



## Steps to Financing a Sales4Rehab Property with the Rehab Loan Fund

Through collaboration with Home HeadQuarters, a CDFI Lender based in Syracuse, NY, the Chautauqua County Land Bank is very pleased to offer a new financing option to prospective purchasers who are looking to become owner-occupants of a Sales4Rehab property! This loan product was designed to assist purchasers with both the cost of acquisition and renovations for properties that do not qualify for traditional financing, and requires owner-occupancy of the property for the life of the loan. Purchasing and rehabilitating a vacant property can include unforeseen risks and challenges. It is important to have a realistic idea of needed repairs and associated costs to ensure a successful project.

*Please do your research, and engage a qualified contractor for the required construction cost estimate and renovations.*

### Once you have seen a Sales4Rehab Property with a Realtor and have decided to submit and offer...

1. GET PRE-QUALIFIED: Fill out and submit the First Mortgage Pre-qualification Application with all of your supporting documentation to Kylie Miller at [kyliem@homehq.org](mailto:kyliem@homehq.org).

*Note: If you are unable to send this info in an encrypted format, please ask a Land Bank staff member for assistance to protect your financial information.*

2. FILL OUT THE OFFER PACKET: Review and fill out the CCLBC Sales4Rehab Offer Packet, which includes an application and a proposal form for the property you would like to purchase. A successful proposal will include a detailed renovation plan and budget.

*Note: If you have time before the bid deadline to get a cost estimate from a contractor for your proposed renovations, please submit this to both Home HeadQuarters and to CCLBC with your Offer Packet.*

### Once you have been pre-qualified through Home HeadQuarters and your offer has been accepted by the Land Bank...

3. CONSTRUCTION COST ESTIMATE: If you did not have time to get a professional cost estimate prior to the property's bid deadline, now is the time to do so. The cost estimate should be submitted to Home HeadQuarters, where it is reviewed and shared with an independent appraiser to determine an aftermarket rehab appraisal value.

*Note: Home HeadQuarters allows all customers to choose their 3<sup>rd</sup> party contractor to provide cost estimates. Contractors that will be performing the work must have all valid insurances and licensing required (see step 9).*

4. PAY FOR YOUR AFTERMARKET APPRAISAL: Approximately \$300.00 (varies by appraisal company and location) due to Home HeadQuarters to order aftermarket appraisal based on the construction cost estimate and Land Bank's minimum scope of work for the property.

5. REVIEW OF AFTERMARKET APPRAISAL: The aftermarket appraisal is received and reviewed by Home HeadQuarters. If the property meets or exceeds the appraisal, the loan request will move forward for underwriting.

*Note: If the property does not meet or exceed the appraisal, the loan request will be declined and will not move forward for underwriting unless the gap between appraisal and the purchase price plus the anticipated construction costs can be closed. Ask a Land Bank staff member about any subsidies that may be available to help close the gap in funding.*

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## Home HeadQuarters will lend up to 90% of the anticipated acquisition and rehab price!

For example:

Purchase price: \$5,000.00

Construction cost estimate: \$80,000

Total Purchase = \$85,000.00

Home HeadQuarters will loan up to 90% or \$76,500.00 in this example.

The remaining 10% or \$8,500.00 will come from the buyer. \*\*

*\*\*This does not include closing costs or the Sales4Rehab Performance Escrow! Please see the Closing Costs for Buyers sheet and the Renovation Performance Policy & Escrow section of the Sales4Rehab Offer Packet for more information.*

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6. **SUBMIT DOCUMENTS FOR UNDERWRITING:** Provide the following supporting information for underwriting:
  - Last two years Federal Tax Returns with W2's.
  - Three (3) months bank statements – showing 10% down payment of total loan, plus 3-6 months' worth of mortgage payments to cover during rehab period. This is subject to change based on rehab time frame.
  - Copy of current lease to verify end of lease date and that no additional fees are charged if lease is terminated early.
  
7. **LOAN APPROVAL:** If loan is approved, you will sign Home HeadQuarters' Commitment Letter, Loan Estimate and any additional documentation required. Loan documentation is forwarded to the bank attorney. Typically, the loan closing is scheduled within 45 days.

*Note: Home HeadQuarters does not control the closing date; you should speak to your attorney for specific information. The closing of the property will not happen before the closing of the loan.*
  
8. **AFTER LOAN CLOSING:** Rehab monies are placed in an escrow account. You will begin making principal and interest payments on your first payment date regardless of when the actual work starts or is completed. Typically, your first payment is due 30 days after closing. Escrowed funds will be disbursed in increments of four payments, based on contractors projected completion of work. Home HeadQuarters or a Land Bank staff member will conduct inspections of work prior to any funds being disbursed. Payment processing time is typically 1-2 weeks. Contractor must submit payment requests through AIA (American Institute of Architects) Document G701.
  
9. **CONTRACT WITH A CONTRACTOR:** You must enter into a contract with your contractor. Home HeadQuarters will not act as the intermediary between you and your contractor. You may not change contractors unless you have a signed release from your contractor which will prevent mechanics liens from being placed against the property.

**Note: Your contractor must meet the following criteria:**

  - \$1 Million General Liability Insurance
  - Worker's Compensation
  - LEAD Certifications (RRP, FIRM, Supervisor)
  
10. **EXTRA ESCROW FUNDS:** If not all of the rehab money is used, the extra funds will be placed as a principal adjustment to your loan, and will not be available as a refund to you.

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11. COVENANT TO ENSURE COMPLETION OF REVELOPMENT OF THE PROPERTY: The Chautauqua County Land Bank places a covenant on the property within the sales contract, in addition to the Performance Escrow. This allows the Chautauqua County Land Bank to take back title of the property if work is not completed in a timely manner or does not follow the detailed proposal and minimum scope of work for the property. Once renovations are complete, the covenant is removed and the balance of the Performance Escrow is returned the purchaser.

*Note: It is not Home HeadQuarters responsibility to ensure work is completed. Regardless of work being completed, your monthly payment is due.*

12. COVENANT TO ENSURE OWNER-OCCUPANCY: Owner-occupancy is required by both the Chautauqua County Land Bank and Home HeadQuarters.

- A covenant exists in all sales contracts from the Land Bank to purchasers who stated “owner-occupancy” as the end-use in their proposal, which requires owner-occupancy by the purchaser or family member for a minimum of 2 years after purchase to protect the Land Bank’s interest and investment.
- This loan product from Home HeadQuarters is designed for owner-occupants only and requires that the purchaser remain in the home for the life of the loan, either until the loan is paid off in its entirety or the home is resold and the balance of the loan paid at closing.