

**The Heritage Home Program (HHP) offers a low-interest fixed rate loan available to homeowners in East Cleveland who own houses that are 50 years old and older.**

**Heritage Home Program Loan:**

Qualified homeowners have the option of obtaining a low-interest, fixed-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](http://www.heritagehomeprogram.org)
- **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. Non-owner occupied properties can apply through KeyBank, but do not qualify through Third Federal Savings & 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.
- **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.
- **Are property taxes current?** Property taxes must be up-to-date. Payment plans may be considered.
- **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.

### 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. HHP 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 and approved by Heritage staff before starting the bank application (step 4).**

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

Choose a lending institution. 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) Heritage Escrow Contracts are signed by all parties. 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.**

### Homeowner Representative Services

The Heritage Home Program now offers Homeowner Representative Services, made available to homeowners in participating communities who wish to self-finance their eligible home repair and maintenance projects, and seek third-party contractual protections and technical assistance to ensure the project goes smoothly from start-to-finish. Please contact Heritage staff for full service details.

### 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.

### KeyBank Approach to Appraisals

Once an application has been made with KeyBank, the bank will complete a credit evaluation. Pending approved credit evaluation, they will then order an after-rehab appraisal for all loans.

### Third Federal Savings & Loan Approach to Appraisals

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

### Escrow Procedure

Both banks require 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.

**OWNER OCCUPIED RESIDENCE**

	<b>KeyBank</b>	<b>THIRD FEDERAL</b>
Loan Amount	\$3K - \$150K	\$5,200 - \$150K
Fixed Interest Rate*	2%	2.99% / 3.481% APR*
Term	5-10 years	15 years
Loan To Value	85-90%	Up to 85%
Origination Fee (assessed by bank)	\$125	\$395
HHP Admin Fee	<u>Loan Amount</u> \$3K - \$10K \$10,001 - \$25K \$25,001 +	<u>Fee</u> 0% 1% of loan total 2% of loan total
Appraisal Fee	Avg. \$365 - \$385	None
Loan Funds Escrow Fee	\$350 (Required for all loans)	\$350 (Required for all loans)
Income Limits	None	<b>Income Limits Apply**</b> Call HHP for details.

**NON-OWNER OCCUPIED RESIDENCE**

Loan Amount	\$3K - \$150K	N/A
Fixed Interest Rate	2%	N/A
Term	5-10 years	N/A
Loan To Value	70%	N/A
Origination Fee (assessed by bank)	\$125	N/A
HHP Admin Fee	<u>Loan Amount</u> \$3K - \$10K \$10,001 - \$25K \$25,001 +	<u>Fee</u> 0% 1% of loan total 2% of loan total
Appraisal Fee	Avg. \$400 - \$500	N/A
Loan Funds Escrow Fee	\$350 (Required for all loans)	N/A
Process/Vendor Fee (Recording, Title, Flood)	Avg. \$200	N/A
Pre-Payment Penalty	None	N/A

Interest rates are reviewed regularly by bank and may change. Interest rates and terms noted above are current as of 1/17/2020. Once the loan is closed, the current rate is fixed for the life of the loan.

\* Interest rates effective as of 11/8/18, are subject to change and available for loan amounts between \$5,200 - \$150,000. Annual Percentage Rate based on \$75,000 loan amount with 80% LTV based on appraisal.

\*\* Income Limits as of 8/1/2019 in Cuyahoga County are as follows: Maximum annual household income of \$58,960.00. OR, Homeowners must be located in an LMI Census Tract.

Please call HHP for more details.