



Item: Transition of the City's Rehabilitation Loan Program

From: Jennifer Reichelt, Deputy City Manager

Presented By: Jennifer Reichelt, Deputy City Manager

Action Requested: Approve Professional Services Agreement with NeighborWorks Great Falls

Suggested Motion:

1. Commissioner moves:

"I move that the City Commission approve/not approve the Professional Services Agreement with NeighborWorks Great Falls."

2. Mayor requests a second to the motion, Commission discussion, public comment, and calls for the vote.

Staff Recommendation: Approve the Professional Services Agreement for the transition of the initial administration of the City's Rehabilitation Loan Program to NeighborWorks Great Falls.

Summary: For almost forty years the City of Great Falls (City) has been offering some type of rehabilitation loan programs to its residents. The City now has three programs targeted at promoting affordable housing on a citywide basis (Deferred Payment Loan Program, Rental Improvement Fund Program, Water and Sewer Loan Program). Funding is available on a limited basis and projects are selected by a loan committee on the basis of need and benefit. Each program has specific income guidelines and the property must be within the city limits of Great Falls.

This past year the City's Housing Rehab Specialist, who was responsible for administering the program, was promoted to the role of Building Official. This was the ideal time for staff to determine what made the most sense for the future of the program. They looked at what was most cost efficient, what was best for clients, ways to improve customer service, how to maximize resources and identified potential opportunities and partnerships.

NeighborWorks Great Falls (NWGF) was identified as a potential partner because it has been operating a rehabilitation loan program similar to the City's Deferred Loan Program for over thirty years and has in place all of the U.S. Department of Housing and Urban Development (HUD) required procedures to meet federal requirements including: eligibility determination-documentation, loan processing and underwriting including a loan committee, construction

specification and bidding procedures, construction monitoring, and financial reporting. NWGF also has experienced staff that can absorb administering the City's housing rehab programs at a cost savings to the City and does an excellent job marketing their programs and organization. NeighborWorks Great Falls and NeighborWorks Montana are the only HUD certified secondary lenders in Great Falls.

The City has also partnered with NWGF in the past for many programs including the HOME deferred mortgage program, CDBG blight removal and infill construction. NWGF's performance has consistently met City and HUD standards.

Pending Commission approval, the City will be utilizing NWGF to operate and oversee the Housing Rehabilitation Loan Programs. NWGF will be responsible for processing applications for each of the loan programs. The Professional Services Agreement/Sub-Recipient Agreement is for an amount not to exceed \$50,000, is funded through Community Development Block Grant (CDBG) funds and NWGF will be compensated based on the direct cost of operating the program (number of loans processed and/or serviced).

Background:

The Transition

Upon Commission approval, NWGF will be operating the City's three Housing Rehabilitation Loan Programs (Deferred Payment Loan Program, Rental Improvement Fund Program and the Water and Sewer Loan Program). It will be responsible for processing applications for each of the loan programs and will be servicing the City's existing loans, operating the loan program and underwriting new loans. Responsibilities include taking payments, making collections, monitoring as well as documenting compliance with HUD and City regulations.

Over the past few months staff has met with NWGF staff and had conference calls with HUD representatives regarding the possibility of transition loan servicing to NWGF. HUD has reviewed and provided comments and feedback on the proposed Professional Services/Sub-Recipient Agreement and associated Exhibits and approved the amendment to the City's CDBG Consolidated Plan.

Funding for the loans is provided through the City's Revolving Loan Program. The Revolving Loan Fund was originally funded through CDBG funds. Repayments made on loans help replenish the fund. Each year additional CDBG funds are applied for by the City.

The estimated cash balance in the Revolving Loan Fund as of December 2015 is \$487,896. This balance fluctuates as payments are made and loans are issued. In addition to the cash balance the City received \$68,341 in CDBG Funds for the City's Revolving Loan Fund and received funds to administer the program for Fiscal Year 2016.

The Revolving Loan Funds will appear on the City's financial statements as an asset invested in NWGF. All existing and current loans will be assigned to NWGF for servicing. As the City's loan servicer, NWGF will be issuing loans on behalf of the City. All new loans will be issued under the name of "NeighborWorks Great Falls" and will clearly identify that the City is

providing the funding for the loans. The City will be named as “investor” in the NWGF loan servicing software, so all loan proceeds are maintained in the investor account.

Any program income generated through the City’s Loan Program and loans that are serviced or closed, will be remitted back to the City and deposited into the Revolving Loan Fund.

The Revolving Loan Fund and/or program income will not be used to pay for or reimburse any costs associated with administering the Great Falls Housing Rehabilitation Loan Programs or for any other purpose.

NWGF shall make loans for the purpose in which the City’s Housing Rehabilitation Loan Program was designed and intended, the funds are not to be combined with any other loans. If any of these loans are made to individuals that NWGF is also providing additional, separate loans to, the City shall be placed in a superior loan position to NWGF.

NWGF is responsible for adhering to the rules and guidelines of HUD and the CDBG program. If NWGF makes loans or conducts activities that are found to be ineligible by HUD, which results in a situation that requires repayment of funds to HUD, NWGF may be responsible for the repayment.

All proposed loans will be brought to the City’s appointed loan review committee (at this time the City’s appointed loan review committee is the Housing Authority) for final review and approval.

Loan Programs

The City of Great Falls offers three programs targeted at promoting affordable housing on a citywide basis. NWGF will be responsible for operating these loan programs as the City has been and for servicing the loans. NeighborWorks has been offering a number of loan programs in the community as well and will be continuing to offer them to applicants.

City’s Deferred Payment Loan Program - These funds are used primarily to assist single family homeowners in the low income range to make necessary repairs to bring their homes up to code and make them safe and sanitary places to live. The applicant must own the home and have lived in it for at least one year. The funds are provided to the homeowner in the form of an interest free loan; monthly payments are required to begin being paid when the first mortgage is paid off. In addition, the full loan amount is due upon any transfer of title. The maximum loan amount is \$50,000 per homeowner. The monthly payback of Deferred Payment Loans is structured to match the monthly payments from the first mortgage.

City’s Rental Improvement Fund Program - These funds are used to assist property owners to make code-related repairs to rental property. Rents for rehabilitated units must be affordable to low income tenants and tenants' rents cannot increase for two years. Funds are provided to the rental property owner in the form of an interest free loan; monthly payments are required to begin being paid back as soon as the project is complete or six months after the loan is awarded, whichever comes first. The maximum loan amount is \$30,000 per unit and a maximum of \$100,000 is available to any one owner or group. The loan term for Rental Improvement Loans is no more than ten years.

City's Water and Sewer Loan Program - The objective of this program is to stabilize and improve water and sewer service lines by providing financial assistance to landlords and homeowners who own their rental and residential property. The program will require payment, plus 3% interest, to begin when the project reaches substantial completion. Handicapped, elderly and low income owners may be interest-exempt depending on financial ability to repay. Monthly payments are due the first of every month. The maximum loan amount is \$10,000 per house. Water and Sewer loans are traditionally no longer than 10 years; most are between 1-5 years.

NeighborWorks Home Improvement Loan Program – This program provides amortizing loans to homeowners to make repairs and improvements to their homes to make them more livable and attractive. Deferred loans are available outside the city in Cascade County using state CDBG funds.

NeighborWorks Real Estate Acquisition and Development Program – This program assists non-profit developers for acquisition, construction and renovation of affordable properties (statewide).

NeighborWorks Down Payment Assistance – Deferred second mortgages and amortizing second mortgages for down payment are available under this program. Deferred loans are funded with HOME funds.

Loan History

Since 2012, the City has issued 36 rehabilitation loans (deferred, water/sewer and home rehab) and from 2012 to 2015, two rental rehabilitation loans have been granted. There are a number of loans outstanding that continue to be serviced.

It is staff's hope that NWGF will be able to issue more loans to eligible applicants, due to its staffing levels and the increased marketing to promote the program.

Entity	Homeowner and Homebuyer	Loans Outstanding	New Loans 2012	New Loans 2013	New Loans 2014	New Loans 2015
City	Deferred	127	10	10	1	3
City	Water/Sewer	11	2	2	6	2
City	HOME/HP	3	0	0	0	0
City	TOTAL	139	12	12	7	5
NWGF	Deferred DPA	508	16	25	8	18
NWGF	Amortizing DPA	260	14	5	22	33
NWGF	Home Improvement	48	17	24	6	10
NWGF	TOTAL	816	47	54	36	61

Entity	Rental Rehab	Loans Outstanding	New Loans 2012	New Loans 2013	New Loans 2014	New Loans 2015
City	Rental Rehab	9	0	1	1	0
NWMT	Rental Rehab	16	6	4	3	1

Why NeighborWorks Great Falls

When the City's Rehab Specialist became the Building Official - it was determined that it would no longer be reasonable to have him continue to manage the loan program.

Staff considered the possibility of having existing staff members take on the responsibility of managing the program, but due to current workloads and staffing levels in the Planning and Community Development, it was determined it would not be possible or in the best interest of the program.

If the program were to stay at the City the best option would be to recruit applicants for the positions, which would rely upon the award of future CDBG funds each year to fund the role, plus finding and training the right person to manage the program. There is the added concern that future CDBG funds may be reduced. It was determined that this was the right time to look at potential partnerships and opportunities.

When the City began discussions regarding having another organization operate the City's Rehabilitation Loan Program, NWGF was identified as an ideal partner. As an organization it has been operating a rehabilitation loan program similar to the City's Deferred Loan Program for over thirty years. No other organization in Great Falls has the track record, current portfolio or experience level with these types of loans. NeighborWorks Great Falls and NeighborWorks Montana are the only HUD certified secondary lenders in Great Falls.

NWGF already has the steps and procedures in place to meet HUD's requirements including: eligibility determination-documentation, loan processing and underwriting including a loan committee, construction specification and bidding procedures, construction monitoring, and financial reporting.

The Benefits of a Partnership

By combining efforts, both the City and NWGF will be able to maximize resources and streamline services. Instead of having rehabilitation and assistance loan programs, which provide many of the same benefits offered to qualifying applicants in two different locations, they will now be offered in one location. This will make it much easier on the customer, creating a one-stop-shop for rehabilitation loans in the Great Falls community.

NWGF will still be using the name "City of Great Falls Loan Programs" for the rehabilitation loans provided through the City's Revolving Loan Fund and will have the tools and staffing to continue the City's branding efforts, and will be able to market the program to an even wider market.

NWGF also has the knowledge, know-how and experience working with these types of loans, loan documents, construction documents, clientele and familiarity dealing with HUD restrictions and reporting requirements.

This partnership will also free up future CDBG dollars. While funding will still be needed to administer the City's Rehabilitation Loan program, it may not be needed at the same level as in the past. In 2016 two CDBG allocations were approved:

- \$68,346 for the Revolving Loan Fund
- \$68,000 for the Rehab Specialist (salary and benefits)

City Staff and NWGF staff believes that less money will be needed in the future to have NWGF administer the program, freeing up future CDBG funds to be allocated to other areas.

The Details of the Transition

Pending Commission approval, NWGF and the City will be entering into a Professional Services Agreement/Sub-Recipient Agreement. Under State Law (MCA 7-5-4301) all necessary contracts for professional, technical, engineering, or legal services are excluded from the competitive bidding process. However, it is also important to note that the State's competitive bidding requirement (MCA 7-5-4302) is only required for contracts that are in excess of \$80,000. This contract is not to exceed \$50,000. The term of the agreement is through June 30, 2016; both parties may extend the agreement in writing prior to its termination.

NWGF will be required to keep complete and accurate records on all loans being serviced and processed and to submit reports on a monthly basis. Reports will include all loans approved, payments or income received, current balance of the separate funds and a detailed timesheet for staff hours servicing the program.

NWGF will be compensated on a quarterly basis or at an agreed upon interval; based upon size and type of loan(s) being issued. NWGF will invoice the City for the direct cost of operating the City's Housing Rehabilitation Loan Program based on the number of loans serviced, underwritten and processed. NWGF will submit time cards, to include an hourly rate which may include salary, benefits and occupancy rate. NWGF compensation through June 30, 2016 will not exceed \$50,000.

NWGF will be required to make quarterly payments to the City on the loans it is servicing. Any program income generated will be remitted back to the City and deposited into the Revolving Loan Fund.

The City can cancel the agreement if NWGF does not provide the necessary documents or reports in a timely manner and/or NWGF conducts or funds activities that are found to be ineligible by HUD and/or the HUD funds used to support the administration of the program are no longer sufficient to support the program.

NWGF can cancel the agreement if the City does not provide payment within sixty (60) days of invoice and/or operating the City's Housing Rehabilitation Loan Program proves not to be beneficial to NWGF.

If either party chooses to cancel the agreement they must provide a written sixty (60) day notice to the other party. In the event the agreement is terminated, loans serviced and processed by NWGF will transfer to the City of Great Falls.

Fiscal Impact: Transitioning the loan program to NWGF will have no impact on the City's General Fund. NWGF will be reimbursed for services rendered an amount not to exceed \$50,000 which will be paid for out of CDBG funds.

Alternatives: The City Commission could choose not to approve the Professional Services Agreement and the loan program could stay at the City.

Attachments/Exhibits:

Professional Services Agreement

Exhibit A

Exhibit B

Exhibit C

PROFESSIONAL SERVICES AGREEMENT
SUBRECIPIENT AGREEMENT WITH
NEIGHBORWORKS GREAT FALLS

THIS AGREEMENT is made and entered into by and between the **CITY OF GREAT FALLS, MONTANA**, a municipal corporation organized and existing under the laws of the State of Montana, P.O. Box 5021, Great Falls, Montana 59403-5021, hereinafter referred to as "City," and NeighborWorks Great Falls, hereinafter referred to as "NWGF."

In consideration of the mutual covenants and agreements herein contained, the receipt and sufficiency whereof being hereby acknowledged, the parties hereto agree as follows:

1. **Purpose:** City agrees to hire NWGF as an independent contractor to perform City services described in the Scope of Services attached hereto as **Exhibit "A"** and by this reference made a part hereof.

2. **Term of Agreement:** This Agreement is effective upon the date of its execution through June 30, 2016. Both parties reserve the right to cancel this Agreement by providing a written sixty (60) day notice to the other party. The parties may extend this agreement in writing prior to its termination.

3. **Scope of Work:** NWGF will perform the work and provide the services in accordance with the requirements of the Scope of Services.

4. **Payment:** City agrees to pay NWGF for the direct costs related to the services performed pursuant to the Scope of Services. The Project Deliverables is attached as **Exhibit "B"**. The City will pay NWGF an amount not to exceed \$50,000 annually. Any alteration or deviation from the described work that involves extra costs will be performed by NWGF after written request by the City, and will become an extra charge over and above the contract amount. The parties must agree upon any extra charges in writing.

5. **Independent Contractor Status:** The parties agree that NWGF is an independent contractor for purposes of this Agreement and is not to be considered an employee of the City for any purpose. NWGF is not subject to the terms and provisions of the City's personnel policies handbook and may not be considered a City employee for workers' compensation or any other purpose. NWGF is not authorized to represent the City or otherwise bind the City in any dealings between NWGF and any third parties.

NWGF shall comply with the applicable requirements of the Workers' Compensation Act, Title 39, Chapter 71, MCA, and the Occupational Disease Act of Montana, Title 39, Chapter 71, MCA. NWGF shall maintain workers' compensation coverage for all members and employees of NWGF's business, except for those members who are exempted by law.

NWGF shall furnish the City with copies showing one of the following: **(1)** a binder for workers' compensation coverage by an insurer licensed and authorized to provide workers'

compensation insurance in the State of Montana; or (2) proof of exemption from workers' compensation granted by law for independent contractors.

6. **Indemnification:** To the fullest extent permitted by law, NWGF shall fully indemnify, defend, and save City, its agents, representatives, employees, and officers harmless from and against any and all claims, actions, costs, fees, losses, liabilities or damages of whatever kind or nature arising from or related to NWGF's performance of this Agreement and NWGF's work on the Project or work of any subcontractor or supplier to NWGF.

7. **Insurance:** NWGF shall purchase and maintain insurance coverage as set forth below. The insurance policy must name the City, (including its elected or appointed officers, officials, employees, or volunteers), as an additional insured and be written on a "primary—noncontributory basis." NWGF will provide the City with applicable additional insured endorsement documentation. Each coverage shall be obtained from an insurance company that is duly licensed and authorized to transact insurance business and write insurance within the state of Montana, with a minimum of "A.M. Best Rating" of A-, VI, as will protect the NWGF, the various acts of subcontractors, the City and its officers, employees, agents, and representatives from claims for bodily injury and/or property damage which may arise from operations and completed operations under this Agreement. All insurance coverage shall remain in effect throughout the life of this Agreement and for a minimum of one (1) year following the date of expiration of NWGF's warranties. All insurance policies must contain a provision or endorsement that the coverage afforded will not be canceled, materially changed, or renewal refused until at least thirty (30) days prior written notice has been given to NWGF, City, and all other additional insureds to whom a certificate of insurance has been issued. All insurance documentation shall be in a form acceptable to the City.

Insurance Coverage at least in the following amounts is required:

1.	Commercial General Liability (bodily injury and property damage)	\$1,000,000 per occurrence \$2,000,000 aggregate
2.	Products and Completed Operations	\$2,000,000
3.	Automobile Liability	\$1,000,000 combined single limit
4.	Workers' Compensation	Not less than statutory limits
5.	Employers' Liability	\$1,000,000
6.	Professional Liability (E&O) (only if applicable)	\$1,000,000 per occurrence \$2,000,000 aggregate

NWGF may provide applicable excess or umbrella coverage to supplement NWGF's existing insurance coverage, if NWGF's existing policy limits do not satisfy the coverage requirements as set forth above.

8. **Professional Service:** NWGF agrees that all services and work performed hereunder will be accomplished in a professional manner.

9. **Compliance with Laws:** NWGF agrees to comply with all federal, state and local laws, ordinances, rules and regulations, including the safety rules, codes, and provisions of the Montana Safety Act in Title 50, Chapter 71, MCA and the provisions of 24 CFR 570.503, including but not limited to the use of debarred, suspended or ineligible contractors or subrecipients and conflicts of interest. As applicable, Consultant agrees to purchase a City safety inspection certificate or special business license.

NWGF is responsible for reading and complying with all U.S. Department of Housing and Urban Development (HUD) regulations and notices, including but not limited to 24 CFR 570, and 2 CFR 200. During the term of this Agreement, the City will be scheduling on-site and remote monitoring of NWGF for compliance and to provide technical assistance. If the City deems it necessary, unscheduled on-site monitoring may take place to monitor and ensure compliance. Additionally, HUD will monitor the City of Great Falls and may request documentation from NWGF and on-site access to subrecipients and CDBG funded properties.

Any violation of Federal regulations may deem corrective action including reimbursement of federal funds and termination. Discovery of an adverse finding by HUD may cause it to request reimbursement of CDBG funds from the City of Great Falls. In such case, if the finding is related to NWGF program activities, NWGF will provide reimbursement to the City of Great Falls.

10. **Nondiscrimination:** NWGF agrees and represents that in all of its actions under this Agreement, no persons shall, on the grounds of race, color, national origin, religion, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any of its program or activities contemplated by this Agreement.

11. **Default and Termination:** If either party fails to comply with any condition of this Agreement at the time or in the manner provided for, the other party, at its option, may terminate this Agreement and be released from all obligations if the default is not cured within ten (10) days after written notice is provided to the defaulting party. Said notice shall set forth the items to be cured. Additionally, the non-defaulting party may bring suit for damages, specific performance, and any other remedy provided by law. These remedies are cumulative and not exclusive. Use of one remedy does not preclude use of the others. Notices shall be provided in writing and hand-delivered or mailed to the parties at the addresses set forth in the first paragraph of this Agreement. 2 CFR 200.338-342.

12. **Modification and Assignability:** This document contains the entire agreement between the parties and no statements, promises or inducements made by either party or agents of either party, which are not contained in this written Agreement, may be considered valid or binding. This Agreement may not be enlarged, modified or altered except by written agreement signed by both parties hereto. The NWGF may not subcontract or assign NWGF's rights, including the right to compensation or duties arising hereunder, without the prior written consent of City. Any subcontractor or assignee will be bound by all of the terms and conditions of this Agreement.

13. **Ownership and Publication of Materials:** All reports, information, data, and other materials prepared by the NWGF pursuant to this Agreement are the property of the City. The City has the exclusive and unrestricted authority to release, publish or otherwise use, in whole or part, information relating thereto. Any re-use without written verification or adaptation by the NWGF for the specific purpose intended will be at the City's sole risk and without liability or legal exposure to the NWGF. No material produced in whole or in part under this Agreement may be copyrighted or patented in the United States or in any other country without the prior written approval of the City.

14. **Liaison:** City's designated liaison with NWGF is Jolene Wetterau and/or CDBG Administrator and NWGF's designated liaison with City is Sheila Rice.

15. **Applicability:** This Agreement and any extensions hereof shall be governed and construed in accordance with the laws of the State of Montana.

IN WITNESS WHEREOF, NWGF and City have caused this Agreement to be executed and intend to be legally bound thereby as of the date set forth below.

CITY OF GREAT FALLS, MONTANA

NWGF

By _____
Gregory T. Doyon, City Manager

Date _____

By Sheila Rice

Print Name SHEILA RICE

Title Executive Director

Date 1-11-16

ATTEST:

(Seal of the City)

Lisa Kunz, City Clerk

APPROVED AS TO FORM*:

By _____
Sara R. Sexe, City Attorney

* By law, the City Attorney may only advise or approve contract or legal document language on behalf of the City of Great Falls, and not on behalf of other parties. Review and approval of this document was conducted solely from the legal perspective, and for the benefit, of the City of Great Falls. Other parties should not rely on this approval and should seek review and approval by their own respective counsel.

Exhibit A

Scope of Services

City of Great Falls Housing Rehabilitation Loan Programs

The City of Great Falls offers three programs targeted at promoting affordable housing on a citywide basis. All funds are available on a limited basis and projects are selected by a loan committee on the basis of need and benefit. Specific income guidelines apply to the housing programs. In all instances, the property must be within the city limits of Great Falls and mobile homes are not eligible. Applications for the programs are accepted year-round as funds become available.

1. Deferred Payment Loan Program

These funds are used primarily to assist single family homeowners in the low income range to make necessary repairs to bring their homes up to code and make them safe and sanitary places to live. The applicant must own the home and have lived in it for at least one year. The funds are provided to the homeowner in the form of an interest free loan; monthly payments are required to begin being paid when the first mortgage is paid off. In addition, the full loan amount is due upon any transfer of title. The maximum loan amount is \$50,000 per homeowner. The monthly payback of Deferred Payment Loans is structured to match the monthly payments from the first mortgage.

2. Rental Improvement Fund Program

These funds are used to assist property owners to make code-related repairs to rental property. Rents for rehabilitated units must be affordable to low income tenants and tenants' rents cannot increase for two years. Funds are provided to the rental property owner in the form of an interest free loan; monthly payments are required to begin being paid back as soon as the project is complete or six months after the loan is awarded, whichever comes first. The maximum loan amount is \$30,000 per unit and a maximum of \$100,000 is available to any one owner or group. The loan term for Rental Improvement Loans is no more than ten years.

3. Water and Sewer Loan Program

The objective of this program is to stabilize and improve water and sewer service lines by providing financial assistance to landlords and homeowners who own their rental and residential property. The program will require payment, plus 3% interest, to begin when the project reaches substantial completion. Handicapped, elderly and low income owners may be interest-exempt depending on financial ability to repay. Monthly payments are due the first of every month. The maximum loan amount is \$10,000 per house. Water and Sewer loans are traditionally no longer than 10 years; most are between 1-5 years.

Loan Servicing

The City of Great Falls (City) will be utilizing NeighborWorks Great Falls (NWGF) to operate and oversee their Housing Rehabilitation Loan Programs – Deferred Payment Loan Program, Rental Improvement Fund Program and the Water and Sewer Loan Program. NWGF will be responsible for processing applications for each of the loan programs.

NWGF will act as the loan servicer for existing loans as well as operate the loan program and underwrite new loans. Responsibilities include taking payments, making collections, monitoring and documenting compliance with U.S. Department of Housing and Urban Development (HUD) and City regulations.

Funding for the loans is provided through the City's Revolving Loan Program. The Revolving Loan Fund was originally funded through Community Development Block Grant (CDBG) funds. Repayments made on loans help replenish the fund. Each year additional CDBG funds are applied for by the City.

The Revolving Loan Fund will appear on the City's financial statements as an asset invested in NWGF. All existing and current loans will be assigned to NWGF for servicing. As the City's loan servicer, NWGF will be issuing loans on behalf of the City. All new loans will be issued under the name of "NeighborWorks Great Falls" and will clearly identify that the City is providing the funding for the loans. The City will be named as "investor" in the NWGF loan servicing software, so all loan proceeds are maintained in the investor account.

The estimated cash balance in the Revolving Loan Fund as of December 2015 is, \$487,896. This balance fluctuates as payments are made and loans are issued. In addition to the cash balance the City received \$68,341 in CDBG Funds for the City's Revolving Loan Fund and received funds to administer the program for Fiscal Year 2016.

At no time is the Revolving Loan Fund or program income to be used to pay for or reimburse for the costs associated with administering the Great Falls Housing Rehabilitation Loan Programs or for any other purpose.

NWGF shall make loans for the purpose in which the City's Housing Rehabilitation Loan Program was designed and intended, the funds are not to be combined with any other loans. If any of these loans are made to individuals that NWGF is also providing additional, separate loans to, the City shall be placed in a superior loan position to NWGF.

NWGF is responsible for adhering to the rules and guidelines of HUD and the CDBG program. If NWGF makes loans or conducts activities that are found to be ineligible by HUD, which results in a situation that requires repayment of funds to HUD, NWGF may be responsible for the repayment.

All proposed loans will be brought to the City's appointed loan review committee for final review and approval.

NWGF will notify the City prior to any loans being written off or forgiven.

Eligibility and Application Process 24 CFR 570.201

NWGF will continue to use the same eligibility criteria as developed by the City. The City recognizes that forms/applications may be modified as needed with approval by the City.

Reporting Requirements 24 CFR 570.506

NWGF is required to keep complete and accurate records on all loans being serviced and processed and to submit reports on a monthly basis.

Reports shall include all loans approved, payments or income received, current balance of the separate funds and detailed timesheet for staff hours servicing the program.

NWGF is required to provide all HUD or City required documentation in a timely manner. Not doing so may put future CDBG and HOME funding in jeopardy.

Document Retention Schedule

Records relating to CDBG funds received from HUD must be retained and not destroyed as outlined in the Montana Local Government Retention and Disposition Schedule (attached as "Exhibit C – Montana Local Government Retention and Disposition Schedules").

Notwithstanding, most documents should be retained for five years after closeout of the funds; however, if any litigation, claim, negotiation, audit or other actions has started before the expiration of the five-year period after closeout, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the five year period, whichever is later.

Payment for Loan Servicing 2 CFR 200.413

Payment will be made on a quarterly basis or at an agreed upon interval, based upon size and type of loan(s) being issued. NWGF will invoice the City for the direct cost of operating the City's Housing Rehabilitation Loan Program based on the number of loans serviced, underwritten and processed.

Program Income/Loan Payments 24 CFR 570.504

NWGF will be required to make quarterly payments to the City on the loans it is servicing.

Any program income generated through the City's Loan Program and/or loans that are serviced or closed will be remitted back to the City and deposited into the Revolving Loan Fund.

Uniform Administrative Requirements 24 CFR 570.502 & 2 CFR 200

NWGF shall comply with the requirements and standards of 2 CFR Part 200 “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.”

Other Program Requirements

NWGF shall carry out the activities under this agreement in compliance with all Federal laws and regulations as described in *24 CFR 570 Subpart K*:

- (1) 570.600, General;
- (2) 570.601, Public Law 88-352 and Public Law 90-284; affirmatively furthering fair housing; Executive Order 11063; 99
- (3) 570.602, Section 109 of the Act;
- (4) 570.603, Labor Standards;
- (5) 570.604, Environmental Standards;
- (6) 570.605, National Flood Insurance Program;
- (7) 570.606, Displacement, Relocation, Acquisition, and Replacement of Housing;
- (8) 570.607, Employment and Contracting Opportunities;
- (9) 570.608, Lead-Based Paint;
- (10) 570.609, Use of Debarred, Suspended or Ineligible Contractors or Subrecipients;
- (11) 570.610, Uniform Administrative Requirements and Cost Principles;
- (12) 570.611, Conflict of Interest;
- (13) 570.612, Executive Order 12372; and
- (14) 570.613, Eligibility Restrictions for Certain Resident Aliens;
- (15) 570.614, Architectural Barriers Act and the Americans with Disabilities Act; and except that:
- (16) The Grantee does not assume the Department’s environmental responsibilities described in 570.604; and
- (17) The Grantee does not assume the Department’s responsibility for initiating the review process under the provisions of 24 CFR Part 52.

Loan Awards

Preference when lending should be given to the loan/applicant/program, which can benefit the most people or provide the most benefit to the community.

Term of Agreement

This Agreement is effective upon the date of its execution through June 30, 2016. Both parties reserve the right to cancel this Agreement by providing a written sixty (60) day notice to the other party. The parties may extend this agreement in writing prior to its termination.

The City reserves the right to cancel this agreement if NWGF does not provide the necessary documents or reports in a timely manner and/or NWGF conducts or funds activities that are

found to be ineligible by HUD and/or the HUD funds used to support the administration of the program are no longer sufficient to support the program.

NWGF reserves the right to cancel this agreement if the City does not provide payment within sixty (60) days of invoice and/or operating the City's Housing Rehabilitation Loan Program proves not to be beneficial to NWGF.

If either party chooses to cancel the agreement it must provide a written sixty (60) day notice to the other party.

In the event the agreement is terminated, loans serviced and processed by NWGF will transfer to the City of Great Falls.

Exhibit B

Project Deliverables

NeighborWorks Great Falls (NWGF) will chargeback to the City of Great Falls (City), the direct costs related to the loan servicing, loan operations and underwriting of loans directly related to the City's Housing Rehabilitation Loan Programs. All costs requested to be reimbursed must meet the U.S. Department of Housing and Urban Development (HUD) and Community Development Block Grant (CDBG) guidelines.

Indirect & Direct Costs

Direct costs are those activities or services that benefit specific projects, e.g., salaries for project staff and materials required for a particular project. Because these activities are easily traced to projects, their costs are usually charged to projects on an item-by-item basis.

Indirect costs are those for activities or services that benefit more than one project. Their precise benefits to a specific project are often difficult or impossible to monitor.

Compensation

NWGF will be compensated after each loan and/or application is processed/serviced based on the time card submittals. Time cards include an hourly rate which may include salary, benefits and occupancy rate.

Exhibit C
Montana Local Government Retention and Disposition Schedules

COMMUNITY DEVELOPMENT/HOUSING AUTHORITY RECORDS		
Record Series Title and Description	Retention and Disposition	Citation/Comments
<p>1 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROJECT FILES</p> <p>Records document the administration of Community Development Block Grant Program funds received from the U.S. Department of Housing and Urban Development (HUD).</p> <p>a Start-up files</p> <p>Records contain start-up files for each year's administration of the program which include citizen complaints, budget amendments and other records documenting citizen participation, pre-planning activities, and general administration of the program.</p> <p>b CDBG Project Files</p> <p>Purchase orders for funds, request for payment, project progress reports, requests for reimbursement from grantee, copies of grantee receipts, memoranda, correspondence, block grant agreement, copies of grantee unemployment registration, and a summary sheet for each program. Records also contain CDBG drawdown and federal cash transaction reports.</p> <p>c CDBG Ledgers</p> <p>CDBG drawdown and federal cash transaction reports and accounting ledgers.</p>	<p>a Retain 3 years after closeout of the funds; however, if any litigation, claim, negotiation, audit, or other action has started before the expiration of the three-year period after closeout, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the three year period, whichever is later; destroy.</p> <p>b Retain 3 years after closeout of the funds; however, if any litigation, claim, negotiation, audit, or other action has started before the expiration of the three-year period after closeout, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the three year period, whichever is later; destroy.</p> <p>c Retain 3 years after closeout of the funds; however, if any litigation, claim, negotiation, audit, or other action has started before the expiration of the three-year period after closeout, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the three year period, whichever is later; destroy.</p>	<p>Active project files are vital records.</p> <p>24 Code of Federal Regulations (CFR) Part 92.508 Sec. (c)(1)-(2); 24CFR 570.490)</p> <p>24 Code of Federal Regulations (CFR) Part 92.508 Sec. (c)(1)-(2); 24 CFR 570.490)</p> <p>24 Code of Federal Regulations (CFR) Part 92.508 Sec. (c)(1)-(2); 24 CFR 570.490)</p>

COMMUNITY DEVELOPMENT/HOUSING AUTHORITY RECORDS		
Record Series Title and Description	Retention and Disposition	Citation/Comments
<p>2 CONSOLIDATED PLAN A 5-year strategic plan and application required by HUD to obtain federal funds. The plan serves as the application and long term plan for the use of CDBG and HOME resources.</p> <p>a Five-Year Consolidated Plan and supporting documentation b Annual Action Plan and Supporting Documentation</p>	<p>a Retain 10 years after submission; destroy. b Retain 5 years after submission; destroy.</p>	
<p>3 COMMUNITY HOUSING AFFORDABILITY STRATEGY (CHAS) Records satisfy HUD requirements to provide a strategic plan for the use of CDBG federal resources from 1992 through 1995. Records include annual performance reports, updates, annual plans, background information, correspondence and memoranda.</p>	Retain 3 years after closeout of the funds; destroy.	24 Code of Federal Regulations (CFR) 570.490
<p>4 COMMUNITY HOUSING DEVELOPMENT ORGANIZATION PROGRAM RECORDS Records document grants from Community Development Block Grant Funds to private, nonprofit organizations in community. Contains program guidelines, applications, correspondence, minutes, recipient agreements, request for proposals and proposals submitted by applicants.</p>	Retain 3 years after closeout of the funds, however, if any litigation, claim, negotiation, audit, or other action has started before the expiration of the three-year period after closeout, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the three year period, whichever is later; destroy.	Active project files are vital records 24 Code of Federal Regulations (CFR) Part 92.508 Sec. (c)(1)-(2); CFR 570.490
<p>5 FIRST TIME HOME BUYER PROGRAM RECORDS Applications, eligibility statements of applicants, statements of work, and original closing documents, which document loans from grant funds provided by HUD to support activities pertaining to housing for low income households.</p> <p>a Approved Loans b Denied Applications</p>	<p>a Retain 3 years after the settlement of the loan; destroy. b Retain 3 years after application denied; destroy.</p>	Vital record until loan is settled.