MILLE LACS BAND OF OJIBWE HOUSING DEPARTMENT RENOVATION LOAN PROGRAM POLICY

Section I
General Information

1.1 **The Renovation Loan Program**
The primary purpose of the Renovation Loan Program is to provide an opportunity for Mille Lacs Band of Ojibwe Band Members who are homeowners to receive financing with a 2% service fee for the renovation of their privately-owned, primary homes. Mille Lacs Band Members meeting the requirements of this program are eligible to apply.

1.2 **Housing Department Renovation Loan Program Policy**
This Policy is incorporated into the loan documents executed between the Housing Department and the borrower(s). This Policy is incorporated into the agreement by reference and is a part thereof as fully as if set forth in the agreement. The Housing Department reserves the right to make future changes as shall become necessary to operate a fair and impartial loan program. If your loan was approved prior to the date of this policy approval, you must continue to adhere to the terms of the previous policy.

1.3 **Loan Audit**
All records and account information pertaining to the Renovation Loan Program shall be available for examination and audit by the Office of Management and Budget ("OMB"). Examples of account information include, but is not restricted to, all loan documents, financial records, purchase documents and Housing Board meeting minutes relating to individual loan accounts. This information shall be provided to OMB in accordance with Band regulations and laws upon reasonable notice and during normal business hours.

1.4 **Program Audit**
At the discretion of the Secretary-Treasurer, an outside auditing firm may be selected to perform an audit of this program.

1.5 **Confidentiality**
The Housing Department shall maintain strict confidentiality with regard to any personal financial information the Department may require. The Housing Department shall maintain original loan documents and copies of all loan information documents for record-keeping purposes and provide and utilize a confidential filing system for the safe-keeping of these documents.

Section II
Eligible Residence and Financing Limitations

2.1 **Eligible Residence**
Financing made under this program shall be used to enhance the quality of Band Member homes. The renovations must be for the primary residence of the Band member. Primary residence is defined as: your legal address on your state and Tribal identification card(s).

2.2 **Financing Limitations**
The Renovation Loan Program shall provide a maximum financed amount of $50,000.00 including closing costs. The borrower's debt-to-income ratio shall be considered in deciding the

approval of financing for a renovation loan. Under no circumstances will the Renovation Loan Program finance a loan less than $20,000.00 or greater than $50,000.00.

Section III
Borrower Eligibility

3.1 General Eligibility

Enrolled Mille Lacs Band members are eligible to receive a renovation loan if they meet the applicable criteria set forth in this section. The borrower's primary residence must be within the Home Renovation Loan service area. This service area is the entire state of Minnesota and 50 miles from Mille Lacs Band trust lands into the state of Wisconsin.

3.2 Owner Occupancy

At the time of loan approval, the borrower shall sign a written declaration that he or she intends to occupy the home as a primary residence; the renovation loan shall not be initiated without this signed declaration. Primary residence is defined as: your legal address on your State and Tribal identification card(s). The Housing Department will not allow an individual to co-sign a loan if that individual will not be occupying the property.

3.3 Borrower Income Limit

For each loan issued under this program, the borrower's (or borrowers') annual household income must be sufficient to meet the loan obligation. The applicant's debt-to-income ratio shall be considered. The borrower's monthly payment (principal and fees) shall not exceed 28% of the borrower's gross monthly income. Total monthly debt obligations shall not exceed 36% of borrower's gross monthly income.

A. Self-Employment Income. Income from self-employment is considered stable and effective if the borrower has been self-employed for two or more years.

B. Overtime or Work-Bonus Income. Income received from employment as overtime and/or a work-bonus will not be used in the calculation of the borrower's income.

C. Part-Time Income. Part-time income, including employment and seasonal work, may be used to qualify if the borrower has worked a part-time job, uninterrupted for the past two years and signs a written declaration of her or his intent to continue doing so. Seasonal income is considered uninterrupted if the borrower has worked the same job for the past two years and expects to be rehired during the next season. Part-time income that does not meet these requirements should be considered as a compensating factor only.

D. Commission Income. Commission income shall be averaged over the previous two years. The borrower must provide her or his previous two years' tax returns along with a recent pay stub. Reimbursed business expenses shall be subtracted from gross income. Individuals whose commission income shows a decrease from one year to the next require significant compensating factors to allow for loan approval. Commissions earned within less than one year are not considered income.

E. Alimony, Child Support, or Maintenance Payments. Income in this category is considered if the borrower signs a written declaration that such payments are likely to be consistently received for approximately the first five years of the life of the loan. If child support is paid by the borrower, the child support will be shown as a debt. The borrower must provide a copy of the divorce decree or legal separation agreement (or other court documentation) and evidence that payments have been made during the previous 12 months. Acceptable evidence showing regularity of payments shall include cancelled checks, deposit slips, income tax returns, payment history from the child support office or other documentation showing evidence of payment.

F. Retirement and Social Security Income. Such income requires verification from the source (former employer or Social Security Administration) or through federal income tax returns.

G. Tribal Per Capita Payments and General Welfare Program Award monies. Up to ten thousand dollars ($10,000) of combined income received and distributed as a Tribal per capita payment and general welfare program monies may be considered at the discretion of the Housing Board.

3.4 Borrower Credit Underwriting

The Housing Department emphasizes and understands the importance of adherence to loan industry underwriting standards for the purpose of this program. The following credit underwriting benchmarks shall be guidelines to be adhered to in the underwriting of each loan.

A. Monthly Payment. The borrower's monthly payment (principal and fees) shall not exceed 28% of the borrower's gross monthly income. Total monthly debt obligations shall not exceed 36% of borrower's gross monthly income.

B. Employment Stability: The stability of employment and of various increments of income shall be considered when the borrower is narrowly within the gross monthly income limitations. A borrower is considered to have stable employment when he or she has remained consistently employed for a minimum of two years.

C. Credit History: Each borrower shall maintain a reasonable credit reputation as determined by the Housing Board and Commissioner of Community Development. Derogatory items on a borrower's credit record must be thoroughly and satisfactorily explained. The criteria for what is considered reasonable credit is explained in Section 3.6(a).

3.5 List of Approved Renovations (This includes but is not limited to the following)

- Kitchen update
- Major appliances
- Roof/gutter
- Garage
- Room addition
- Deck
- Windows
- Doors
- Siding
- Bathroom renovation
- Flooring or carpeting
- Furnace
- Heating and cooling
- Tree trimming / landscaping

- Plumbing
- Solar energy
- Security systems
- *Reasonable requests can be approved at the discretion of the Housing Board as long as it adds value to the house and is not fungible.*

List of Non-Approved items (This includes but is not limited to the following)

- Furniture
- Electronics
- Outdoor equipment
- Motorized vehicles

3.6 Borrower Selection and Processing

Applicants begin the process of obtaining a renovation loan by completing a renovation loan application. After completing the application, the borrower will be subject to an initial credit check to determine eligibility,, pre-approved borrowers then shall be placed sequentially on the renovation loan waiting list, which is compiled and maintained by the Housing Department. Borrowers will be selected for the opportunity to obtain a renovation loan on a first-come first-serve basis. **Submitting an application does not guarantee that a renovation loan will be approved.**

A. Credit Check and Loan Documents: When the applicant's name arises near the top of the renovation loan waiting list, the applicant will be subject to a secondary credit check to determine her or his eligibility for a renovation loan. Any new collection items within the last two years may be a reason for denial. The Loan Analyst will perform a credit check and work with the applicant to prepare all documents necessary for approval and closing of the renovation loan. At a minimum, these documents shall include:

   a. Verification of homeownership;
   b. Verification of homeowner's insurance;
   c. Completed application;
   d. The results of the credit check;
   e. A copy of the applicant's current tribal identification card, or proper verification from the Band's tribal enrollment office;
   f. Signed approval from the Housing Board;
   g. Evidence of income and debt obligations;
   h. All written declarations signed by the applicant and required by this policy;
   i. If necessary, a written and agreed-upon payment plan to pay off debt owed to the Band;
   j. A written explanation, signed by the applicant(s), of any derogatory items in the credit report; and
   k. Any other document that is reasonably necessary to protect the Band's financial interests.

B. Loan Denial: Upon submission of all required documentation, the Housing Board will review the applicant's eligibility under both program and underwriting criteria. If the Housing Board finds that the applicant is ineligible, the Housing Department shall notify the applicant regarding the reasons for the adverse actions, the steps (if any) that the applicant may take to resubmit the application, and the process for appeal and review. Once an applicant has been denied for a renovation loan, her or his name will be removed from the renovation loan waiting list.

C. Loan Approval: All renovation loans must be approved by the Housing Board. If an applicant is approved for financing, he or she is granted six months to complete renovations of their home. If extenuating circumstances occur that prevent the applicant from completing renovations within the six-month timeframe, the applicant may apply for a one-time six-month extension. The extension must be approved by the Commissioner of Community Development, or her or his designee, and will be granted only one time per applicant. Seasonal work will be considered exempt from this depending on the season at time of approval and contractor timelines for availability of work and material will be considered on a case-by-case basis. It is the responsibility of the borrower, not Community Development, in the process of contractor selection, vetting, or hiring.

D. Further Closing Requirements: The Loan Analyst must ensure that the borrower is not in debt to the Band for any unpaid rent, unpaid work orders, any deficiency judgement issued by a court of competent jurisdiction or is behind on payments for any other debt owed to the Department of Community Development. The Loan Analyst shall ensure that all requirements to close the loan have been properly met and documented. The Loan Analyst shall obtain the borrower's signature on all required loan documents and shall ensure that the borrower has initialed every single page.

E. Appeal and Review: In accordance with the Mille Lacs Band of Ojibwe Housing Department Grievance Policy and Procedure, individuals whose applications have been rejected may appeal the decision by submitting a written letter to the Commissioner of Community Development within ten (10) calendar days of receipt of the denial. If the applicant does not believe that her or his complaint has been adequately resolved by the Commissioner, the applicant may request a formal hearing before the Housing Board. This request must be submitted within five (5) calendar days after the receipt of the Commissioner's written response. Refer to the Housing Department Grievance Policy and Procedure for further details.

3.7 One-Time Increase

A borrower may be eligible for an additional renovation loan if her or his current renovation loan issued by the Band is 75% paid. In this instance the applicant can apply for a one-time increase and must be placed subsequently on the waiting list on a first-come first-served basis. The Borrower's qualified amount must cover the renovations needed in their home and the balance of the first loan. At the time of closing, the department will satisfy the 1st loan, and the increase would need to be 100% paid in full before applying for the Program again.

Section IV
Loan Amount, Term, and Service fees

4.1 Loan Forms

For all loans, the Housing Department shall use a form appropriate to the type of transaction. Such forms shall be updated as needed to comply with all applicable laws and regulations.

4.2 Service Fee

A service fee shall be applied to all renovation loans. Loans will include a 2.0 % service fee compounded monthly on the outstanding principal balance. The service fee funds received from loan borrowers will be deposited into a separate account that the Housing Department may utilize for the home renovation loan program needs and administrative costs related to the home renovation loan program.

4.3 **Loan Term**

Renovation loan term will be based upon the approved loan amount with a maximum term of 15 years with monthly 2.0 % service fee. There shall be no penalty for accelerated repayment of any loan. The following chart can be used as an example for loan terms based on loan amount. This procedure for loan terms is negotiable based on the discretion of the Housing Department, the Housing Board, and the borrowers, keeping the best interest of the borrower's financial wellness as a factor.

$20,000 @ 6 year loan with 2% service fee would be a payment of $295/month
$30,000 @ 10 year loan with 2% service fee would be a payment of $276/month
$40,000 @ 12 year loan with 2% service fee would be a payment of $312/month
$50,000 @ 15 year loan with 2% service fee would be a payment of $321/month

4.4 **Amortization Requirements**

The Housing Department requires full amortization of the renovation loan amount over the term of the loan by level installments of principal and service fees. Any re-amortizations or adjustments must be approved by the Housing Board.

Section V
Loan Closing and Servicing Reports

5.1 **Loan Closings**

A loan closing is the conclusion of a transaction that brings a loan into legal existence. This includes the delivery and the signing of a note, and the execution of any other required disclosures and declarations. Subsequent to a loan closing, all documents are sent for recording with the appropriate recording agency. The required filing fees, if applicable, are covered by the Department.

5.2 **Payments**

Payments commence upon the first of the following month if the loan is closed on or before the 10th of the month. If the loan is closed after the 10th day of the month, payment will commence on the first of the second month thereafter. For example, if the loan is closed on December 10, the first payment will be due on January 1. However, if the loan is closed on December 11, the first payment will be due on February 1.

Section VI
Marital Property Agreements

6.1 **Divorce/ Dissolution**

In the event of a divorce between a borrower and co-borrower, the Housing Department will not release a borrower from liability for repayment of the note. All borrowers will still be liable for the balance of the loan. No borrower will be removed from the note or mortgage. To be removed, the loan must be refinanced. Depending upon the divorce decree, there may be an opportunity for the Housing Department to work with the Band Member Borrower as we understand each situation will be unique. In all cases, the borrowers must be in good standing with the Housing Department.

Section VII
Guidelines for Dealing with Delinquencies

7.1 Communications

In dealing with delinquencies, the Housing Department shall make use of notices, letters, telephone contacts, in person communications, and any other reasonable effort. Particular attention should be paid to the promptness with which payments are received from new borrowers. The Housing Department shall impress upon all new borrowers the necessity of making payments on time. Grace periods, of up to 10 calendar days, are included to cover mailing delays and other unusual circumstances, but should not be incorporated as a regular practice.

7.2 Delinquency and Financial Counseling

The Housing Department shall be sufficiently skilled in financial counseling to assist borrowers in bringing their loans current and protecting their equity. The purpose of all collection efforts, including personal interviews, is to bring the account current in the shortest possible time. All discussions with the borrower shall include a determination of the cause of delinquency as well as a definite written commitment by the borrower as to how and when the delinquency will be cured. If the account cannot be brought current and the borrower's circumstances and past record justify it, the Housing Department may arrange for the liquidation of the arrears in the shortest period possible.

7.3 Reports

A quarterly financial and delinquency report will be prepared by the Housing Department for presentation to the Housing Board.

7.4 Delinquent Payment Agreement

A payment agreement gives the borrower a definite period in which to reinstate the renovation loan by immediately commencing payment in excess of the regular monthly installment. The Housing Department will enter into a payment agreement under which the total delinquency will be repaid (commencing immediately) within the shortest time period practical. The payment agreement must be executed by the borrower and by the Housing Department in the form of a written agreement.

7.5 Special Forbearance Relief

A "special forbearance relief agreement" reduces or suspends the regular monthly installments for a specified period of time. The Housing Department must be notified immediately following the occurrence and must verify the request. The Housing Board will conduct a hearing to consider entering into such agreements for a period of up to six (6) months after which regular loan payments are required to be resumed. This option may be utilized only in cases of financial hardships.

7.6 Modifications

A "modification" restructures or extends a Home Renovation Loan repayment provisions set in the loan terms, which may include an extension of the original maturity date. A modification or extension of a Loan may be recommended by Housing Department staff when, in their estimation, a change in the terms of repayment of the Loan presents the means of recovering fully the maximum principal and service fee. The Housing Board's acceptance of the proposed modification is required. This option shall be used for those Borrowers who have had a temporary income loss and now have the ability to make their current payments, but have no means of making up their past due payments. This option will be used following a forbearance period to reduce the current payments by extending the balance left on the loan.

7.7 **Consolidations**

A "consolidation" is an option for borrowers that have a loan through the home renovation loan program and a Mille Lacs Band Housing Department home mortgage loan program who are in default with both loans. Please be aware that you will not be eligible for another renovation loan until your mortgage is satisfied.

7.8 **Collections**

Upon review of delinquencies, the Housing Department will determine appropriate action to be taken on liquidation proceedings. The following are general guidelines for dealing with delinquencies in loans:

A. The Housing Department shall send a written late-notice monthly if no payment has been made.

B. The Housing Department shall make personal telephone calls if a payment has not been made by the 45th day of delinquency.

C. The Housing Department shall send a certified letter to the Borrower.

7.9 **Attorney Notice of Default**

If new payment terms have not been reached 90 calendar days after all of the above steps have been taken, the Housing Department shall have its attorney write a letter to the delinquent borrower informing him or her that if no contact and arrangements are made with the Housing Department, staff will seek loan acceleration at the end of 30 calendar days. The borrower shall also be notified of his or her right of opportunity for satisfactory repayment plan.

7.10 **Acceleration and Administration Appeal**

After 120 days with no satisfactory response and the exhaustion of all reasonable means of inducing the borrower to pay on time, Housing Department staff will recommend that the Housing Board approve acceleration of the loan maturity in accordance with the terms of the loan. The basis for the recommendation shall be fully substantiated in the report to the Housing Board.

7.11 **Foreclosure**

Once the full balance of the loan is accelerated, foreclosure proceedings may commence within the Court of Central Jurisdiction.

Section VIII
Other

8.1 **Homeowners Insurance**

The Borrower will be required to submit documentation of proof of homeowner's insurance on an annual basis. The Mille Lacs Band of Ojibwe Housing Department will hold a lien against the property and most insurance companies will continue to notify us regarding the coverage and policies. Once notified that a policy has been cancelled, the department will contact the borrower and notify them in writing that they have a 30-day period to regain insurance or a default action of the loan will commence. This default action may lead to foreclosure.

8.2 Property Taxes

If applicable, the borrower must remain current with property taxes. The Mille Lacs Band of Ojibwe Housing Department will hold a lien against the property, and if the borrower is in default with property taxes, a default action of the loan will commence. This default action may lead to foreclosure.

8.3 Procedures for Charge Offs

The Housing Department staff and legal counsel can recommend that the Housing Board approve a charge off of a loan in accordance with the best interest of the portfolio. The basis for the recommendation shall be fully substantiated in a report to the Housing Board, including but not limited to, account number, balance of the loan, relevant information as to why the Department is recommending charge off of the loan. The 7 ratified Housing Board members shall have sole discretion to approve a charge off and all signatures are required. If approved, the write-off recommendation and Housing Board approval shall be sent to the Office of Management and Budget for final charge off process steps.

8.4 Soldiers and Sailors Relief Act

When a Borrower is in the military service, he or she may be entitled to benefits under the Soldiers and Sailors Civil Relief Act, as amended. The Housing Department shall be familiar with and act in accordance with the requirements of the Act. The Housing Department staff will stress to Borrowers eligible for such relief the desirability of paying the largest installments possible during the term of their military service in order to reduce the accumulation of indebtedness that will be payable after termination of their military service. The Housing Department Executive Director is authorized to grant appropriate relief to eligible Borrowers, but the terms of such relief and related information should be promptly reported. If a Soldier or Sailor is eligible for relief, it is not discretionary under federal law. The Housing Department staff shall contact the Borrower at least semi-annually during the period of active military service to determine whether reduction in monthly payments should be revised in view of the Borrower's current financial ability. At the termination of active military service, the Borrower will be expected to reinstate the loan as rapidly as her or his circumstances will permit.

Approved by Housing Board 11-6-25 5 for, 0 nay, 0 silent
Ratified by Band Assembly 12·17·25 resolution 21-04-77·25