funds from an open grant. If a Grantee has a Program Income (PI) "Waiver" for funding technical assistance services and also has a Department grant contract award for technical assistance services, the local PI waiver funds must be expended first, prior to drawing down any funds from the open grant contract with the Department.

4.0 APPLICATION PROCESSING FOR TA PROGRAM SERVICES

4.1 PROGRAM MARKETING AND OUTREACH

Upon the Grantee's receipt of a Department letter releasing TA Program funding,

the Grantee, or a Program Operator contracted by the County, will conduct outreach and marketing to all businesses and individuals in the Program service area. Grantee staff and/or Program Operator will work together to develop a marketing plan for the Program to outreach to businesses and persons in the community regarding the availability and accessibility of the TA Program. This plan should be kept on file and updated as needed to ensure that all residents in the service area are informed about and have access to Program applications.

4.2 EQUAL OPPORTUNITY COMPLIANCE

This Program will be implemented in ways consistent with the Grantee commitment to state and federal equal opportunity laws. No person or business shall be excluded from participation in, denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with CDBG program funds on the basis of his or her religion or religious affiliation, age, race, color, ancestry, national origin, sex, marital status, familial status (number or ages of children), physical or mental disability, sexual orientation, or other arbitrary cause.

4.3 PROGRAM APPLICATION PROCESSING

Applications will be processed on a first-come first-served basis. See Attachment B for Microenterprise TA Program application form. The Grantee will accept applications and review for HUD income eligibility and an allowable number of employees, per Department standards.

All Program applications received, both denied and approved, will be logged and kept on file in accordance with federal records retention act. Applicants who do not meet eligibility requirements of the Program will be notified in writing with an explanation of ineligibility. Files will be set up for all eligible Program Participants to document compliance with all CDBG regulations, Department policy, and adopted guidelines and all provided TA services.

4.4 PROGRAM PARTICIPANT / APPLICANT CONFIDENTIALITY

All personal and business financial information will be kept confidential. Program Participant files with personal and business confidential information will be kept in locked secured storage units.

4.5 DISPUTE RESOLUTION / APPEALS PROCEDURE

Any applicant denied assistance from the Program has the right to appeal. An appeal should include a statement explaining the reason for appeal. The appeal must be made in writing and submitted to the County within 10 days of the denial notice. The appeal must be submitted to:

El Dorado County
CAO/HCED Programs
330 Fair Lane, Building A
Placerville, CA 95667

The County has 30 days to review the appeal, seek recommendations from the Program Manager or County Counsel, and respond in writing to the applicant. This procedure is outlined in the Program Grievance Resolution Notification included with each Program application.

4.6 EXCEPTIONS / SPECIAL CIRCUMSTANCES

Exceptions are defined as any action, which would depart from policy and procedures stated in the guidelines. Exceptions to these guidelines will require County and HCD approval.

5.0 TECHNICAL ASSISTANCE PROGRAM SERVICE DELIVERY

5.1 PROGRAM PARTICIPANT CAPACITY EVALUATION

Eligible Program Participants will meet with Grantee staff to receive a “capacity” evaluation. This evaluation process will be completed via a face-to-face interview and standard written format. The current capacity of the business owner or person wishing to start a business will be assessed. Areas of strengths and weaknesses will be identified and a steps needed to address weaknesses will be identified.

5.2 CREATING CAPACITY DEVELOPMENT WORK PLAN

Based on the capacity evaluation, the Grantee will work with the Program Participant to develop a “work plan.” The work plan will outline the TA needed by the Program Participant and give a timeline for scheduling the services. The work plan will contain expected outcomes from the TA, explain how those outcomes will address the capacity issues identified in the evaluation and provide an estimated cost. The work plan will clearly state the expectations for the Program Participant and the Grantee. All parties will sign the work plan. Copies of the work plan will be provided to all parties and included in the Program Participant file.

Eligible Program Participants will be provided detailed information on the TA provided with this Program. TA services will be tracked and documented in the Program Participant file. The Grantee will remain in contact with the Program Participant throughout the process.

5.3 BUSINESS DEVELOPMENT VIA CLASSES

Business development classes may be offered on a regular basis, when sufficient demand for the classes is present. Some examples of topics for the classes may include: 1) business plan development or updating; 2) market analysis and marketing plan development; 3) managing employees and payroll services; 4) choosing a legal structure for a business; 4) financial management tools and cash flow projections; 5) controlling inventory and operating expenses; 6) collection of accounts payable; 7) use of the internet and other electronic resources for sales and efficiency; 8) access to capital for growing the business. Other classes may be offered based on the needs of the Program Participants.

5.4 BUSINESS DEVELOPMENT VIA “ONE-ON-ONE” COUNSELING

Business development “one-on-one” TA may be provided as needed, typically after Program Participant has attended necessary microenterprise TA classes in Section 5.5.

One-on-one TA may be scheduled with Program Participants a month at a time beginning at the start of each month. The one-on-one TA will cover similar topics to what is offered in the classes, but this TA will be much more detailed and specific to the Program Participant. The one-on-one TA may be conducted in person or via video conference call or other method agreed to by both parties. The one-on-one TA may be conducted at the location of the Program Participant or at the Grantee’s office. Notes on the TA provided at these sessions, along with time and training materials used, will be documented by the Grantee in the Program Participant file.

5.5 BUSINESS DEVELOPMENT VIA “PEER TO PEER” COUNSELING

The Grantee may choose to allow the Program Operator to organize Peer to Peer TA if a sufficient number of Program Participants with similar types of businesses are enrolled in the TA Program. Peer to Peer TA will be provided in a formal meeting format. The Peer to Peer meetings will be facilitated by the Grantee. Topics for discussion at the meetings will be provided by the members of the group which may include small group exercises and projects to facilitate participants working together to identify and find solutions to common problems experienced in their respective fields.

The date and time for each meeting should be documented with sign-in sheets. Discussion notes, activities conducted and outcomes at the meetings should be documented in program participant files.

5.5 BUSINESS DEVELOPMENT VIA ONLINE COMPUTER TRAINING

Program Participants may obtain approval from the Grantee to complete business development classes online. The topics for the online classes being requested must be in support of the work plan objectives. A list of eligible online training classes will be provided by the Grantee. Any online training or class not on the approved list must be reviewed and approved in writing by the Grantee.

Online classes may be taken remotely or in the Grantee’s office. Classes will be paid for directly by the Grantee to the third-party vendor. Documentation of completion of the online class is required and will be filed in the Program Participant file.

5.7 COMPLETION OF CAPACITY DEVELOPMENT WORK PLAN

Program Participants commit to completion of TA services as outlined in the work plan document. The Grantee will commit to providing the TA in the work plan. The Program Participant and the Grantee understand that the CDBG microenterprise TA services are a limited public resource. Therefore, if a Program Participant does not consistently complete their business development

classes, one-on-one TA counseling sessions, peer to peer meetings or complete online classes, they may be disqualified from receiving any further CDBG microenterprise TA. Disqualification will be in writing and fully documented in the Program Participant file.

6.0 PROGRAM OVERSIGHT BY GRANTEE

6.1 OVERSIGHT OF PROGRAM OPERATOR

Grantee staff will serve as the primary contact with the Department. If the Grantee determines that they wish to hire an outside consultant to administer the Program, the Grantee will be responsible for securing services of a qualified Program Operator for implementation of this TA Services Program prior to starting any activities under these guidelines. The scope of work for the Program Operator will include all administration and documentation required for TA services in these guidelines and for CDBG compliance.

6.2 TRACKING TA SERVICES OF PARTICIPANTS

The Grantee's staff oversee and monitor all work conducted by the Program Operator. Monthly or quarterly meetings will be conducted to review the Program status: 1) marketing efforts; 2) applications received; 3) eligible Program Participants being served; 4) successful Program Participant stories; 5) demand for different services and need for more resources or partners; 6) review of Program tracking forms (see Attachment C); 7) review of Department reports and funds request for reimbursement of TA Services; and 8) preparation for Department monitoring of grant contract and TA Services. As per the executed agreement between the Grantee and the Program Operator, all required reports under open grant contracts or PI will be reviewed and approved by the Grantee staff.

ATTACHMENT A

COUNTY'S EXECUTED RESOLUTION ADOPTING GUIDELINES

ATTACHMENT B

**COUNTY'S CDBG MICROENTERPRISE TECHNICAL ASSISTANCE
PROGRAM APPLICATION FORM**

Microenterprise Program SELF-CERTIFICATION of Income for☐ City of / ☐ Town of / ☒ County of El Dorado CDBG Funded ActivityProgram Activity: ☒ Technical Assistance ☐ Support Services

Page 1 to be filled out by Participant

Part I: Confidential Participant / Beneficiary HUD Demographic Data

(This section is voluntary.)

Ethnicity (Select One)	<input type="checkbox"/> Not Hispanic	<input type="checkbox"/> Hispanic
Race	(Select One)	
White	<input type="checkbox"/>	
Black/African American	<input type="checkbox"/>	
Asian	<input type="checkbox"/>	
American Indian/Alaskan Native	<input type="checkbox"/>	
Nat. Hawaiian/Other Pacific Isl.	<input type="checkbox"/>	
Am. Indian/Alaskan Nat. & White	<input type="checkbox"/>	
Asian & White	<input type="checkbox"/>	
Black/African American & White	<input type="checkbox"/>	
Am. Indian/Alaskan & Black/African	<input type="checkbox"/>	
Other Multi-Racial	<input type="checkbox"/>	

Part II: Confidential Participant / Beneficiary Income Certification

(Must be completed and signed before microenterprise services are provided.)

1) Number of Employees & Owners:

The total number of employee(s) is: _____. The total number of Owner(s) is: _____. Combined Employee(s) and Owner(s) = _____.

2) Number of Family Members & Gross Income:

My total family size consists of _____ members, and the total gross annual income* for all adult members is \$_____.

*Gross annual income must include all sources of income (wages, child support, SSI, unemployment, pension, income from assets, etc., but does not include the income of live-in aids, per 24 CFR 5.403).

I certify that the information given on this form is true and accurate to the best of my knowledge. I am aware that there are penalties for willfully and knowingly giving false information on an application for Federal or State funds, which may include immediate repayment of all Federal or State funds received and/or prosecution under the law. I understand that the information on this form is subject to verification by state and federal personnel as part of compliance monitoring.

Participant / Beneficiary Signature: _____ Date: _____

Participant / Beneficiary Name (print): _____

Participant Physical Home Address: _____, City _____

Microenterprise Program SELF-CERTIFICATION Verification by☐ City of / ☐ Town of / ☒ County of El Dorado **CDBG Funded Activity***Page 2 to be filled out by Program Operator***Microenterprise Program Information:**

Name of Microenterprise Program Operator: _____

Source of CDBG funding: ☒ Grant #: 13-CDBG-8935 - Or - ☐ PI Waiver Fiscal Year: _____**Microenterprise Business Size (# of Employees & Owners) Verification:**

Business has: ☐ No employees, as the Participant does not have an operating business
☐ Five or fewer employee positions with owners
☐ More than five employee positions with owners **NOT ELIGIBLE for CDBG ASSISTANCE**

Microenterprise Participant/Beneficiary Income and Location Verification:

Effective Date of the Income Limit Chart being used: _____

Family is: ☐ 30% or less (Extremely Low Income)
☐ 31%-50% (Low Income)
☐ 51%- 80% (Moderate Income)
☐ Over 80% of median income: **NOT ELIGIBLE for CDBG ASSISTANCE**

Program Operator must:

- 1) Print the current HCD Income limits from the HCD website (NOT HUD's); and
- 2) Circle the applicable family size and annual income on HCD limit printout and place in participant file.
- 3) Must complete confidential demographic data, if participant/beneficiary leaves blank.

Participant / Beneficiary Name: _____

Participant / Beneficiary Physical Home Address: _____ ☐ In Jurisdiction LimitsBusiness Physical Address: _____ ☐ In Jurisdiction Limits**NOTE:** Physical location of business must be in Jurisdiction. If no business, then Participants / Beneficiary must live in Jurisdiction.

Program Operator Certification: I certify that Participant / Beneficiary demographic data provided is true and correct, to the best of my knowledge. I certify that, using the current HCD annual income publication compared to stated family size and gross income, resulted in the income level indicated above. I certify that the information regarding microenterprise business size is correctly indicated above. I certify that the residency of the Participant / Beneficiary and business address is true and correct per the requirements of 24 CFR 570.486(b) and/or (c) as applicable.

Note: This completed certification whether Participant / Beneficiary receives microenterprise TA or Support Services or not, must be maintained in the Confidential Program file for review at time of monitoring._____
Program Operator Name (printed)_____
Job Title_____
Signature:_____
Date:

Eligibility is valid until (three years after certification signed) Date: _____

ATTACHMENT C

**COUNTY'S APPLICANT AND PROGRAM PARTICIPANT TRACKING FORMS
FOR TECHNICAL ASSISTANCE**

Attachment C

MICROENTERPRISE & LOAN ASSISTANCE INQUIRIES											
	DATE	APPLICANT NAME AND ADDRESS	PHONE #	REQUESTED APPLICATION	ADDED TO APPLICANT LOG	ME	TA	BLP	FOLLOW-UP DATE	COMMENTS	
1											
2											
3											
4											
5											
6											
7											
8											
9											
10											