

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 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, 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) 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 qualify. Ineligible projects are: vinyl siding, vinyl or composite windows, decks, patios, landscaping, incompatible building additions or materials, and other “luxury” items. Call to discuss your projects if you are unsure.
- **Does the household income meet Ohio Housing Finance Agency guidelines?** Loans are only available to Low or Moderate Income Buyers. For a 1-2 Person household the maximum family income is \$66,700; for households of 3+ persons, the maximum family income is \$76,705.
- **Does the home contain three occupancy units or less?** Owner-occupied properties of 3 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 and tailored to the project scope. The bank will use an after-rehab appraisal and base equity on the projected value of the house after the projects are complete.
- **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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[hhp@heritagehomeprogram.org](mailto:hhp@heritagehomeprogram.org)

## 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) 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 and provide you a bank contact. Please remember to include estimates from chosen contractors, if available.

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

If you need assistance finding contractors or selecting estimates, Heritage Staff can assist you.

**4) Start financial pre-approval process (see bank comparison table for lending options 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) 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 will be ordered to establish equity to fund the loan. **All appraisals are based on the after-rehab value of the property.**

The after-rehab valuation determines the market value of the home after the proposed improvements are complete. The appraiser will use the supplied contractor estimates (see step 3 on previous page) to determine the value of the home once all projects are complete. The after-rehab appraisal is particularly 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.

The bank requires all loan proceeds to be escrowed through 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.

The following formula is used to determine available equity:

1. After-rehab 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 after-rehab value x 85% LTV = \$85,000 Max Available Equity  
\$85,000 - \$50,000 First mortgage balance = \$35,000 Available equity

KeyBank Terms	OWNER-OCCUPIED RESIDENCE	
Loan Amount	\$3K - \$150K	
Fixed Interest Rate*	2%	
Term	5-10 years	
Loan-To-Value	85 - 90%	
Origination Fee	\$125	
HHP Admin Fee	<u>Loan Amount</u>	<u>Fee</u>
	\$3K - \$10K	0%
	\$10,001 - \$25K	1% of loan total
	\$25,001 +	2% of loan total
Appraisal Fee	Avg. \$365 - \$385	
Escrow Fee (After-Rehab only)	\$350 (Required for all loans)	
Pre-payment Penalty	None	

\*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 rate is fixed for the life of the loan.