



PROGRAM GUIDELINES

NEW ACCESSORY DWELLING UNIT CONSTRUCTION LOAN

Funded by:

Permanent Local Housing Allocation Grant (PLHA)

Approved by Town Council on July 28, 2020, Resolution 2020-59

Amended by Town Council on January 28, 2025, Resolution 2025-03

[Amended by Town Council on April 8, 2025, Resolution 2025-21](#)



1.0 GENERAL

The Town of Truckee received funding from the State of California, Department of Housing and Community Development's Permanent Local Housing Allocation Program ("the Program"). This Program may provide eligible homeowners in the Town of Truckee loan funds to develop Accessory Dwelling Units ("ADUs") on their existing parcel. The Program encourages the expansion of workforce housing units in Truckee.

1.1 PROGRAM OUTREACH AND MARKETING

Town staff will post the opening of the application period, along with application information and materials on the Town's website. Town staff will also issue a press release and Program information will be provided to all interested parties.

- A. The Fair Housing logo will be placed on all outreach materials and applications.
- B. The Program Administrator ("the Administrator") will work closely with local homeowners providing information for eligible ADU development.
- C. All Program information will be offered in English and Spanish.

1.2 APPLICATION & LOAN PROCESS

The Town will announce the opening of the application period for the Program. Applications will be processed on a first-come-first-served basis until Program loan funds are exhausted. ~~Funds are available until exhausted.~~

~~A. The Applicant completes the PLHA Loan Application and submits to the Administrator.~~

~~B.A. _____ Required documentation for the loan will include, but is not limited to, proof of ownership of the primary home and the ADU, proof of Applicant's occupancy in the primary home and source of funding (if required) beyond ADU loan funds for construction of the ADU.~~

The application process will be as follows:

Step 1: Applicant submits a completed ADU Loan Intake Form to Town staff for review.

Step 2: If the ADU project meets the preliminary criteria for the loan, applicant will be notified and will receive a request for financial⁽¹⁾ and project documents from the Town's Program Administrator. Loan funds are NOT reserved at this time. These documents include:

- Completed Fannie Mae loan application (1003)
- Verification of equity in the home (may require an appraisal)
- Preliminary title report to document ownership and property status
- Pre-approval letter from lender providing construction loan financing for project OR source of funds for project costs

- Cost breakdown of project
- Complete set of plans
- Credit report
- Proof of ownership of the Property (e.g. grant deed, mortgage statement)
- Application Disclosure & Authorization Form
- Information Release Authorization Form
- Signed and dated letters of explanation for any derogatory items
- Proof of clean mortgage history from the last 12 months
- Photocopy of valid ID's (driver license or passport)
- Income verification documents including: Most recent year's federal tax returns (all schedules), 30-day most recent pay stubs, W-2.
- Most recent mortgage statement,
- Homeowners insurance declarations

Step 3: . Program Administrator will review documentation and will issue a loan approval or denial. Additional documentation may be required for verification. If approved, applicant will receive loan acceptance documents that must be returned to program administrator within 7 days. Loan funds will be held at this point and the Applicant will become the Borrower.

Step 4: Borrower signs Deed Restriction, Promissory Note, Deed of Trust, and Notice of Default. Program Administrator will ensure recordation with Nevada County Records Office. Borrower will pay the fee for recording loan documents with Nevada County. Loan document processing fees can be covered by loan funds.

Step 5: Payments are made as laid out in Section 14.

Step 6: At Certificate of Occupancy, 10% contingency is released.

(1)-Financial documents must be dated within 30 days of submission of complete application package.

1.3 CONFLICT OF INTEREST REQUIREMENTS

No member of the governing body and no official, employee or agent of the Town nor any other person who exercises policy or decision-making responsibilities (including employees, administrative agents, contractors and similar agencies) in connection with the planning and implementation of the Program shall directly or indirectly be eligible for this Program. Town employees excluded from participation in the Program include the Town Manager, the Housing Program Analyst, and the Assistant to the Town Manager. Other Town employees are eligible to participate in the Program.

1.4 NON-DISCRIMINATION REQUIREMENTS

The Program will be implemented in ways consistent with the Town's commitment to non-discrimination. No person shall be excluded from participation in, denied the benefit of, or be subject to discrimination under any program or activity funded in whole or in part with Town or

Permanent Local Housing Allocation funds on the basis of age, ancestry, color, creed, physical or mental disability or handicap, marital or familial status, medical condition, national origin, race, religion, gender or sexual orientation or any other arbitrary cause.

2.0 APPLICANT (BORROWER) QUALIFICATIONS

2.1 DEFINITION OF AN ELIGIBLE APPLICANT/BORROWER

- A. An eligible applicant ("Applicant") is a homeowner(s) who owns a home within the Truckee Town Limits or is purchasing an existing home on a residential parcel.
- B. A homeowner, whose primary place of residence is in Truckee on the parcel where the ADU will be developed, constructed and rented/leased.
- C. A homeowner who will construct an ADU on their parcel and deed restricting the ADU to affordability levels and period of affordability required by the Program.
- D. There are no income limitations or requirements for the homeowner/borrower.
- E. Only homeowners currently residing on the parcel to be developed are eligible for this loan program.
- F. Non-profit and for-profit developers, property management companies, absentee owners or other non-resident owners are not eligible to participate in this loan Program.

3.0 ADU DEVELOPMENT APPLICATION PROCESS

- A. Prior to completing the application process the Applicant may request a phone meeting with the Program Administrator to review the Town's process required for developing an ADU and participating in this loan program. Information regarding the Town's ADU requirements is available at: www.townoftruckee.gov/ADU
- B. The Applicant will complete and submit the ADU application package, including the loan application, with all required information as indicated on the Town of Truckee ADU Checklist.
- C. The Administrator will review the application package for compliance with the Town's requirements and schedule a meeting with the Applicant to discuss the proposed ADU and discuss any amendments that may be required to the application.

3.1 CONSTRUCTION MILESTONES REQUIREMENTS

To ensure responsible use of Town funds, borrower must adhere to the following timeline in order to receive all loan funds. If a required construction milestone is not met, the loan will be canceled and repayment must begin as outlined in Section 16. If a construction milestone is not met due to circumstances beyond the borrowers' control, such as supply chain issues or natural

disasters, and progress is being made on the ADU project, an extension may be granted at staff's discretion.

1. Applicant must submit building permit application within 6 months of loan approval
2. Building permit must be issued within 12 months of loan approval
3. First inspection must be scheduled within 18 months of loan approval
4. Certificate of Occupancy issuance:
 - COO issued within 30 months of loan approval for new construction
 - COO issued within 24 months of loan approval for conversion of existing space or an existing, unpermitted ADU

4.0 ADU LOCATION AND CHARACTERISTICS

- A. ADUs to be constructed through the Program loan funding must be located geographically within the Town Limits of the Town of Truckee.
- B. ADUs may be new construction or result from remodeling an existing dwelling unit or the conversion of an existing structure as long as the ADU is located on the residential parcel where the Applicant resides.
- C. The ADU must be occupied as a long-term rental for a minimum of 12 consecutive months. Short-term rental, vacation rental, temporary rental, owner occupancy of the ADU or allowing the ADU to remain vacant is not eligible.
- D. All ADUs constructed with Program funds must be in compliance with all State and Local codes and ordinances.
- E. The ADU must be a separate and individual living unit meeting all Town requirements, including but not limited to, a separate entrance, address, utilities, etc. Note: Renting a bedroom or part of an existing home does not qualify for this loan program as developing an ADU.

5.0 ADU RENT/LEASE AMOUNT

A goal of the ADU Program is to create affordable housing opportunities for the workforce in Truckee. To meet this goal the Program provides loans at below market rates/terms to Applicant's interested in developing/constructing an ADU on their parcel of residence. Although there are both income and term deed restrictions on the Program loan the selection of the ADU occupant is entirely up to the Applicant, as long as the occupant occupies the ADU as their primary residence.

The amount of rent/lease charged by the Applicant is established by the Applicant and would depend on the size and amenities provided in the ADU. However, the ADU rent must be at an affordable rate for the occupant. Monthly rent charged must not exceed 30 percent of the current Nevada County annual area median income level for either 60% or 120% AMI, divided by 12 months adjusted for bedroom count.

~~Calculation: $\frac{[(\text{Workforce Housing Unit bedroom count} + 1) \times (120\% \text{ AMI})]}{12} \times 0.3 \div 12$~~
 ~~$\frac{[(\text{Workforce Housing Unit bedroom count} + 1) \times (60\% \text{ AMI})]}{12} \times 0.3 \div 12$~~

- Maximum Rent Calculation for Workforce Housing Units deed restricted to households making up to 120% AMI

Maximum Rent = Annual Income Cap \div 12 x 0.3

Annual Income Cap = Household Size at 120% AMI for Nevada County

Household Size = Workforce Housing Unit bedroom count + 1

- Maximum Rent Calculation for Workforce Housing Units deed restricted to households making up to 60% AMI

Maximum Rent = Annual Income \div 12 x 0.3

Annual Income = Household Size at 60% AMI for Nevada County

Household Size = Workforce Housing Unit bedroom count + 1

5.1 ADU RENT/LEASE AMOUNT DOCUMENTATION

The Applicant will submit a copy of the rental/lease agreement on an annual basis to the Program Administrator that includes the term of the agreement, rent amount and occupants(s) name(s). This documentation shall be due no later than January 31st of each year for the previous calendar year.

6.0 ADU OCCUPANT

Although the deed restriction includes income, lease term, and workforce requirements, the selection of the qualifying occupant is entirely up to the Applicant. The ADU must be the occupant's primary residence. No short-term, vacation, or sub-renting/leasing occupancy is allowed under the terms of the Program.

6.1 OCCUPANT INCOME LEVEL

There are two maximum income levels for the occupant(s) of the ADU, up to 60% of Nevada County Area Median Income (AMI) and up to 120% AMI depending on the terms of the loan (see Section 7.1 for loan terms). Maximum income limits are calculated based on Nevada County income levels published annually by the California State Department of Housing and Community Development. The current AMI limits can be found at www.townoftruckee.gov/AMI

The above income levels are the maximum by household size for occupants at the time of renting or leasing the ADU. The household income may be less and in most cases will be less than the maximum.

6.2 OCCUPANT INCOME VERIFICATION

The Program Administrator will verify the potential occupant's income prior to the Applicant executing the rental/lease agreement.

- A. The Applicant should include in the rent/lease application that the ADU occupant's income will be verified by the Program Administrator.
- B. The Applicant will provide the potential occupant contact information to the Program Administrator who will contact the potential occupant for income verification documentation. **Under no circumstances will the Applicant conduct their own income verification for purpose of income verification for the Program loan.** The income verification conducted by the Program Administrator shall be confidential and used for compliance with Program requirements only.
- C. The Program Administrator will complete required occupant verification within 30 days of receiving notification from Applicant of potential occupant.
- D. The occupant's income shall be verified for compliance with Program requirements at the time of initial occupancy only. **Annual income verification is not required.**
- E. The occupant income verification process is required each time the ADU occupancy changes.

7.0 THE ADU LOAN

If the cost of the ADU development and construction exceeds the maximum loan amount the applicant must demonstrate the source and amount of other funding to complete construction and occupancy by an eligible renter.

7.1 LOAN TERM AND INTEREST RATE

- A. The Loan term will commence once the Applicant has placed a qualified tenant into the ADU.
- B. There are two loans available through the Program. The terms and interest rate of the Program loan is as follows:
 - a. A \$200,000, 20-year 1% (simple) interest loan requiring a 7-year deed restriction requiring that the ADU be rented to a household at or below 60% of AMI.
 - b. A \$70,000, 10-year, 2% (simple) interest loan requiring that the ADU be rented to a household at or below 120% of AMI.
- C.

7.2 THE PROGRAM LOAN

The Program loan shall be secured by a lien on the Applicant's existing home (same parcel as the ADU to be constructed). The Applicant's home must have sufficient equity to secure the Program loan. The Program Administrator may request in the Applicant documentation that the Applicant verify equity in the home and may require an appraisal. Should the appraisal be necessary the cost will be included in the cost of developing the ADU and is a Program loan eligible expense.

A preliminary title report will be required by the Town documenting ownership and status of the Applicant's property. The cost of the preliminary title report, as well as escrow fees shall be the responsibility of the Applicant and are Program loan eligible expenses.

7.3 LIEN POSITION

The lien securing the repayment of the Program loan shall be in second place. Should the applicant have more than one existing mortgage on the parcel where the ADU is to be constructed approval of the Program loan being in third place will be reviewed on a case by case basis to determine if there is sufficient equity to secure the Program loan.

7.4 DEED RESTRICTIONS

The Program requires that the ADU unit be rented or leased to an income eligible occupant(s). For Program loans made for ADUs to be occupied by renters up to 60% AMI the deed restriction term is seven years. For Program loans made for ADUs to be occupied by renters up to 120% AMI the deed restriction term is ten years.

The recorded deed restriction document shall include the requirement that ADU occupant's income shall be verified prior to occupancy for the purpose of compliance with Program requirements.

The deed restriction will run with the property for the full term of either seven or ten years. **If the Program loan is paid off either at term, prior to term, or when the property is sold or changes title during the loan term, the deed restriction remains in place for the entire deed restriction term.**

8.0 PROGRAM LOAN REPAYMENT

This is a fully amortized loan with payments due at the first of every month. Monthly payments and amortization period will begin when the ADU owner has received the Certificate of Occupancy for the ADU and has placed their qualified tenant. Placing of the tenant must occur no later than 60 days after the Certificate of Occupancy has been issued by the Town of Truckee. The loan must be repaid; under no circumstances is the Program loan forgivable.

8.1 RECEIVING LOAN PAYMENTS

- A. Program loan payments will be made to:
Town of Truckee
Administrative Services
10183 Truckee Airport Road
Truckee, CA 96161
- B. The Town of Truckee will be the receiver of loan payments and will maintain a financial record-keeping system to record payments and file statements on payment status. The Town will accept loan payments from Applicants making loan payments and from

Applicants making payment in full upon sale, transfer of property or loan term. All loan payments are payable to the Town of Truckee.

8.2 LOANS DUE UPON SALE OR TRANSFER

Program loans are due upon sale or transfer of title or upon maturity date or upon the Applicant no longer occupying their home on the parcel as their primary residence. The loan shall be in default if the Applicant fails to maintain required fire or flood insurance or fails to pay property taxes. See Attachment A on loan defaults for further information on property restrictions.

- A. Loans are not assumable.
- B. The following transfers of interest shall not require immediate repayment of the Program loan:
 - a. A transfer where the spouse becomes an owner of the property;
 - b. A transfer resulting from a decree of dissolution of marriage, legal separation agreement, or from an incidental property settlement agreement by which the spouse becomes an owner of the property; or
 - c. A transfer into an "inter vivos" trust, which the borrower is and remains the beneficiary and occupant of the property.

9.0 PROGRAM LOAN PROCESSING AND APPROVAL

Once the Program loan package has been completed the Program Administrator will submit it to the Town for approval. Town will review the request and may approve it with or without conditions.

9.1 ESCROW PROCEDURES

The Applicant signs the promissory note, deed of trust, deed restriction and statutory lending notices; the deed of trust, deed restriction and request for notice are recorded with the Nevada County Clerk/Recorder.

The escrow/title company shall review the escrow instructions provided by the Program Administrator and shall issue an American Land Title Association (ALTA) policy after closing. The ALTA policy issued to the Town (lender) providing additional coverage for the physical aspects of the property. These aspects include anything, which can be determined only by physical inspection, such as correct survey lines, encroachments, mechanics liens, mining claims and water rights. The Town instructs the escrow/title company in the escrow instructions as to what may show on the policy, the amount of insurance on the policy (all liens should be covered) and the loss payee (Town).

The escrow instructions shall include proof of fire and flood (if property is within 100-year flood plain) that covers all liens, including Program loan, and names the Town of Truckee as additional insured, be provided to the Town prior to closing escrow.

10.0 PROGRAM LOAN PROCEEDS DISTRIBUTION

The Town of Truckee, Administrative Services, will be the fiscal agent for the distribution of Program loan proceeds and will follow the following procedure:

- A. Once the Program loan documents are recorded and the Applicant has obtained the required building permits from the Town the Applicant may commence work on the ADU.
- B. Invoices for Program loan proceeds will be processed in the following manner:
 - 1. The invoices for construction should originate with the Applicant's primary contractor and be numbered and dated for the work completed to date and submitted to the Applicant.
 - 2. There is a maximum total number of draws:
 - a. \$200,000 loan: four draws total
 - b. \$70,000 loan: two draws total
 - 3. The minimum draw request is \$25,000.
 - 4. The Applicant will provide written approval of the invoice and the work completed as invoiced and then forward to the Program Administrator.
 - 5. The Program Administrator will conduct a site visit and/or verify that the work has been completed as invoiced to date.
 - 6. The Program Administrator will obtain Town approval of invoice payment and submit to the Town of Truckee Administrative Services for payment.
 - 7. Administrative Services will make loan payment in the form of a two-party check made to both the Applicant and the party submitting the invoice (contractor, etc.).
- C. Invoices for other than construction, such as permits, architect, etc. shall be processed in the same manner.
- D. If the total budget for the project exceeds the Program loan amount invoices will be paid on a pro-rata basis. For example, if the Program loan amount is 80% of the total cost; 80% of each invoice will be paid with Program loan proceeds.
- E. The Town will withhold five percent (5%) of the Program loan distribution of each invoice until both a Certificate of Occupancy (COO) has been issued for the ADU and a Notice of Completion has been filed and recorded.
- F. No loan proceeds be released or paid without a verified invoice being submitted.

11.0 EXCEPTIONS AND SPECIAL CIRCUMSTANCES

11.1 DEFINITION OF EXCEPTION

Any case to which a standard policy or procedure, as stated in the guidelines, does not apply or an applicant treated differently from others of the same class would be an exception.

11.2 PROCEDURE FOR EXCEPTIONAL CIRCUMSTANCES

- A. The Program Administrator or the Town may initiate consideration of an exception and prepare a report. This report shall contain a narrative, including the Town's recommended course of action and any written or verbal information supplied by the applicant.
- B. The Town shall make a determination of the exception based on the recommendation of the Program Administrator. The request will be presented to the Community Development Director for a decision.

12.0 DISPUTE RESOLUTION AND APPEALS PROCEDURE

Any applicant denied assistance from the Program has the right to appeal. The appeal must be made in writing to the Community Development Director, who will make a determination in writing within 30 days of receipt of the appeal. Should the applicant be denied this appeal, an appeal may be made to the Town Manager, who will make a determination within 30 days of receipt of the second appeal. The decision of the Town Manager will be final.

ATTACHMENT A

LOAN SERVICING POLICIES AND PROCEDURES

TOWN OF TRUCKEE

The Town of Truckee, hereafter called "Lender", has adopted these policies and procedures in order to preserve its financial interest in properties, in which "Borrowers" have been assisted with public funds. The Lender will to the greatest extent possible follow these policies and procedures but each loan will be evaluated and handled on a case-by-case basis. The Lender has formulated this document to comply with State regulations regarding the use of these public funds and any property restrictions, which are associated with them.

The policies and procedures are broken down into the follow areas: 1) making required monthly payments or voluntary payments on a loan's principal and interest; 2) required payment of property taxes and insurance; 3) required Request for Notice of Default on all subordinate mortgages; 4) loans with annual occupancy restrictions and certifications 5) required noticing and limitations on any changes in title or use of property; 6) required noticing and process for requesting a subordination during a refinance; 7) processing of foreclosure in case of default on the loan.

1. Loan Repayments:

For Notes, the Lender may accept voluntary payments on the loan at a minimum amount of \$1,000 per payment. Loan payments will be credited to the interest first and then to principal. The borrower may repay the loan balance at any time with no penalty.

The Lender will be the receiver of loan payments. The Lender will maintain an accounting of each individual loan made. The accounting will include due date, terms and accounting of any payments made.

Upon receipt of demand the Lender will calculate all payments and interest due and provide demand amount to title company. Upon payment of all sums Lender shall request the title company to reconvey the subject property and shall surrender the Deed of Trust and all notes evidencing indebtedness secured by the Deed of Trust. Property shall be reconveyed without warranty and without charge to the person or persons legally entitled thereto. Such person or persons shall pay all costs of recordation, if any.

2. Payment of Property Taxes and Insurance:

As part of keeping the loan from going into default, borrower must maintain property insurance coverage naming the Lender as loss payee in first position or additional insured if the loan is a junior lien. If borrower fails to maintain the necessary insurance, the Lender may take out forced place insurance to cover the property while the Borrower puts a new insurance policy in place. All costs for installing the necessary insurance will be added to the loan balance at time of installation of Borrower's new insurance.

When a property is located in a 100-year flood plain, the Borrower will be required to carry the necessary flood insurance. A certificate of insurance for flood and for standard property insurance will be required at close of escrow. The lender may verify the insurance on an annual basis.

Property taxes must be kept current during the term of the loan. If the Borrower fails to maintain payment of property taxes then the lender may pay the taxes current and add the balance of the tax payment plus any penalties to the balance of the loan. Wherever possible, the Lender encourages Borrower to have impound accounts set up with their first mortgagee wherein he/she pays property taxes and insurance as part of the monthly mortgage payment.

3. Required Request for Notice of Default:

When the Borrower's loan is in a subordinate position behind an existing first mortgage, it is the Lender's policy to prepare and record a "Request for Notice of Default" for each senior lien in front of the Lender's loan. This document requires any senior lien holder listed in the notice to notify the lender of initiation of a foreclosure action. The Lender will then have time to contact the Borrower and assist them in bringing the first loan current. The Lender can also monitor the foreclosure process and go through the necessary analysis to determine if the loan can be made whole or preserved. When the Lender is in a third position and receives notification of foreclosure from only one senior lien holder, it is in its best interest to contact any other senior lien holders regarding the status of their loans.

4. Annual Occupancy Restrictions and Certifications:

The Lender may require that Borrowers occupants submit utility bills and/or other documentation annually to prove occupancy during the term of the loan.

5. Required Noticing and Restrictions on Any Changes of Title or Occupancy:

In all cases where there is a change in title or occupancy or use, the Borrower must notify the Lender in writing of any change. Lender and borrower will work together to ensure the property is kept in compliance with the original Program terms and conditions. These types of changes are typical when Borrowers do estate planning (adding a relative to title) or if a Borrower dies and property is transferred to heirs or when the property is sold or transferred as part of a business transaction.

Change from owner-occupant to owner-occupant occurs at a sale. The loan is not assumable and the loan balance is immediately due and payable upon sale.

Change from owner-occupant to owner-investor occurs when an owner-occupant decides to move out and rent the threshold eligible property (primary residence on parcel prior to construction of the ADU, or if the property is sold to an investor. The loan balance is immediately due and payable.

Conversion to use other than residential use is not allowable where the full use of the property is changed from residential to commercial or other. If the Program participant wishes to convert

any assisted unit to a fully non-residential use, the loan balance is due and payable in full prior to this change in use.

6. Requests for Subordinations:

When a Borrower wishes to refinance the property, he/she must request a subordination request to the Lender. The Lender will only subordinate its loan when there is no "cash out" as part of the refinance. Cash out means there are no additional charges on the transaction above loan and escrow closing fees. There can be no third party debt pay-offs or additional encumbrance on the property above traditional refinance transaction costs. Furthermore, the refinance should lower the housing cost of the household with a lower interest rate and the total indebtedness on the property should not exceed the current market value.

Requests for subordination are to be made in writing to the Town Clerk. Upon receiving the proper documentation from the refinance lender, the request will be considered by the Town for review and approval. Upon approval, the escrow company will provide the proper subordination document for execution and recordation by the Lender.

7. Process for Loan Foreclosure:

Upon any condition of loan default: 1) non-payment; 2) lack of insurance or property tax payment; 3) change in title or use without approval; or 4) default on senior loans, the Lender will send out a letter to the Borrower notifying him/her of the default situation. If the default situation continues, then the Lender may start a formal process of foreclosure.

8. Lender as Senior Lien holder:

When the Lender is in first position as a senior lien holder, active collection efforts will begin on any loan that is 31 or more days in arrears. Attempts will be made to assist the homeowner in bringing and keeping the loan current. These attempts will be conveyed in an increasingly urgent manner until loan payments have reached 90 days in arrears, at which time the Lender may consider foreclosure. Lender's staff will consider the following factors before initiating foreclosure:

- 1) Can the loan be cured and can the rates and terms be adjusted to allow for affordable payments such that foreclosure is not necessary?
- 2) Can the Borrower refinance with a private lender and pay off the Lender?
- 3) Can the Borrower sell the property and pay off the Lender?
- 4) Does the balance warrant foreclosure? (If the balance is under \$5,000, the expense to foreclose may not be worth pursuing.)
- 5) Will the sales price of home "as is" cover the principal balance owing, necessary advances, (maintain fire insurance, maintain or bring current delinquent property taxes, monthly yard maintenance, periodic inspections of property to prevent vandalism, etc.) foreclosure, and marketing costs?

If the balance is substantial and all of the above factors have been considered, the Lender may opt to initiate foreclosure. The Borrower must receive, by certified mail, a thirty-day notification

of foreclosure initiation. This notification must include the exact amount of funds to be remitted to the Lender to prevent foreclosure.

At the end of thirty days, the Lender should contact a reputable foreclosure service or local title company to prepare and record foreclosure documents and make all necessary notifications to

the owner and junior lien holders. The service will advise the Lender of all required documentation to initiate foreclosure (typically a Note and Deed of Trust) and funds required from the owner to cancel foreclosure proceedings. The service will keep the Lender informed of the progress of the foreclosure proceedings.

When the process is completed, and the property has "reverted to the beneficiary" at the foreclosure sale, the Lender could sell the home under a homebuyer program or use it for an affordable rental property, managed by a local housing authority or other agency, or use it as a transitional housing facility or other eligible use. The Lender could contract with a local real estate broker to list and sell the home and use those funds