Greater Fremont Development Council (GFDC)
Dodge County Investment Fund (DCIF)

Investment Plan (Guidelines)

PURPOSE

The purpose of the Greater Fremont Development Council (GFDC) Dodge County Investment Fund (DCIF) is to provide “gap” financing to developers of workforce housing and homebuyers consist with the Nebraska Rural Workforce Housing Investment Act (the Act). The Fund customers are developers and homebuyers creating or purchasing workforce housing in Dodge County. This customer is unable to fulfill 100% of the workforce housing financing needs with a combination of their own resources and those from a financial institution.

GFDC and Northeast Economic Development District (NENEDD) have been contracted/organized to facilitate and coordinate the development of housing and economic development initiatives. GFDC’s Dodge County Investment Fund herein after referred to as the Fund will provide assistance to eligible borrowers and applicants for the provision of workforce housing in Dodge County. This Fund will be operated by GFDC through its Board of Directors. NENEDD will manage the day-to-day responsibilities for the Fund including application intake, underwriting, due diligence, loan closing, loan servicing, and reporting to DED.

This Fund shall be conducted in a manner to be in compliance with the Fair Housing Act.

Fund recipients are referred to as “Borrowers”. Fund assistance may be provided in the form of fully performing loans, deferred loans, loan guarantees, loan participations, purchase and rental guarantees, equity investments, other credit enhancements or any form of assistance designed to reduce the cost of workforce housing related to the GFDC Fund. In rare circumstances, Fund assistance may be provided in the form of a deferred forgivable loan or conditional grant.

Fund assistance is provided for “Projects” which may include land and infrastructure directly associated with the workforce housing.

The Fund guideline for loan amount is as follows: minimum $5,000 and maximum $1,000,000. A minimum of $100,000 shall be invested in eligible projects within the extraterritorial zoning jurisdiction of the City of Scribner. The Fund may offer favorable terms to facilitate this targeted investment.

GFDC and NENEDD Grant Administration and Housing Administration costs are eligible costs supported with local matching funds, fees, loan repayments, interest and other funds. DED funds will not be used for these costs.

BACKGROUND

The Nebraska Rural Workforce Housing Investment Act went into effect on August 26, 2017. The Act allowed for the one time transfer of funds from the Nebraska Affordable Housing Trust Fund to the Rural Workforce Housing Investment Fund, administered by the Nebraska Department of Economic Development (DED). The Act provides resources to support the creation of rural workforce housing investment funds to encourage development of workforce housing in Nebraska’s rural and underserved regions. Rural for the purposes of the Act is Nebraska counties excluding Douglas, Lancaster, and Sarpy. The Act is in effect until June 30, 2022.

The Act recognizes that current economic conditions, and limited availability of modern housing units, impacts the ability of rural communities to recruit and retain a world-class workforce. A lack of workforce housing affects the ability to maintain and develop viable, stable, and thriving communities. A housing shortage in rural areas also impacts the ability of local private, nonprofit, and public employers to grow and prosper.

DED established the Rural Workforce Housing Fund (RWHF) to foster and support the development of workforce housing in rural communities. Prioritization for the funds is based on a demonstrated and ongoing housing need, low unemployment rate, difficulty filling employment positions, demonstrated commitment to growing housing stock, projects reasonably ready for occupancy in a period of twenty-four months, and the capacity to manage a workforce housing investment fund. The intent of the Fund is to spur the development of workforce housing in rural Nebraska. Regional workforce housing investment funds are intended to revolve and allow for reinvestment in workforce housing projects in to the future.

DED made the first-round competitive applications for regional workforce housing investment funds available to eligible non-profit development organizations with applications due March 30, 2018.

1.0 APPLICANT ELIGIBILITY

1.1 General (Conflict of Interest)

No member of the governing body, official employee, agent or member of their immediate family of GFDC, NENEDD as GFDC's Fund Administrator or NENEDD's affiliate NED, Inc., who exercises policy, decision-making functions or responsibilities in connection with the planning and implementation of the Fund shall directly or indirectly benefit from this Fund, unless the Nebraska Department of Economic Development (DED) has granted written exception to that member. This prohibition shall continue for one year after an individual's relationship with GFDC or NENEDD ends. Any other employee, officer, or board member may be eligible, but will be treated no differently in the determination of applications accepted for funding. Enclosed with this person's application shall be a statement of disclosure which outlines the nature of the possible conflict and a description of how the public disclosure was made. Included will also be verification that the affected person has withdrawn from the active involvement in any Fund assistance related issues associated with the project that is the subject of the Fund application.

1.2 Project Eligibility

All determinations for assistance will be based upon the proposed project's: direct impact on meeting the workforce housing needs of Dodge County, likelihood and expediency of loan repayment (including borrower credit worthiness), and estimated expediency of occupancy.

The proposed project must be for Workforce Housing. Workforce Housing is housing that meets the needs of today's working families; housing that is attractive to new residents considering relocation to Dodge County, owner-occupied housing units that cost not more than two hundred seventy-five thousand dollars ($275,000) (land and infrastructure costs included), or rental housing that cost not more than two hundred thousand dollars ($200,000) per unit (land and infrastructure costs included); owner-occupied and rental housing units for which the cost to substantially rehabilitate exceeds fifty percent (50%) of a unit's assessed value; upper story housing; and housing that does not receive National Housing Trust Funds, Federal Low Income Housing Tax Credits, Community Development Block Grants, HOME funds, or funds from the Nebraska Affordable Housing Trust Fund.

1.3 Borrower Eligibility (Developer)

In order to qualify for a developer loan from the Fund, the applicant (or applicant's affiliated party) must have ownership interest (risk) at some phase of the proposed project. The developer must demonstrate the following:

1. Financial strength necessary to mitigate risk for the Fund.
2. Reasonable developer financial contribution to the project development costs.
3. Site control or evidence that site control can reasonably be obtained in 30 days or less of loan approval.
4. Proven track record or other evidence of capacity to complete the proposed project.
5. Project budgets and pro formas that support the requested loan amount and ability to repay.
6. For entities other than individuals: Nebraska tax identification number and Certificate of Good Standing from the Nebraska Secretary of State.

1.4 Borrower Eligibility (Homebuyer)

In order to qualify under the Fund as an assisted Homebuyer receiving down-payment or closing cost assistance from the Fund, the applicant must be a minimum of a one-person household. The property to be purchased must be the principal residence of the applicant during the loan period of the Fund assistance loan. A homebuyer of a duplex or condominium unit are eligible for assistance if a definitive property boundary is established.

2.0 PROPERTY ELIGIBILITY

2.1 Location

Projects to be financed with the Fund will be located within the extraterritorial zoning jurisdiction of a community in Dodge County.

2.2 Cost Limitations

For owner occupied housing units, costs cannot exceed $275,000 per unit For rental units, costs cannot exceed $200,000 per unit. These limits include land and infrastructure costs.

For substantial repair or rehabilitation of dilapidated housing stock, the cost to rehabilitate must exceed 50% of the unit's assessed value.

Infrastructure development associated with workforce housing is eligible in association with eligible renter or owner occupied housing, proportionate to the number of workforce housing units and subject to the renter and owner occupied housing per unit cost limits.

Proportionality shall be determined by

1. Determining the amount of total project development costs (TPDC), including land and infrastructure costs.

2. Calculating the adjusted TPDC, which shall be the TPDC less the total of non-Dodge County Investment Fund financing that is specifically designated for infrastructure costs (such as Tax Increment Financing loan proceeds).
3. Dividing the Fund financing amount for project development costs, including infrastructure (numerator) by adjusted TPDC (denominator).
4. Applying the ratio derived in 3. to the total proposed housing units serviced by the infrastructure to determine the minimum number (rounding up to a whole number) of units that must meet the housing unit eligibility requirements (including cost limitations) based on GFDC contribution to infrastructure costs. *Housing units directly financed with the Fund are attributed to meeting the minimum number of eligible units requirement in this calculation.*

2.3 Other Financing

Housing units to be financed with the Fund may not also be financed in any form or manner by National Housing Trust Funds, Federal Low Income Housing Tax Credits, State Low Income Housing Tax Credits, Community Development Block Grants, HOME Funds, or funds from the Nebraska Affordable Housing Trust Fund.

2.4 Additional Ineligible Properties and Costs

Fund assistance shall not be available in any form or manner for:
- Housing units located within a Special Flood Hazard area (SFHA);
- Furnishings and personal property not an integral structural fixture including purchase of equipment, fixtures, and motor vehicles;
- Mobile homes as defined by DED; *Mobile homes means a movable or portable dwelling constructed to be towed on its own chassis, connected to utilities, and designed with or without a permanent foundation for year-round living. It may consist of one or more units that can be telescoped when towed and expanded later for additional capacity, or two or more units, separately towable but designed to be joined into one integral unit.*

3.0 FINANCIAL ASSISTANCE – DEVELOPER LOAN PROGRAM

3.1 Eligible Uses and Forms of Assistance

Borrowers may draw upon the Fund's proceeds for any of the following uses, based upon specifics outlined in the loan application and the executed loan documents. All of these uses described below assume fundamental use is constructing, rehabilitating or operating workforce housing:

- Acquisition of land and buildings;
- Predevelopment expenses such as:
  - site control (options or purchase) and expenses associated with purchase (e.g. title work)
  - engineering
  - architectural
  - site plans

- preliminary budgets and feasibility analyses
- financing application fees
- permit fees
- market studies
- surveying
- environmental site assessments
- tax credit application fees
- grant application fees to government entities, FHLBank Affordable Housing Program, or foundations
- Appraisal
- Organizational (Partnership/LLC) expenses

- Construction or renovation of real estate either leased or owned for residential purposes;
- Equity investment
- Public and Private Infrastructure (streets, water, sewer, electrical) necessary to accommodate the eligible workforce housing project
- Gap financing loan (permanent loans repaid with annual net operating income of the rental project or other sources as approved)
- Permanent loan (primary or subordinated loans that with regular, periodic principal and interest payments)
- Capitalization of reserves
- Rent or sale (construction take-out) guarantees
- Loan guarantee
- Other forms of assistance and costs that are allowed in the Act and approved by the GFDC Board of Directors

3.2 Additional Risk Mitigation

The Fund will target assistance to developers that demonstrate:

- Need for the assistance for the project to be feasible
- Likelihood of success in development of the project
- Experienced, qualified development team (including property management in the case of rental housing and sales strategy for for-sale homes)
- Strong market for the type of housing proposed
- Local support, particularly support of employers in Dodge County
- Developer financial ability and willingness to guarantee the Fund loan

Portfolio Standards of the Fund investments in Developer Loans are as follows:

- Generally, the Fund may not represent more than 40% of the total (a) predevelopment and construction costs (including carrying costs in a for-sale housing project) or (b) permanent financing needs.
- Fund financing amount and form must be necessary and appropriate based upon review of other possible financial assistance
- Fund financing amount and form is reasonable in relation to the number and type of workforce housing units to be developed
- Incentive loans can be greater than $250,000 and have more favorable terms for projects addressing a Fund priority:

- Substantial number of eligible units
- Portion or all of the eligible units will be located in Dodge County communities outside of Fremont
- Projected full occupancy of housing units no later than April 1, 2020
- Expedient loan deployment and repayment schedule OR substantial regular, periodic payments (for example monthly or semi-annual principal and interest)

In addition to the portfolio standards selection criteria, NENEDD and GFDC will primarily consider the contribution of the proposed project to meeting the Dodge County workforce housing needs. NENEDD and GFDC will utilize the underwriting standards detailed in this Investment Plan (Guidelines).

4.0 HOMEBUYER DOWN PAYMENT ASSISTANCE LOAN PROGRAM

All applicants will be required to secure a single-family mortgage loan from a lender of their choice to purchase a single-family housing unit. Applicants will need a pre-qualification letter and Loan Estimate Statement from the primary lender prior to applying for down payment assistance funds. The primary lender and its underwriting criteria determine the basis for GFDC's down payment assistance. Potential financing will be provided through a subordinated second mortgage not to exceed 25% of the purchase price up to a maximum of $50,000. The loan will be used toward the down payment of one housing unit and associated closing costs. The applicant is required to provide $1,000 of their own funds to cover a portion of the required closing fees and prepaid escrow accounts. GFDC will charge a $500 closing fee which can be applied toward the $1,000 requirement. The primary lender will appraise the property.

A subordinated lien in favor of GFDC will be placed upon the property at the time of signing the promissory note in an amount equal to the down payment assistance loan. This lien will take a subordinate position to the primary lender's original mortgage. Future refinancing, home equity loans and all future liens will take a subordinated position to the GFDC loan. At the request of the borrower, future equity loans, which require a release or subordination of GFDC's lien, will require the GFDC loan balance to be paid off unless the Board of Directors receives a written explanation of need. All subordination requests will follow GFDC's subordination policy (attached as Appendix A). The homeowner will be required to pay all closing and filing costs associated with refinancing and subordination if approved by the GFDC Board of Directors.

The down payment assistance loan shall consist of a 1% interest loan with terms appropriate for the borrower's ability to repay. GFDC may structure the loan to have no regularly scheduled debt service required for the down payment assistance loan and instead be repaid when the property is sold or upon transfer of title.

Loan repayment shall become due and payable up to the amount of net proceeds, if any, in the event borrower or his or her heirs shall sell, rent or otherwise convey the said property, or should the borrower(s) not occupy the said property as their primary residence according to the terms of Section 1.4. The amount repaid cannot exceed the net proceeds, any remaining balance shall be forgiven. Net proceeds are the sales price less superior loan repayment and any closing costs. In a case where the sales price is less than 95% of appraised value at the time of sale, then the net proceeds are the appraised value less superior loan repayment and any closing costs.

4.1 Foreclosure

GFDC as the lender shall give notice to Borrowers following Borrower's breach of any covenant or agreement in the Promissory Note and the Deed of Trust of which it secures. The notice shall specify (a) the default, (b) the action required to cure the default, (c) a date not less than thirty (30) days from the date the notice is given to Borrowers by which the default must be cured, and (d) failure to cure the default on or before the date specified in the notice may result in acceleration of the sum secured, the deed of trust and resale of the property. Upon acceleration of the sum secured and resale of the property, GFDC shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale including, but not limited to, GFDC's fees as permitted by Nebraska law and reasonable fees; (b) to all sums secured by this security agreement; and (c) any excess be recaptured by GFDC will recapture the new proceeds in the case of foreclosure.

5.0 APPLICATION PROCESS

5.1 Application

In order to obtain an application form the applicant must call or visit GFDC's or NENEDD's office. NENEDD staff will explain the assistance available and will be responsible for processing the application, verifying income and determining the applicant's eligibility for participation in the Fund. During the application review, NENEDD staff may make recommendations and referral to other programs available for financing.

The loan application for a Homebuyer Down Payment Assistance Loan is primarily based upon the loan application materials received by the bank for the primary loan. NENEDD will work with applicant and the bank to gather necessary information for the Fund Homebuyer loan to be considered.

The loan application for Developer Loans includes:

- Proposed loan uses, amount, repayment source
- Development pro forma
- Operating pro forma (rental projects)
- List of all sources of funds
- Predevelopment/construction budget and monthly draw schedule
- Developer personal tax returns and financial statements for the past two years
- Development team biographies/resumes
- Borrower/development team development history
- Preliminary plans and specifications
- Site description, location, zoning, current use, amenities
- Timeline for development and occupancy
- Developer/project sponsor management and governance information
- Credit history authorization

NENEDD and GFDC staff will review information submitted to ensure it is complete. GFDC may charge a $250 developer loan application fee. Rate, terms, collateral and equity requirements will be finalized as negotiated between the applicant and staff as approved by the GFDC Board of Director's.

5.2 Underwriting Criteria

NENEDD staff will take into consideration underwriting criteria of the primary lender, when applicable, and the following mitigating factors in making a credit recommendation to GFDC's Board of Directors. (criteria is intended as a guide and not as absolute determinants.)

A. Credit Guidelines: Borrower credit payment history, revolving accounts, any collections, judgments, liens, bankruptcy, foreclosures, repossessions, and credit depth.

B. 1. For Homebuyers - Debt to Income Ratios: Housing expense ratios maximum of 28% and total household expense ratios maximum of 40%.

B. 2. For Developers – Net worth and other measures of financial strength based on recent Financial Statements.

B. 3. For rental projects permanent financing – total debt service coverage ratio (DSCR) that does not fall below 1.15 beginning in the second full year of operation and throughout the loan period.

C. Loan to Value ratio: for construction and permanent financing total loan to value ratio of all debt no greater than 95%.

D. Compensating Factors: Any of the following may be considered as compensating factors providing they are strong: ratios, equity, assets, credit scores, track record (developers), and character references from reputable sources such as local lenders.

5.3 Procedure for Approval or Denial

Applications will be reviewed on a first-ready, first-served basis. Only complete, original, and signed applications containing all information and documentation that are delivered to the offices of NENEDD, 111 South 1st Street, Norfolk, NE 68701 or GFDC, 1005 E 23rd St #2, Fremont, NE 68025 will be processed. Electronic copies received via e-mail or fax will not be processed until the original application is received via postal mail or delivery in person to the NENEDD or GFDC office. First-ready means that the following items have been completed in order to present the application to GFDC's Board of Directors : (1) applicant has completed application/initial interview, (2) Project eligibility has been determined, (3) Borrower eligibility has been determined (4a) Borrower – Homebuyer: Pre-qualified letter/ Loan Estimate Statement received from primary lender and Purchase Agreement signed, (4b) Borrower – Developer: site control verified, experienced development team verified, relevant financial information reasonable and sufficient (development and operating pro formas, project budget, financial strength of guarantors, and other information as requested), (7) board loan summary prepared by NENEDD staff, presented to GFDC Loan Committee and recommended to the GFDC Board for approval.

GFDC's Loan Committee will meet as needed to review Loan Applications. Applications will be presented to the GFDC Board of Directors if all of the above-mentioned items are completed.

The application will be reviewed by the GFDC Loan Committee and then a recommendation provided to GFDC's Board of Directors based upon the recommendations of NENEDD and GFDC Staff. The application will be reviewed and approved/denied by GFDC's Board of Directors based upon the recommendation of the GFDC Loan Committee. Approved applicants will be notified in writing and/or via e-mail, if available. Denied applicants will be notified in writing stating the reason for not being selected.

5.4 GFDC Loan Committee packet for Developer Loans:

The loan packet presented to the GFDC Loan Committee and the GFDC Board of Directors for Loans to Developers includes:

- Summary
- Development pro forma
- Operating pro forma (rental projects)
- List of all sources of funds
- Predevelopment/construction budget
- Developer personal tax returns and financial statements for the past two years
- Development team resumes and real estate schedule (information on previous developments)
- Preliminary plans and specifications
- Details of the proposed Fund assistance including
  - Terms
  - Interest rate
  - Source of repayment
  - Collateral, developer guarantees, and other loan security
  - Loan loss reserve allocation (Fund risk mitigation)

- Proposed loan payment schedule

  Special circumstances regarding Developer loans may require a different repayment plan and will be structured accordingly. Some projects require special financing techniques to meet a borrower's needs. Recognizing that, a subordinate position to other lenders of record at time of the project may be taken. If a subordinate position is required, additional considerations will be taken so as to not jeopardize the loan portfolio. Other special financing techniques may include quarterly or semiannual payments, interest only payments during the first year, or some other method agreed upon by the Board of Directors and the applicant.

  Generally, loan payments on loans with regular, periodic payment schedules will start no more than 60 days after loan closing. During the loan payment period, NENEDD staff at their discretion may authorize a one-time, 3-month payment deferral or 3-month interest only payment. Any other payment arrangements must be approved by the GFDC Loan Committee or GFDC Board of Directors.

6.0 LOAN CLOSING and SERVICING

6.1 Loan Closing – Homebuyer Borrower

NENEDD will schedule the loan closing with the borrower and the primary lender. The primary lender will prepare all closing documents for its loan. NENEDD will prepare and have the borrower execute the following items at closing:

A. Regulation-Z Loan Disclosure
B. Promissory Note
C. Memorandum of Understanding
D. Deed of Trust
E. Request for Loss-Payee
F. Primary Residence Certification Form
G. Promotional Use Form (Beneficiary is giving a voluntary release and authorization for publication of photos that are taken during and after completion of the project.)

Upon signing of the closing documents, the Deed of Trust will be recorded at the Dodge County Register of Deeds Office. The Request for Loss Payee form will be mailed to the borrower's local insurance agent.

No funds will be disbursed until the borrower has satisfied all conditions established by the GFDC Loan Committee, GFDC Board of Directors, NENEDD staff and GFDC staff as prerequisites for disbursement of funds and has signed all loan documents, as well as other documents necessary to perfect GFDC's security interest in the collateral. GFDC staff will have final approval of loan advances.

6.2 Insurance – Homebuyer Borrower

Owner-occupants are required to carry a basic property insurance policy of at least one-hundred percent (100%) of replacement cost. All proceeds resulting from insurance must be applied toward the cost of needed repairs to the home. Documentation of repairs completed must be provided. At GFDC's discretion insurance proceeds may be held pending the completion of the repairs. Homeowners insurance must be carried on the dwelling throughout the loan deferral and repayment period in order to maintain compliance in the Fund. GFDC is to be named as a loss-payee on all insurance policies in a subordinate position to the primary lender.

6.3 Loan Closing – Developer Borrower

NENEDD will schedule the loan closing with the borrower. The loan closing may be conducted electronically via e-mail including scanned signatures and documents as allowable. The borrower must submit original signed and notarized documents within 5 days after an electronic closing to NENEDD.

The borrower will provide evidence of the following prior to or at loan closing, as applicable:

- Equity requirements have been met
- Other financing has been secured
- Proof of insurance appropriate for the type of project and Fund loan timing
- Appraisals
- Wiring instructions for loan advances

NENEDD will prepare and have the borrower execute the following items at closing, as appropriate:

- Promissory Note
- Authorization and Loan Agreement
- Security Agreement
- Deed of Trust
- Guaranty

NENEDD will provide loan advance request requirements to the borrower at or before loan closing. No funds will be disbursed until the borrower has satisfied all conditions established by the GFDC Loan Committee, GFDC Board of Directors, NENEDD staff and GFDC staff as prerequisites for disbursement of funds and has signed all loan documents, as well as other documents necessary to perfect GFDC's security interest in the collateral. GFDC staff will have final approval of loan advances. GFDC may charge an origination fee of $250 for any loan of $25,000 or less. If the loan amount is greater than $25,000, the loan origination fee shall be equal to 1% of the loan amount. The loan origination fee may be included in the loan request and deducted from the loan proceeds prior to disbursement to the borrower. At its discretion, GFDC staff may substitute a commitment fee for the origination fee or waive or modify the origination fee.

6.4 Other Loan Conditions

In addition to the above, and to the application requirements, all GFDC borrowers must comply with certain requirements including the following:

- Signed statement that there are no outstanding judgments pending against the loan applicant and for Borrowers that are not individuals, a current "Certificate of Good Standing" from the Secretary of State.

- Agreement to acknowledge the participation or inclusion of Fund financing in marketing and other promotional efforts which cite financial supporters of their project. GFDC's name (and logo) shall be included on signs, in press releases, and on other printed information listing institutions supporting the project's success.

- Valid title insurance policy whenever a lien on the property is being used as collateral

6.5 Loan payments

NENEDD staff will monitor each loan. Loan status for each Loan in the Fund Portfolio will be updated at least monthly. NENEDD will provide a status report on all loans to the GFDC staff at least quarterly including: current loans, past-due amounts, defaults, anticipated repayments in the next quarter, etc.

Developer Borrowers:

NENEDD will require annual financial statements, annual insurance renewals, conducting regular site visits to project and/or the borrower, review of annual project status reporting, and other reports that are specific to each loan. If requested documents necessary for loan monitoring are not received within 60 days as required by written communication, a monthly assessment of no less than $100 may be assessed to the borrower and will be automatically withdrawn from the client's bank account electronically each month until received.

In the event of a late payment or loans over 90 days in arrears, NENEDD staff, GFDC Staff, or GFDC legal counsel will attempt to establish a workout arrangement with the borrower. Every effort will be made to assist the borrower but protect the Fund as well. Workout arrangements must be approved by GFDC staff after review by the GFDC Loan Committee. Substantial changes to the loan agreement will be approved by the GFDC Loan Committee or Board of Directors. All action taken on any give loan will be documented and reported to the GFDC Board of Directors.

If payment is not honored from the bank, NENEDD staff documents contact with the client (either by phone or letter) – notifying the client of Non-sufficient Funds (NSF) charge and payment must be sent to the office by the 10th of the month to avoid a late payment fee of $25. If bank financing is also involved, the bank is contacted to verify if their payments are also in jeopardy.

If the first payment is not received and the second payment is not made, a certified letter is sent explaining the NSF charge and the late payment fee again if not received by the 10th and the bank is contacted.

If the first two payments are not made and the third payment is not made, NENEDD will recommend to GFDC that legal remedies be sought. The GFDC Board of Directors will decide whether to use legal remedies to resolve the matter. This may include a Default Notice being sent and filed.

In most instances, if a bank is involved as primary lender, GFDC will follow the actions of the bank as not to incur the cost of a Trustee's sale. If there is no bank involved GFDC will proceed with a Trustee's Sale if applicable.

6.6 Collateral Change Requests

From time to time collateral change requests may be necessary. Loan subordination requests for refinancing of existing debt with no "cash out" will be approved by NENEDD staff in the event it does not diminish our lien position. Any other requests must be approved by GFDC Loan Committee or GFDC Board of Directors. All fees associated with any collateral change requests, will be the clients responsibility.

6.7 Loan Write-Off Collections

GFDC may pursue bad debt any way possible to collect loans that have been written off. This may include, but is not limited to, wage garnishment and repossession of collateral.

6.8 Close-Out

GFDC shall maintain and keep all applications as well as all other required document, records, and other evidence in conformance with DED Rural Workforce Housing Investment Fund requirements.

7.0 PROPERTY MAINTENANCE

All properties purchased (Homebuyer Loans) or permanently financed (developer borrowers) with the Fund shall be maintained in compliance with local ordinances and subdivision covenants.

8.0 CONSTRUCTION SUPERVISION, APPRAISAL, and COST CERTIFICATION

All development is subject to review and inspection. All housing units built under this Fund shall be subject to appraisal to verify completed value. All housing units constructed or rehabilitated with this Fund shall be subject to a cost certification to verify the project meets the cost to build/rehabilitate per unit limitations of the Act. GFDC and NENEDD will determine the appropriate cost certification method on a per project basis.

9.0 DEVELOPER/CONTRACTOR DISPUTES

Construction-related developer/contractor disputes or deficiencies and/or any disagreements between the homebuyer and seller or developer to the construction of the homes shall be resolved prior to permanent loan/downpayment assistance loan closing in a manner acceptable to all parties. Informal resolution of disagreements is recommended. Acceptance of the home and delivery of the deed at loan closing shall constitute the homebuyer's waiver of any rights concerning known defects or existing disputes or disagreements between the homebuyer and seller, subject only to such special warranty given by the seller on the home and as set forth in the documents delivered and accepted at the time of closing. The foregoing shall not limit warranty-express or implied-as may otherwise exist as a matter of law.

10.0 GRIEVANCE PROCEDURES

In the event that any applicant feels he or she has been unfairly treated or discriminated against during the process of selections of projects to be funded, excluding the determination of ability to secure a mortgage loan from a financial institution (as applicable), or within any other segment of the Workforce Housing Investment Fund, he or she may appeal the decision of the GFDC staff to the GFDC Board of Directors for their consideration. The appeal must be submitted in writing to the President of GFDC and postmarked within 14 calendar days of the decision. The GFDC Board of Directors will act to support or overturn the action within 30 days of the receipt of the appeal. The GFDC Board of Directors will have final authority in the decision. NENEDD staff will be notified of any grievances that GFDC receives which are not resolved by the GFDC's standard grievance procedures. In some cases it may be necessary to use a neutral third party as mediator between the borrower, GFDC, NENEDD, and the contractor. The third party mediator cannot be the NENEDD, GFDC or a member of the GFDC decision making council. Economic Development Districts throughout the State of Nebraska may be utilized as the third party mediator.

Appeals regarding other loan eligibility (excluding the Fund) shall be made to the financial institution in accordance with their procedures.

11.0 AMENDMENTS TO INVESTMENT PLAN (GUIDELINES)

In an ongoing effort to improve the quality of the Workforce Housing Investment Fund, GFDC and NENEDD will receive any suggestions on amendment to the guidelines from the public, Fund participants, realtors, financial institutions or members of NENEDD and GFDC. Upon approval and adoption of the amendment by the GFDC Board of Directors, the DED Program Representative will review and approve the amendment which will be included in the Fund guidelines.

12.0 OFFICIAL CONTACT OFFICE

The places of contact for this Fund shall be NENEDD, 111 South 1st Street, Norfolk, NE 68701 or GFDC, 1005 E 23rd St #2, Fremont, NE 68025 Any grievances, suggestions. or requests for information shall be directed to one of these offices. This in no way shall be construed to limit other interested parties from distributing information about the Fund or receiving suggestions for amendments to the Fund. All grievances shall be directed to NENEDD or GFDC in writing.

13.0 LIMITED ENLGISH PROFICIENCY (LEP)

It is the policy of GFDC to take reasonable steps to provide meaningful access to its programs and activities for persons with Limited English Proficiency (LEP). Regarding providing services and access to persons with LEP, GFDC will conduct business in the same manner and in cooperation with the City of Fremont.

NENEDD will keep records of requests for LEP services, and all LEP services provided during the course of the DED grant.

14.0 REPORTING REQUIREMENTS

<u>14.1 Annual Status Reports</u>

GFDC is subject to DED reporting requirements. NENEDD will prepare an annual report for GFDC to submit to DED, to be included as part of DED's annual status report required under Nebraska Statute §81.1201.11. The report shall certify that GFDC meets the requirements of the Rural Workforce Housing Investment Act and shall include a breakdown of Fund assisted activities. The annual report shall include, but not be limited to:

1. The name, location, and geographical region served by GFDC;
2. The number, amount, and type of Fund investments in qualified activities;
3. The number, geographical location, type and amount of Fund investments made;
4. A summary of matching funds (as defined by the Act) and where such matching funds were generated; and
5. The results of the required GFDC annual audit.

If GFDC ceases administration of the Dodge County Workforce Housing Investment Fund, GFDC shall file an annual report to DED in a form and manner required by the DED director. Before July 1, 2022, any unallocated DED funds authorized under the Act awarded to GFDC shall be returned to the Department for credit to the Affordable Housing Trust Fund.

15.0 NEBRASKA INVESTMENT FINANCE AUTHORITY (NIFA) LB 518 MATCH PROGRAM SPECILIALIZED USE PLAN

15.1 Program Requirements

NIFA LB 518 Match Program funds utilized as a source for the Fund shall be used for the development, production, implementation and financing of Workforce Housing in accordance with the DED Rural Workforce Housing Fund (RWHF) and the NIFA LB 518 Match Program Guidelines. For purposes of the NIFA LB 518 Match, "Workforce Housing" shall mean housing that meets the requirements of the NIFA LB 518 Match Program Guidelines and is described in Unicameral Bill 518 (2017) ("LB 518").

15.2 Moderate Income

NIFA LB 518 Match funds will be used by GFDC for eligible public purposes as provided in the Nebraska Investment Finance Authority Act (the "NIFA Act"). This includes evidence that the portion of the project financed with NIFA LB 518 Match shall be for the benefit of individuals and families whose household income does not exceed Moderate Income as defined in the NIFA LB 518 Match Program Guidelines. Moderate Income for this Program has been determined by the NIFA Board to be a limit not to exceed 150% of the American Community Surveys-Nebraska Statewide Median Family Income for a family of four. For example, as of February 2018 the American Community Surveys-Nebraska Statewide Median Family Income (2016) for a family of four ($85,885) multiplied by 150% is $128,827.50.

15.3 Rate of Return

For NIFA LB 518 Match funds deposited into the Fund or used to make direct loans from the Fund for NIFA LB 518 Match Program Workforce Housing, GFDC shall earn a rate of return on such funds at least equal to the current rate of inflation. The "rate of inflation" used by GFDC shall be the current inflation rate for the United States as published by the U.S. Labor Department. NIFA LB 518 Match funds returned to GFDC must continue to be used in accordance with the NIFA LB 518 Match Program Guidelines for a minimum of ten (10) years. Any such future uses of LB 518 Match Funds shall be approved in writing by NIFA.

15.4 Ten Year Compliance and Future Use Approval

NIFA LB 518 Match funds returned to GFDC must continue to be used in accordance with the NIFA LB 518 Match Program Guidelines for a minimum of ten (10) years. Any such future uses of LB 518 Match Funds shall be approved in writing by NIFA.

15.5 Assistance to Borrowers

NIFA LB 518 Match may not be used by GFDC to make direct or indirect grants. NIFA LB 518 Match shall be used by GFDC for the Fund which will operate as a financing structures creating a "revolving fund." NIFA LB 518 Match funds used for a particular NIFA LB 518 Match Program Workforce Housing project shall be required to be repaid, with interest, to GFDC throughout the program.

NIFA LB 518 Match may be used by GFDC for the following in connection with the development and financing of NIFA LB 518 Match Program Workforce Housing:

- leveraging of loans or other contractual obligations consistent with the NIFA Act and the NIFA LB 518 Match Program Guidelines in conjunction with other participating parties (e.g., participations in loans/guarantees)
- loan guarantees by GFDC or an investment fund established for the benefit of the GFDC
- second mortgage loans
- direct loans for lot development or construction of buildings
- capitalizing reserve funds for a project
- standby or conditional “take-outs” of loans
- permanent loans for the purchase or rehabilitation of structures
- providing technical assistance in connection with the development of Workforce Housing (not to exceed 10% of the total NIFA LB 518 Match funds)
- such other purposes, approved in advance and in writing by NIFA, that comply with the provisions of LB 518, the NIFA LB 518 Match Program Guidelines and the NIFA Act.

15.6 Amendments to this Investment Plan (Guidelines) NIFA LB 518 Match Program

Amendments to the Fund Investment Plan (Guidelines) associated with the management and use of NIFA LB 518 Match Program funds shall be approved by NIFA. This Section shall be consistent with current NIFA LB 518 Match Program Guidelines and other NIFA requirements. In the event that the NIFA LB 518 Match Program Guidelines and other NIFA requirements are modified in such a way to cause this Section to be inconsistent with the NIFA LB 518 Match Progam Guidelines and other NIFA requirements, GFDC and NENEDD shall operate the Fund in accordance with the NIFA LB 518 Match Program Guidelines and other NIFA requirements until such time as this Section is amended.

17.0 FUTURE USE PLAN

All repaid proceeds, recaptured funds, and income earned (such as loan fees and loan interest) shall be reused in accordance with this Investment Plan (Guidelines).

This Investment Plan (Guidelines) is hereby approved by action of the Board of Directors of Greater Fremont Development Council. (GFDC) this _____ day of March, 2018.

___________________________________ ____________________________

President, GFDC Date

Greater Fremont Development Council (GFDC)

Subordination Policy – Homebuyer Borrower

A. Maximum combined 80% Loan to Value policy on all “Cash Out” refinances or home equity loans where Greater Fremont Development Council (GFDC) remains in current lien position.

B. Maximum combined 100% Loan to Value on “No Cash Out” refinances where GFDC remains in current lien position.

** All subordination documents must be provided by the lender requesting subordination.**

Appendix A