

**AMENDMENT NUMBER TWO TO
PROFESSIONAL SERVICES AGREEMENT
WITH
AMERINATIONAL COMMUNITY SERVICES, LLC
DBA AMERINAT AND ARCADIAN BANK**

This Amendment Number Two ("Amendment") is dated the April 1, 2024 ("Effective Date"), by and between the CITY OF COSTA MESA, a municipal corporation ("City"), AMERINATIONAL COMMUNITY SERVICES, LLC, a Minnesota limited liability company DBA AMERINAT ("Consultant"), and ARCADIAN BANK, a Minnesota corporation (the "Bank"). City, Consultant, and the Bank are collectively referred to herein as "Parties."

WHEREAS, the City, Consultant and Bank entered into an agreement on January 18, 2022 for Consultant to provide financial services related to processing, providing and servicing, as necessary, new and existing loans under the Program as more fully described in the Professional Services Agreement (the "Agreement");

WHEREAS, the City, Consultant and Bank entered into Amendment One on January 18, 2023, to extend the term for one year through January 17, 2024, and to amend Consultant's scope of services; and

WHEREAS, Section 4.1 of the Agreement provides for a term of one (1) year, with the option to extend the Agreement for four (4) additional one (1) year periods; and

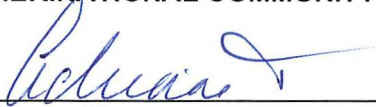
WHEREAS, City, Consultant and Bank desire to extend the term through January 17, 2025.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree to amend the Agreement as follows:

1. The term of the Agreement shall be extended through January 17, 2025.
2. All terms not defined herein shall have the same meaning and use as set forth in the Agreement, as amended.
3. Exhibit A (Scope of Services) and Exhibit B (Fee Schedule) are replaced with the attached revised Exhibits A and B.
4. All other terms, conditions, and provisions of the Agreement, as amended, shall remain in full force and effect.
5. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original. All counterparts shall be construed together and shall constitute one agreement.

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


AMERINATIONAL COMMUNITY SERVICES, LLC DBA AMERINAT



Adrienne Thorson
Chairwoman and CEO

Date: 4-12-24

ARCADIAN BANK



Mark Heinemann
President and CFO

Date: 4-12-24


CITY OF COSTA MESA



Carol Molina
Purchasing Officer

Date: 4/18/24

ATTEST:


for 

Brenda Green
City Clerk



Date: 4/24/2024

APPROVED AS TO FORM:

 AA

Kimberly Hall Barlow
City Attorney

Date: 4/23/24


APPROVED AS TO INSURANCE:



Ruth Wang
Risk Management

Date: 4/19/24

APPROVED AS TO CONTENT:



Mikelle Daily
Grant Administrator

Date: 4/19/24

DEPARTMENTAL APPROVAL:



Cecilia Gallardo Daly
Interim Economic and Development Services Director

Date: 4/22/24

EXHIBIT A
SCOPE OF SERVICES

EXHIBIT A

SCOPE OF SERVICES

AmeriNat's Services

Loan Processing and Underwriting

Single Family Rehabilitation and CalHOME Program:

Application Submission

Upon receipt of a complete loan application package, documents and supporting materials are sent to AmeriNat for processing. An efficient underwriting process is based on the file being complete before a review is started. Support materials will be identified in the program description, and AmeriNat staff can develop a checklist for use in file submission. Supporting materials may include but are not limited to, paycheck stubs, W-2's, mortgage statements, property tax bills, and insurance policies.

Preliminary Risk Analysis

Upon receipt of a completed loan application package, AmeriNat will review the application for accuracy and thoroughness. A Preliminary Risk Analysis (PRA) will be developed to determine that it is reasonable to proceed with processing. The PRA can be developed before incurring outside costs, such as Title Reports and appraisals and can avoid sending out inspection personnel to prepare a work write-up and cost estimate on a loan that cannot be approved. The Preliminary Risk Analysis will include the borrower's income as compared to the Median Family Income (MFI) or other benchmarks and an estimate of the borrower's ability to pay (where applicable). A maximum interest rate conforming to the City's criteria will be determined or applied, as appropriate, based on prescribed housing debt parameters. The analysis is then sent to the City for approval to proceed.

Underwriting Analysis

Upon receipt of an approval to proceed, AmeriNat will order applicable outside services such as a title report, appraisal, credit report and verifications. Once the firm cost of rehabilitation is known (a contractor bid has been awarded) a final underwriting analysis will be prepared, addressing the following items, in addition to other City-defined criteria:

- ▶ Affordability (Debt to Income Ratio Analysis)
- ▶ Current and past credit history
- ▶ Financial interest in the property (Loan to Value)
- ▶ Status of title to secure lien position

Upon receipt of title work, employment and financial verifications and third-party reports (i.e. appraisal or BPO), a Final Loan Recommendation (FLR) will be prepared and sent to the City for approval and funding.

First Time Home Buyer Program:

Application Submission

The City will compile a complete loan application package, consisting of required program documents and submit it to AmeriNat for processing and underwriting. It is essential for an efficient underwriting process that the file is complete before the review is started.

Underwriting Analysis

Upon receipt of a complete underwriting application package, AmeriNat will perform a thorough underwriting analysis, addressing the following items, in addition to other City-defined criteria:

- ▶ Program income determination
- ▶ Current and past credit history
- ▶ Financial interest in the property (Loan to Value)
- ▶ Status of title to secure lien position

A Final Loan Recommendation (FLR) will be prepared and sent to the City for approval and funding.

Loan Document Preparation

(Single Family Rehabilitation, CalHOME First Time Home Buyer Programs)

Once a loan has been approved, the City forwards AmeriNat a Request for Loan Documents containing required information to complete the preparation of loan documents. In accordance with the loan document request, AmeriNat prepares and forwards the following documents within five (5) business days for the City's execution:

- ▶ Deed of Trust
- ▶ Promissory Note
- ▶ Truth in Lending Disclosure Statement
- ▶ Request for Notice of Default and Sale
- ▶ Notice of Right to Cancel
- ▶ Control Instructions
- ▶ Declaration of Covenants, Conditions, and Restrictions (CC&Rs)
- ▶ Other documents as agreed to with the City

Once the documents are executed by the borrower, the Deed of Trust and Request for Notice are returned to AmeriNat for recordation with the County Recorder. Following the recording of the Deed of Trust, AmeriNat confirms that the City's lien position is secure by updating title (when approved by the City).

Loan Servicing for Amortized and Deferred Loans

(First Time Home Buyer Program and Single-Family Rehabilitation)

1. **Loan Boarding:**
 - a. **Flow Loans:** The City is responsible for completing an electronic loan setup form, available on AmeriNat's portal, for flow loans being transferred to AmeriNat for servicing. When fully complete, the City uploads the form to the AmeriNat portal.
2. **Introductory Package:** Upon boarding of a new loan, AmeriNat will send a welcome package to the borrower. This welcome package contains a Notice of Servicing Transfer, Fair Debt Notice, FACT Act Letter, and a variety of options to submit payments.
3. **Collection and Remittance of Payments:** AmeriNat will collect payments from the borrowers through monthly or other scheduled remittances of principal, interest, fees, escrow balances and other identified payments. Payments can be made via check to a secure lock-box, multiple payment options online, reoccurring ACH, and through "check-by-phone"¹, and via the AmeriNat app. These remittances will be posted to the loan and ancillary records in accordance with the loan documents and the City's written instructions. Payments will be posted the same day as receipt. Funds will be maintained in an FDIC insured banking institution in a custodial account for the benefit of the City and the borrowers as applicable. AmeriNat balances cash received and transmitted and loan portfolio totals on a daily and monthly basis. Remittances will be forwarded to the City monthly net of fees and other authorized charges due to AmeriNat.
4. **Payment of Property Taxes:** At the City's request, AmeriNat will order a tax service contract and monitor the timely payment of property taxes.
5. **Insurance Monitoring:** AmeriNat will notify the insurance agent in writing that AmeriNat is monitoring premium payments and is to be made aware of delinquencies, non-renewals or cancellations. AmeriNat will force place insurance in accordance with respective regulation (see Insurance section).
6. **Escrow/Impound Account:** If the City chooses, AmeriNat will establish a borrower escrow/impound account for the payment of taxes and insurance. AmeriNat will collect the monthly escrow payment from the borrower and make the tax and insurance payments on the borrower's behalf. The borrower escrow accounts will be analyzed annually in accordance with the Real Estate Settlement Procedures Act (RESPA).

Please note: For single-family loans, unless respective state law requires otherwise, AmeriNat's escrow analysis utilizes a 2-month cushion in accordance with RESPA. This cushion is an industry standard and is intended to minimize the likelihood of escrow shortages / deficits when and if escrow disbursement items increase. If this cushion is not consistent with the City's current escrow analysis process, borrowers' escrow analysis may result in a shortage and/or escrow payment increase at the time of AmeriNat's first analysis. This may impact borrowers' ability to make increased monthly payments to escrow. Should the City request alternative handling of loan accounts with escrow payment increases, this may result in the City incurring extraordinary services charges.

¹ Additional fees apply.

If the City chooses to establish an escrow/impound account, AmeriNat will also establish a City Escrow Deficit account. This account is used to track and reconcile advances made by AmeriNat on borrower accounts with escrow deficits as a result of payments made on the borrower's behalf in excess of their escrow balance. The escrow deficit account will be reconciled monthly, compared to advances made by AmeriNat and escrow payments collected from the borrowers. The net change will be included or deducted from the City's monthly remittance; a net shortage/negative will be deducted and a net overage/positive will be remitted. Advances made by AmeriNat that are not reimbursed by the City the following month will be subject to an interest charge of 1% per month compounded until such time said reimbursement occurs. Regardless of whether or not the net shortage/negative is deducted from remittance at the end of the month, the City remains responsible for escrow advances made by AmeriNat.

At portfolio transfer AmeriNat will require a cash deposit equal to the total amount of positive escrow balances. Negative escrow balances will be set up, but the total amount of negative escrow balances will not be netted out of the positive cash escrow balances. Should recurring advances become necessary, AmeriNat reserves the right to request the City to deposit an amount into reserve in the City Escrow Deficit account to cover the anticipated necessary advances.

7. Late Fees: In keeping with the provisions of the City's promissory note, AmeriNat will assess and retain a late fee when payment is not made within the grace period.

Lender Placed Insurance

In accordance with respective regulation, upon notification of a policy cancellation from the borrower's insurance carrier, or when proof of a current policy is not received, AmeriNat will request lender-placed insurance from AmeriNat's insurance provider. AmeriNat executes the force-placement of insurance on a portfolio wide level, meaning it is done for all loans in the portfolio for which insurance has lapsed. If the City wishes to select loans for the force placement of insurance on an "as requested" basis, it will be the City's responsibility to verify the placement has been completed by AmeriNat. This quality control step aids in ensuring that the City's instructions were received by AmeriNat, usually via email. The City can review the coverage through monthly reports from AmeriNat indicating insurance status.

1. Coverage is bound upon receipt of request with an effective date up to 90 days prior to receipt of the request.
2. AmeriNat's insurance provider or their carrier will send out three letters to the borrower over the course of forty-five days. If the borrower provides proof of coverage, lender-placed coverage will be cancelled.
3. If the effective date of this coverage is the same and there is no lapse in coverage, there will be no premium charged. If there is a lapse in coverage, there may be a fee charged to the borrower's account for an earned premium.
4. If the borrower does not provide proof of coverage, AmeriNat's insurance provider will send an insurance policy and notification of premium to the borrower and bill AmeriNat for a one-year policy. If the borrower does not have an established impound account; AmeriNat will create one and disburse the premium from it. If the borrower fails to pay the premium before the end of the month, and the

disbursed premium results in an escrow deficit balance, the balance will be accounted for in that month's reconciliation of the City Escrow Deficit Account. If the aggregate portfolio remittance for the month is insufficient to cover the deficit amount, the City will be billed and responsible for the cost until recouped from the borrower. Pay-off quotations or demands will reflect impound deficit amounts (caused by the cost of forced-place insurance or other advances) so that the borrower will still be held responsible for the cost even if they are unresponsive.

The Portfolio Status Report, delivered monthly to the City, will also reflect such negative impound balances (i.e. the total amount of such premiums owed by borrower).

5. The one-year policy is cancelable by either AmeriNat or the City.

Account Inquiries

Borrowers and the City have 24-hour electronic access to their loan information via AmeriNat's website at www.amerinat.com. Continuous access to loan account information is also provided during normal working hours through toll free customer service telephone lines. In addition, hard copy account payment histories or other information can be provided through facsimile transmission or email. When requested by a borrower, AmeriNat will provide, without charge, a detailed statement of transactions relating to the borrower's payments and/or escrow account.

Non-sufficient Funds (NSF) Checks

In the event that a check is returned unpaid due to non-sufficient funds, a returned check fee will be assessed. A letter will be sent to the borrower requesting immediate payment plus the returned check fee. If this fee is not received, a memo will be placed on the individual's account and the fee will be collected at the time the loan is paid off. If there is no fee associated with checks being returned in the borrower's note agreement, applicable fees incurred will become the responsibility of the City.

Additional Portfolio Management Services

1. Loan Payoff Quotations, Satisfactions, Reconveyances: AmeriNat will provide Loan Payoff Quotations and will perform Satisfactions and Reconveyances of Mortgage at the borrower's expense at the City's request.
2. Loan Amortization Schedules: AmeriNat will provide Loan Amortization Schedules upon request.
3. Tax Forms: Pursuant to IRS regulations and, on behalf of the City, AmeriNat will submit required tax forms for borrowers paying interest on City loans.
4. Year-End Account Summary: If required by regulation, AmeriNat will supply a year-end account summary statement to a borrower if there has been principal, interest or escrow activity on their account. The report will indicate principal and interest paid, amount of payments AmeriNat made on the borrower's behalf for taxes and insurance, and remaining escrow balance.

5. Tickler Notifications: AmeriNat will provide for an annual tickler notification at the City's request.
6. Loan Confirmation Audits: AmeriNat will complete loan confirmation audit requests when requested by the City, Borrower, or auditors of either. Information requested generally includes unpaid principal balance, interest rate, date to which interest has been paid, terms of payment of principal, current escrow deposit amounts, and escrow amounts paid during a specified period.

Loan Transfer

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

Loan Reconstruction

AmeriNat will prepare a loan reconstruction to determine posting accuracy and compliance with promissory notes, truth in lending statements, and other applicable related loan documents. This involves a detailed review of loan terms and reconstructing the posting of payments in accordance with the terms.

Loss Mitigation

AmeriNat provides treatment for delinquent mortgages through positive pressure that is fair but firm, with escalation of activities matching the advancement of the delinquency stage.

Collections:

1. First Payment Default: Early delinquency can be a sign of a chronic delinquent borrower. AmeriNat forwards its first letter to new delinquent borrowers at 5 days past the first payment due date. If there is no response, a second letter is sent at 15 days. Borrowers are reminded to contact AmeriNat to discuss difficulties they may be facing in meeting their obligations. If no response is received to either letter, due diligence phone calls begin, generally not later than 17 days delinquent.
2. Delinquency/Default Letter Production: Letters of varying tone and composition will be sent at 15, 30 and 45 and 90 days past the payment due date. For single-family loans, the 45-day letter will include the Consumer Financial Protection Bureau (CFPB) mandated notification informing the borrower of the available loss mitigation options. The 90-day letter will detail for the borrower possible escalated collection activity up to and including foreclosure. The letters emphasize the seriousness of the situation, the potential for loss of the borrower's property, and demand immediate payment.
3. Due Diligence Phone Calls: Telephone calls will be placed on a regular basis as loan remains under active delinquent follow up. Calls to single family mortgage borrowers are made in accordance with CFPB guidance and best practices. Live contact is attempted with the borrower beginning at the 17th day of delinquency, under a good faith goal of establishing contact with the borrower by the 36th day

of delinquency. One or more subsequent attempts to contact the borrower will generally be made every 30 days thereafter. The objective of the call is to secure or demand prompt payment, obtain information needed to determine the reason for the delinquency, and to gain a commitment for future payments.

4. Credit Reporting: AmeriNat will report borrower payment activity and status codes to the credit bureaus for non-commercial loans.
5. Confirmation Letters: Contact with borrowers is used to solicit commitments to repay past due amounts. A borrower will be provided with the opportunity to bring the loan current immediately, and within six months. Once a commitment is gained, AmeriNat will forward a confirmation letter to document both the call and the commitment. The revised payment plan of no greater than six months duration is then implemented. Default under this plan may cause AmeriNat to recommend foreclosure.

Forbearance Plans:

Formal forbearance plans are typically used for defaults of 90+ days. A forbearance plan of less than six months duration is executed by the borrower and immediately implemented by AmeriNat, with notice immediately provided to the City. Formal modifications to promissory note terms and forbearance plans of greater than six months duration are forwarded to the City for pre-approval. Before the borrower executes the agreement, the City is requested to approve the plan.

Once approved, AmeriNat will implement the new payment schedule. Should a borrower default from the new payment schedule without cause, AmeriNat will recommend foreclosure.

Forbearance Evaluation Process: A hardship is defined as a situation or set of events or circumstances beyond the normal control of the borrower that prohibits the borrower from adhering to a planned repayment schedule. If a borrower states, either verbally or in writing, that a hardship situation exists, AmeriNat will document the circumstances and provide the following:

- i. Letter from borrower requesting the City's consideration of hardship
- ii. Nature of the hardship
- iii. Expected duration of the hardship
- iv. Evidence to substantiate hardship
- v. Forbearance Plan Proposal

If the City approves the Forbearance Plan Proposal and executes the agreement with the borrower, AmeriNat will resume loan servicing under the new payment plan. The file will be tickled for follow-up at the expiration of the temporary plan.

AmeriNat's objective is to formulate a plan to bring the loan current as soon as possible. However, in light of the City original purpose in making these loans (to assist the low/moderate income and disadvantaged citizens of its community), AmeriNat may recommend forbearance plans that defer all or part of the regular repayments for a specified period of time.

Loan Modification Analysis:

1. Preliminary Screening: When contact with the borrower indicates a short-term forbearance agreement will not be enough to bring the account current, and initial assessment of the Borrower's circumstances indicate the Borrower may possibly be eligible for an available loss mitigation option, the borrower will be encouraged to submit a loss mitigation application.
2. Application: Upon receipt of a loss mitigation application, AmeriNat will review the application to determine supporting materials are present and that the forms are complete. Support materials may include but are not limited to, paycheck stubs, W-2's, Federal Tax Returns, bank statements, mortgage statements, property tax bills and insurance policies. Once the application is reviewed and found to be complete, a credit report and escrow analysis are ordered, as applicable, and the application is submitted to underwriting.
3. Analysis and Recommendation: Underwriting of the application is performed using the City's eligibility criteria. This analysis will reflect information such as ability to repay or affordability (debt-to-income ratio), status of 1st mortgage, and occupancy. Based on the aforementioned, the recommendation will convey whether it is reasonable to proceed with the modification and what type of modification will best suit the needs of the borrower and the City. The recommendation along with the supporting documentation will be sent to the City for approval.
4. Approval: Once a loan modification has been approved, AmeriNat shall prepare and forward the required documents to the borrower for signature and recording, unless the City retains these functions. If the City retains approval authority, the City agrees to return the decided application within 5 business days of receipt. After the documents have been executed, originals will be retained by the City and copies will be promptly sent to AmeriNat along with funds required for escrow, legal fees, etc.

After receipt of executed modification documents and required funds, AmeriNat will make the appropriate modifications to the loan, send the borrower new payment coupons or billing statements, and electronically notate the account. Respective modification documentation will be retained in the electronic loan file.

Loan Foreclosure

The mortgage transaction and collections efforts are predicated on the assumption that the borrower is motivated and able to meet the mortgage obligation. A decision to foreclose is based on an analysis of an individual loan. AmeriNat will look at the borrower with particular emphasis on basic motivation, ability to pay, and attitude or level of cooperation. If a borrower remains delinquent and has been uncooperative, non-responsive, or unwilling to cure the existing default by reasonable means, AmeriNat will recommend foreclosure.

This step is generally not taken until a loan becomes over 120 days delinquent. Upon the City's approval, and in accordance with respective local, state and federal statutes, AmeriNat will send the borrower a notice of Intent to foreclose/demand letter, with a copy to the City. If no response is received within 30 days, AmeriNat will advise the City of the non-response and proceed to foreclosure. AmeriNat will properly document the steps taken to affect a cure.

If the loan is not reinstated (brought current) or paid off, AmeriNat will continue foreclosure up to and including the sale of the property. If the City desires AmeriNat to perform property management, a third-party property management vendor will be engaged. AmeriNat can identify, track and pay bills related to property preservation, the costs of which remain the responsibility of the City. Upon sale of the property, AmeriNat will return the proceeds of the sale to the City less foreclosure fees and previously unreimbursed costs incurred.

In the event the borrower reinstates the loan, AmeriNat will remit to the City payments received from the borrower. For those loans that are reinstated by the borrower, AmeriNat will resume normal servicing functions.

Bankruptcy Administration Services

1. Chapter 7 Bankruptcy:

- a. Upon receipt of notification from a court of law, debtor (borrower), or the City, of a Chapter 7 bankruptcy for a debtor serviced by AmeriNat, AmeriNat will modify the account in preparation for monitoring of payments. Additionally, a Reaffirmation Agreement will be generated and forwarded to the borrower's attorney (debtor's counsel) for signature, and to the appropriate court upon receipt of the executed document. This fully enforceable agreement, if executed, will retain the lien as secured and will keep the lien from being discharged as part of the Chapter 7 discharge. If the borrower has no legal counsel and has filed their bankruptcy petition "pro se", (on their own behalf) or with the assistance of a licensed paralegal, AmeriNat can communicate directly with the borrower.
- b. Upon default of borrower's remittance of payments during the bankruptcy, AmeriNat will notify the borrower's (debtor's) counsel and Chapter 7 Trustee advising of the default, but if filed pro se, then the debtor would be notified directly.
- c. Should the Chapter 7 Trustee determine that assets are available for distribution to creditors, AmeriNat will file a Proof of Claim on behalf of the City.

2. Chapter 13 Bankruptcy:

- a. Upon receipt of notification from a court of law, debtor (borrower), or the City, of a Chapter 13 bankruptcy for a debtor serviced by AmeriNat, AmeriNat will notify the City its intention to file a Proof of Claim as well as supporting bankruptcy documentation, and will file with the appropriate court. Upon receipt of a returned filed Proof of Claim from the court, AmeriNat will forward a copy of same to the City and will begin monitoring post and pre-petition payments to borrower's loan account.
- b. Upon default of borrower in the remittance of post-petition payments, AmeriNat will notify the borrower's (debtor's) counsel of the default, instructing that further default will result in the filing of a Motion for Relief. If the borrower has no legal counsel and has filed their bankruptcy petition "pro se", (on their own behalf) or with the assistance of a licensed paralegal, AmeriNat can communicate directly with the borrower. In addition, notification of the default will be forwarded to the Trustee's office. Should there be a continued default in post-petition payments, and at the

instruction of the City, AmeriNat will file the Motion for Relief. Once authorized by the court, and as directed by the City, AmeriNat may then begin foreclosure proceedings.

Subordination Processing

1. **Subordination Request Package:** Upon a borrower's request for a subordination, AmeriNat will send a Subordination Request Package to the borrower or designee (lender or title). The City may require the borrower to pay the cost of the subordination processing at application or the City may pay the cost upon billing from AmeriNat.
2. **Review Process:** The purpose of the subordination review process is to determine that the new senior loan on the borrower's property will be made in conformance with the City's subordination policy and that the City's title position and security for its note is properly treated. Also, a review of income of the borrower may be performed if there are ongoing restrictions on income levels for the program participant. Documentation typically required for the review may include the following:
 - a. Letter from borrower with reasons for requesting subordination
 - b. FNMA 1003 application, or other applicable application, for new senior loan
 - c. Lender's approval of new senior loan
 - d. Title report
 - e. Appraisal
 - f. Closing instructions and estimated closing statement
 - g. Credit report (if required)
 - h. Tax return or other income documentation (if required)
 - i. Completed Subordination Agreement ready for signature
 - j. Request for Notice document on new senior loan(s)
3. **Document Preparation:** AmeriNat prepares subordination documents, or can review documents prepared by the new senior lender. These documents generally include:
 - a. Subordination Agreement
 - b. Request for Notice document on new senior loan(s)
 - c. Closing instructions
4. **Recommendation:** At the completion of the review, a report is forwarded to the City with a recommendation to either approve the request and to execute the Agreement, or to deny the request. The report will contain a recapitulation of pertinent information such as lowered monthly payment amounts, old and new LTV's, new and old senior debt loan amounts, etc.
5. **Approval:** Upon the City's approval of a request for subordination, the City will forward to borrower's lender or Title Company:
 - a. Completed and executed Subordination Agreement between the City and borrower
 - b. Closing instructions dictating terms / use of Subordination Agreement document
 - c. Request for Notice document for new senior loan

Property Conditions Profile and Affidavit of Owner

1. Property Conditions Profile:

- a. AmeriNat engages a site visit of the owner's property to determine the outer condition of the dwelling and the condition of detached structures and grounds. Two photos will be taken to document the condition of the property. NOTE: AmeriNat will not enter upon the owner's private property.
- b. Property profiles 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.
- c. If the dwelling appears vacant or abandoned, it will be noted in the report.
- d. Property profiles may be ordered by the City for varying frequencies, e.g., once every two years, once every three years, etc.

2. Affidavit of Owner:

AmeriNat will forward an instructional letter and Affidavit of Owner to the borrower. The Affidavit requires the owner to affirm continued compliance with provisions of the promissory note and/or rehabilitation agreement. Such provisions may include, but are not limited to, the following:

- Continued residence
 - Timely payment of property taxes
 - Ongoing hazard and flood insurance coverage
 - Timely payment of sums due to superior lien holders
 - Proper maintenance of the property
 - Non-subordination
- a. If no response is received within two weeks, AmeriNat will send a second letter, again requesting owner to sign and return affidavit.

AmeriNat will compile responses and will forward original affidavits to the City.

Reports

AmeriNat's standard reports are designed to meet the City's objectives and funding source requirements. Data reporting is flexible and can be reported in several ways, including program type, funding source and funding year. Reports are available to the City online through AmeriNat's portal. The City has unlimited access to account and portfolio data through the portal and can view the information as well as generate reports that can be downloaded into Excel.

1. Portfolio Status Report: The report provides a comprehensive accounting per loan of the total portfolio on a monthly basis. The report identifies annual payments made, remaining balances,

borrower's name and account number, original loan balance, interest rate, and loan term. For those deferred loans accruing interest, the report shows the ongoing accrued interest balance.

2. Current Month Reconciliation Report: This monthly report serves as reconciliation for the loan payments remitted by borrowers.
3. Delinquent Aging Report: This report reflects delinquent accounts at the 30, 60, 90, and over 90-day levels as of the end of the month. Borrower accounts moved into the forbearance or foreclosure process are designated.
4. Fee Detail Report: This monthly report details AmeriNat's fees assessed and overall remittances on a per loan basis.
5. Escrow Deficit Report: This monthly report details advances made by AmeriNat on borrower accounts with deficient escrow balances and tracks the amount to be included with or deducted from the City's monthly remittance; a net shortage/negative will be deducted and a net overage/positive will be remitted.
6. Account Information Report: This report provides a borrower profile, loan term and current balance and status information for individual borrower accounts within a client's portfolio. It includes a vast amount of information on particular accounts within the City's portfolio.
7. Payment History: This report details transactions on individual accounts for the current year's activity.
8. Payment History with Memos: AmeriNat uses a series of memo codes to help classify various borrower requests or processing activity. Activities subject to memo code classification include, for example, insurance request letters, payoff requests, and other miscellaneous borrower questions. This report summarizes the loan history with identification of these types of activities along with associated comments by AmeriNat personnel.
9. Additional Standard Reports:
 - ▶ Borrower with Balances
 - ▶ Open Accounts
 - ▶ Closed Accounts
 - ▶ Account Status Report
 - ▶ Account Memo Listing Report
 - ▶ Borrower Property Information
 - ▶ Escrow Activity
 - ▶ Late Charge Activity
 - ▶ Daily Transactions Summary
 - ▶ Manual Adjustments
 - ▶ Borrower Loan Information

SERVICES STRICTLY PERFORMED BY BANK

Fund Disbursement Services

1. To ensure that Costa Mesa loan proceeds are used in the manner intended by the Program and City's policies and procedures, Bank provides a unique funds disbursement service, which meets the needs of both the Program and Costa Mesa's Finance Department.
2. Total loan proceeds are forwarded to Bank and held in trust for disbursement of funds according to Program and 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 and City's 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.

VIII. REPORTS

Consultant and Bank understand that City is required to meet certain monthly and/or annual reporting requirements pursuant to the Program. Consultant and Bank shall cooperate with City in the preparation of all reports required by the Program and shall provide all documentation and reports requested by City to meet its Program reporting requirements.

EXHIBIT B
FEE SCHEDULE

**EXHIBIT B
FEE SCHEDULE**

Loan Processing and Underwriting

Single Family Rehabilitation Programs:

- | | |
|---|----------|
| 1. Ordering credit, title or appraisal
Due 30 days after receipt of application, plus outside costs*. | \$50.00 |
| 2. Loan Processing through the completion of the Preliminary Risk Analysis (PRA) to the City, plus outside costs
Due within 60 days of submission of PRA | \$190.00 |
| 3. Loan Processing, underwriting and production of Final Loan Recommendation (FLR), plus remaining direct loan outside costs*.
Due 60 days from FLR or fund control opening. | \$205.00 |

*Outside costs as used herein include, but are not limited to, title, credit, and appraisal. These costs are passed through from outside vendors and are subject to marketplace increases. Such costs shall be reasonable and competitive with other similar services provided in the general vicinity of the project.

Loan Cancellation Fee: Within 60 days of a loan being considered cancelled, in addition to outside costs, the fee due will be the sum of fees for tasks (1-3 above) completed, plus one-half of the fee for the task in process at the time of cancellation.

Loan Documentation Preparation Services

1. A fee of \$375.00 plus pass through costs is charged for loan document preparation.
2. A project for which credit, title, or appraisals have been supplied by AmeriNat, but which is thereafter canceled without performance of loan document preparations, a cancellation fee of \$95.00 plus outside costs applies. A project will be considered cancelled if a Loan Document Request is not received within sixty (60) days of ordering the aforementioned services.
3. A fee of \$55.00 will be charged for a document that is re-drafted at the request of the City due to actions by the City.

Services for Loan Processing and Underwriting and Loan Document Preparation are subject to a non-refundable annual minimum of \$4,500 (both services combined). The minimum fee is due upon contract execution and annually thereafter. Invoices processed for work completed will be applied to the minimum fee, with a copy provided to the City. If the minimum fee has been fully applied to invoices, remaining invoices will be due within 30 days of the invoice date.

Loan Servicing:

Loan Portfolio Management

Flow Loan Set-up fee: \$58.35 per loan

Amortized Monthly Service Fee²: 1/24 of 1% per month of original principal amount with a minimum monthly fee of \$18.54 and a maximum monthly fee of \$30.23 for each loan in the portfolio. Escrowing and/or monitoring of taxes and insurance are included with the service at no additional cost (except for a potential one-time tax service fee). The establishment of a new tax service contract or the transfer of an existing contract from an acceptable service provider is required for the escrowing and/or monitoring of taxes. Tax service vendor fees are outside costs passed through from outside vendors and are subject to marketplace increases. Such costs shall be reasonable and competitive with other similar services provided in the general vicinity of the projects.

Additional monthly fee for loans over 60 days delinquent: \$26.52 per loan

Monthly Service Fee for Deferred Loans:

- i. Warehouse: \$3.18 per loan per month
- ii. Warehouse and monitor of taxes and/or insurance: \$7.43 per loan per month plus a one-time tax service vendor fee.
- iii. Warehouse and escrow of taxes and/or insurance: \$19.10 per loan per month plus a one-time tax service vendor fee.
- iv. Flat fee for receiving occasional payments on deferred loans: \$19.10 per payment or forgiveness event.

Tax Service Fee

If it is determined that Tax Service is needed, a fee of \$77.00 per loan for loan amounts up to \$500,000 will be passed through to the City. For loan amounts over \$500,000, there is an additional charge of \$10 per \$100,000. Future charges may vary based on outside vendor pricing.

Additional or supplemental charges imposed by the respective taxing authority for procurement of duplicate tax bills will be directly passed through to the City.

² Escrowing and/or monitoring of taxes and insurance are included with the service at no additional cost except for a one-time tax service vendor fee if acceptable transferable tax contracts are not already in place.

Forbearance Plans

If requested by the City, AmeriNat will charge a flat fee of \$395.00 per loan per occurrence to institute a formal forbearance plan (usually in excess of 6 months in duration and with approval of the City). The City may require the borrower to pay this fee. Informal forbearances (usually less than 6 months in duration) to allow a delinquent borrower to catch up and bring their loan current are performed at no charge to the borrower or the City.

Loan Modification Analysis

1. Preliminary screening and Application Review (each)	\$200.00
2. Analysis and Recommendation, plus outside costs.*	\$195.00
3. Subsequent Analyses and Recommendations (each)	\$165.00
4. Loan Document Preparation, plus outside costs.*	\$350.00
5. Document redraws (per occurrence).	\$165.00

Cancellation Fee: The fee due will be the sum of the fees for tasks (1-4 above) completed, plus one-half of the fee for the task in process at the time of cancellation.

*Outside costs include, but are not limited to, title, credit, and appraisal / valuation. These costs are passed through from outside vendors and are subject to marketplace increases.

Loan Foreclosure

If requested by the City, AmeriNat will charge the following fees for Loan Foreclosure services:

1. Document Preparation: A one-time charge of \$455.00 to prepare documents to commence foreclosure proceedings and to manage the foreclosure process on behalf of the City. In addition to the above foreclosure service fee, AmeriNat will deduct and pay from remittance or bill the City for other costs incurred in the foreclosure process such as, but not limited to, conventional legal fees, sheriffs' deposits, bankruptcy closing costs, fees set by law, etc. These fees will be quoted on a case-by-case basis upon request by the City and within applicable statutory limits.
2. Reinstatement Terms: The City reimbursement for foreclosure services rendered, and its costs and other charges, will be made by the borrower upon reinstatement or full payment of the Deed of Trust or Mortgage under foreclosure.
3. Property Management: \$150.00 per property per month plus property management vendor fees. Property preservation expenses remain the responsibility of the City.

Bankruptcy Administration Services

1. Account Modification Fee: \$70.00 per occurrence to modify account for respective Bankruptcy monitoring

2. Proof of Claim Filing Fee (per occurrence):
 - a. \$475.00 for Chapter 7
 - b. \$1,350.00 for Chapter 13
3. Reaffirmation Agreement Filing Fee: \$350.00 per occurrence.
4. Monitoring and Repayment Fee: \$20.00 per loan per month for the duration of an active bankruptcy case. This includes monitoring respective payment plans, discharges, and dismissals.
5. Motion for Relief Filing Fee: \$280.00 per occurrence plus out-of-pocket fees and costs. Such fees and costs include, but are not limited to, obtaining local counsel in the bankruptcy jurisdiction and as approved by the City. The City will be responsible for the payment of fees for filing suit or related outside costs due AmeriNat that cannot be reimbursed from the borrower.

Subordination Processing

A fee of \$465.00 per analysis per loan.

Minimum Monthly Servicing Billing

\$1,000.00

If the cumulative amount of fees to be charged for loan servicing activities, excluding pass-through charges, within one calendar month is less than the minimum monthly billing amount above, said amount will be charged. **Price is discounted to \$9,000/year if the annual fee is paid upfront and within 30 days of executing an agreement.**

Other services and Per-Event Fees

Check by phone service	\$10.00 per loan per occurrence
Consulting	\$225.00 per hour, one hour minimum
Tickler Notifications:	A \$15.00 per notification may be charged
Loan Transfer Fee:	\$75.00 per loan one-time fee if transferred from AmeriNat
Property Conditions Profile:	\$65.00 per occurrence
Affidavit of Owner:	\$18.00 per loan (entire portfolio done at one-time) with a \$500 minimum fee

Note: Pass-through (reimbursable) expenses, including but not limited to postage costs for statements, letters, and other notifications to borrowers, advances necessary for principal and interest payments, tax and insurance payments, legal and other professional fees for loss mitigation activities, costs of tax contracts, and other out of pocket costs necessary for performance of the scope of service tasks, are to be reimbursed by City monthly.

Pass-through (reimbursable) expenses not reimbursed monthly, will be considered servicer advances and will be subject to an interest charge at a rate of 1% per month compounded. A finance charge of 1% per month compounded will be applied to invoices outstanding and unpaid for more than 60 days.

Extraordinary Account Research and/or Loan Reconstruction

AmeriNat will conduct ongoing routine maintenance and general customer service activities on borrower information and balances as part of its servicing duties at no additional cost.

Should the City request additional research to be conducted, or if the City engages AmeriNat to conduct a Loan Reconstruction Service on its portfolio, an extraordinary research fee of \$225.00 per hour will be charged, with a minimum of one hour per occurrence. Such fee will be approved by the City before the research is conducted.

When research is conducted at the request of the City because of a discrepancy between the City's records and AmeriNat's records relating to the principal balance or other loan information, and the result of the research determines that the discrepancy was the result of activity being posted at the City and not forwarded to AmeriNat for updating of its records, the extraordinary research fee will be charged for the time spent on the research.

For services or loans with unique servicing characteristics that are not shown above, the City and AmeriNat acknowledge that additional and/or different servicing requirements may be appropriate. AmeriNat will work with the City in good faith to establish written terms for the servicing of these types of loans or additional services requested. Any agreement on the servicing provisions for any non-standard portfolio or additional services, including pricing for said services, shall be memorialized in a Statement of Work ("SOW").

Fees are subject to annual increases beginning January 18, 2025, based on the change in the national consumer price index, but no less than 3%.

Funds Disbursement – Performed by Arcadian Bank

A fee of \$200.00 per loan.