

HNI Term Sheet: 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 must be referred to the bank by a participating neighborhood organization that has pre-screened the borrower and explained the loan program. A non-refundable screening fee in the amount of \$100 may be charged by the neighborhood organization. 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 Bradford Bank. Total long term debt payments should not exceed 40% of borrower's income.
4. Minimum loan amount will be \$5,000. Maximum loan amount will be \$40,000. Maximum aggregate loan amount secured by the property shall not exceed 120% of after-renovation value, as established by an appraisal.
5. The loans will be used for home renovations, including visible exterior home renovations.
6. No owner financial investment is required.
7. Permanent interest rate will be Prime minus 1%, but in no event less than 4%, established at time of application and fixed for the term of the loan. The maximum term will be 10 years. Until rehabilitation is complete, Bradford Bank will charge the prime rate of interest with a floor of 6%.
8. 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. Healthy Neighborhoods will be paid a loan origination fee of 1%. Healthy Neighborhoods will be responsible for costs of loan underwriting and certain other costs.
9. Borrowers may hire a general contractor, 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 and 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 Bradford 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.
10. Borrower's acceptance of a contractor's proposal 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

11. 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. If the owner is doing the work himself, loan proceeds will only be disbursed for the cost of the materials used, in place and inspected, and evidenced by receipts.
12. If after twelve months of loan closing, Borrower fails to begin renovations the loan will convert to the permanent loan and be sold to the fund without completed renovations. The unused renovation funds will be frozen and the permanent loan amount will equal the amount disbursed.
13. If Borrower has begun renovations, but is unable to complete them within twelve months of loan closing, the renovation term may be modified and extended. An extension fee may be charged. Upon completion the loan will convert to a permanent loan and be sold to the fund.
14. 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., and to any loan pool guarantor.