

**MILLE LACS BAND OF OJIBWE
HOUSING DEPARTMENT
HOME LOAN PROGRAM
PROCEDURE AND POLICY MANUAL**

**Section I
General Information**

1.1 The Home Loan Program

The primary purpose of the Home Loan Program (the "Program") is to encourage home ownership by offering financing at a lower interest rate for the purchase of existing homes, the construction of a new home, or the refinance of an existing mortgage loan(s) securing real property within the service area. Mille Lacs Band Member families meeting the requirements of this Program are eligible to apply.

1.2 The Housing Department Home Loan Policy and Procedure Manual

The Policy & Procedure Manual (the "Manual"), including all subsequent additions and changes, is incorporated into the loan documents executed between the Housing Department and the Borrower(s). It is incorporated into the agreement by reference and is a part thereof as fully as if set forth in such Agreements at length. The Housing Department reserves the right to make future changes as shall become necessary to operate a fair and impartial loan program.

1.3 Definitions

For purposes of the Manual, the following terms shall have the meanings set forth unless an exception is clearly made in another section stating otherwise.

- A. Agreement: The agreement between the Borrower and the Housing Department setting out all of the rights and obligations of each party is specifically stated in this Manual.
- B. Borrower: The individual Mille Lacs Band of Ojibwe member (the "Band Member") mortgagor who receives funds in the form of a secured loan with the obligation to repay the loan in full with interest. A Borrower must meet all requirements of this Program to be eligible.
- C. Co-Borrower: The individual who signs the mortgage document with the Band Member Borrower to secure the mortgage loan. A co-Borrower may be a Band Member's spouse, other relative or an unrelated individual who is in a committed relationship with the Band Member Borrower. The ownership of the real property shall be held as a tenancy in common.

- D. Existing Home: Refers to the purchase by the Borrower of an existing structure located within the service area.
- E. Home Loan: A mortgage loan for the purchase of an existing structure, the construction of a new home, or the refinance of an existing mortgage loan(s) securing real property located within the service area for use as the primary residence of the Band Member. All mortgages are secured by a valid lien on the property until paid in full.
- F. Mille Lacs Band Member: An enrolled member of the Mille Lacs Band of Ojibwe of the Minnesota Chippewa Tribe. The determination of the Mille Lacs Band of Ojibwe through its Enrollment Office shall be final and conclusive on this issue.
- G. Mille Lacs Band of Ojibwe Indians: A Band of Chippewa Indians organized under the Minnesota Chippewa Tribe whose local governing body is the duly elected Chief Executive and the Band Assembly.
- H. Housing Department: The department organized under the Mille Lacs Band of Ojibwe government to handle all housing related matters.
- I. New Construction: A stick built home constructed within the service area with appropriations for this program.
- J. Revolving Fund: Mortgage payments and interest earned from the Home Loan Program will be returned to the Home Loan Fund in order to track money earned and to provide for the funding of additional homes.

1.4 Loan Audit

For purposes of maintaining a well-regulated loan program, the Housing Department shall provide to the Office of Management and Budget ("OMB") all records of loan account information for audit purposes. This information shall be provided to OMB in accordance with Band regulations and laws upon reasonable notice and during normal business hours. All records and account information pertaining to the Home Loan Program shall be available for examination and audit by OMB. Examples of such account information include, but is not restricted to, all loan documents, financial records, purchase documents and Board meeting minutes relating to individual mortgages.

1.5 Program Audit

If OMB chooses, an outside auditing firm may perform an annual program audit of this Home Loan Program or OMB may perform internal audit procedures as deemed appropriate.

1.6 Confidentiality

The Housing Department shall maintain strict confidentiality in regard to any financial information it may require to determine eligibility for this Program. The Housing Department shall maintain originals and copies of all loan information documents for record keeping purposes and provide a confidential filing system for the safe-keeping of these documents.

Section II Borrower Eligibility

2.1 General Eligibility

Enrolled Mille Lacs Band Members who desire to own a residential Home on Tribal or fee Land are eligible to receive a Home Loan if they meet the applicable criteria as set forth in Section II.

2.2 Owner Occupancy

The Borrower(s) shall occupy the financed home. The Housing Department does not allow an individual to co-sign a mortgage if that individual will not be occupying the property. Owner cannot sub lease, vacate, or transfer property without authorization from the Housing Department.

2.3 Borrower Income Limits

For each home purchased under the program, the Borrower's (or Borrowers') annual household income must meet the minimum gross income (\$19,000.00 minimum gross income adding \$1,000.00 for each additional household member.)

\$19,000.00 – 1-person
\$20,000.00 – 2-people
\$21,000.00 – 3-people
\$22,000.00 – 4-people
\$23,000.00 – 5-people
\$24,000.00 – 6-people
\$25,000.00 – 7-people
\$26,000.00 – 8-people

Self-Employment Income – Income from self-employment is considered stable and effective if the Borrower has been self-employed for two (2) or more years. If less than two (2) years, the Borrower must have at least two (2) years previous successful employment or a combination of one (1) year of employment and formal education or training in a related occupation to be eligible. The income from Borrower's self-employment totaling less than one (1) year may not be considered.

Over-time or Bonus Income – Income received from employment as over-time and/or a bonus will not be used in the calculation of the Borrower's income.

Part-time Income – Part-time income, including employment in seasonal work, may be used to

qualify if the Borrower has worked a part-time job uninterrupted for the past two (2) years and will continue to do so. Seasonal income is considered uninterrupted if the Borrower has worked the same job for the past two (2) years and expects to be rehired during the next season. Income from a part-time position that does not meet these requirements should be considered as a compensating factor only.

Commission Income – Commission income will be averaged over the previous two (2) years. The Borrower must provide his or her previous two (2) years' tax returns along with a recent pay-stub. Reimbursed business expenses will be subtracted from gross income. Individuals whose commission income shows a decrease from one (1) year to the next require significant compensating factors to allow for loan approval. Commissions earned within less than one (1) year are not considered income. Exceptions may be made in those situations where the Borrower's compensation was changed from a salary to commission within a similar position with the same employer. A Borrower may also qualify when that portion of earnings not attributable to commissions are sufficient to qualify the Borrower.

Alimony, Child Support, or Maintenance Payments - Income in this category is considered if such payments are likely to be consistently received for approximately the first five (5) years of the mortgage. If child support is paid by Borrower, the child support will be shown as a debt. The Borrower must provide a copy of the divorce decree or legal separation agreement (or other court documentation) and evidence that payments have been made during the past twelve (12) months. Acceptable evidence showing regularity of payments includes cancelled checks, deposit slips, income tax returns, payment history from Child Support Office or other documentation showing evidence of payment.

Retirement and Social Security Income – Such income requires verification from the source (former employer or Social Security Administration) or through Federal income tax returns. If any benefits expire within five (5) years, it must be considered only as a compensating factor.

Government Assistance Programs – Income received under a welfare program, unemployment income, workers' compensation, or payments for foster children is acceptable subject to documentation from the paying agency that the income is expected to continue for at least five (5) years. If such income is not expected to continue for at least five (5) years, the income is considered a compensation factor.

Tribal Bonus Income – Income received and distributed as a tribal bonus will be considered at the discretion of the Housing Board and Commissioner of Community Development.

2.4 Borrower Credit Underwriting

The Housing Department emphasizes and understands the importance of adherence to mortgage industry underwriting standards for the program. A conservative approach will be taken when underwriting each application.

The following are a few very broad credit-underwriting benchmarks to be reviewed. This is in no way meant to be an exhaustive treatment of credit underwriting.

- A. Monthly housing payment (principal, interest, taxes, and insurance) shall not exceed 28% of Borrower's gross monthly income. Total monthly debt obligations (including PITI) shall not exceed 36% of Borrower's gross monthly income. Higher ratios will be considered only if there are significant compensating factors. The compensating factors that may be used in justifying approval of housing loans with ratios exceeding the maximum are:
 - 1. The Borrower makes a large down payment toward the purchase of the property (at least 10 percent).
 - 2. The Borrower has demonstrated a conservative attitude toward the use of credit and an ability to accumulate savings.
 - 3. Previous credit history shows that the Borrower has the ability to devote a greater portion of income to housing expenses.
 - 4. The Borrower receives compensation or income not reflected in effective income but directly affecting the ability to pay the mortgage.
 - 5. There is only a small increase (10 percent or less) in the Borrower's housing expense.
 - 6. The Borrower has substantial nontaxable income (if no adjustment made previously in the ratio computations).
 - 7. The Borrower has potential for increased earnings, as indicated by job training or education in the Borrower's profession.
- B. The stability of employment and of various increments of income should be considered.
- C. Each Borrower should enjoy a **reasonable** credit reputation. Recent blemishes on a Borrower's credit record should be thoroughly and satisfactorily explained.

Credit underwriting standards are to be applied to each borrower in the same manner.

2.5 Borrower Selection and Processing

Borrowers will be selected using the most current Home Loan Waiting List which is compiled and maintained by the Housing Department staff. **A Borrower is eligible to receive only one (1) residential Housing Department Home Loan.**

To be eligible for a home loan under this program, applicants must complete a

homebuyer's training program conducted by staff or an agency approved by the Housing Department. Upon application, staff will provide applicants with additional counseling and technical assistance regarding the application process and financial options and obligations under the program. Applicants will be required to execute documents, including employment verification and credit release forms, which will subsequently be processed by the Mille Lacs Housing Department.

Upon return of documentation, the Housing Department will review the applicant's eligibility under both program and underwriting criteria. If the Housing Department finds that the applicant is ineligible, the Department will notify the applicant regarding the reasons for the adverse action, the steps (if any) that the applicant may take to resubmit the application, and the process for appeal and review. Please refer to Grievance Policy for more information.

If an applicant is approved for financing, he/she is given six (6) months to purchase or begin to construct a home. If extenuating circumstances occur that prevent the applicant from acting within the six (6) month timeframe, the applicant may apply for a six (6) month extension. An extension will be granted **one time only** per applicant.

Section III

Eligible Residence and Financing Limitations

3.1 Eligible Residence

Financing made under the program shall be used to establish or maintain ownership of existing and newly constructed homes within the Service Area. The Service Area is adopted by action of the Band Assembly.

Type of Residence: The mortgage must be for the primary residence of the Band Member. No second homes will be considered.

Type of Structure:

- The following types of homes are the only type that will be considered for refinancing:
 - Single family dwelling (stick built)
 - Townhome (stick built)
 - Condominium (stick built)
 - Duplex (stick built)
 - Modular homes (custom built for placement on basement)
- Mobile homes, houseboats and motor homes will not be eligible for refinancing under this program.

3.2 Financing Limitations

The Housing Department Home Loan Program provides a financed amount of \$160,000.00 including closing costs.

Section IV REFINANCE PROGRAM

- 4.1 **Purpose:** To create a program whereby Band Members can refinance their existing mortgage loans to a lower interest rate to allow them to pay less money for their home and have the ability to pay less interest over the life of the loan.
- 4.2 **Eligibility Rules:** The applicant must be an enrolled Band Member and must be listed as an owner on an existing mortgage.
- 4.3 **Maximum Amount:**
- This program is restricted to a maximum mortgage balance of \$160,000 per residence.
 - The maximum term for payoff is 35 years although other term limits are available at the request of the parties.

Section V Mortgage Amount, Term and Interest Rate

- 5.1 **Lien Priority of Mortgages**
Each Housing Department Home Loan shall be secured by a first lien on the property to the extent such loan may validly be granted and in accordance with standard mortgage procedures appropriate to the nature of the ownership of the land. Housing Department Home Loans for dwellings on Tribal or Band land shall be made only if such land is leased (which lease shall be approved by the Band Assembly) under terms ensuring the availability of the land for a period at least equal to the term of the home loan.
- 5.2 **Mortgage Forms**
For all Housing Department Home Loans, the Housing Department shall use a form appropriate to the type of transaction.
- 5.3 **Interest Rate and Mortgage Term**
The fixed interest rate that will apply is **2.00% (APR)** compounded daily. Home loans may include the following costs:
 (a) Any taxes or assessments due on this property by Borrower during the first year,
 (b) Any customary and reasonable closing cost.
Home Loans may be for a maximum term of 35 years. There shall be no penalty for accelerated repayment of any loan.
- 5.4 **Amortization Requirements**
The Mille Lacs Housing Department requires full amortization of the Home Loan amount over the term of the loan by level installments of principal and interest.

Section VI Insurance Requirements

6.1 Hazard Insurance Requirements

Hazard insurance, meeting at a minimum, the following requirements, must cover the property subject to a Home Loan. This is the responsibility of the Borrower(s) who must obtain and maintain the coverage.

A. Scope and Amount of Coverage

Property insurance providing protection against loss or damage from fire and other hazards covered by the standard extended coverage endorsement must be provided in an amount sufficient to cover either the replacement cost of the building or the Home Loan amount, whichever is less. All buildings valued at \$1,000 and over must be insured. Such insurance must be in effect on the date of closing of the Home Loan and remain in effect throughout the term of the loan. The Housing Department does not require insurance to protect Borrowers' personal property but highly recommends that Borrower(s) also obtain this coverage.

B. Deductibles and Waivers

Policies containing a deductible clause up to \$500.00 or 1% of the original mortgage amount applicable to either fire or extended coverage, or both, are acceptable in areas where such provisions are mandatory or customary. If a policy contains a Fall of Building Exclusion Clause, such clause must be waived.

C. Minimum Financial Rating of Carrier: No Assessments; Other Requirements

Each hazard insurance policy must be written by a hazard insurance carrier, which has a financial rating by Bests Insurance Reports of B/VI or better. Each carrier must be specifically licensed or authorized by law to transact business within the State of Minnesota.

Policies are unacceptable where:

- (a) Under the terms of the carriers charter, bylaws, or policy, contributions or assessments may be made against the Borrower; or
- (b) Contributions or assessments may be made against the Borrower or which could become a lien on the property superior to the lien of the first mortgage; or
- (c) By the terms of carriers charter, bylaws or policy, loss payments are contingent upon action by the carriers Committee of Directors, policy holders, or members; or
- (d) The policy includes any limiting clauses (other than insurance conditions), which

could prevent the Borrower from collecting insurance proceeds.

The policy must provide for at least thirty (30) days written notice to the of the carrier's intention to cancel or not renew the policy. The Mille Lacs Housing Department must be named in the policy as having a lien on the property.

The policy must contain a provision establishing the limit of liability at not less than 100% of the outstanding loan balance.

D. Mortgage Clause; Endorsement

All policies of hazard insurance must contain or have attached the standard mortgage clause. The mortgage clause must provide that the insurance carrier shall notify the first mortgage named at least thirty (30) Days in advance of the effective date of the reduction in, or cancellation of, the policy.

E. Possession of Hazard Insurance Policies

The Housing Department shall maintain possession of the original copy of hazard insurance policies, properly endorsed and copies of any necessary notices in insurance carriers. The Borrower shall provide yearly notices of endorsement from the insurance company.

6.2 Flood Insurance

If the residence which is being financed by the Housing Department is in an area identified by HUD as a special flood hazard area and is located in a community where flood insurance is available, flood insurance shall be maintained in the amount of the outstanding principal balance of the Housing Loan or the maximum limit coverage available under the National Flood Insurance Act of 1968, as amended, whichever is less.

6.3 Insurance Loss Drafts

The Housing Department shall be named as payee on all insurance loss drafts exceeding \$500. Any such claims are to be deposited into a building suspense account pending application. Contractors are to be reimbursed directly from this account for repairs to the dwelling. The Housing Department staff, prior to any disbursements, will inspect said repairs. If there is included in the claim check any funds for damage to owners personal contents, this amount will be remitted to the Homeowner upon approval by the insurance company.

Section VII

Loan Closing and Servicing Reports

7.1 Loan Closings

A loan closing is the conclusion of a transaction that brings a Home Loan into legal

existence. This includes the delivery of a mortgage deed or similar security instrument, financial adjustments, the signing of a note for the purchase of a newly constructed home on Band land. The Housing Department recognizes the closing date as the date on which the Home Loan is signed.

Subsequent to a Home Loan closing, all documents are sent for recording with the appropriate recording agency. Payments commence upon the 1st of the following month if the loan is closed on or before the 10th of the month and, if closed after the 10th, payment will commence on the 1st of the second month thereafter.

7.2 Servicing Reports

Quarterly servicing reports will be presented to the Housing Department. Generally accepted accounting principals will be followed in all program management systems. All reports, books, accounts, records, files, and other documents shall be available at reasonable times and upon reasonable notice for inspection by the Mille Lacs Band of Ojibwe, Office of Management and Budget or their designee.

Section VIII Marital Property Agreement

8.1 Marital Dissolution

If a Band Member is married to a non-Band Member or non-Indian and the house is either awarded by the Court or given to the non-Band Member spouse, the non-Band Member may continue to pay off the existing mortgage with the Housing Department or may seek alternative financing to pay off the existing mortgage. An agreement between the applicant(s) and the Housing Department which outlines the above referenced understanding must be signed at the time of financing.

8.2 Divorce

In circumstances of divorce between a Band Member and non-Band member or non-Indian spouse, an exception may be considered when Band Member minor children live in the home with the non-Band Member spouse. The children must be the minor children of the Band Member homeowner in order for an exception to be considered and, at the date the youngest minor child turns 18 years of age or the date when the child(ren) cease to live in the home, the loan shall be accelerated and the balance due must be paid in full. Any Band Member child of the original Band Member homeowner shall have the right to apply for homeowner consideration at the age of 18 years if they meet the criteria and qualifications for homeownership.

8.3 Band Member Homeowner Deceased

Upon the death of the Band Member homeowner, and if the house is located on individually owned fee land, state probate law will apply to the distribution of the estate. In circumstances where a balance remains, a non-Band Member spouse may choose to (1) seek alternative financing to pay off the balance of the mortgage with the Housing Department within one (1) year of the Band Member's death; or (2) may continue to pay

on the original loan with the Housing Department.

If the house is located on tribal land and the Band Member homeowner predeceases a non-Band Member spouse, the non-Band Member spouse may be considered for a life estate as long as the mortgage payments are kept current or they may sell the home to the Housing Department. At the death of the non-Band Member spouse, the home may either be granted to a Band Member beneficiary or sold to the Housing Department. If the home is granted to a beneficiary and a balance is owed, the beneficiary shall take the home with the balance remaining to be paid by them. If sold to the Housing Department, the proceeds will be distributed among the beneficiaries according to the Last Will & Testament or according to intestate succession.

Section IX

Guidelines for Dealing with Delinquencies

9.1 Delinquencies & Defaults

The Housing Department staff shall make use of notices, letters, telephone and personal contacts and, in general, all collection materials normally employed by a reputable private institutional mortgage investor. Particular attention should be paid to the promptness with which payments are received from new Borrowers. The Housing Department will impress upon all new Borrowers the necessity of making payments on time. Grace periods are included to cover mailing delays and other unusual circumstances but should not be relied upon as a regular routine.

The Housing Department staff will be sufficiently skilled in financial counseling to assist Borrowers in bringing their mortgages current and protecting their equity and credit rating. The purpose of all collection efforts, including personal interviews, is to bring the account current in the shortest possible time. If the account cannot be brought current immediately and the Borrower's circumstances and past record justify it, the Housing Department will endeavor to arrange for the liquidation of the arrears in the shortest period possible and in any practical manner, which deems appropriate. All discussions with the Borrower should include a determination of the cause of the delinquency as well as a definite commitment by the Borrower as to how and when the delinquency will be cured.

A quarterly payment report and monthly delinquency report will be prepared by the Housing Department staff and for presentation to the Housing Board. Upon review of delinquencies, the Housing Department will determine appropriate action to be taken on liquidation proceedings. The following are general guidelines for dealing with delinquencies in Home Loans:

- A. Housing Department staff should review each loan by the 15th day of delinquency and make telephone contact, if possible.
- B. Late notices are sent out on the 15th of the month.

- C. Second notices and delinquent notices are sent out on the 30th of the month.
- D. Personal contact made if delinquency is not made up by the 45th day.
- E. If a satisfactory response is not obtained after all of the above have been done, Housing Department shall have its attorney write a letter to the delinquent Borrower informing him or her that if no contact and arrangements are made with the Housing Department, foreclosure proceedings will be initiated. This will usually be commenced when accounts are 60 days past due. The Borrower will also be notified of their right of redemption prior to foreclosure.

The Housing Department will make every effort to make arrangements to liquidate the delinquency. Unless the Borrower is permanently absent, the Housing Department staff should have held a face-to-face interview with the Borrower to establish:

- 1) The reason for the continued default,
- 2) Whether the reason is temporary or permanent,
- 3) The attitude of the Borrower toward the debt. This requires the determination of all sources of income and the existence of any other debts.

Before the 60th day from the due date of the earliest unpaid installment, Housing Department staff shall inspect the property and reach a determination as to whether:

- (i) To foreclose, or
- (ii) To allow a definite period for the Borrower to bring the mortgage current or sell his/her property to realize any equity, or
- (iii) To take other appropriate action.

Should the Borrower fail to make payments on or before the 60th day, the Housing Department staff will report to the Housing Board with the results of inspection and should report that a Liquidating Plan or Special Forbearance Relief Agreement has been accepted or that acceleration, foreclosure, or other action is recommended. Regardless of the recommendations made, the Housing Department staff shall fully document all servicing activities to date and indicate the reason for recommending the course of action taken.

9.2 Acceleration

When a Borrower is chronically in default and the Housing Department staff has exhausted all reasonable means of inducing the Borrower to pay on time, staff will recommend acceleration of the mortgage maturity in accordance with the terms of the mortgage. The basis for the recommendation will be fully substantiated in the report to the Housing Board. If the Board approves and maturity is accelerated, any proposal subsequently made by the Borrower for reinstatement and payment of a lesser amount than the full amount of the indebtedness shall be referred to the Board.

9.3 Abandonment

Abandonment shall be defined as the Borrower vacating the Home for a period of thirty (30) days without prior notice to the Housing Department staff. Examples of "abandonment" are the Borrower being physically absent for longer than one (1) month without prior notice to Housing Department staff, mail stacked up, utilities shut off, etc. In all cases in which physical inspection reveals that a Home has been abandoned, the Housing Department staff should attempt to locate the Borrower and ascertain the reasons for the abandonment and take such proper action as is necessary for the protection of the property to avoid waste, damage, and/or vandalism. The Housing Department staff should immediately report the results of the investigation to the Housing Board and make recommendations regarding the action that should be taken.

9.4 Liquidating Plans, Special Forbearance Relief Modifications and Other Delinquency Areas.

The Housing Department will extend appropriate relief to Borrowers who encounter hardship and who are cooperative and have proper regard for their obligations. The Housing staff will be readily available to Borrowers to offer skilled financial counseling and advice. The Housing Authority staff will make personal contact with delinquent Borrowers as soon as possible in order to achieve a solution, which will bring the Home Loan current as soon as possible. The staff will be fully familiar with the various forms of relief to Borrowers provided for herein and will employ such relief wherever appropriate rather than recommending termination of the loan. Furthermore, payroll deductions and wage assignments and bonus assignments, if necessary shall be required of families as part of any relief agreements. Any exceptions to this policy require approval from the Housing Board.

Prior to granting relief as herein provided, the Housing Department staff will inspect the property and ascertain that the reason for the default and the attitude and circumstances of the Borrower justify the relief should be:

A. Liquidating Plan:

A "liquidating plan" gives the Borrower a definite period in which to reinstate the Home Loan by immediately commencing payment in excess of the regular monthly installment. The Housing Department staff will enter into a liquidating plan in which the total delinquency will be repaid (commencing immediately) within the shortest time period practical. The liquidating plan must be executed by the Borrower and by the Housing Department staff and/or attorney in the form of a written agreement if the earliest unpaid installment is more than 60 days past due.

B Special Forbearance Relief:

A "special forbearance relief agreement" reduces or suspends the regular monthly installments for a specified period of time. The Housing Department will consider entering into such agreements for a period of up to twelve (12) months after which regular home loan payments are required to be resumed. This option could be used only

in cases of extreme hardships where the Head of Household either dies or is unable to work for a temporary period of time, i.e., serious accident, heart attack, etc., or when the Home is substantially destroyed and the insurance claim is pending. The Housing Department must be notified immediately following the occurrence and must verify the request. The Borrower must pay the escrow payments during the forbearance period.

If the Borrower fails to comply with his or her obligations under the special forbearance relief agreement, the Housing Department, before the failure has continued for 60 days, shall either

- (i) Enter into a new special forbearance relief agreement with the Borrower, provided the aggregate forbearance does not exceed twelve (12) months,
- (ii) Recommend a modification of the mortgage, or
- (iii) Recommend foreclosure or (preferably) acceptance of a deed in lieu of foreclosure.

C. Modifications

A “modification” restructures or extends Housing Department Home Loan repayment provisions, which may include an extension of the original maturity date. A modification or extension of a Home Loan shall be recommended by Housing Department staff when, in their estimation, a change in the terms of repayment of the Home Loan presents the means of recovering fully the maximum principal and interest. The Housing Board’s acceptance of the proposed modification is required. This option would be used for those Borrowers who have had a temporary income loss and now have the ability to make their current payments but have no means of making up their past due payments. This option can also be used following a forbearance period to reduce the current payments by extending the balance left on the loan.

9.5 Soldiers and Sailors Relief Act

When a Borrower is in the military service, he or she may be entitled to benefits under the Soldiers and Sailors Civil Relief Act, as amended. The Housing Department shall be familiar with and act in accordance with the requirements of the Act and other pertinent requirements.

The Housing Department staff will stress to Borrowers eligible for such relief the desirability of paying the largest installments possible during the term of their military service in order to reduce the accumulation of indebtedness that will be payable after termination of their military service. The Housing Department Executive Director is authorized to grant appropriate relief to eligible Borrowers, but the terms of such relief and related information should be promptly reported. If a Soldier or Sailor is eligible for relief it is not discretionary under federal law.

The Housing Department staff shall contact the Borrower at least semi-annually during the period of active military service to determine whether reduction in monthly payments should be revised in view of the Borrower’s current financial ability. At the termination of active military service, the Borrower will be expected to reinstate the Housing

Department Home Ownership Loan as rapidly as his or her circumstances will permit.

9.6 Deed In Lieu of Foreclosure

If the Borrower offers or is willing to execute a voluntary deed in lieu of foreclosure, the Housing Department staff will recommend acceptance of a deed in lieu if it determines that such action is in its best interest, that marketable title will be obtained, and that full benefits will be received. A deed in lieu of foreclosure is normally preferred over foreclosure.

Counsel designated by for that purpose, subject to the Housing Department, should prepare any documents needed to complete the processing of a deed in lieu of foreclosure. The Housing Department shall work with an attorney to ensure the prompt and efficient completion of each such deed in lieu of foreclosure.

9.7 Institution of Foreclosure

Before the 60th day following the due date of the earliest unpaid installment, the Housing Department staff shall recommend either foreclosure or other appropriate servicing action based on the particular circumstances of each mortgage. The Housing Department staff should not recommend foreclosure until every reasonable effort has been made to arrive at a solution to the delinquency, as provided above. However, once it is determined that no other course of action will cure the default, then the Housing Department staff should promptly recommend foreclosure and should include in the report recommending foreclosure a brief servicing history to date and a statement of the reasons for recommending foreclosure. All efforts to cure the default shall be continue until approval of the foreclosure has been received from the Housing Department. Borrower shall be informed of the right of redemption prior to foreclosure.

The Housing Department staff shall appoint foreclosure counsel and will specify the fee to be paid for such service, provided that the Housing Department must approve attorney's fees in excess of \$250 in advance. All such fees are to be paid from program funds if not collected from the Borrower. The Housing Department staff shall work with the foreclosure counsel to assure prompt and efficient completion of foreclosure proceedings.

The Housing Department staff should prepare and forward with the recommendation to foreclose any necessary papers for execution. The Housing Department staff shall be responsible for the safe storage of any debt instrument sent to the attorney.

9.8 Action During Foreclosure

When, during foreclosure, a Borrower offers payment of the full delinquency, including advances, legal costs, and other foreclosure costs and expenses, Housing Department staff shall ascertain the amount of all foreclosure costs and expenses that have been incurred, or will be incurred if the offer is accepted. The Housing Department may accept such an offer.

If the offer is accepted, upon receipt of funds, the Housing Department staff shall take

action to prevent additional foreclosure costs and expenses from being incurred and apply funds (exclusive of foreclosure costs and expenses) to the Borrower account, and pay the foreclosure costs and expenses. The Housing Department staff shall report all details of the transaction to the Board.

When, during foreclosure, the Borrower offers to pay an amount less than the full delinquency (including advances, legal costs, etc.), the Housing Department staff will ascertain the amount of foreclosure costs and expenses that have been or will be incurred if the offer is accepted. The Housing Department staff may decline without Board concurrence, but shall obtain Board approval prior to accepting. The recommendation shall include a recommendation whether the foreclosure action should be suspended or dismissed and how the remaining delinquency will be cured.

9.9 Deficiency Judgment

In the event that the foreclosure costs, expenses, and remaining loan amounts are greater than all amount recovered through the subsequent resale of the Home, a deficiency judgment may be entered against the Borrower. Any judgment obtained may be collected through any and all means available and shall be considered a debt owed the Band.