

**THIRD AMENDMENT TO PROFESSIONAL SERVICES AGREEMENT
(SF Rehabilitation Program – AmeriNational Community Services, LLC dba AmeriNat)**

This **THIRD AMENDMENT TO PROFESSIONAL SERVICES AGREEMENT (SF Rehabilitation Program – AmeriNational Community Services, LLC dba AmeriNat)** (“Third Amendment”) is entered into as of this 1st day of July, 2017 by and among the **CITY OF COSTA MESA**, a municipal corporation (“City”), the **COSTA MESA HOUSING AUTHORITY**, a public body corporate and politic (“Authority”), **AMERINATIONAL COMMUNITY SERVICES, LLC**, a Minnesota limited liability company **dba AMERINAT** (“Consultant”) and **FARMERS STATE BANK OF HARTLAND**, a Minnesota corporation (the “Bank”). City, Authority, Consultant, and the Bank are collectively referred to herein as “Parties.”

RECITALS

A. City, Authority and Consultant entered into an original Professional Services Agreement (SF Rehabilitation Program – AmeriNational Community Services, Inc.) dated as of July 1, 2015 for Consultant to provide financial services, including but not limited to loan processing and underwriting and funds disbursement services for City’s Single-Family Rehabilitation Deferred Payment Loan Program (“Original Agreement”).

B. City, Authority, Consultant and Bank entered into a First Amendment to Professional Services Agreement (SF Rehabilitation Program – AmeriNational Community Services, Inc.) dated as of August 14, 2015, wherein Consultant assigned to Bank the duty to perform all tasks relating to funds disbursement services under the Original Agreement and all rights of compensation and payment for said tasks due from City and Authority.

C. In 2016, Consultant provided notice to City and Authority of its registration as a limited liability company and name change to AmeriNational Community Services, LLC dba AmeriNat.

D. The Original Agreement provides for a one-year term and up to three (3) additional one (1) year extensions.

E. City, Authority, Consultant and Bank entered into a Second Amendment to Professional Services Agreement (SF Rehabilitation Program – AmeriNational Community Services, LLC.) dated as of July 1, 2016 under which the term of the Original Agreement was extended for one year.

F. The Parties desire by this Third Amendment to exercise the second option to extend the Original Agreement for one year through June 30, 2018.

G. The Parties further desire by this Third Amendment to modify and clarify the Scope of Services, Exhibit A to the Original Agreement.

NOW THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Extension of Term. The term of the Original Agreement, as amended by this Third Amendment, shall be extended through June 30, 2018.

2. Modification of Scope of Services. Pages A-1 to A-5 inclusive of Exhibit A, Scope of Services, in the Original Agreement are hereby modified by this Third Amendment to replace original pages A-1 to A-5 with pages A-1 to A-6, inclusive, attached hereto as Exhibit A, Amended and Restated Scope of Services, and fully incorporated by this reference. The remaining original pages numbered A-6, A-7 and A-

8, inclusive, remain the same and are not modified by this Third Amendment, albeit the page numbering is deemed conformed due to the repagination of pages A-1 to A-6 inclusive as stated in this paragraph 2.; and, Exhibit B remains in full force and effect.

3. No Other Changes. All other terms and provisions of the Original Agreement, as amended, not in conflict with this Third Amendment shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties have caused this Third Amendment to be executed by and through their respective authorized officers, as of the date first above written.

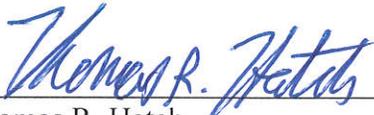
CITY OF COSTA MESA



Thomas R. Hatch
City Manager

Date: 6/30/17

COSTA MESA HOUSING AUTHORITY



Thomas R. Hatch
Executive Director

Date: 6/30/17

AMERINATIONAL COMMUNITY SERVICES, LLC DBA AMERINAT



Michael Torres
President and COO

Date: 6/27/17

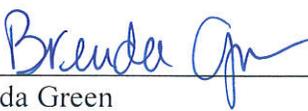
FARMERS STATE BANK OF HARTLAND



Mark Heinemann
President/CFO

Date: 6-26-17

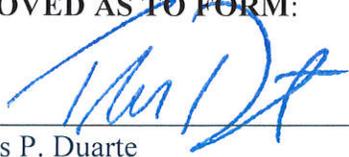
ATTEST:



Brenda Green
City Clerk/Housing Authority Secretary

Date: 6-30-17

APPROVED AS TO FORM:



Thomas P. Duarte
City Attorney/Housing Authority General Counsel

Date: 6-28-17

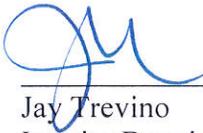
APPROVED AS TO INSURANCE:



Ruth Wang
Risk Management

Date: 6/28/17

DEPARTMENTAL APPROVAL



Jay Trevino
Interim Development Services and
Economic Development Director

Date: 6-28-17

APPROVED AS TO CONTENT:



Jacqueline Y. Reeves
Project Manager

Date: 6-28-17

APPROVED AS TO PURCHASING:



Stephen Dunivent
Interim Finance Director

Date: 6-28-17

EXHIBIT A

AMENDED AND RESTATED SCOPE OF SERVICES Single-Family Rehabilitation Deferred Payment Loans

I. LOAN PROCESSING AND UNDERWRITING

Consultant agrees to provide experienced loan processing, underwriting services and loan servicing to meet the complex needs of Costa Mesa for the Single-Family Rehabilitation Deferred Payment Loan Program ("Program"), both for existing loans provided by Costa Mesa prior to the Effective Date of the Agreement (pre-July 1, 2015) and for new loans, if any, provided by Costa Mesa after the Effective Date of this Agreement (on and after , Consultant shall work with Costa Mesa to streamline all phases of loan production, from loan processing to closing, and for funds disbursement, and continuing through loan servicing, refinancing and re-subordination, if any, and final pay off of the loan, all for increased speed and efficiency.

II. LOAN APPLICATION AND PRELIMINARY ANALYSIS

Costa Mesa will continue to undertake and handle the loan application and initial underwriting of prospective applicants/homeowners for new single-family rehabilitation loans, if any, to be issued by Costa Mesa under the Program. As and if requested, Consultant will assist Costa Mesa in the underwriting and evaluation of potential new loans to be issued by Costa Mesa, which services may include, as and when requested by Costa Mesa the following:

A. Underwriting Assistance. Upon receipt of an approval to proceed, Consultant will order applicable outside services such as a preliminary report of title, related title documents, a lender's policy and pro forma therefor, appraisal, credit report and verifications. Once the firm cost of rehabilitation work is known (a contractor bid has been awarded) a final underwriting analysis will be prepared, addressing the following items:

1. Affordability (Debt to Income Ratio Analysis)
2. Current and past credit history
3. Financial interest in the property (Loan to Value)
4. Appraisal (full or drive-by where applicable)
5. Status of title to insure Costa Mesa will be in second lien position
6. Title Report (PIRT, CLTA, or ALTA for all loans that include a living trust)

a. PIRT Requests are to be ordered within 24 hours of receipt of request from Costa Mesa, and provided to Costa Mesa within two (2) business days of receipt by Consultant from the Title Company. Upon receipt of verifications and reports, a Final Loan Recommendation (FLR) will be prepared and sent to Costa Mesa for review, approval and funding.

III. LOAN DOCUMENT PREPARATION.

Once a new Program loan has been approved, Costa Mesa shall forward to Consultant a Request for Loan Documents containing required information to complete the preparation of loan documents.

A. Costa Mesa will provide to Consultant “template” documents that will comprise the “loan documents”. For each new loan and in accordance with a loan document request from Costa Mesa, Consultant within five (5) business days shall prepare and forward the following documents completed as to the homeowner for Costa Mesa’s and the homeowner’s execution:

1. Loan Agreement
2. Deed of Trust
3. Promissory Note
4. Truth in Lending Disclosure Statement
5. Request for Notice of Default and Sale
6. Notice of Right to Cancel
7. Control Instructions
8. Regulatory Agreement
9. Other documents as agreed to with Costa Mesa

B. Once the loan documents are executed by the homeowner/borrower, the Deed of Trust, Regulatory Agreement and Request for Notice shall be returned to Consultant for recordation with the County Recorder. Following the recording of the Deed of Trust Regulatory Agreement, and Request for Notice, Consultant shall confirm that Costa Mesa’s second lien position is secure by updating title and causing issuance of the lender’s policy (when approved by Costa Mesa).

C. *Deferred Payment Loans for Rehabilitation Improvements.* If after the LBP notification and evaluation phases Costa Mesa elects to approve payment for treatment through clearance of LBP and LBP hazards as set forth in the Loan Agreement and Costa Mesa also approves the homeowner’s application for funding of the rehabilitation improvements through the deferred payment loan option of the Program, then Costa Mesa may make available Deferred Payment Loans to eligible Low Income homeowners, as specifically provided below, in original loan amounts of up to Fifty Thousand Dollars (\$50,000.00) exclusive of the costs of treatment through clearance of LBP. Deferred Payment Loans are only available to qualifying Low-Income property owners for rehabilitation of owner-occupied, single-family residential properties. If Program participants do not receive the maximum loan amount, they will be allowed to receive a second loan, which when added to the first loan equals or is less than the maximum loan amount only after being placed on and waiting for their name to become first on the waiting list. City Manager, or his/her designee, may approve Deferred Payment Loans in excess of fifty thousand dollars (\$50,000.00) as determined necessary, in his/her sole and absolute discretion, to complete the rehabilitation of eligible property. When added to the existing encumbrances; actual loan amounts shall not exceed eighty-five percent (85%) of the current fair market value of the property.

1. Deferred Payment Loans will accrue three percent (3%) simple interest per annum and will be fully deferred without principal repayment until the *earlier* to occur of the (i) sale or transfer of all or any interest in the Property, (ii) refinancing of the Deferred Payment Loan or any lien which the Deferred Payment Loan is subordinate for a loan amount in excess of the then current loan balance secured by such liens plus reasonable and customary closing costs as approved in writing by Costa Mesa in its sole and absolute discretion, (iii) non-owner-occupancy of the Property by the homeowner, or (iv) other default by the homeowner of the terms and conditions of the Loan Agreement. In the event of default by the homeowner under the Program, interest shall accrue from the date of default at the default rate of ten percent (10%) per annum. In any event, upon (i) sale or transfer, (ii) refinancing, or (iii) non-owner occupancy or other default, as described above, the entire principal amount of the loan plus accrued interest shall be immediately due and payable. City Manager may, but is not required to, waive loan acceleration in the event of a homeowner default and establish an amortization and monthly payment schedule and/or adjustment in the interest rate for repayment.

IV. LOAN SERVICING FOR DEFERRED PAYMENT LOANS

A. Payment of Property Taxes: At Costa Mesa’s request, Consultant will monitor the timely payment of property taxes. Tax service will be required to monitor payment of property tax.

B. Insurance Monitoring: At Costa Mesa’s request, Consultant will notify the insurance agent in writing that Consultant is monitoring premium payments and that we are to be made aware of delinquencies or cancellations.

V. ACCOUNT INQUIRIES

Homeowners/Borrowers and Costa Mesa will have 24-hour electronic access to their loan information via Consultant’s Website at www.amerinatls.com. Continuous access to all loan account information is also provided during normal working hours through Consultant’s toll-free customer service telephone lines. In addition, Consultant can provide hard copy account payment histories or other information to Costa Mesa through facsimile transmission or email. When requested by a homeowner/borrower, Consultant will provide, without charge, a detailed statement of all transactions relating to the homeowner/borrower’s loan.

VI. ADDITIONAL PORTFOLIO MANAGEMENT SERVICES

A. Loan Payoff Quotations; Satisfactions, Reconveyances: At Costa Mesa’s request, Consultant shall: (1) provide loan payoff quotations, and (2) prepare satisfactions and reconveyances of mortgage at the homeowner/borrower’s expense for any Program loan.

B. 1098 Tax Forms: Pursuant to IRS regulations and, on behalf of Costa Mesa, Consultant will submit required 1098 tax form for any and all borrowers paying interest on any Program loan.

C. Year-End Account Summary: Consultant shall prepare and submit to each Costa Mesa borrower each year; a year-end account summary statement if there has been account activity. The report will indicate principal and interest outstanding and payoff information, if any, for the applicable year.

VII. LOAN TRANSFER

In the event Costa Mesa requires Consultant to transition loans back to Costa Mesa or to another loan servicer, Consultant shall gather and package all loan files (hard-copy and/or electronic copy) for shipment. Consultant has an in-house IT department that is dedicated to the maintenance and enhancement of its proprietary loan servicing system. Consultant’s IT department will work with Costa Mesa’s staff to electronically transmit servicing data in an agreed upon format.

VIII. PROPERTY CONDITIONS PROFILE AND AFFIDAVIT OF HOMEOWNER

A. Property Conditions Profile:

1. If requested by Costa Mesa, Consultant will utilize the services of its outside vendor to perform a site visit to a homeowner’s property to determine the outer condition of the dwelling and the condition of any detached structures and grounds. Two photos will be taken to document the condition of the property; provided however, that Consultant does not and will not, at any time, enter upon or into the homeowner’s private property.

a. If requested by Costa Mesa, property profiles shall rate (good, fair, poor) the condition of the property, and also comment on the following: roof type, property type, structure color, neighborhood condition, construction type, environmental hazards, and status of utilities.

b. If the dwelling appears vacant or abandoned, it will be noted in the report.

c. Property profiles may be ordered by Costa Mesa with any frequency desired, e.g., once every two years, once every three years, etc.

B. Affidavit of Homeowner. If requested by Costa Mesa, Consultant will forward an instructional letter and Affidavit of Homeowner to a borrower. The Affidavit requires the homeowner to affirm continued compliance with all provisions of the promissory note, deed of trust, Regulatory Agreement and Loan Agreement. Such provisions may include, but are not limited to, the following:

- 1. Continued residence in the property as primary home
- 2. Timely payment of property taxes
- 3. Ongoing hazard and flood insurance coverage
- 4. Timely payment of all sums due to superior lien holders
- 5. Proper maintenance of the property
- 6. Non-subordination

C. Fund Disbursement Services

1. To ensure that Costa Mesa loan proceeds are used in the manner intended by the Program policies and procedures, Bank provides a unique funds disbursement service, which meets the needs of both Program staff and Costa Mesa’s Finance Department.

2. Total loan proceeds are forwarded to Bank and held in trust for disbursement of funds according to Costa Mesa's requirements. Bank shall deposit the funds into a custodial trust account at an FDIC insured bank. Costa Mesa's Finance Department will be required to only issue one check or initiate one EFT, and Bank will disburse an unlimited number of checks for construction contractor stage payments, multiple equipment purchases, and/or stage disbursements of working capital loans and grants, all pursuant to the Program requirements.

3. Bank is experienced with the multiple funding sources used in housing and economic development programs. Bank will prioritize the disbursement of funds from several funding sources associated with a single loan and work write-up for the rehabilitation at the subject property and will provide corresponding reports to be used as official subsidiary journals to Costa Mesa's Finance Department.

4. Bank agrees to provide a prompt turnaround of stage payments to ensure delivery of checks back to Costa Mesa or directly to the payee(s) within 48 hours of Costa Mesa's request. When requests are made by 11:00 a.m. (Eastern Time), the check will be cut the same day.

5. The funds disbursement services will be based on the following detailed steps:

a. *Opening Account:* Upon loan approval, Bank will open a borrower account that includes borrower and project information. Costa Mesa will then forward loan proceeds and completed Control Instructions to Bank. The Control Instructions should include the following information:

(i) Homeowner/Borrower(s) name

(ii) Contractor(s)

(iii) Property/job site address

(iv) Amount of funds being held

(v) Instructions on how funds are to be disbursed

(vi) Original signatures of Homeowner/Borrower and Costa Mesa representative

b. *Disbursement Process:* When requested by Costa Mesa, Bank will provide check disbursements to parties designated by Costa Mesa in connection with Program loans. Such disbursements are outlined in an Authorization for Payment, which includes information regarding the amount of the disbursement, the parties to be paid, signatures of Costa Mesa representatives authorized to make disbursements, and the Homeowner/borrower's authorizing signatures. Bank will verify proper authorization to disburse funds and that amounts are correct and in agreement with original Control Instructions and Authorized Signatures. All checks shall be sent to Costa Mesa, unless otherwise directed by Costa Mesa. Checks will be issued payable to the contractor(s), or other payee(s) as directed by Costa Mesa. Funds will be disbursed from Costa Mesa's account the same day when the request is received by 11:00 a.m. (Eastern Time) Requests received after 11:00 a.m. (Eastern Time) are processed the next business day.

c. *Change Orders:* Change Orders are used to make a change in the project amount or payment schedule. A Change Order may occur at any time during a project.

d. *Contingency:* Additional funds may be added to a project in anticipation of unforeseen construction costs. Bank will hold contingency at Costa Mesa's request and release funds upon receipt of an Authorization for Payment. This process is subject to the Costa Mesa's financial policies and procedures.

e. *Retention Fund:* As applicable, Bank shall hold a retention fund of at least 10%. Retention is then paid out sixty-five (65) days after the recording of the Notice of Completion. Based on the Program policies and procedures, the retention will be paid out upon receipt of an Authorization for Payment.

f. *Recording the Notice of Completion:* As applicable, after Costa Mesa's final inspection on a rehabilitation project, a Notice of Completion is executed by the Homeowner/borrower and forwarded to Bank for recording with the County Recorder. Bank shall mail the Notice of Completion by certified mail within two (2) business days after receipt.

g. *Reports and Record Keeping:* Bank will provide Costa Mesa a detailed monthly Account Status Report of all transactions completed and the balances remaining in each account. Records will be maintained for all accounts and are available to Costa Mesa upon request.

h. *Account Close Out:* After payout of all loan proceeds in the account, excess funds will be disbursed according to Costa Mesa's instructions. Bank will forward a Final Closing Statement to Costa Mesa, comprising a complete record of all transactions in one report. Bank will also forward a copy of the report to the borrower for their records, if requested by Costa Mesa.