

Sitka Community Development Corporation Community Land Trust Stewardship Policies and Procedures

Sitka Community Development Corporation's Community Land Trust program is, on behalf of the community it serves, committed to long-term stewardship of the homes in its portfolio and to the households that own these homes. We have made – and will continue to make – substantial commitments to a range of constituents and stakeholders:

- To homeowners, we commit to monitor and enforce their compliance with the terms of the ground lease they signed; to “stand behind” them and assist their efforts to be successful; and to manage the resale of their home, should they ever choose to sell.
- To public and private funders, subsidy providers and lenders, we commit to preserve housing affordability forever; to protect and leverage affordability subsidies provided to create that affordability; and to assure that the quality of homes in our portfolio is maintained and the prospects for the success of our homeowners is enhanced.
- To our community and its neighborhoods, we commit ensure that our homeowners behave appropriately, follow the rules, and maintain their homes; and that the value of our CLT homes retain their market value, even as we limited their resale prices.
- And to ourselves, as a community organization and a nonprofit business, we commit to remain true to our mission and purposes and to develop and maintain the capacity needed to manage these responsibilities effectively for a long, long time.

Stewardship is essential to the operations of our community land trust (CLT) program. Any nonprofit organization and/or municipal entity can create an affordable housing unit. What distinguishes Sitka CDC's CLT program is our commitment to stay in the deal, *after* the homeowner moves in:

- ✦ To monitor and enforce homeowner compliance to the terms of the deal
- ✦ To provide or arrange for additional support to help homeowners remain successful as homeowners – and, to the extent possible, to achieve their personal goals
- ✦ To preserve and leverage the benefit of the subsidy resources that we have secured to create the initial affordability of each of your homes
- ✦ To preserve the quality and condition of each of the affordably priced homes in our portfolio as community assets, assuring each home is well kept and maintained, regardless of what happens to the homeowner
- ✦ To manage the resale of each home in the event the homeowner ever moves on, whether voluntarily or involuntarily
- ✦ To arrange for the resale of each of the homes in our portfolio at an affordable price to another local, limited-income family – and start the process all over again.

The Stewardship of Homeownership

As it the case with other community land trusts in operation across the country, Sitka CDC's CLT program, has three major goals for the stewardship of our homeowners and the homes they occupy: preserving housing affordability; promoting housing quality; and protecting housing security. Accordingly, our homeownership stewardship program is committed to managing and coordinating the following basic duties:

Preserving housing affordability – The minimal duties of stewardship in this area include:

- Maintain a waiting list of income-eligible, potential buyers for the purchase of resale-restricted homes that come up for sale
- Inspect homes at time of resale
- Oversee any necessary rehabilitation and upgrades before sale to next buyer
- Calculate the formula-driven resale price
- Inform prospective buyers of the restrictions and conditions, as well as the benefits of buying, owning and selling a Sitka CDC CLT home
- Oversee the transfer of homes, ensuring their purchase, at affordable prices, by income-qualified buyers

Promoting housing quality – The minimal duties of stewardship in this area include:

- Mandate the upfront installation of more durable materials and energy-efficient systems
- Prepare homeowners for the maintenance responsibilities of homeownership
- Inspect periodically the condition and repair of homes
- Maintain reserves for unexpected repairs and necessary replacements

Protecting housing security – The minimal duties of stewardship in this area include:

- Screen and approve all homebuyer/homeowner mortgage financing and refinancing, preventing predatory lending and/or overleveraged borrowing
- Prevent the attachment of liens
- Maintain adequate insurance coverage
- Secure equitable taxation of resale-restricted homes, preventing the displacement of homeowners unable to pay taxes on real estate profits they cannot claim as their own
- Monitor homeowner payment of taxes and insurance
- Regulate subletting
- Intervene, as needed, to cure mortgage defaults and prevent foreclosures

Stewardship Policies and Procedures

As a community land trust, Sitka CDC's CLT program is obliged to complete number of stewardship tasks and activities. Attached below, as Exhibit A, is a document labeled "Programmatic Requirements for Administering a Portfolio of Resale-Restricted, Owner-Occupied Homes", which provides a general overview of the stewardship obligations to which Sitka CDC and its CLT program are committed.

In order to manage these stewardship responsibilities successfully, Sitka CDC's Community Land Trust program has developed and adopted specific policies, procedures and protocols, in areas ranging from communication to recordkeeping, from monitoring to enforcement. These stewardship policies and procedures include:

Communication and relationship building with homeowners

It is likely easier to remind homeowners of use restrictions than to enforce them, as enforcement, if it gets to that point, is almost certain to require a significant commitment of time and human resources.

1. SCDC will maintain frequent communication and interaction with our homeowners to help minimize noncompliance issues. Types of communication and interactions we will use, include:
 - a. Face-to-face meetings and informal conversations
 - b. Informal correspondence– e.g., newsletter with homeowner resources or home maintenance tips
 - c. Formal correspondence, when appropriate – e.g., an annual letter reminding homeowner of their requirements and other details regarding their CLT homeownership (e.g., what they would be able to sell their home for right now)?¹
2. Additionally, SCDC will seek to provide or arrange for homeowner access to support, assistance, and services to help homeowners remain successful as homeowners. These resources could include:
 - a. Financial education – e.g., how to manage a household on a limited budget; etc.
 - b. Assistance with setting up neighborhood watch programs
 - c. Tax preparation information
 - d. Information on how to be successful homeowners (e.g., how to manage homes for maximum energy efficiency, etc.)
 - e. Provide annual courtesy Fire and Life Safety Inspections

Use Restrictions

Sitka CDC's CLT program will monitor and enforce homeowners' responsible use of the homes they own and the land they lease, per the restrictions stipulated in the ground lease.

1. Staff will monitor homeowner use requirements through periodic visits and inspections, including annual drive-by inspections.
2. Staff will respond to neighborhood complaints by return telephone; if warranted, face-to-face meetings will be arranged with neighbors expressing serious complaints.
3. When there is suspicion of noncompliance with stipulated use requirements, staff will provide 48-hour notice to homeowner and will do walk-around of leased land.
4. In events when there is suspicion of illegal activities taking place at the home, staff will immediately contact Police Department, as appropriate.
5. If illegal activities are found to be taking place, staff will notify board of directors, requesting action to declare default on ground lease and force a resale, terminating the homeowner's right of ownership.

Repeated and/or egregious noncompliance constitutes grounds for declaring a default on the ground lease and beginning proceedings to remove the homeowner. SCDC must give advance notice of – and the right to cure – to the mortgage lender, before declaring a homeowner in default for non-compliance.

Owner-Occupancy

The SCDC CLT ground lease (Article 4.4) requires owner occupancy, stipulating in its ground lease that homeowners must occupy their home as their primary residence. Specifically, each homeowner must comply with the annual presence/absence requirements of the Permanent

¹ A sample letter to homeowner can be provided.

Fund Dividend (PFD) program (i.e., no absence of more than 90 days consecutively or 180 days in total in every calendar year), unless otherwise agreed by CLT. Proof of PFD qualification must be submitted each year to SCDC. Staff will collect, record and file a copy of PFD deposit from each homeowner to certify compliance with this occupancy requirement – and will do so once each calendar year.

Any suspicion or evidence that a homeowner is not meeting the occupancy requirement will automatically trigger an on-site physical inspection of the premises and call for a face-to-face meeting with the homeowner in question, to be held within three (3) business days. Should SCDC discover that one of its homeowners is in noncompliance of the occupancy requirement, SCDC shall notify the homeowner of the noncompliance by certified mail, providing a 30-day timeframe for correcting the deficiency. If the homeowner does not comply within this timeframe, SCDC's board of directors will authorize staff to proceed to declare a default on the ground lease.

Sitka CDC's CLT program will, on a case-by-case, as-needed basis, consider homeowner requests for temporary deviations from the residency requirement stipulated in the ground lease. SCDC may determine to temporarily waive the occupancy requirement in order to accommodate hardship and other real life circumstances for a particular homeowner. In the event that SCDC permits a homeowner to take a *leave of absence* from the home, this decision will include a determination if the homeowner will be permitted to sublease the home during his/her absence. In the event that subleasing is allowed, provisions of Article 4.5 of the South Florida Community Land Trust Ground Lease will govern the sublease.

Noncompliance with this requirement constitutes grounds for declaring a default on the ground lease and beginning proceedings to remove the homeowner. SCDC must give advance notice of – and the right to cure – to the mortgage lender, before declaring a homeowner in default for non-compliance.

Renting and Subletting

Like most CLTs, SCDC requires that its CLT homeowners may not sublet their homes, except in very specific hardship situations and only with the advanced written approval of the board of directors.

SCDC will intervene if a homeowner has illegally sublet his/her home. In these situations, SCDC's options include:

- a. Charging a fine to the noncompliant homeowner/leaseholder until owner-occupancy is reestablished
- b. Evicting the tenant and declare a default on the ground, beginning proceedings to remove the homeowner from the home and arrange the sale to another qualified household.

Noncompliance with this requirement constitutes grounds for declaring a default on the ground lease and beginning proceedings to remove the homeowner. SCDC must give advance notice of – and the right to cure – to the mortgage lender, before declaring a homeowner in default for noncompliance.

Payment of Home Loan(s)

Working with Homeowners

SCDC will ensure that no mortgage securing a loan borrowed by one of its homeowners is tied to the SCDC's fee interest in the land by executing its rights under the ground lease to review and approve (and disapprove, as needed) all home loans borrowed by its homeowners – including initial home purchase, first-position mortgage loans; refinancing; home equity loans and lines of credit.²

As an additional protection, SCDC may consider filing a performance deed, if appropriate, to assure that the non-negotiable, lease-stipulated right of SCDC to approve all home mortgage financing will always surface in a title search.

Additionally, staff will communicate regularly with SCDC'S CLT homeowners regarding their mortgage payments, to remind homeowners of the ground lease-stipulated requirement (Article 8.3) that they *must* notify SCDC by written correspondence – and receive approval from SCDC – before they ever change their original home purchase financing (whether for refinancing or for home equity, 2nd mortgage loans).

Noncompliance with this requirement constitutes grounds for SCDC to declare a default on the ground lease and begin proceedings for removal of the homeowner. SCDC must give advance notice of – and the right to cure – to the mortgage lender, before declaring a homeowner in default for non-compliance.

Working with Lenders and Loan Servicers

Sitka CDC's CLT program's interests in the home are in jeopardy if a homeowner fails to make his or her mortgage payments.

It is important for SCDC to know if an individual's loan payments are late, but not necessarily yet in default – particularly in the event that the homeowner does not notify SCDC that she/he is delinquent in payments. For this reason, SCDC has developed and implemented a "Standard Permitted Mortgage Agreement" [referenced in Article 8.4 of the Sitka CDC's CLT program ground lease and found in Exhibit: "Permitted Mortgage", Section C.] that is to be signed by the Mortgagee and the homeowner. This "Standard Permitted Mortgage Agreement", among other terms and conditions, gives SCDC permission to communicate directly with the lender and requires the lender (and/or its servicer) to notify SCDC in the event the homeowner is in mortgage default.

Dealing with Arrearages

In the event that one of its homeowners is found in arrears on his/her mortgage financing, SCDC may take one or more of the following actions, depending on the situation and circumstances:

1. Work with the homeowner to bring the loan payments current.
2. Work with the loan servicer and/or lender to see if a workout plan is possible.

² An outline of "Permitted Mortgages", that SCDC staff can use to approve (or deny) permitted mortgages per the terms of the ground lease, is currently being prepared by Burlington Associates and the National CLT Network.

3. Exercise the lease-stipulated right to stall the foreclosure process for 120 days, in order to give SCDC and the homeowner time to try to work out the default and bring payments current.
4. Work with the homeowner to resell the home, at the Purchase Option Price, to an eligible buyer and use the proceeds of sale to repay the outstanding balance.
5. In very rare circumstances, make payment(s) on behalf of the homeowner as needed to keep mortgage payments current, in order to avoid foreclosure on the mortgage. Any such payments made by SCDC on behalf of the homeowner shall be collected by adding a *pro rata* payment to the monthly Lease Fee or by placing a lien on the home for the amount paid and reduce the Purchase Option Price by this amount at the time of resale.

In order to minimize the possibilities and risks of foreclosure, actions that SCDC is prepared to take include:

1. Determine other resources available that may be of assistance to SCDC homeowners to help them avoid foreclosure – and make these available to its CLT homeowners through education and referral.
2. Arrange access to specialized legal counsel to help explore options and to work through the process of dealing with a homeowner in default and/or a foreclosed home.

Additional Liens

Article 7.4 of the Sitka CDC's CLT program ground lease stipulates that an SCDC CLT homeowner cannot permit a lien of any type to attach to SCDC's title to the Leased Land – and any lien that is filed against the homeowner's home or the land leased from SCDC must be discharged by actions of the homeowner within sixty (60) days after it has been filed.

SCDC will ensure that no additional liens are placed on the property by reviewing title reports for any additional liens. These title reviews will be conducted by staff on each of the homes in SCDC' CLT portfolio every six (6) months.

Repeated noncompliance constitutes grounds for declaring a default on the ground lease and beginning proceedings to remove the homeowner. SCDC must give advance notice of – and the right to cure – to the mortgage lender, before declaring a homeowner in default for non-compliance.

Payment of Taxes

Because SCDC has a long-term interest in each of the homes in its portfolio, this interest, as well as its investments, are at risk in the event a homeowner ever fails to pay the real estate taxes on his or her home. Consequently, it is imperative that SCDC ensure that taxes are paid on time.

To assure timely payment, SCDC will, whenever possible, ask lenders providing home purchase financing to require escrow payment of property taxes, as part of a homeowner's monthly mortgage payment.

Additionally, staff will monitor tax payments by its homeowners through on-line verification. Real estate taxes are typically due by the end of August of every calendar year. Staff will

contact each homeowner by September 30 of each calendar year to receive verification that real estate taxes have been paid in full. Documentation that taxes are fully paid includes: copy of cancelled check; receipt from the City; verification from mortgagee (if real estate taxes are escrowed); or some other form deemed acceptable by SCDC.

SCDC staff will act if these taxes are not paid. In the event that staff discovers that one of its CLT homeowners owes back taxes, the following enforcement steps will be taken:

1. Staff will contact the homeowner to check on how she/he is doing and to determine why taxes have not been paid.
2. If, ten (10) days after this meeting, the taxes have not been paid, staff will arrange a face-to-face meeting with the homeowner, during which an action plan – identifying reasonable steps to be taken to bring the payments current and stipulating an end date for full compliance – will be negotiated. This plan will be written and signed by both parties.
3. If the taxes are not paid by the homeowner by the date stipulated in the agreement, SCDC may elect to pay the taxes owed and place a lien on the home for the amount paid and reduce the Purchase Option Price by this amount at the time of resale.

Noncompliance constitutes grounds for declaring a default on the ground lease and beginning proceedings to remove the homeowner. SCDC must give advance notice of – and the right to cure – to the mortgage lender, before declaring a homeowner in default for non-compliance.

Payment of Insurance

Like other CLTs, Sitka CDC's CLT program must make sure that the homeowner is covered for liability claims, that SCDC is named as an additional insured, and that the coverage for each homeowner – for both liability and fire and hazard – is sufficient. SCDC cannot afford to risk losing a home, due to an insurance claim nor does it want any of its homeowners – or SCDC – to be exposed to undue liability. Accordingly:

SCDC will monitor continuity or sufficiency of homeowner insurance coverage by:

1. SCDC will require that it be listed as an additional insured on each of its homeowners' policies and, as a result, will receive direct notification from the insurance company of each homeowner's coverage.
2. Additionally, SCDC will require that homeowners provide SCDC with a copy of their policy, each year on its renewal date. Once received, SCDC will review the policy, record compliance with this requirement, and file the policy in its records.

In the event that SCDC discovers that insurance coverage for any of its homeowner's is inadequate or has lapsed, staff will take the following actions:

1. Contact the homeowner to remind him/her of the requirement to correct the problem and to establish a short-term deadline for doing so.
2. If needed – and as able – pay the insurance owed and collect the amount by adding a *pro rata* payment to the monthly Lease Fee or by placing a lien on the home for the amount paid and reduce the Purchase Option Price by this amount at the time of resale.

Repeated noncompliance constitutes grounds for declaring a default on the ground lease and beginning proceedings to remove the homeowner. SCDC must give advance notice of – and the right to cure – to the mortgage lender, before declaring a homeowner in default for non-compliance.

Payment of Monthly Lease Fee

Sitka CDC's CLT program requires homeowners to pay a monthly Lease Fee to the organization.

These monthly fees provide revenue to help cover SCDC's ongoing operating costs. Additionally, SCDC can rely on the payment (or non-payment) of these fees as the basis for an ongoing relationship with the homeowner – in a support capacity to remind homeowners that SCDC continues to be involved in the homeownership experience and in a *monitoring* capacity as nonpayment of the fee can indicate a financial problem. To cement the gravity of its role not only as housing sponsor but also as homeowner advocate, SCDC has developed the following procedures to ensure its monthly fee is paid by each homeowner in full and on time.

Article 5 of the Sitka CDC's CLT program ground lease stipulates that the Lease Fee in the amount of \$50.00 monthly is due and payable to SCDC on the first (1st) day of every month. Payment is delinquent and outstanding if payment is not received by the fifth (5th) of the month, at which time a letter will be sent to each homeowner, reminding him/her of the need to bring payments current immediately. At its discretion, SCDC may require the homeowner to pay interest up to, but not exceeding fifty percent (50%), accruing monthly, on the unpaid amount from the date payment is due through and including the date payment in full or, if agreed by SCDC, of installment payment. This interest is deemed additional Lease Fee by SCDC and shall be paid by homeowner on demand by SCDC. However, SCDC will waive payment of interest if the homeowner makes payment of the outstanding Lease Fee and this payment is received by SCDC on or before the 30th day of the month in which the payment was due and payable.

Any SCDC homeowner will be considered in default of his/her ground lease in event of protracted nonpayment of monthly Lease Fees.

1. After the 30th of the first month for which payment has not been made, staff will contact the homeowner – either by phone or in person – regarding this delinquency, inquiring how the homeowner is doing and, unless there is a serious problem, reminding them that payment for the month outstanding plus the next month's fee is due and payable on the first of the immediately following month.
2. On the 15th day of the second consecutive month of unpaid Lease Fees, staff will send a collection letter to the homeowner, invoicing for immediate payment of the full amount owed, plus interest, and notifying the homeowner she/he is in danger of being held in default.
3. On the 15th day of the third consecutive month of unpaid Lease Fees, staff will send another collection to the homeowner, demanding immediate payment and giving notice that, if full payment of the amount outstanding – plus interest – is not made by the end of the month, SCDC will declare a default on the ground lease and proceedings will begin to remove the homeowner.

Repeated noncompliance constitutes grounds for declaring a default on the ground lease and beginning proceedings to remove the homeowner. SCDC must give advance notice of – and the right to cure – to the mortgage lender, before declaring a homeowner in default for non-compliance.

Improvements to Home

Sitka CDC's CLT program ground lease allows homeowners to make capital improvements to their homes only with prior written approval from SCDC – and subject to certain conditions. In order to monitor and manage this process, SCDC has developed and will enforce the following procedures:

“Improvements” are defined as any construction or rehabilitation activity that requires a building permit.

1. SCDC will review each request received from a homeowner, asking for permission make capital improvements to his/her home, on a case-by-case basis – and SCDC may elect to allow or disallow requested improvements. Additionally, SCDC may place limits on the amount of improvements a homeowner can put in his or her home. Decisions by SCDC to disallow or to limit the amount of improvements allowed to be made may be made at SCDC's sole discretion – and generally out of an interest in ensuring the quality and affordability of the home for future, eligible homebuyers.
2. In reviewing a homeowner's request to make capital improvements to his/her home, SCDC will – through a means test – evaluate the homeowner's capability to finance and complete proposed improvements.
3. No special compensation or credit will be provided at resale for the cost or value of post-purchase improvements made by a SCDC homeowner.

Condition of the Home

As a community land trust, SCDC must ensure that the homes in its portfolio remain affordable over the long term. Its monitoring needs to ensure that protection of affordability must go hand-in-glove with preservation of each home's structural integrity. Steps SCDC will be prepared to take to ensure its CLT home remain in good condition include:

1. SCDC will monitor the condition of each home in the portfolio via a drive-by or a site inspection at least once annually. Additionally, certain events may trigger an on-site inspection as allowed in Article 4.6 of the SCDC CLT ground lease, These include:
 - a. Receipt of Homeowner's Notice of Intent to Sell;
 - b. Notification of unusual or illegal activity at the home;
 - c. Notice that the homeowner is refinancing;
 - d. Notice of default from lender;
 - e. Paper audit identifies potential lack of compliance with occupancy requirement.
2. SCDC will support its goals for preservation, maintenance and upkeep of the homes in the CLT's portfolio in a number of ways, including providing supporting information about maintenance and upkeep to its homeowners.³ Additionally, SCDC will require homeowners to set aside reserve funds for maintenance and upkeep –

³ A sample maintenance policy can be made available.

- and, to the extent possible and, as appropriate, will seek to secure additional financial resources to support homeowner-provided home maintenance.
3. SCDC may wish to compel a homeowner to address deferred maintenance and repair needs prior to resale. In order to do so, SCDC will need to be able to document the condition of the home at initial purchase and prove that it has not been properly maintained. This will be done by using SCDC's "Initial Conditions Checklist".
 4. In the event that the home has not been maintained and there is deferred maintenance, SCDC's options include:
 - a. Provide financial support for maintenance expenses in the form of a loan.
 - b. Let the market correct for the poor condition of the home (i.e., the home returns less value to the homeowner/seller at resale)
 - c. Rely upon lender requirements – i.e., an incoming homebuyer cannot finance the home purchase unless certain components are fixed. In these situations, SCDC may pay for the cost of the required repairs/deferred maintenance, prior to resale and deduct this amount from sale proceeds of seller.

The ground lease (Article 10.13) stipulates that SCDC may inspect the home upon receiving notice of intent to sell and hire a home inspector to assess the condition of the home. In turn, the homeowner is required to make (and pay for) necessary repairs before the home can be made available for sale.

Sitka CDC Community Land Trust Home Repair and Replacement Reserve Fund Policy

A Monthly Home Repair and Replacement Reserve Fund is established at the commencement of this Lease and will be funded by the monthly Home Repair and Replacement Reserve Fund stipulated in Section 5.1 and collected by CLT. At its discretion, CLT may, from time to time, add funds to this Home Repair and Replacement Reserve Fund.

The Homeowner and CLT acknowledge that the Homeowner is responsible for all maintenance and repair of the Home, as set forth in this Lease. As an additional assurance that all Homeowners are able to comply with their maintenance and repair obligations, the CLT and the Homeowner agree that a Home Repair and Replacement Reserve Fee will be collected from the Homeowner as part of the Monthly Fee, and held as a reserve by the CLT for the capital maintenance of specific portions of the Home.

- a. **Release of Funds:** Policies and procedures for the use of Home Repair and Replacement Reserves are specified in Exhibit J: HOME REPAIR AND REPLACEMENT RESERVES. The CLT may reasonably withhold Home Repair and Replacement Reserve funds if the requested use is for purely aesthetic exterior alterations (such as a change in paint color when existing paint is still in good condition) or to repair items damaged by neglect.
- b. **Reserve Funds are Nonrefundable:** The Home Repair and Replacement Reserves are explicitly the property of the CLT, but may only be used for the capital maintenance of the Property. The Homeowner acknowledges that the Home Repair and Replacement Reserves are intended for, and shall remain with the Home and not the Homeowner. In the event that the Home is sold or transferred

- by the Homeowner, the unused Home Repair and Replacement Reserves will be retained by the CLT for the future capital repairs or replacements of the Home.
- c. **Costs in Excess of Reserves:** Any capital costs that exceed the amount of available Home Repair and Replacement Reserves will be borne by the Homeowner.
 - d. **Yearly Report upon Request:** No later than September 30th of each year, the CLT will make available, upon the Homeowner's request, a detailed report of Home Repair and Replacement Reserve transactions for the prior fiscal year.

EXHIBIT J: HOME REPAIR AND REPLACEMENT RESERVES

Reserves collected through the Homeowner's monthly Home Repair and Replacement Reserve Fee are explicitly the property of the CLT, but may only be used for the capital maintenance of the Property.

Use of Reserve Funds: The Home Repair and Replacement Reserves will be administered by the CLT, and the CLT will decide which capital repair or replacement costs are eligible for the use of the Reserves and shall specify those costs when the fund is established. Homeowner may request release of funds prior to completing the necessary repairs or replacements and the CLT shall inform the Homeowner of the eligibility of the proposed expenses and the amount of funds available in the fund for use in such repairs. Upon satisfactory completion of the work and evidence of the expenses incurred, the CLT shall release funds up to the amount quoted, at its sole discretion, if the requested use is found to be necessary and in accordance with the Reserve's intended use.

Homeowner remains solely responsible for the repair and replacement of the above listed capital components. System components will be replaced with products of comparable quality and features. During a system replacement, the Homeowner may opt to replace components with higher rather than comparable quality products. In this case, the Homeowner will pay the cost difference between the comparable quality and the higher quality product.

It is incumbent upon the Homeowner to notify the CLT immediately of any deficiencies in the above capital systems. Damages resulting from failure to make prompt notice of deficiencies are the responsibility of the Homeowner.

Exclusion of Items Covered by H/COA Dues: In communities with homeowner or condominium owner associations, a portion of the above capital repair and/or replacement costs may be covered by the owner association dues. In this case, capital items that are specifically the responsibility of the owner association are explicitly excluded from coverage under the Home Repair and Replacement Reserves. The Homeowner's monthly Home Repair and Replacement Reserve Fee will be adjusted to reflect coverage of these items under the owner association dues.

Reserves. The Homeowner's monthly Home Repair and Replacement Reserve Fee will be adjusted to reflect coverage of these items under the owner association dues.