

## Lease Fee Policy Summary

On Thursday, March 23, 2023 the One Roof board of directors adopted a change to the existing Lease Fee Collection Policy. The new policy provided in its entirety below states a 2.5% fee will be assessed at the end of each quarter to the balance of the account that are \$400 or more in arrears unless the homeowner contacts One Roof to do one of two things:

- 1) Establish a payment plan in writing with One Roof. The homeowner's payment plan can look like whatever works for the homeowner as long as they pay the current monthly lease fee amount (2023=\$35/month). For example: homeowner can pay their account in full, start paying the current monthly lease fee at \$35/month, pay \$35 plus additional to pay toward the balance, etc.
- 2) If homeowner is unable to financially afford to pay anything toward their lease fees, they will need to fill out a Financial Hardship Claim form and meet with a financial counselor during the existing quarter in order to not be assessed a fee.

**Having lease fee arrears will impact future property tax savings eligible for Community Land Trust homeowners.**

In early 2023, after intensive advocacy by One Roof and other community land trusts around the state, the state legislature passed the 4D Property Tax Rate bill which made Community Land Trust homes in MN eligible for the 4D property tax classification at a .75% rate of what they currently are paying. Meaning if your home has an assessed tax value of \$100,000, under this change you would now have an assessed tax value of \$75,000. This will take effect in the 2024 assessment year, meaning savings on taxes payable will be in 2025 and 2026. **This property tax savings is only available to community land trust homeowners in "good standing" of the community land trust. Being in arrears on Land Lease Fees without either an established payment plan or documented financial hardship, will make a homeowner ineligible for the property tax savings.** This eligibility also applies for the homeowners with Party Wall accounts.

**ONE ROOF COMMUNITY HOUSING**  
**CLT PROGRAM COLLECTIONS POLICY AND PROCEDURE**  
**For Lease and Maintenance Agreement Payments**

One Roof homeowners will be expected to set up automated payments for lease and maintenance agreement (party wall) payments upon closing on their homes, either through an escrow agreement with the first mortgage lender or through ACH payments directly from a checking or savings account. Automated payments shall be established for the convenience of the homeowner and for One Roof.

One Roof homeowners without automated payments will be billed annually (at a minimum) for their lease payments and, if applicable, party wall maintenance fund. Lease Fee payments can also be made directly through a link on the One Roof website.

Upon becoming three months in arrears for any payments, One Roof homeowners will be contacted by One Roof CLT program staff. Being late with lease fees may well be a sign of economic and/or personal hardship in the household, so the purpose of contacting the homeowner will be twofold:

- To ascertain how the homeowner is doing at present and what help they might need:
  - Is the homeowner okay?
  - Has a personal event occurred making it difficult for them to maintain timely payment of monthly bills?
  - Has there been a loss in income?
  - Has an event occurred that required an unexpected outlay of cash?
- To encourage the homeowner to get current on what they owe One Roof:

In the case of personal crisis, try to respectfully communicate with homeowner regarding the nature of the crisis and what, if any community resources may be available to assist them through that time.

- Remind the homeowner of the commitment they made to make their payments.
- Remind them of One Roof's overall mission of providing affordable housing for people in need and how not making payments has a negative impact on One Roof's ability to carry out that mission.
- Strongly encourage them to agree to a payment plan to get current. If appropriate, strongly encourage them to work with Lutheran Social Services, Community Action Duluth or a similar entity to assist them in evaluating their financial situation and coming up with a payment plan.

The tone of the email, text or phone call is to be respectful but firm.

When a payment plan is agreed to, a letter stipulating the terms of the plan will be sent communicating the terms of the plan and a request for countersignature and return with next

payment to One Roof. Future billings will reflect agreed upon payment plans. Once on a plan, if a homeowner again becomes three months in arrears, the homeowner will again be contacted as per above.

Specific to lease fee accounts over \$400 in arrears:

At no point will a lease fee debt be turned into collections while homeowner owns the home. If a homeowner is or becomes delinquent \$400 or more and does not respond to the outreach by CLT staff, a final letter will be sent certified mail notifying the homeowner a penalty of 2.5% of balance due as of the end of the current quarter will be assessed to their lease fee account the following month unless they are on an approved payment plan or claimed financial hardship. Until the homeowner responds, each quarter, the balance owed at the end of the quarter will be assessed a 2.5% fee, totaling no more than 10% fee for the year.

If homeowner responds, two options will be available.

- Able to pay. It is preferred the homeowner will enroll in ACH. They will be signed up for email reminders in Homekeeper. If they miss two consecutive payments without communicating to CLT staff that they will not be able to make a payment, their balance due at the end of the following quarter will be assessed the 2.5% fee.
- Unable to pay. If homeowner expresses financial hardship and an inability to pay, they will be required to connect with a financial counselor and provide a letter of proof that they have met with a financial counselor in order for their debt to not be assessed the quarterly fee. Homeowner must renew and claim financial hardship as well as meet with a financial counselor each year in order to not be assessed a fee.

Upon sale of a home, all lease, loan, and/or maintenance fund payments to One Roof will be collected from the homeowner's equity proceeds. If there are no homeowner proceeds, One Roof reserves the right to send such debt to collections or write it off upon approval by One Roof Finance Committee.