



## Home Renovation Loan

1. Eligible borrowers are owner occupants of a property containing 1-4 properly zoned residential units within the Healthy Neighborhoods program boundaries.
2. Borrowers may be referred to the bank by a participating neighborhood organization, or Healthy Neighborhoods, Inc., Borrower is responsible for the upfront cost of a credit report if one cannot be provided at no cost.
3. Borrowers will be underwritten and approved by M&T Bank. Borrowers must meet Fannie Mae/Freddie Mac standard underwriting guidelines. Total long term debt payments should not exceed 40% of borrower's income. A minimum credit score of 700 is required.
4. Minimum loan amount will be \$5,000. Maximum loan amount will be \$20,000. Maximum aggregate loan amounts secured by the property shall not exceed 105% of after-renovation value, as established by an appraisal.
5. No owner financial investment is required.
6. The loans will be used for home renovations, including visible exterior home renovations.
7. Construction terms will be six or 12 months or longer if mutually agreeable to M&T Bank and the borrower. The maximum permanent term will be 10 years.
8. The loan interest rate during rehab will be fixed on the date of settlement until home renovations and the construction term are complete, at which time the loan must be refinanced to permanent status at the current program loan rate.
9. Permanent interest rate will be Prime minus 1%, but in no event less than 4%.
10. Permanent loans will be recorded as a second deed of trust against the property. Borrower shall pay the cost of recordation of the deed of trust which cost may be included in the loan. All closing costs, including loan inspection fees will be charged to the borrower, and may be included in the loan. M&T Bank will be paid a loan origination fee of 2%. The Maryland Housing Fund or other guarantor will be paid a pool insurance fee of 0.26%.



11. Improvements will be completed in full by a general contractor unless a waiver is provided by Healthy Neighborhoods, Inc. Borrowers may request to self-manage a series of licensed subcontractors to complete specific tasks or do the work themselves. In the case of owner-made improvements, only the cost of materials used, in place, inspected and evidenced by receipts can be reimbursed from the loan. Based upon the complexity of the renovations and the experience of the homeowner, Healthy Neighborhoods and/or M&T Bank in its sole discretion may require approval by Healthy Neighborhoods' consulting architect and may reject a homeowner's request to undertake work themselves or to manage a series of subcontractors.
12. Borrower's acceptance of a contractor's contract should specify the intended construction period and that the borrower's acceptance is contingent upon borrower obtaining sufficient financing for the scope of the work described.
13. An application disclosure must be signed by all borrowers prior to loan commitment.
14. Upon closing, if borrower is using a home improvement contractor, the bank may advance the lesser of 20% of the renovations cost or \$8,000. The remainder of the rehab portion of the loan will be held for disbursement by the bank and funds will be released during construction upon satisfactory inspection of the work in place by bank's approved construction inspector. Work carried out by the owner or anyone other than a licensed contractor will only receive reimbursement for materials in place, after inspection and evidenced by receipts. Customary loan inspection fees will be charged.
15. If at the end of the construction term, Borrower fails to begin renovations the loan must be refinanced to the permanent loan and be sold to the fund without completed renovations. The unused renovation funds may be frozen and the permanent loan amount will equal the amount disbursed.
16. If Borrower has begun renovations, but is unable to complete them within the construction term, the renovation term may be modified and extended. An extension fee may be charged. Upon completion the loan must be refinanced to a permanent loan and be sold to the fund.
17. The borrower agrees that any payment delinquency or default may be reported by the lender to the participating neighborhood organization that made the referral, and to Healthy Neighborhoods, Inc., to any loan pool guarantor or Healthy Neighborhoods neighborhood partner.
18. Borrowers may not own rental property.
19. Borrowers may not have previously borrowed funds from the Healthy Neighborhoods Loan Pools on this or other properties.

