



FUND INVESTMENT PLAN

**Approved by
Schuyler Community Development, Inc.
Board of Directors
March 7, 2018**

**Amended by
Schuyler Community Development, Inc.
Board of Directors
February 13, 2019
January 6, 2021
January 27, 2021**

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SCHUYLER RURAL WORKFORCE HOUSING FUND

FUND INVESTMENT PLAN

Administered by:
SCHUYLER COMMUNITY DEVELOPMENT, Inc.
A 501(c)3 Non-Profit Organization

Consultant:
NEIGHBORWORKS NORTHEAST NEBRASKA

A. PURPOSE

The Nebraska Rural Workforce Housing Fund (RWHF) Act was approved by the Governor on April 27, 2017. The Act authorized a one-time transfer of funds from the Nebraska Affordable Housing Trust Fund to the RWHF, which is administered by the Nebraska Department of Economic Development (DED). The fund is a resource to support the creation of rural workforce housing investment funds to encourage the development of workforce housing in Nebraska's rural and underserved regions.

Prioritization for the funds is based on a demonstrated and ongoing housing need, low unemployment rate, difficulty filling an employment position, demonstrated a commitment to growing housing stock, projects reasonably ready for occupancy in a period of twenty-four months, and the capacity to manage a workforce in rural Nebraska. The workforce housing funds are intended to revolve and allow for reinvestment in workforce housing projects into the future.

DED's role in the RWHF is as an investor and a partner. As an investor, DED has provided a grant to Schuyler Community Development, Inc. (SCD) for the creation of a Schuyler Rural Workforce Housing Fund for the City of Schuyler to fund rural workforce housing projects that will provide the best investments of state resources to promote the development of workforce housing. As a partner, DED is interested in providing input as early as possible in fund development or project design. The department will work closely with SCD and the City of Schuyler to address any obstacle encountered during fund development, project development, or implementation. Schuyler Community Development is the Applicant and Administrator of the Schuyler RWHF. The controlling body of Schuyler Community Development is the Board of Directors. The

Schuyler Community Development has contracted with NeighborWorks Northeast Nebraska as Consultant to the Schuyler RWHF. Throughout this plan the term “Administrator” refers to Schuyler Community Development, Inc., “Consultant” is NeighborWorks Northeast Nebraska, and “Board or Board of Directors” is the oversight body of Schuyler Community Development, Inc.

B. SOURCE OF FUNDS

1. 2018 Funding Cycle

The City of Schuyler has provided 1:1 cash contribution of \$150,000 to create this housing fund. The source of these funds is from Schuyler’s LB840 Economic Development Investment Fund.

Schuyler Department of Utilities has matched this the City of Schuyler’s portion 2:1, adding \$300,000 to the cash match.

Cargill Meat Solutions matched the Schuyler RWHF in the amount of \$211,000.

Pinnacle Bank-Schuyler has also matched the Schuyler RWHF in the amount of \$25,000.

Homestead Bank-Schuyler has also matched the Schuyler RWHF in the amount of \$15,000.

In addition to the local cash contribution the Nebraska Investment Finance Authority (NIFA) has provided \$250,000 matching funds to create this workforce housing fund.

Special Terms for NIFA LB518 Match:

NIFA has issued itemized LB 518 Match Program Guidelines (dated February 2018) when using NIFA dollars in the Schuyler RWHF. Other guidelines of NIFA LB 518 Match funds may apply to this Fund Investment Plan. (See Attachment #1 for NIFA LB 518 Match funds Guidelines)

Housing development using the NIFA matching funds must benefit households whose income does not exceed 150% of the *American Community Surveys-Nebraska Statewide Median Family Income* for a family of four. (Currently the *American Community Surveys-Nebraska Statewide Median Family Income* for a family of four (\$85,885) multiplied by 150% is \$128,827.50.)

NIFA will require that a percentage of the units produced (such percentage to be based upon the percentage that the NIFA LB 518 Match bears to the total cost of the project) be made available to persons of Moderate Income. The affordability period for such units shall be a minimum of 10 years.

For NIFA LB 518 Match funds deposited into a rural workforce investment fund or used to make direct loans for Workforce Housing, the SCD shall earn a rate of return on such funds at

least equal to the current rate of inflation. NIFA LB 518 Match funds returned to the SCD must continue to be used in accordance with these Guidelines for a minimum of ten (10) years. Any such future uses of LB 518 Match Funds shall be approved in writing by NIFA.

The combined cash contribution of \$951,362 allowed a grant request of \$951,362 to provide resources to establish the Schuyler Rural Workforce Housing Fund in the amount of \$1,902,724.

2. 2021 Funding Cycle

The Nebraska Department of Economic Development has offered additional funds for the Rural Workforce Housing Fund, with applications due in January 2021. The Schuyler Community Development, Inc., is applying to grow the current Rural Workforce Housing Fund already in place. The local cash matching funds are identified below:

Cargill has provided cash contribution of \$250,000 for this housing fund.

Schuyler Department of Utilities has matched this Cargill's portion, adding \$250,000 to the cash match.

Cargill matched Department of Utilities' contribution 1:1, adding \$250,000 to the cash match.

Homestead Bank-Schuyler contributed \$2,500 beyond the cash match.

Pinnacle Bank-Schuyler contributed \$2,500 beyond the cash match.

Schuyler Insurance and Real Estate contributed \$1,000 beyond the cash match.

Gary Kracl Agency, Inc. contributed \$1,000 beyond the cash match.

American Family Insurance matched Gary Kracl Agency's contribution 1:1, adding \$1,000 beyond the cash match.

Agri-City Insurance-Schuyler contributed \$1,000 beyond the cash match.

Lonnie and Patti Kitt contributed \$1,000 beyond the cash match.

City of Schuyler Mayor Jon and Pat Knutson contributed \$500 beyond the cash match.

Brian and Christina Bywater contributed \$500 beyond the cash match.

The combined cash contribution of \$761,000 allowed a grant request of \$750,000 to provide resources to the Schuyler Rural Workforce Housing Fund in the amount of \$1,511,000.

C. GEOGRAPHIC SERVICE AREA

The geographic service area that the Schuyler RWHF can be used is within the city limits established by the City of Schuyler. Any developer/builder seeking RWHF outside of this area are not eligible to access the Schuyler RWHF.

D. ELIGIBLE ACTIVITIES

The development of the Schuyler RWHF is for the development of workforce housing projects in Schuyler. The intent of the workforce housing investment funds is long range, continual investment in workforce housing projects. The funds are intended to perpetuate.

The eligible activities include:

- New construction of owner-occupied or non-owner occupied rental housing;
- Substantial repair or rehabilitation of dilapidated housing stock, for which the cost to rehabilitate exceeds fifty percent (50%) of the unit's assessed value;
- Upper story housing development;
- Rehabilitation that includes the conversion of an existing building into housing.

Infrastructure development associated with workforce housing is an eligible use of RWHF in association with the above eligible activities, proportionate to the number of workforce housing units and subject to the RWHF price limits:

- \$275,000 maximum cost for owner-occupied housing units;
- \$200,000 maximum cost per rental unit.

The Schuyler RWHF housing projects may not receive National Housing Trust Funds, Federal Low-Income Housing Tax Credits, State Low-Income Housing Tax Credits, Community Development Block Grants, HOME funds or Nebraska Affordable Housing Trust Funds.

E. QUALIFIED ACTIVITIES

Schuyler RWHF qualifies activities to include, but not limited to:

- Purchase land
- Site development
- Purchase existing building for rehabilitation
- Rental guarantees;

- Loan guarantees;
- Loan participations
- Other credit enhancements or any form of assistance designed to reduce the cost of workforce housing related to the eligible activities.
- Forgivable loans and grants are allowed with RWHF; however, financing structures that provide for RWHF to revolve are preferred.
- Down Payment Assistance (DPA)

F. INELIGIBLE ACTIVITIES

Any activity not specifically authorized under Eligible & Qualified Activities is ineligible to be carried out with the Schuyler RWHF funds.

This section further identifies ineligible activities;

- Furnishings and personal property not an integral structural fixture including the purchase of equipment, fixtures, and motor vehicles;
- Mobile homes, as defined by DED; *Mobile homes means a movable or portable dwelling constructed to be towed on its own chassis, connected to utilities, and designed with or without a permanent foundation for year-round living. It may consist of one or more units that can be telescoped when towed and expanded later for additional capacity, or of two or more units, separately towable but designed to be joined into one integral unit;*
- Housing that receives National Housing Trust Funds, Federal Low-Income Housing Tax Credits, State Low-Income Housing Tax Credits, Community Development Block Grants, HOME funds or Nebraska Affordable Housing Trust Funds;
- Housing Administration costs;
- Grant Administration costs.

Grant Administration and Housing Administration costs for the Schuyler RWHF at the project level can be supported with local matching funds, fees, loan repayments, interest and other funds, or as a last resort these costs may be paid from the local cash match portion of the Schuyler RWHF.

G. ELIGIBLE APPLICANT ENTITIES

There are a variety of entities that can apply and obtain funding from the Schuyler RWHF.

The eligible entities are:

- Sole Proprietorship
- "S" Corporation
- "C" Corporation

- General Partnership
- Limited Partnership
- Limited Liability Company
- Individuals for Down Payment Assistance Plan only

H. TYPES, AMOUNTS AND TERMS OF ASSISTANCE

The right is reserved to negotiate the terms and conditions of the financial assistance with each applicant, terms and conditions may vary from applicant to applicant.

1. Interest Rate:

Interest rates for the term of the loan will be fixed at the time of disbursement.

The interest rate on new loans will be adjusted to market conditions over the life of the RWHF.

For NIFA LB 518 Match funds deposited into a rural workforce investment fund or used to make direct loans for Workforce Housing, the SCD shall earn a rate of return on such funds at least equal to the current rate of inflation. (This rate will be obtained quarterly from NIFA). NIFA LB 518 Match funds returned to the SCD must continue to be used in accordance with these Guidelines for a minimum of ten (10) years. Any such future uses of LB 518 Match Funds shall be approved in writing by NIFA.

2. Loan Amount:

- Minimum loan size is \$50,000. Loan maximum for Down Payment Assistance is \$20,000.
- Maximum loan amounts to be determined based on the percentage of the total project. Therefore, loan applications will need to include a project budget which includes all costs of the project.
- Each loan requires the borrower to provide their own equity into the housing project. At least 20% of the project will require private or outside sources. The applicant's equity in the project can be cash or the value of the land in which the project will be located. Value of the land will be equal to the purchase price of land if acquired less than 3 years from the application date. If the land purchase was greater than 3 years from the application date; then the value of the land will be based on the county assessed value or an appraised value required by the Lender.
- The Combined Loan to Value (CLTV) including the Schuyler RWHF loan cannot exceed 80% of all total costs of the housing project. Down Payment Assistance at 100% CLTV of purchase or appraisal value, whichever is less.

3. Loan Term

Loan terms vary according to the type of housing development. The preferred terms for financing are listed below. However, additional or different loan terms can be negotiated by Applicant and Fund Advisory Committee based on the size of the project and other conditions.

- a. Multi-Family Rental Development
Up to twenty-four (24) months
- b. Single-Family, Owner Occupied and Rental Development
Up to twenty-four (24) months
- c. Substantial Repair or Rehabilitation of Dilapidated Housing Stock
Up to twenty-four (24) months
- d. Upper Story Housing Development
Up to twenty-four (24) months
- e. Rehabilitation, Converting Existing Building into Housing
Up to twenty-four (24) months
- f. Down Payment Assistance loans; Up to ten (10) years, however are due in-full upon the sale or transfer of ownership of the property

4. Security

Security for loans may include, but not limited to, Promissory Notes, a Deed of Trust, Performance Bonds, UCC filings and personal and/or corporate guarantees as appropriate and may be in a subordinate position to the primary commercial lender.

5. Development Performance

Upon disbursement of the initial funds, housing projects must be reasonably ready for occupancy in a period of twenty-four months from the date of loan closing.

Failure to obtain reasonably ready for occupancy within the 24 months from the date the loan funds are dispersed shall result in the immediate repayment of the entire Schuyler RWHF loan according to the terms in the Promissory Note.

The guideline for a housing project being reasonably ready for occupancy varies depending on the type of project. Information will be obtained from the applicant during the application process for the initial use of the Schuyler RWHF. At the time of loan

approval, the Administrator will determine what the level of reasonably ready for occupancy is expected and discussed based upon the scope and magnitude of the project.

I. FEES AND CHARGES

The Fund Administrator charges modest application fees and closing cost fees to the applicant.

1. Application Fee

The applicant agrees to pay a non-refundable application fee of \$250.00 to cover the cost of out-of-pocket expenses incurred in researching, preparing and submitting the loan application for review and approval. This fee is due and payable to the Fund Administrator at the time of submitting the application.

2. Closing Fees

The borrower agrees to pay the Fund Administrator a fee of 1% of the loan amount, not to exceed \$1,000.00 to cover costs of closing the loan and preparing loan closing documents. The borrower agrees to pay in addition to the Closing Fee, all related transaction fees, including, but not limited to, all cost of title insurance, recording fees, survey costs, inspections, environmental assessment, 3rd party loan document preparation fees, and legal fees.

J. APPLICATION PROCESS

Once the Schuyler RWHF is established, the Fund Administrator will provide a Notice of Funding in the form of a Public Notice in the Schuyler Sun and city offices. Notices will be also provided to those developers/builders that provided a Letter of Intent with the Schuyler RWHF application submitted to the Nebraska Department of Economic Development. A timeline identifying the dates applications will be accepted will be included in the notices.

The applicant must complete the application forms included in the application packet and submit to the Fund Administrator.

A detailed Financing Application document will be separate from this Fund Investment Plan. (See Attachment #2 for Financing Application).

The applicant must submit all items requested in the Financing Application, such items as listed below, but not limited to:

- Project Summary
- Sources and Uses of funds

- Proforma – projection of cash flow for the project
- List of what funds are going to be used
- Personal tax returns of the applicant (20% or more ownership) for the past two years
- Business tax returns for the past three years, profit/loss statements/balance sheet of the business (if existing)
- Bank Pre-Approval Letter
- Letters of commitment from other funding sources
- Credit Report from a Credit Report Agency
- Site plan of housing development
- Housing plans of proposed housing project
- Environmental information as required by each funding source
- Attestation Form
- Credit History Authorization

The Fund Administrator will be responsible for coordinating committee meetings, communicating with the applicant/borrower about projects and the overall management of the fund in terms of applications, closings and project management as it relates to the Schuyler Rural Workforce Housing Fund.

Board of Directors, Staff and Fund Advisory Committee members shall keep confidential all information that is provided to them that is reasonably clear to be confidential or sensitive in nature even when the information affects an activity of the Board of Directors or Fund Advisory Committee member outside of the Fund Administrator.

Fund Advisory Committee members shall not directly contact loan applicants regarding a loan, or future loans of the loan applicant, or any confidential information gleaned while discussing the loan. This does not apply to discussions with colleagues about organizational matters, if the loan is not discussed.

K. APPROVAL PROCESS

The Board of Directors will appoint a Fund Advisory Committee which will consist of a minimum of five and a maximum of seven members.

At least one of the members shall be:

- Member of Board of Directors of the Fund Administrator;
- A representative of the City of Schuyler;
- Have commercial lending or financing experience.

The remaining members can be housing advocates in the city of Schuyler. A staff member will be attendance of all meetings for record keeping purposes.

The Fund Advisory Committee will review and make a loan recommendation of approval or denial to the Board of Directors. The Fund Advisory Committee will also recommend changes in the Investment Plan of the Schuyler Rural Workforce Housing Fund to the Board of Directors.

The structure of the Fund Advisory Committee and their attendance at the meetings are critical to the success of the Schuyler RWHF. The Fund Advisory Committee will meet on an “as needed” basis, but typically the meeting will be held one week prior to the Board of Directors meetings which are typically held every three weeks. The Fund Advisory Committee may conduct its review during a face-to-face meeting, by mail, e-mail or using a telephone conference call. A quorum of the Fund Advisory Committee members is required to meet. Also, a simple majority of the entire Fund Advisory Committee is needed to make a recommendation. A loan will not be recommended without the commercial lender or financing experience members’ vote.

Attendance:

- Fund Advisory Committee members shall attend at least 75% of meetings in a calendar year.
- To “attend” a meeting means being present and available for at least 30 minutes.
- Unexcused absences shall be grounds for dismissal of the member effective immediately upon an affirmative vote of the Board of Directors.

The Fund Advisory Committee shall perform the following functions:

1. For Approval:

- Assess and analyze, recommend approval or denial of loan requests to the Board of Directors that Fund Administrator staff bring to the attention of the committee, or foreclosure proceedings (in the event of default).
- Assess, and recommend approval or denial to the Board of Directors of loan extensions and modification requests that lending staff bring to the committee.
- Assist the staff in the refinement of loan underwriting and portfolio management policies.

2. For Review and Comment:

- Review portfolio compliance with exposure limits, actions taken on loans with significant delinquencies, loan maturities, and actions taken on watch list loans.
- Review additional reports as provided by Fund Administrator staff.
- Initiate discussions on new loan products needed or other new opportunities. Review and respond to staff research on the same.
- Undertake other related activities as the Board of Directors may request.

It is not the intent of the fund to compete with traditional lenders, but rather partner with them whenever possible. Therefore, the Fund Advisory Committee will rely on the participating Lender's expertise and experience to determine the amount of funding needed to fill "the gap". A letter of intent of financing the housing project from a lender is required to include in an application under this fund.

3. Scoring/Selection Criteria

The Fund Advisory Committee shall score each application according to the following criteria, but not limited to:

- Eligibility under the Schuyler Rural Workforce Housing Fund;
- Housing project's beneficial impact to the City of Schuyler
- Soundness and creditability of the housing proposal;
- Eligible activities of the project to be funded;
- Track record, credibility, and credit worthiness of applicant;
- Ability to leverage private financing

A detailed Project Selection Scoring Worksheet and Review Criteria document will be separate from this Fund Investment Plan. See Attachment #3.

L. ADMINISTRATION OF FUND

1. Loan Review Process and Procedures

Upon submission, the application will be reviewed by the staff for technical adherence to the guidelines of the Schuyler Rural Workforce Housing Fund. Should the application be deficient the applicant will be contacted for additional information. Additional information must be obtained within 30 days of the request. If not received within 30 days of the request, the application will be put into the "Incomplete Applications" file. Once staff has determined the application is complete, staff will prepare a loan write-up and submit the application to the Schuyler RWHF Fund Advisory Committee for review and funding recommendation/denial, utilizing the Project Selection Scoring Worksheet and Review Criteria. It is the intent of the Fund Advisory Committee to review all applications within 30 days of the application determined to be completed by staff. Rate, terms and collateral and equity requirements will be finalized as negotiated between the applicant and the staff. Staff will keep minutes/records of all Schuyler RWHF Fund Advisory Committee meetings.

The loan recommendation of the Schuyler RWHF Fund Advisory Committee will be forwarded to the Board of Directors for final approval/denial at least 10 days prior to a regularly scheduled Board meeting. After approval or denial by the Board of Directors, staff will immediately notify the applicant by phone/email and/or in writing.

2. Loan Closing Process and Procedures

The Fund Administrator will prepare all necessary documents to complete the approved funding request. Standard loan closing documents may include, but not limited to:

- Promissory Note
- Loan Agreement
- Security Agreement
- Deed of Trust
- Financing Statement
- Personal Guaranty
- Automated Clearing Housing (ACH) form
- Title/Lien Search
- Mechanic's Lien Protection

Loan Proceeds will be disbursed to the borrower in accordance with the Fund Administrator's standard practices and after construction progress inspections. Projects authorized for pre-construction costs may receive disbursement in advance of any construction activities. The Fund Administrator will be responsible for timely construction inspections and will provide copies of the inspections to the borrower upon request.

Closing fees will be applicable as identified in Section I.

Title Companies may be used to payout loan proceeds based upon inspections, and collect lien waivers.

3. Subordination

Some projects require special financing techniques to meet a borrower's needs. Recognizing that, a subordinate position to other lenders of record at the time of the project may be taken. If a subordinate position is required, additional considerations will be taken so as not to jeopardize the loan portfolio. All fees associated with subordination will be the borrower's responsibility. Other special financing techniques may include quarterly or semiannual payments, interest only payments during a designated time, or some other method agreed upon by the Fund Advisory Committee and Board of Directors.

4. Loan Servicing

a. File Management

A separate file will be maintained for each loan applicant and borrower. Each file will contain all documents and correspondence and kept in a filing cabinet in addition to an electronic file will be maintained. The file will include all application documents, insurance forms, general correspondence, financial statements, site visit reports and other documents related to the application and loan.

b. Loan Payments

A loan repayment schedule providing for monthly, quarterly, semi-annual or annual payments will be provided in conjunction with project approval. Repayments shall be deposited in the Schuyler RWHF program for a future project as approved.

Fund Administrator staff will monitor each loan by requiring quarterly reports/updates, conducting regular site visits to the project site. If evidence of requested updates and/or documents are not received within 60 days as requested by written communication, a monthly assessment of no less than \$50.00 will be assessed to the borrower.

If payments are not honored by a financial institution due to Non-Sufficient Funds or Stop Payment, the staff will document the contact made with the borrower (either by phone or letter) – notifying the borrower of the NSF charge and payment must be sent to the Fund Administrator’s office within 10 business days. A \$50.00 NSF charge will be assessed to the borrower.

c. Late Payments

In the event of a late payment or loans over 30 days in arrears, staff and/or legal counsel will attempt to establish a workout arrangement with the borrower. Every effort will be made to assist the borrower but protect the Schuyler RWHF as well. All action taken on any given loan will be documented in the regular reports to the Fund Administrator’s Board of Directors.

The terms and procedures in the event payments are not made by the due date are detailed in the Promissory Note and Deed of Trust.

Write-offs or charge-offs by the Fund Administrator do not release borrowers from their obligations under the terms of the project’s loan documents. Borrowers are expected to pay the full amount of principal, interest, late fees and collection costs to which the Fund Administrator is entitled, adjusted in accordance with any loan modification, restructurings or forgiveness which are recommended by the Fund Advisory Committee and approved by the Board of Directors.

5. Extending, Modifying, and Forgiving Loans; Foreclosure

a. Loan Extensions

An extension is defined as a change ONLY to the maturity date of a loan, when:

- a repayment source is identified and likely but not yet committed or received,
- or when the project timeline is extended but the development plan, process, and budget remain the same.

The Fund Advisory Committee would make a recommendation to the Board of Directors of any extension requests. The Board of Directors will approve or deny the request.

b. Loan Modification

Complete underwriting of the loan must be performed, if:

- A project requires additional extensions beyond 12 months;
- The development plan has changed substantially;
- The development budget has changed substantially;
- The repayment source has change substantially;
- The loan requires a reduction in rate and/or payment, or;
- There has been a substantial change in the organizational financial conditions, status or leadership.

Modification of loans shall require recommendations from the Fund Advisory Committee and approval of the Board of Directors.

c. Loan Forgiveness

Partial or full loan forgiveness shall require the approval of the Board of Directors on a recommendation of the Fund Advisory Committee.

d. Foreclosure/Deed of Trust, Trustee Power of Sale

Foreclosure/Deed of Trust, Trustee Power of Sale Proceeding is the last option to collect defaulted secured loans. However, it may be the only option to remedy a deteriorating situation and/or recover a portion, if not all, of a loan repayment. It will be pursued only after the Fund Administrator has exhausted all other reasonable remedies.

Foreclosure/Deed of Trust, Trustee Power of Sale can only take place upon the decision of the Board of Directors based on a recommendation of the Fund Advisory Committee.

If Foreclosure/Deed of Trust, Trustee Power of Sale happens then the proceeds will be disbursed in accordance with applicable laws and preferably as follows:

- Collection costs (including, but not limited to, appraisals, legal costs, expenses for stabilizing the property.
- Loan amounts owed to senior lenders, if any;
- Principal owed to the Fund Administrator;
- Interest owed to the Fund Administrator;
- Fund Administrator staff time and costs including travel and consultants;
- If proceeds are more than costs listed above they are paid to the Borrower.

6. Monitoring

The monitoring of all outstanding loans of the Schuyler RWHF will be conducted in various ways. Detailed reports will be prepared by SCD staff to include current RWHF balance as well as outstanding loans.

The SCD staff will prepare quarterly Schuyler RWHF Reports. These reports will identify each borrower, the status of payments, outstanding loan balance, the maturity date of the loan, applications in the pipeline as well as any funds on hand. The reports will be presented to the Fund Advisory Committee, SCD Board of Directors. If payments are not received by the due date, the SCD staff will inform the Fund Advisory Committee. The financial data will be tracked using SCD's accounting software as well as other Excel spreadsheets.

In addition, staff will prepare a report of any potential applicants on a pending application list if funds are not available to fulfill additional loan requests. This will keep the local members of the Fund Advisory Committee informed of all aspects of Fund as well as the Board of Directors.

7. Program Compliance

The Fund Administrator will submit an annual report to DED, to be included as part of the DED's annual status report required under section 81-1201.11. The report shall certify that the Fund Applicant meets the requirement of the Rural Workforce Housing Investment Act and will include a breakdown of funded program activities.

The annual report to DED shall include, but not limited to:

- The name, location, and geographical region served by the Fund Administrator;
- The number, amount, and type of Schuyler RWHF invested in qualified activities;
- The number, geographical location, type and amount of investments made;
- A summary of matching funds and where such matching funds were generated; and
- The results of the required annual audit.

If Schuyler Community Development as the Fund Administrator ceases administration of the Schuyler RWHF, it shall file an annual report with DED in a form and manner required by the DED Director. The City of Schuyler can appoint a new Fund Administrator that meets the requirements of the Schuyler RWHF.

If the Schuyler RWHF ceases any unallocated grant funds are returned to DED, and cash match funds are returned to the Schuyler Department of Utilities, Cargill, City of Schuyler, Homestead Bank-Schuyler, Pinnacle Bank-Schuyler, Schuyler Insurance and Real Estate, Gary Kracl Agency, Inc., American Family Insurance, Agri-City Insurance, Jon and Pat

Knutson, Lonnie and Patti Kitt, and Brian and Christina Bywater, it will be their discretion as to where the funds are used from that point forward.

M. RISK MITIGATION

The Fund Administrator will take many precautions to minimize risk not only on the Fund level but on the Project level as well, so the funds can continue to revolve and ultimately continue to add workforce housing in the city of Schuyler. The Schuyler RWHF will be administered in compliance with this Fund Investment Plan. An experienced and diverse Fund Advisory Committee, consisting of City leadership, lending/realtor/developers' individuals have been established to assist in the oversight of the Schuyler RWHF. In addition to the Fund Advisory Committee, the Fund Administrator's Board of Directors is also a diverse makeup of community leaders. As identified earlier in this plan, the application process will involve packaging by the Fund Administrator's staff, then reviewed by the Fund Advisory Committee, who will ultimately provide recommendations to the Board of Directors for either approval or denial. Fund Administrator staff shall conduct a complete review of all outstanding loans at least annually.

1. Fund Level

The Fund Administrator has procedures that provide guidance to the staff as well as the Board of Directors. Many practices in managing the Schuyler RWHF are already in place.

- The Fund Administer will deposit the Schuyler RWHF proceeds in several Schuyler financial institutions ensuring that the totals funds on deposit at each institution do not exceed the FDIC limits of insurance.
- Liens and Security Instruments common in lending practices will be utilized always.
- The Fund Administrator secures a third-party firm of certified public accountants annually to conduct a financial and programmatic audit of the organization.

2. Project Level

Risk mitigation will also be a high priority of the Fund Administrator on the project level.

- Title insurance will be provided to determine legal descriptions, outstanding liens, current taxes, etc.
- Traditional lending documents will be used to ensure there is adequate security for the loan, this will be done by filing liens on the property, deed restrictions and other legal documents applicable to each loan and project.
- The staff of the Fund Administrator will conduct periodic inspections of the housing projects and document their finding in each borrower's files.
- The Real Estate Property taxes must be made current prior to the release of the Schuyler RWHF loan proceeds.
- Borrowers must not be debarred, suspended, proposed for debarment, placed in ineligibility status, or voluntarily excluded from covered transactions by HUD or any

other federal agency under the provisions of Executive Order 12549 “Debarment and Suspension” and 24 C.F.R. Part 24 (government debarment and suspension regulations).

- All borrowers must be authorized to transact business in the State of Nebraska. All borrowers are expected to comply with all Nebraska Secretary of State and Department of Revenue registration requirements, including any registration requirements pertaining to types of business entities (e.g. person, partnership, foreign/domestic limited liability company, association, or foreign/domestic corporation). Borrowers are expected to meet all applicable requirements of the Nebraska Contractor Registration Act. Upon request, the Borrower must submit copies of written agreements to the Fund Administrator.
- Project development can take place within the Flood Plain of Schuyler, providing the following criteria is met:
 - Flood Insurance available and obtained to insure the dwelling(s),
 - Permanent financing available from traditional lenders, and,
 - Property is developed to an elevation to meet local code enforcement.

3. Insurance

For all loans, the borrower shall be required to carry liability insurance with coverage of no less than \$2 million aggregate/\$1 million per occurrence. Builder’s risk insurance coverage is based on the total development budget, or in case of casualty insurance, based on replacement cost. Borrower shall further be required to have the Fund Administrator named as loss payee or as an additional insured on all policies and current copies shall be submitted to the Fund Administrator throughout the loan term.

Performance Bonds may be required on most transactions, depending on the size and scope of the housing project. This will be negotiated between the Administrator and borrower.

For Down Payment Assistance loans, the borrower shall be required to carry hazard or property insurance against loss by fire, hazards included with the term “extended coverage” and any other hazards including floods or flooding, for a minimum amount of at least the cumulative debt amount on the property. Borrower shall further be required to have the Fund Administrator named as loss payee or as an additional insured on all policies and current copies shall be submitted to the Fund Administrator through the loan term.

N. CONFLICT OF INTEREST

No officer, employee or agent of the Fund Administrator who will participate in the selection, the award, or the administration of these funds may obtain a personal or financial interest or benefit

from the activity or have an interest in any loan with respect thereto, or the proceeds thereunder either for themselves or those with whom they have family or business ties. Exceptions may be granted on a case-by-case basis when it is determined that such an exception will serve the purposes of the Schuyler RWHF and the effective and efficient administration of this fund.

O. FUTURE USE PLAN

Borrowers will make payments to the Fund Administrator in accordance with the loan agreement and promissory note, executed at loan closing.

Interest earned on the loans and deposited Schuyler RWHF funds will be retained by the Fund Administrator to cover costs associated with the management of the fund associated with loan servicing and reporting of the fund.

Principal portion of the payments received by the Fund Administrator will be held in financial institutions insured by FDIC until loaned to subsequent applicants using the same criteria as outlined in this Investment Plan.

P. AMENDMENTS TO PLAN

In an ongoing effort to improve the quality of the Schuyler Rural Workforce Housing Fund Investment Plan, the Board of Directors will accept suggestions from the public, program participants, staff and Fund Advisory Committee. All suggestions received will be taken and be provided to the Fund Advisory Committee to review and provide a recommendation to the Board of Directors for consideration to amend the Fund Investment Plan. Upon approval and adoption by the Board of Directors, the amendment(s) will be included in the Schuyler RWHF Fund Investment Plan. Changes to the attachments do not require Board approval.

Q. GRIEVANCE PROCEDURES

If any applicant feels he or she has been unfairly treated or discriminated against during the loan application process or within any other segment of the Schuyler RWHF, he or she may appeal the decision to the Board of Directors for their consideration. The appeal must be submitted in writing to the President and postmarked within 14 days of the decision. The Board of Directors will act upon the appeal within 60 days of the receipt of the appeal. The Board of Directors will have final authority in the decision.

The Nebraska Department of Economic Development will be contacted in the case that any grievance issues cannot be resolved through SCD's normal grievance procedures.

R. SUCCESSION OF ADMINISTRATOR

If Schuyler Community Development, Inc. decides to cease to be the Administrator of the Schuyler Rural Workforce Housing Fund, a 90-day written notice will be provided to the Nebraska Department of Economic Development, Superintendent of Schuyler Department of Utilities, NIFA, General Manager-Cargill, the Schuyler City Administrator, Homestead Bank-Schuyler, Pinnacle Bank-Schuyler, Schuyler Insurance and Real Estate, Gary Kracl Agency, Inc., American Family Insurance, Agri-City Insurance, Jon and Pat Knutson, Lonnie and Patti Kitt, and Brian and Christina Bywater. The Nebraska Department of Economic Development, Superintendent of Schuyler Department of Utilities, NIFA, General Manager-Cargill, the Schuyler City Administrator, Homestead Bank-Schuyler, Pinnacle Bank-Schuyler, Schuyler Insurance and Real Estate, Gary Kracl Agency, Inc., American Family Insurance, Agri-City Insurance, Jon and Pat Knutson, Lonnie and Patti Kitt, and Brian and Christina Bywater will determine a process at that time to search for a new Schuyler RWHF Administrator.

S. CHANGE OF FUND CONSULTANT(S)

If the Schuyler Community Development is not pleased with the results of NeighborWorks Northeast Nebraska's, efforts of performing the duties as Consultants of the Schuyler RWHF, written notice will be provided to the Chief Executive Officer of NeighborWorks Northeast Nebraska. At that time negotiations will take place to either make changes or end the Consultant Contract.

T. OFFICIAL CONTACT

The place of contact for this Rural Workforce Housing Fund shall be the office of Schuyler Community Development, 1119 B Street, Schuyler, NE 68661. Any grievances, suggestions, requests for applications and information should be directed to this office.

This Schuyler Rural Workforce Housing Fund Investment Plan was hereby amended by the action of the Board of Directors of Schuyler Community Development, Inc. on this 27th day of January 2021.

Lonnie Kitt, President
Schuyler Community Development, Inc.

Glossary/Acronyms

Fund Advisory Committee – An organized group with various duties as outlined in the plan. This committee is appointed by the SCD Board of Directors.

Applicant – Eligible entity that is seeking loan proceeds from the Schuyler RWHF.

Application – Document that is used by the Applicant to submit the required information when requesting funds.

Board/Board of Directors – members of the Board of Directors of Schuyler Community Development

Borrower –Entity that is approved to receive funding from the Schuyler RWHF.

DED/NDED – Nebraska Department of Economic Development.

DPA – Down Payment Assistance Loan.

Fund Administrator – Schuyler Community Development is responsible for overall management of the daily operations of the RWHF for Schuyler.

Grant Administration/Housing Management – Fees typically paid from grant proceeds, however, the Schuyler RWHF does not allow this, so these fees must be paid to the Fund Administrator from another source.

Lender – Conventional financial institution that is providing loan proceeds for the financing of a housing project.

SCD – Schuyler Community Development.

Staff – Schuyler Community Development employee(s).

Review Criteria – Document used by Fund Advisory Committee for loan application for review.

RWHF – Rural Workforce Housing Fund.

Scoring Sheet – Document used by Fund Advisory Committee to rank/rate applications.