

The Heritage Home Program has two components available to homeowners in participating cities who own houses that are 50 years old and older.

1) Technical Assistance:

The Heritage Home Program offers homeowners free advice on home improvement, repair, and maintenance projects that are unique to older homes. Now homeowners wishing to do work on their older home can have the help and answers they need in order to get the project done properly.

Take advantage of these services for **free**:

- Site visits from a construction specialist to review your home improvement projects and to answer home repair and maintenance questions
- Recommendations on maintenance, repair, rehab, additions, and modernizations
- Information on local contractors
- Review of contractor bids and estimates
- Advice on energy efficiency methods
- Guidance on materials, supplies, and resources
- Color consults for exterior painting

2) Heritage Home Program Loan:

Qualified homeowners have the option of obtaining a low-interest rate Heritage Home Program equity-based loan for maintaining and improving their older houses.

Loan eligibility:

- **Is your house in a participating community?** For a complete list visit www.heritagehomeprogram.org or call (216) 426-3116.
- **Is your house at least 50 years old?** The home must be 50 years old or older.
- **Is the repair scope within the parameters of our program?** Most interior and exterior projects may be funded with this loan. Ineligible projects are: vinyl siding, vinyl or composite windows, removable appliances, incompatible building additions or materials, landscaping, and other “luxury” items. Call to discuss your projects if you are unsure.
- **Does the home contain three occupancy units or less?** Owner-occupied properties containing three units or less qualify for the loan.
- **Is the property zoned residential?** The property must be zoned residential.
- **Is there equity in the home?** The loan amount is based on the available equity in your home, as established through an appraisal of the property.
- **Are the property taxes current?** Property taxes must be up-to-date.
- **Is there more than one existing lien on the property?** The Heritage Home Program loan can be a first or second lien on the property, but it cannot be a third.
- **Is homeowners insurance in place for the property?** The property must be insured.
- **Has the project already started?** Loan funds cannot be used for any work that has already started or that has already been paid for.

Heritage Home Program

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Loan Application Process

1) Determine if your property and project are eligible for a loan.

Once you have determined that the property and project are eligible for the loan (page 1), contact the Heritage Home Program staff to review your project scope, discuss the terms and conditions, and obtain an application. Note, homeowner must also meet the bank's lending requirements (see step 4).

No work funded with loan proceeds can begin until loan funds have been dispersed.

2) Choose your contractor(s) and estimate(s) for the project.

If you need assistance finding contractors or selecting estimates, Heritage staff may be able to assist you by completing a site visit to the property to assess your projects.

3) Submit the Heritage Home Program Loan application.

Contact is on page 1. Heritage Home Program staff will contact you to discuss the next steps, schedule a site visit to the property (if not already completed), and provide you with a bank contact. Please remember to include estimates from chosen contractors. **All contractor estimates must be selected before starting the bank application (step 4).**

4) Start financial pre-approval process (see bank table for lending information on page 4).

Homeowner must meet the bank's lending requirements to obtain a loan. You may visit or call the bank branch to speak with a relationship manager about these requirements. Provide a copy of the Heritage Home Loan Application and additional personal information requested by the bank. A standard credit evaluation will be performed as well as an initial review of available equity.

5) The lending institution will determine whether the applicant is conditionally approved.

The bank may request additional personal documents and will require an appraisal. See page 3 for more information on appraisals.

6) Final loan approval

Bank will notify homeowner and Heritage staff of final approval. Heritage staff will send final paperwork to the bank to confirm project eligibility and loan amount. The lending institution will then prepare the loan documents and set a loan closing appointment with the homeowner.

7) Sign loan documents at the bank.

The bank will schedule a loan closing appointment with the homeowner. After the three-day right-of-rescission period, the bank will disburse the funds to a CRS escrow account.

No work funded with loan proceeds can begin until loan funds have been dispersed.

8) Specifications for exterior work will be provided to homeowner and contractor (specifications are not written for interior projects).

An escrow contract and payment schedule will be established between the homeowner, contractor and CRS.

9) Work begins!

You will have eighteen months from the signing date to complete all projects funded by the Heritage Home Program Loan. Heritage staff will conduct progress checks at the property throughout construction.

10) After project completion, a Heritage Home Program staff member will complete a final project close-out site visit.

Heritage Home Program Loan Appraisals

An appraisal is useful when equity needs to be established to fund the loan. The lending institution will determine when an appraisal is required.

The following formula is used to determine available equity:

1. Current market value of home x ___% LTV (loan-to-value) = Max available Equity
2. Max available equity – Existing Mortgage balance(s) = Available Equity for Heritage Loan

Example: \$100,000 home market value x 85% LTV = \$85,000 Max Available Equity
\$85,000 - \$50,000 First mortgage balance = \$35,000 Available equity

Two types of appraisals can be completed through the Heritage Home Program to help establish equity.

1. **As-Is Appraisal**- valuation to determine the market value of the house in the current condition to establish available equity. The as-is appraisal is generally useful when the project(s) are maintenance-based: roof repair/replacement or exterior painting.
2. **After-Rehab** - valuation to determine the market value of the home after the improvements are complete. The after-rehab appraisal is useful in situations where the property has insufficient equity or when the home is in poor condition and will be valued at significantly more when all improvements are complete.

Northwest Bank Approach to Appraisals

Once an application has been made with Northwest, the bank will complete a credit evaluation. Pending approved credit evaluation, Northwest will determine what type of appraisal is required to continue the process.

Escrow Procedure

The bank requires all loan proceeds to be escrowed through the Cleveland Restoration Society to ensure the projects are complete and the after-rehab value is achieved for the home. Escrow/construction documents are drawn up for the homeowner, contractor and Cleveland Restoration Society to sign. All payments to contractors are made on a progress-based method. No down payments can be made to the contractor prior to work starting. Once a portion of the work is complete, the contractor can invoice for payment. At each payment, Heritage staff will get the homeowners' approval before disbursing funds. A 10% retainer is held at each partial draw and released to the contractor upon project completion. Be sure to disclose these terms to your contractor prior to signing for the loan.

INCOME QUALIFIED HOMEOWNERS*		
Northwest Bank	Owner Occupied	Non-Owner Occupied
Loan Amount	\$10K - \$100K	\$10K - \$100K
Fixed Interest Rate**	2.375% APR***	3.375%/4.078% APR****
Term	5-10 years	5-10 years
Loan To Value	90%	85%
Origination Fee (assessed by bank)	\$100	\$100
HHP Admin Fee	<u>Loan Amount</u> \$10K \$10,001 - \$25K \$25,001 +	<u>Fee</u> 0% 1% of loan total 2% of loan total
Appraisal Fee	\$60- \$350	\$95- \$350
Loan Funds Escrow Fee	\$350 (Required for all loans)	\$350 (Required for all loans)
Process/Vendor Fee (Recording, Title, Flood search)	Avg. \$190 unless closing with a mobile notary	Avg. \$190 unless closing with a mobile notary
Pre-payment Penalty	None	None
NON-INCOME QUALIFIED HOMEOWNERS		
Northwest Bank	Owner Occupied	Non-Owner Occupied
Loan Amount	\$10K - \$100K	\$10K - \$100K
Special Promotional Rate	Changes Daily	Owner Occupied Rate + 1%
Term	5-10 years	5-10 years
Loan To Value	85%	85%
Origination Fee (assessed by bank)	\$100	\$100
HHP Admin Fee	<u>Loan Amount</u> \$10K \$10,001 - \$25K \$25,001 +	<u>Fee</u> 0% 1% of loan total 2% of loan total
Appraisal Fee	\$95- \$350	\$95- \$350
Loan Funds Escrow Fee	\$350 (Required for all loans)	\$350 (Required for all loans)
Process/Vendor Fee (Recording, Title, Flood search)	Avg. \$190 unless closing with a mobile notary	Avg. \$190 unless closing with a mobile notary
Pre-payment Penalty	None	None

*As defined by HUD Income Limits and based on household size. **Interest rates are reviewed regularly by bank and may change. Interest rates and terms noted above are current as of 10/31/2017. Once the loan is closed, the current rate is fixed for the life of the loan. ***APR is based on a loan amount of \$50,000 and term of 10 years. The monthly payment is \$468.51 and does not include property taxes or homeowners insurance. ****APR is based on a loan amount of \$50,000 and term of 10 years. The monthly payment is \$491.51 and does not include property taxes or insurance.