

**THIRD AMENDMENT TO PROFESSIONAL SERVICES AGREEMENT
(First Time Homebuyer (FTHB) Program – AmeriNational Community Services, LLC
dba AmeriNat)**

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

RECITALS

A. City, Authority and Consultant entered into a Professional Services Agreement (FTHB Program – AmeriNational Community Services, Inc.) dated as of July 1, 2015 for Consultant to provide financial services, including but not limited to loan processing and underwriting and funds disbursement services, in connection with City’s First Time Homebuyer (FTHB) Program (“Original Agreement”).

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

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

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

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

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

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

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

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

2. Modification of Scope of Services. Page A-5 in the Scope of Services, Exhibit A of the Original Agreement, is modified as to the section titled “Additional Portfolio Management Services” paragraph 1. Loan Payoff Quotations, Satisfactions, Reconveyances, which paragraph 1. is fully amended and restated and shall read as follows.

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

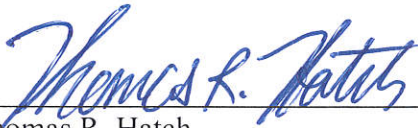
Further, in connection with each loan payoff quotation, Consultant shall prepare for Costa Mesa staff a form of demand to escrow/title with instructions for payoff of the full amount(s) due to Costa Mesa.”

3. Instructions. Consultant will provide loan payoff instructions so that each loan payoff will occur through funds sent to AmeriNational Community Services, LLC dba AmeriNat, then Consultant shall issue a payoff check to the City of Costa Mesa or to the Costa Mesa Housing Authority, as applicable as to such loan payoff.

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

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

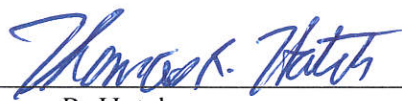
CITY OF COSTA MESA



Thomas R. Hatch
City Manager

Date: 6/30/17

COSTA MESA HOUSING AUTHORITY



Thomas R. Hatch
Executive Director

Date: 6/30/17

AMERINATIONAL COMMUNITY SERVICES, LLC DBA AMERINAT



Michael Torres
President & COO

Date: 6/27/17

FARMERS STATE BANK OF HARTLAND



Mark Heinemann
President/CFO

Date: 6-26-17

ATTEST:

Brenda Green

Brenda Green
City Clerk/Housing Authority Secretary



Date: 6/30/17

APPROVED AS TO FORM:

Thomas P. Duarte

Thomas P. Duarte
City Attorney/Housing Authority General Counsel

Date: 6-28-17

APPROVED AS TO INSURANCE:

Ruth Wang

Ruth Wang
Risk Management

Date: 6/28/17

DEPARTMENTAL APPROVAL

Jay Trevino

Jay Trevino
Interim Development Services and
Economic Development Director

Date: 6-28-17

APPROVED AS TO CONTENT:

Jacqueline Y. Reeves

Jacqueline Y. Reeves
Project Manager

Date: 6-28-17

APPROVED AS TO PURCHASING:

Stephen Dunivent

Stephen Dunivent
Interim Finance Director

Date: 6-28-17

EXHIBIT A

SCOPE OF SERVICES

Loan Servicing, Loan Payoffs and All Related Loan Administration of Outstanding Home Buyer Assistance Loans now Held by Costa Mesa Housing Authority, as housing successor to the now dissolved Costa Mesa Redevelopment Agency (FTHB Program)

Loan Processing and Underwriting

The Consultant shall provide financial services related to Loan Servicing, Loan Payoffs and All Related Loan Administration of Outstanding Home Buyer Assistance Loans (each a "Loan" and together, "Loans") under the Homebuyer Assistance Program ("FTHB"). Consultant warrants that all Services will be performed in a competent, professional and satisfactory manner in accordance with the standard prevalent in the industry for such services and in conformance with applicable federal, state and local laws and regulations.

The Consultant and the City of Costa Mesa and Costa Mesa Housing Authority (together City and Authority are referred to as, "Costa Mesa") agree that the primary objectives are for the Consultant to service the existing FTHB Loans and as and when required prepare related loan servicing documents for the Program, such as subordination agreements, notices of default, etc. The existing FTHB Loans issued by Costa Mesa are of two types: (1) as to FTHB Loans issued prior to January 1, 2006, each Loan was a 30-year second lien mortgage with an initial ten-year deferral and amortized payments thereafter commencing at year 10 with payment in full due at year 30; (2) as to FTHB Loans issued on and after January 1, 2006, each was a 45-year second lien mortgage, with an initial 30-year deferral and amortized payments thereafter commencing at year 30 with payment in full due at year 45.

Fund Disbursement Services

Upon request of Costa Mesa, to ensure that Costa Mesa's loan proceeds are used in the manner intended by the program design, Consultant provides a unique funds disbursement service, which meets the needs of both Program staff and the City's finance department.

Total loan proceeds are forwarded to Consultant and held in trust for disbursement of funds according to Costa Mesa's requirements. Consultant shall deposit the funds into a custodial trust account at an FDIC insured bank. The City's finance department will be required to issue only one check or initiate one EFT, and Consultant 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, if applicable.

Consultant is experienced with the multiple funding sources used in housing and economic development programs. Consultant will prioritize the disbursement of funds from several funding sources associated with one project and will provide corresponding reports to be used as official subsidiary journals to the City's finance department.

A fast turnaround of stage payments ensures delivery of checks back to Costa Mesa or directly to payee(s) is made within 48 hours of request. When requests are made by 11:00 a.m. (Eastern Time), the check will be cut the same day.

The funds disbursement services will be based on the following detailed steps, as applicable to new loans, if any, and as to all existing FTHB Program loans:

1. Opening Account: Upon loan approval, Consultant will open a borrower account that includes borrower and project information. Costa Mesa will then forward loan proceeds and completed Control Instructions to Consultant. The Control Instructions should include the following information:
 - a. Owner/Borrower(s) name
 - b. Contractor(s)
 - c. Job site address
 - d. Amount of funds being held
 - e. Instructions on how funds are to be disbursed
 - f. Original signatures of borrower/owner and Client representative
2. Disbursement Process: When requested by Costa Mesa, Consultant will provide check disbursements to parties designated by Costa Mesa in connection with the 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 borrower's authorizing signatures. Consultant 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.
3. 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.
4. Contingency: Additional funds may be added to a project in anticipation of unforeseen construction costs. Consultant will hold contingency at Costa Mesa's request and release funds upon receipt of an Authorization for Payment. This process is subject to Costa Mesa's financial policies and procedures.
5. Retention Fund: As applicable, Consultant 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 Costa Mesa's policies and procedures, the retention will be paid out upon receipt of an Authorization for Payment.
6. Recording the Notice of Completion: As applicable, after the City's final inspection on a project, a Notice of Completion is executed by the borrower and forwarded to Consultant

for recording with the County Recorder. Consultant shall mail the Notice of Completion by certified mail within two (2) business days after receipt.

7. Reports and Record Keeping: AmeriNational 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 the City upon request.
8. Account Close Out: After payout of all funds in the account, excess funds will be disbursed according to Costa Mesa's instructions. Consultant will forward a Final Closing Statement to Costa Mesa, comprising a complete record of all transactions in one report. Consultant will also forward a copy of the report to the borrower for their records, if requested by Costa Mesa.

Loan Servicing for Amortized and Deferred Loans

1. Introductory Package: Upon boarding of each new loan, AmeriNational will send to each borrower a welcome package. This welcome package contains a Notice of Servicing Transfer, Fair Debt Notice, FACT Act Letter, ACH sign-up form and a supply of coupons.
2. Collection and Remittance of Payments: For all loans, Consultant will collect, as applicable, payments from the borrowers through monthly or other scheduled remittances (including final payoffs) of principal, interest, fees, escrow balances and other identified payments. These remittances will be posted to the loan and ancillary records in accordance with the loan documents and Costa Mesa's written instructions. Payments will be posted the same day as receipt. All funds will be maintained in an FDIC insured banking institution in a custodial account for the benefit of Costa Mesa and the borrowers as applicable. Consultant will ensure the proper balancing of cash received and transmitted and loan portfolio totals on a daily and monthly basis. Remittances will be forwarded to Costa Mesa monthly net of fees and other authorized charges due to Consultant.
3. Payment of Property Taxes: At Costa Mesa's request, Consultant will monitor the timely payment of property taxes. Tax service will be required to monitor payment of property tax.
4. Insurance Monitoring: Consultant will notify the insurance agent in writing that Consultant is monitoring premium payments and that we are to be made aware of delinquencies or cancellations. Consultant will force place insurance in accordance with respective regulation (see Insurance section).
5. Late Fees: In keeping with the provisions of Costa Mesa's promissory note, Consultant 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, Consultant will request lender-placed insurance from Consultant's insurance provider.

1. Coverage is instantly bound upon receipt of request with an effective date up to 90 days prior to receipt of our request.
2. Consultant'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, Consultant's insurance provider will send an insurance policy and notification of premium to the borrower and bill Consultant for a one-year policy. If the borrower does not have an established impound account; Consultant 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, said balance will be accounted for in that month's reconciliation of the Client Escrow Deficit Account. If the aggregate portfolio remittance for said month is insufficient to cover the deficit amount, Costa Mesa will be billed and responsible for the cost until recouped from the borrower. Any pay-off quotations or demands will reflect any impound deficit amounts (caused by the cost of any 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 Costa Mesa, 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 at any time by either Consultant or Costa Mesa.

Account Inquiries

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

Non-sufficient Funds (NSF) Checks

In the event that a check is returned to us 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.

Additional Portfolio Management Services

1. **Loan Payoff Quotations, Satisfactions, Reconveyances:** Consultant will provide Loan Payoff Quotations and will perform Satisfactions and Reconveyances of Mortgage at the borrower's expense for any loan at Costa Mesa's request.
2. **Loan Amortization Schedules:** Consultant will provide Loan Amortization Schedules for any loan at Costa Mesa's request.
3. **1098 Tax Forms:** Pursuant to IRS regulations and, on behalf of Costa Mesa, Consultant will submit required 1098 tax form for any and all borrowers paying interest on any Costa Mesa loan.
4. **Year-End Account Summary:** Consultant will supply a year-end account summary statement to each borrower if there has been principal, interest or escrow activity on their account. The report will indicate principal and interest paid, amount of payments Consultant made on the borrower's behalf for taxes and insurance, and any remaining escrow balance.
5. **Tickler Notifications:** Consultant will provide for an annual tickler notification to any borrower, at Costa Mesa's request.

Loan Transfer

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

Loan Reconstruction

Over the course of our history, we have assisted our wide range of clients in reconstructing their portfolio of loans to ensure the accuracy and consistency of the booked loans with the terms and conditions of the original loan documents. Reconstruction work may involve a detailed review of payment histories to determine posting accuracy and compliance with promissory notes, truth in lending statements, and other applicable related loan documents.

Loss Mitigation

Consultant provides treatment for delinquent mortgages through positive pressure that is fair but firm. If delinquent borrowers have a positive attitude toward their obligations, we will work with them to help them retain title to their property.

The following policy of follow-up will be adhered to by Consultant to minimize any loss of income to Costa Mesa:

1. New Borrower Delinquency: Early delinquency can be a sign of a chronic delinquent borrower. Consultant 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 invited to contact our office to discuss difficulties they may be facing in meeting their obligations. If no response is received to either letter, due diligence phone calls begin at 17 days delinquent.
2. Delinquency/Default Letter Production: While most borrowers will pay without much individual attention, delinquencies will rise because some borrowers, left alone, will fall into poor paying habits. Therefore, letters of varying tone and composition will be sent at 15, 30 and 45 and 90 days past the payment due date. 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 demands immediate payment.
3. Due Diligence Phone Calls: Telephone calls will be placed to all mortgage loan borrowers in accordance with CFPB guidance and best practices. We will attempt to establish live contact with the borrower beginning at the 17th day of delinquency with a good faith goal of establishing contact with the borrower by the 36th day of delinquency. We will make one or more subsequent attempts to contact the borrower every 30 days thereafter. Telephone contact offers several advantages: it demands attention; it interrupts other activity; it establishes a personal communication; and it requires immediate response. 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: Consultant will report to the credit bureaus any borrower payment activity on a monthly basis.
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, Consultant will forward a confirmation letter to document both the call and the commitment. The revised payment plan of no greater than six month's duration is then implemented. Default under this plan may cause Consultant to recommend foreclosure.

Reports

Consultant's standard reports are designed to meet Costa Mesa'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. Hard-copy reports are available as indicated in addition to the electronic reporting available to Costa Mesa online through our Internet LoanLink service. Through LoanLink, Costa Mesa has unlimited access to account and portfolio data, and can view the information as well as generate reports that can be downloaded into Excel.

1. Portfolio Status Report: The report provides a complete accounting per loan of the total portfolio. 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.

Frequency: Available on-line, one hard-copy report forwarded monthly to Costa Mesa.

2. Current Month Reconciliation Report: This report serves as reconciliation for the loan payments remitted by borrowers.

Frequency: Available on-line, one hard-copy report, along with remittance check, forwarded to Costa Mesa within ten working days of the close of the month.

3. Delinquent Aging Report: This report reflects delinquent accounts at the 30, 60, 90, and over 90 day levels. Borrower accounts moved into the forbearance or foreclosure process are designated.

Frequency: Available on-line, one hard-copy report forwarded monthly to Costa Mesa.

4. Loan Amortization Schedule: The Loan Amortization Schedule shows the breakout of principal and interest paid for each payment during the term of the loan. This schedule is useful in determining how much principal is still owed and how much interest has been paid, at any period of time. This report can also be used in determining any balloon amounts due per the terms of the note.

Frequency: Available to Costa Mesa upon request.

5. Account Status Information Report: Provides borrower profile, loan term and current balance and status information for individual borrower accounts within a client's portfolio. This report includes a vast amount of information on any particular account within the City's portfolio.

Frequency: Available on-line.

- a. Current Year Payment History: Details transactions on individual accounts for the current year's activity.

Frequency: Available on-line.

6. Payment History with Memos: Consultant uses a series of memo codes to help classify various borrower requests or processing activity. Activities subject to memo code classification include, for example, requests for duplicate coupon books, 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 Consultant personnel.

Frequency: Available on-line.

7. Memo Listing Report: This report lists the various coded activities and their dates. It is particularly useful when researching activity on any particular borrower account.

Frequency: Available on-line.

Loan Foreclosure

The mortgage transaction and all 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. We will look at the borrower with particular emphasis on basic motivation, ability to pay; and attitude or level of cooperation. If a borrower has been uncooperative, non-responsive, or unwilling to cure the existing default by all reasonable means, Consultant will recommend foreclosure.

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

If the loan is not reinstated or paid off, Consultant will continue foreclosure up to and including the sale of the property. Upon sale of the property, Consultant will return all proceeds of the sale to Costa Mesa less foreclosure fees and any previously un-reimbursed costs incurred.

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

Bankruptcy Administration Services

1. Chapter 13 Bankruptcy:

- a. Upon receipt of notification from a court of law, debtor (borrower), or Costa Mesa of a Chapter 13 bankruptcy for a debtor serviced by Consultant, Consultant will forward a notification letter to Costa Mesa indicating intention to file a Notice of Claim as well as supporting bankruptcy documentation. Such Notice of Claim will indicate the total amount past due at time of Chapter 13 filing. Consultant will then file a Proof of Claim to the appropriate court. Upon receipt of a returned filed Proof of Claim from the court, Consultant will forward a copy of same to Costa Mesa and will begin monitoring post and pre-petition payments to borrower's loan account.
- b. Upon any default of borrower in the remittance of post-petition payments, Consultant will contact the borrower's (debtor's) counsel to notify counsel of the default, instructing that any further default will result in the filing of a Motion to Lift the bankruptcy stay. 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; Consultant 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 Costa Mesa, the Motion to Lift will be filed by Consultant and Consultant will begin foreclosure proceedings as directed by Costa Mesa.

2. Chapter 7 Bankruptcy:

- a. Upon receipt of notification of a Chapter 7 bankruptcy for a debtor serviced by Consultant, Consultant will establish a file for the borrower and monitor 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; Consultant can communicate directly with the borrower.
- b. Upon any default of borrower's remittance of payments during the bankruptcy, Consultant will contact the borrower's (debtor's) counsel advising of the default, but if filed pro se, then the debtor would be contacted directly.
- c. Should the Chapter 7 Trustee determine that assets are available for distribution to creditors, Consultant will file a Proof of Claim on behalf of Costa Mesa, indicating total amount due.

Subordination Processing

1. Subordination Request Package: Costa Mesa, upon receiving a request for subordination, may refer the borrower to Consultant (or Costa Mesa may handle subordination requests itself) without charge imposed by Consultant). If this service is requested by Costa Mesa of the Consultant, then Consultant will send a Subordination Request Package to the borrower or designee (lender or title). Costa Mesa may require the borrower to pay the cost of the subordination processing at application or Costa Mesa may pay the cost upon billing from Consultant.
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 Costa Mesa's specific subordination criteria policies and that Costa Mesa's title position and security for its note is an remains in second lien position and is otherwise properly treated. Documentation typically required for the review may include the following:
 - a. Letter from borrower with reasons for requesting subordination and all required supporting documentation to evidence compliance with Costa Mesa subordination criteria;
 - b. FNMA 1003 application, or other applicable application, for new senior loan;
 - c. Lender's approval of new senior loan, with all conditions to such loan approval in writing for review by Costa Mesa or its Consultant;

- 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, using only the form/template prepared by provided to Consultant for use with each and any approved subordination of a FTHB Program Loan. (See exhibit hereto for current form/template of Subordination Agreement); and
 - j. Request for Notice document on new senior loan(s).
3. Document Preparation: Consultant prepares (or reviews docs prepared by new senior lender) and shall use only the Subordination Agreement in form and content provided by Costa Mesa:
- a. Subordination Agreement using the form/template provided by Costa Mesa;
 - b. Request for Notice document on new senior loan(s); and
 - c. Closing instructions.
4. Recommendation: At the completion of the review, a report is forwarded to Costa Mesa 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. In no event shall a requesting borrower receive any cash withdrawal or proceeds of the new loan if subordination of Costa Mesa's loan is approved and proceeds to closing.
5. Approval: Upon Costa Mesa's approval of a request for subordination, Costa Mesa will forward to borrower's lender or Title Company:
- a. Completed and executed Subordination Agreement between Costa Mesa, the new lender, and borrower;
 - b. Closing instructions dictating terms / use of Subordination Agreement document; and
 - c. Request for Notice document for new senior loan.

Property Conditions Profile and Affidavit of Owner

1. Property Conditions Profile:

- a. As requested by Costa Mesa, Consultant engages an outside vendor to perform a site visit to each owner's property to determine the outer condition of the dwelling and the condition of any detached structures and grounds. Two photos will be taken to document the condition of the property. NOTE: Consultant will not, at any time, enter upon the owner's private property.
- b. Property profiles shall rate (good, fair, poor) the condition of the property, and also comment on the following: roof type, property type, structure color, neighborhood condition, construction type, environmental hazards, and status of utilities.
- c. If the dwelling appears vacant or abandoned, it will be noted in the report.
- d. Property profiles may be ordered by Costa Mesa with any frequency desired, e.g., once every two years, once every three years, etc.

2. Affidavit of Owner:

Consultant will forward an instructional letter and Affidavit of Owner to each borrower. The Affidavit requires the owner to affirm continued compliance with all 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 all sums due to superior lien holders
 - Proper maintenance of the property
 - Non-subordination
- a. If no response is received within two weeks, Consultant will send a second letter, again requesting owner to sign and return affidavit.
 - b. Consultant will compile responses and will forward original affidavits to the City.