

AGREEMENT  
BY AND BETWEEN  
PACIFIC COUNTY  
AND  
CRAFT3

THIS AGREEMENT is entered into the 6th day of August, 2015, between Pacific County, hereinafter "County", and Craft3, hereinafter "Craft3", a Washington nonprofit corporation.

The County has received funds from the Washington State Department of Ecology (Ecology) to provide affordable loans to qualified Pacific County property owners. Craft3 offers inclusive loans to qualified property owners for repair and/or replacement of on-site septic systems or for connection to sewer, hereinafter referred to as the Clean Water Revolving Loan Fund (RLF), to be supported by Ecology funds.

THEREFORE, the parties agree as follows:

1. PURPOSE. The purpose of this Agreement is to establish the RLF program jointly administered by the County and Craft3 using Department of Ecology funds and other sources obtained by the lender and/or the County.
2. TERM. The term of this Agreement is from September 1, 2014, through June 30, 2017, subject to the termination provisions hereinafter set forth.
3. DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require.
  - a. Agreement. The word "Agreement" means this Contract, as this Contract may be amended or modified from time to time, together with all exhibits and schedules attached.
  - b. Individual. The word "Individual" means the owner of a property or small business owner and shall include a sole proprietor or legal entity.
  - c. Loan. The word "Loan" means any and all loans and financial accommodations from Craft3 within the RLF parameters for the period of this contract.
4. OBLIGATION OF THE COUNTY. The Department of Community Development shall serve as the County's agent for obligations included in this Agreement. The County agrees to abide by the terms of grant agreement G1300057 with Ecology. In addition, the County agrees to provide the following services in support of the joint County – Craft3 septic loan Program:
  - a. Refer prospective borrowers to Craft3.

- b. Provide information regarding the Craft3 RLF to the public, permit applicants, to property owners receiving failure notices or other enforcement notifications, and as other opportunities arise.
  - c. Provide permitting, inspection, enforcement and related functions concerning the regulation of on-site septic system repairs.
5. **OBLIGATIONS OF Craft3.** Craft3 agrees to use on-site septic repair grant funds received from the County to maintain the Clean Water loan fund. Craft3 agrees to provide the following services in support of the RLF :
- a. **Revolving Loan Fund (RLF):** Craft3 shall provide loans to eligible property owners to cover the complete cost of on-site septic system repair or replacement or connection to sewer including permitting, engineering, installation, and on-going inspection and/or servicing.
  - b. **Eligible loan proceeds:** Eligible loan proceeds may cover the complete cost of on-site septic system repair for residential or small commercial properties including the cost of the design, permits, engineering, installation, origination fees, document fees, and on-going inspection and/or servicing. The definition of "small commercial" requires that the average daily flows from any one single business cannot exceed 3,500 gallons per day. Additional uses of proceeds may be approved upon written authorization by the County.
  - c. **Credit determination:** Craft3 shall be responsible for administration of the Clean Water Loan consistent with Craft3's Credit Policy. Craft3 has sole authority for adopting and implementing Credit Policy for the Clean Water Loan.
  - d. **Loan Documents/Security:** Craft3 shall issue loans from the RLF using loan documents it deems appropriate in accordance with state and federal loan requirements.
  - e. **Loan Rates & Terms:** The Loan rates, terms, and approval criteria were designed specifically to be accessible to borrowers with low incomes, and may be available to those with existing debt, and previous credit problems. Craft3 will offer the rates and terms provided in Attachment A. In the event that Craft3 needs or wishes to change loan rates and/or terms, Craft3 will consult with the County with a goal of achieving mutually agreeable rates and terms. However, Craft3 maintains sole authority for establishing rates and terms. Any changes to rates and terms will be consistent with State and Federal consumer lending regulations.
  - f. **Loan Servicing:** Craft3 is responsible for managing loan servicing according to its internal credit policy. Craft3 will provide loan servicing services including collections, enforcing/acting on default of loans. Craft3 will ensure that adequate processes and procedures are in place to ensure good credit quality management
  - g. **Manage Loan Loss Reserve:** In order to offset risk of loan defaults, Craft3 may establish a loan loss reserve using 100% private funds. In the event of a loss, Craft3 may transfer 100% of the cost of the loan from the Loan Loss Reserve into RLF fund for ongoing use in Pacific County.

- h. **Repaid loan principal.** Upon repayment by the original borrowers: Loan principal shall be incorporated into the RLF and be used to fund additional loans in Pacific County.
- i. **Marketing and customer assistance:** Craft3 shall collaborate with the County to build awareness of the loan. Craft3 will develop relevant loan collateral materials (e.g. website, brochure, loan application) and provide to the County for inclusion in outreach, mailings, and failure notices as well as to system installers, designers, maintainers, inspectors, realtors, pumping firms, and to the general public. Craft3 will provide loan information, application materials, and assistance to the public to loan applicants
- j. **Reporting:** Quarterly reports are due within 10 days of the last quarter end and shall include the following information:
  - i. Information required for County-reporting and invoicing to Ecology. For every loan-funded project completed during the previous quarter:
    - Total Loan Amount based on eligible uses of loan proceeds specified above in section 5b.
    - Location (project address, latitude and longitude, parcel number)
    - Amount of Ecology funds used
    - Amount of matching sources used
    - Narrative summary of activities completed
    - Certification that the property owner sought three bids and provided to the lender for retention in the file and are available for review upon request.
    - Reason why the property owner chose their contractor/bid.
    - Other data upon request, as required by Ecology and/or Pacific County.
  - ii. Other loan portfolio information upon request.
  - iii. Final report, using Ecology's required format, upon completion of the grant.

6. **PAYMENTS TO CRAFT3 FROM COUNTY.** A Project budget is provided in Attachment B. Craft3 shall be entitled to invoice the County for amounts up to 50% of total Clean Water Loans funded during the contract period. Total compensation to Craft3 from the County may not exceed \$165,000 for the loan portion. In no case shall the County be liable for any costs incurred and/or losses that exceed the above amounts.

Craft3 shall invoice the County using the required Department of Ecology documentation.

Craft3 shall submit for reimbursement only costs associated with funded loans for system repairs.

7. **NON DISCRIMINATION.** Craft3 shall not discriminate against any person on the basis of race, creed, political ideology, color, national origin, sex, marital

status, sexual orientation, age or the presence of mental, sensory or physical handicap.

8. RECORDS MAINTENANCE. Craft3 and the County shall retain all books, records, documents, and other material relevant to this Agreement for six years from the end of the grant term following the year in which the actual grant funds were directed to the County by Ecology. The County and Craft3 shall have full access and the right to examine any of these materials during this period, except that Craft3 shall have the right to maintain the confidentiality of borrower's personal financial records and Craft3's files pertaining to borrower's shall not be considered public records.
  
9. OWNERSHIP. Any and all data, reports, analyses, documents, photographs, pamphlets, plans, specifications, surveys, films or any other materials created, prepared, produced, constructed, assembled, made, performed or otherwise produced by the Craft3 or the Craft3's subcontractors or consultants for delivery to the County under this Agreement shall be the sole and absolute property of the County. Such property shall constitute "work made for hire" as defined by the U.S. Copyright Act of 1976, 17 U.S.C. § 101, and the ownership of the copyright and any other intellectual property rights in such property shall vest in the County at the time of its creation. Ownership of the intellectual property includes the right to copyright, patent, and register, and the ability to transfer these rights. Material which the Craft3 uses to perform this Agreement but is not created, prepared, constructed, assembled, made, performed or otherwise produced for or paid for by the County is owned by the Craft3 and is not "work made for hire" within the terms of this Agreement.
  
10. PUBLIC RECORDS ACT. This Agreement and all public records associated with this Agreement shall be available from the County for inspection and copying by the public where required by the Public Records Act, Chapter 42.56 RCW (the "Act"). To the extent that public records then in the custody of the Craft3 are needed for the County to respond to a request under the Act, as determined by the County, the Craft3 agrees to make them promptly available to the County. If the Craft3 considers any portion of any record provided to the County under this Agreement, whether in electronic or hard copy form, to be protected from disclosure under law, the Craft3 shall clearly identify any specific information that it claims to be confidential or proprietary. If the County receives a request under the Act to inspect or copy the information so identified by the Craft3 and the County determines that release of the information is required by the Act or otherwise appropriate, the County's sole obligations shall be to notify the Craft3 (a) of the request and (b) of the date that such information will be released to the requester unless the Craft3 obtains a court order to enjoin that disclosure pursuant to RCW 42.56.540. If the Craft3 fails to timely obtain a court order enjoining disclosure, the County will release the requested information on the date specified.

The County has, and by this section assumes, no obligation on behalf of the Craft3 to claim any exemption from disclosure under the Act. The County shall not be liable to the Craft3 for releasing records not clearly identified by the Craft3 as confidential or proprietary. The County shall not be liable to the Craft3 for any records that the County releases in compliance with this section or in compliance with an order of a court of competent jurisdiction.

11. INDEMNIFICATION. Craft3 and the County shall, at all times during the term of this Agreement and thereafter, indemnify and hold each other, and each other's governing boards, officers, employees, and affiliates, harmless against all claims and expenses, including legal expenses and reasonable attorney's fees, that may be suffered or incurred, arising out of the death or injury to any person or persons or out of any damage to property, and against any other claim, proceeding, demand, expense, and liability of any kind relative to this Agreement which directly resulted from or was caused by the negligence of the indemnifying party, its officers or employees with respect to the indemnifying party's obligations under this Agreement. It is understood that septic system designers, installers, operation and maintenance specialists and other agents or contractors of Craft3 have no relationship to the County or Craft3, and that the County and Craft3 provide no guarantee or assurance of their performance, or the performance of any on-site septic system financed or repaired under this Program.
12. AGREEMENT ALTERATIONS AND AMENDMENTS. Craft3 and the County may mutually amend this Agreement. Such amendments shall not be binding unless and until they are in writing and signed by personnel authorized to bind Craft3 and the County.
13. TERMINATION. Except as otherwise provided in this agreement, either party may terminate this Agreement upon 30 days written notification. If this Agreement is so terminated, the terminating party shall be liable only for performance in accordance with the terms of this Agreement for performance rendered prior to the effective date of termination. In the event of termination, any loan funds committed to the borrower by Craft3 will be available for invoicing upon loan funding. Any funds not committed to a loan would then be de-obligated.
14. SAVINGS. In the event funding from the State of Washington or other sources is withdrawn, reduced, or limited in any way after the effective date of this contract and prior to normal completion, the County may terminate the contract under the "Termination" clause, subject to renegotiation under those new funding limitations and conditions.
15. DISPUTES. The parties shall make every effort to resolve disputes arising out of or relating to this Agreement through discussion and negotiation. Should discussion and negotiation fail to resolve a dispute under this Agreement, the parties shall each appoint a member to a Dispute Board. The Dispute Board shall evaluate the dispute and make a determination of the dispute. The majority

determination of the Dispute Board shall be final and binding on the parties hereto.

16. COMMUNICATION. The County and Craft3 shall make the best efforts to coordinate public communication, marketing, and promotions in ways which ensure consistent and clear communication to all concerned parties.

17. ALL WRITING CONTAINED HEREIN. This Agreement contains all the terms and conditions agreed upon by the parties. No other understanding, oral or otherwise, regarding the subject matter of this Agreement shall be deemed to exist or to bind any of the parties hereto.

IN WITNESS WHEREOF, parties have executed this agreement.

APPROVED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2015

CRAFT3

BOARD OF COMMISSIONERS  
PACIFIC COUNTY, WASHINGTON

  
\_\_\_\_\_  
David Oser, CFO

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Marie Guernsey  
Clerk of the Board

Risk Management Reviewed  
Risk Mgr Initials KS Date 8-18-15  
 Legal Review Requested  
Prosecutor Review/Approved as to Form  
Signature/Date \_\_\_\_\_

ATTACHMENT A

The following chart summarizes the loan terms current as of \_\_\_\_\_.

<b>Craft3 Clean Water Loan Termsheet</b>			
<b>Borrowers</b>	Eligible borrowers include residential and small commercial property owners (commercial systems with up to 3,500 gal/day) authorized to do business in the state of Washington. Properties need not be owner occupied.		
<b>Use of proceeds</b>	100% of the cost of the septic system design, permits, repairs, replacement, and up to \$1,750 for ongoing inspections, operations & maintenance, and minor repairs ( <i>No interest is charged until the funds are utilized.</i> ) In certain areas, upon approval by the local health jurisdiction or County, loans may also cover the cost of connection to the municipal sewer system. Commercial properties may apply for loans. Depending on the funding source and their geographic location, borrowers may be eligible for subsidized "clean water" rates or Craft3's standard business lending rates.		
<b>Loan Amount</b>	\$5,000 – \$50,000 <i>Other amounts may be considered on a case-by-case basis at the discretion of Craft3</i>		
<b>Residential Loan Rates &amp; Terms</b>			
<b>Annual Household Income</b>	<b>Up to \$35,000</b>	<b>\$35,001 - \$55,000</b>	<b>Greater than \$55,001</b>
<b>Interest rate*</b>	1.99% fixed (2.08% APR)	3.99% fixed (4.42% APR)	4.99% fixed (5.72% APR)
<b>Fees</b>	<i>All eligible fees are incurred by borrower and financed through the loan. No fees are paid by the County.</i>		
<b>Craft3 Loan Fee</b>	\$150	\$150	\$150
<b>Document Fee</b>	\$350	\$350	\$350
<b>Third Party Fees*</b>	\$200	\$200	\$200
	<i>*Estimated figure above. Borrower pays only fees incurred. - e.g. credit report, title insurance.</i>		
<b>Payment Schedule**</b>	No monthly payments required, interest accrues.	Monthly interest only payments.	Monthly principal and interest payments.
<b>Term</b>	15-year with option to renew	15-year with option to renew	15 year term
<b>Prepayment option</b>	No prepayment penalties		
<b>Commercial Rates &amp; Terms</b>	Commercial rates and terms are developed on a case-by-case basis depending on the project. Typical Clean Water rates/terms are as follows, but final rates are determined on an individual basis:		
	<b>Loan amounts under \$50,000:</b>	<b>Loan amounts over \$50,000:</b>	
	Rate: 4.99% Term: up to 60 months Payments: monthly principal & interest	Rate: 5.99% Term: up to 84 months Payments: monthly principal & interest	
<b>Loan Disbursement</b>	Craft3 allows for multiple disbursements of loan proceeds. Typical projects include an up-front disbursement upon Craft3's receipt of		

Craft3 Clean Water Loan Termsheet															
	signed loan documents and written request by the borrower. A final loan disbursement is made after the project is approved by both the borrower and the County.														
<b>Loan Repayment &amp; Security</b>	Loans are secured with a lien on the septic system via UCC-1a filed with the county. Craft3 is willing to take subordinated positions, (e.g. 2 <sup>nd</sup> , 3 <sup>rd</sup> , etc. position)														
<b>Underwriting Criteria</b>	<p>Craft3 reviews applications for major risk factors, such as delinquent taxes, delinquent mortgage, and bankruptcy. Then Craft3 evaluates credit history, income, tax assessed value of the home, and make a credit decision. To support our goal of expanding access to capital, Craft3 takes a 'risk-layering' approach to enable us to assist customers who have had modest credit challenges (i.e. qualifying credit score of 640 with a recent mortgage 30-day late), or an isolated more significant credit challenge (i.e. qualifying credit scores as low as 590, or a bankruptcy discharged 12 months ago). Craft3 prefers the subject property loan-to-value ratio to be under 100% of the assessed value, but can accommodate scenarios of 120% or higher which helps maximize inclusion for customers whose property values have been adversely affected by the recent declines in the housing market. General underwriting guidelines are as follows, though Craft3 reserves the ability to make alternative credit decisions on a case-by-case basis.</p> <table border="1"> <thead> <tr> <th>Max Debt to Income</th> <th>Max Loan to Value</th> <th>Min Credit Score</th> <th>Mortgage Payment History</th> <th>Typical allowable bankruptcy history</th> </tr> </thead> <tbody> <tr> <td>&gt;50%</td> <td>&lt;120%</td> <td>590</td> <td>Up to 2, 30-day lates in last 12 mo.</td> <td>Discharged/dismissed 12+ mo.</td> </tr> </tbody> </table>					Max Debt to Income	Max Loan to Value	Min Credit Score	Mortgage Payment History	Typical allowable bankruptcy history	>50%	<120%	590	Up to 2, 30-day lates in last 12 mo.	Discharged/dismissed 12+ mo.
Max Debt to Income						Max Loan to Value	Min Credit Score	Mortgage Payment History	Typical allowable bankruptcy history						
>50%						<120%	590	Up to 2, 30-day lates in last 12 mo.	Discharged/dismissed 12+ mo.						
<b>Underwriting Criteria continued</b>															
<b>Loan Application</b>	A "paper" copy of the application is enclosed and a fully-integrated online application is available at <a href="http://www.craft3.org/cleanwater">www.craft3.org/cleanwater</a> .														
<b>Loan Origination Procedures &amp; Schedule</b>	<p>Craft3 is committed to providing great customer service, quick decision making, and compliance with consumer lending regulations. The following are the general procedures and schedule for receiving applications and originating clean water loans.</p> <p><b>Customer may apply before or after completion of a final design and/or bid.</b></p> <p><b>Upon submission of application (online or paper):</b></p> <p><b>Preapproval:</b> Initial underwriting completed and preapproval decision communicated to borrower (aprox. 3 business days). <i>Preapproval is subject to ID and income verification.</i></p> <p><b>Finalizing project scope/application documentation:</b> Craft3 loan officer works with applicant to collect project documents (e.g. <i>design, design approval, permits, bid/scope of work</i>) and establish final loan amount. If needed, Craft3 can make its design advance loan available to assisting with the cost of the design and permits.</p> <p><b>Loan Closing:</b> Loan documents mailed to borrower for remote or in-office signing.</p> <p><b>Initial disbursement to contractor</b> is provided upon receipt of final signed loan documents. These funds help contractors with up-front material and labor costs.</p> <p><b>Contractor paid balance due:</b> upon project completion, receipt of signed final invoice, and county approval.</p>														

**Craft3 Clean Water Loan Termsheet**

*\*APR, Annual Percentage Rate*

*\*\*Loan availability, terms, and conditions current as of 9/1/2014, and are subject to change. Residential property examples include financing of standard third party and lender loan fees totaling approximately \$725. Not all applicants will qualify. Equal Housing Lender. Craft3 NMLS ID#390159.*

*Principal balance and interest (if applicable) due on sale, transfer, refinance, or maturity. If, after 15 years, homeowner has not sold, refinanced, or otherwise transferred ownership of the property, is in compliance with the loan agreement, and meets relevant lending/program criteria, the loan period may be extended, at the lender's sole discretion, for up to an additional five years.*

ATTACHMENT B

Total Project Budget

<b>Funding Source Use of Proceeds</b>	Ecology Centennial Grant funds	Craft3 Match	Total
Loan Capital	\$165,000	\$165,000	\$330,000
Total Funds Available	\$165,000	\$165,000	\$330,000