



The Heritage Home Program (HHP) has a financing option 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. A full listing of loan details and associated fees can be found on Page 4 of this packet.

Loan eligibility:

- **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 or three family homes 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 the property valued at more than \$550,000?** If the home is worth between \$550,000 and \$750,000, the Heritage Home Program Loan can only be used on exterior projects. Homes valued at more than \$750,000 are not eligible for the Heritage Home Program Loan.
- **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 done by the lender.
- **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 and is the property insured?** Property taxes must be up-to-date. Payment plans may be considered. 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.
- **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.

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.

Loan Application and Completion Process

Site Visit

- Homeowner requests a site visit or virtual consultation with either a construction specialist or historic preservation specialist.

Apply to HHP

- Homeowner sends application for the bank they choose (see page 4 for comparison chart) and estimates to Heritage Home Program. Heritage Home Program staff will review project scope for eligibility.

Apply at Bank

- Once the Heritage Home Program receives and approves application and estimates, homeowner applies at the bank.

Bank Process

- The bank will schedule an after-rehab appraisal to determine the loan amount available. The time for application processing can take 30-45 days.

Sign at the Bank

- The bank will alert the homeowner of loan approval. Homeowner will set a closing appointment at the bank to sign for the loan.

Funds Escrowed

- Heritage Home Program will receive the loan funds into escrow about a week after the homeowner signs at the bank.

Contracts

- Heritage Home Program will contact the homeowner to set up a time to sign contracts when funds are received. Once contracts are signed, work can begin.

Payments

- Before the first payment, the contractor will need to provide a copy of their registration with the city, a W-9, and copies of any necessary permits. The homeowner's written approval is required to release any payments.

- For final payment, a final site visit conducted by a Heritage Home Program staffmember and proof of passing final inspections are required. At the final site visit, homeowner will sign a project completion form.

Heritage Home Program Loan Appraisals

For homeowners pursuing a Heritage loan, an appraisal scheduled and set up by the bank will be used to establish 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 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 DETAILS AND FEES

	KeyBank	THIRD FEDERAL*								
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	80%	Up to 85%								
Origination Fee (assessed by bank)	\$295	\$395								
HHP Admin Fee	<table border="0"> <tr> <td>Loan Amount</td> <td>Fee</td> </tr> <tr> <td>\$3K - \$10K</td> <td>0%</td> </tr> <tr> <td>\$10,001 - \$25K</td> <td>1% of loan total</td> </tr> <tr> <td>\$25,001 +</td> <td>2% of loan total</td> </tr> </table>	Loan Amount	Fee	\$3K - \$10K	0%	\$10,001 - \$25K	1% of loan total	\$25,001 +	2% of loan total	
Loan Amount	Fee									
\$3K - \$10K	0%									
\$10,001 - \$25K	1% of loan total									
\$25,001 +	2% of loan total									
Appraisal Fee	Avg. \$365 - \$385	None								
Loan Funds Escrow Fee	\$350 (Required for all loans)	\$350 (Required for all loans)								
Pre-payment Penalty	None	None								
Income Limits	None	Income Limits Apply** Call HHP for details.								

NON-OWNER OCCUPIED RESIDENCE DETAILS AND FEES

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)	\$295	N/A								
HHP Admin Fee	<table border="0"> <tr> <td>Loan Amount</td> <td>Fee</td> </tr> <tr> <td>\$3K - \$10K</td> <td>0%</td> </tr> <tr> <td>\$10,001 - \$25K</td> <td>1% of loan total</td> </tr> <tr> <td>\$25,001 +</td> <td>2% of loan total</td> </tr> </table>	Loan Amount	Fee	\$3K - \$10K	0%	\$10,001 - \$25K	1% of loan total	\$25,001 +	2% of loan total	N/A
Loan Amount	Fee									
\$3K - \$10K	0%									
\$10,001 - \$25K	1% of loan total									
\$25,001 +	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 1/24/2022. 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. Call HHP for more details.