



SONYMA RemodelNY Renovation Escrow Option Term Sheet

PURPOSE

Many homes in New York State suffer from deferred maintenance and require repair. The SONYMA Remodel New York is designed to provide mortgage financing for homebuyers to purchase a home and pay for any necessary or desired repairs. It is an enhancement that can be utilized with the below stated SONYMA programs for 1 and 2 family homes, PUDs and condominiums.

MAIN FEATURES

- Available under the SONYMA Low Interest Rate and Achieving the Dream Programs.
- Can be combined with the Homes for Veterans enhancement program
- Financing up to the **lower** of 97% of the “after-improved” appraised value or the Purchase Price plus financeable repairs and allowable “soft” costs;
- Availability of down payment assistance (higher of \$3,000 or 3% of the home purchase price, not to exceed \$15,000);
- \$1,000 minimum eligible repairs with no maximum repair amount.
- SONYMA will purchase the mortgages from Lenders and administer the renovation escrow draws throughout the post-closing rehabilitation completion period.

LOAN TERMS

Interest Rate	Same as Low Interest Rate or Achieving the Dream Program. Higher rates apply for loans with a SONYMA Down Payment Assistance Loan (except when using Homes for Veterans enhancement).
Maximum Financing	97% of the lower of (1) the purchase price plus the cost of repairs, allowable “soft” costs and a contingency reserve equal to at least 10% of the cost of repairs, or (2) the “after-improved” appraised value.
Minimum Renovation	\$1,000
Maximum Renovation	None.
Eligible Renovations	Most non-luxury repairs. See attached for a more complete list of eligible and ineligible renovations.
Eligible Terms	30-year terms only.
Acquisition Cost	The acquisition cost is the sum of the purchase price and the cost of repairs and financed “soft” costs. The acquisition cost cannot exceed SONYMA’s purchase price limits. The repair cost (Line B9 of the Maximum Mortgage Worksheet) must be entered on line 3 of Part III of the Recapture Notification and Mortgagor’s Affidavit (Form 211).
Contingency Reserve	A 10% contingency reserve is required on all loans. The borrower(s) may either (1) finance the contingency reserves (as long as the loan amount does not exceed maximum allowable financing stated above) or (2) deposit their own funds in their rehabilitation escrow account, which will be held and administered by SONYMA. Funds deposited into an escrow account must be from an acceptable asset source. If financed, any unused portion of the contingency reserve must be applied to the unpaid principal balance of the mortgage or can be used for additional approved eligible repairs. If the contingency reserve funds were deposited into the escrow account by the borrower(s), any unused funds must be refunded

	to the borrower(s). Upon recommendation of a consultant or appraiser, or based on the scope of work and condition of the home, lenders may require a higher contingency reserve up to a maximum of 20% of the repair costs..
Allowable Soft Costs	The borrower can opt to finance the following “soft” costs (as long as the loan amount does not exceed the maximum allowable financing stated above) that may be associated with the intended repairs/renovations: inspection fees; escrow administration fee not to exceed \$250; title update fee, a consultant fee to cover the cost of using a HUD approved consultant to prepare a work write-up, and permit fees. All fees must be disclosed to the borrower(s) at the time of application.

UNDERWRITING

Renovation Contract	In addition to the contract of sale for the purchase of the home, a fully executed home improvement contract must be included in the pre-closing loan file submitted to SONYMA, the MI company and the Pool Insurer. See attached provisions that <u>must</u> be included in the home improvement contract.
Borrower(s) Acting as Contractor	Permitted on a case-by-case basis dependent upon experience level and type of expertise, provided borrower(s) is a licensed and insured contractor. Borrowers acting as contractors are not permitted to collect any renovation funds for labor, and can only be reimbursed the documented cost of materials. Labor costs must be escrowed in the event borrower is unable to complete the work. NOTE: Borrowers acting as their own contractor must be pre-approved by SONYMA prior to closing.

BORROWER(S) ELIGIBILITY

Unless otherwise stated on this term sheet, borrower(s) must comply with standard SONYMA eligibility and underwriting requirements.

PROPERTY ELIGIBILITY

Eligible Properties	Existing 1- and 2-family homes. PUDs and condominiums are eligible provided the homeowners association permits the proposed renovations. Cooperatives are not eligible. Unless otherwise stated on this term sheet, all properties must comply with standard SONYMA eligibility requirements.
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LENDER RESPONSIBILITIES

Eligible Renovations	<ul style="list-style-type: none"> ➤ Structural alterations and reconstruction. e.g., repair or replacement of structural damage, chimney repair, additions to the structure, installation of an additional bath(s), skylights, finished attics and/or basements, repair of termite damage and the treatment against termites or other insect infestation, repair or installation of a garage (detached or attached), etc. ➤ Changes for improved functions and modernization. e.g., remodeled bathrooms and kitchens, including permanently installed appliances, (i.e., built in range and/or oven, range hood, microwave, dishwasher). ➤ Elimination of health and safety hazards including the resolution of defective paint surfaces or lead based paint problems on homes built prior to 1978.
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- **Changes for aesthetic appeal and elimination of obsolescence.** e.g., new exterior siding, adding a second story to the home, covered porch, stair railings, attached carport, interior and exterior painting.
- **Reconditioning or replacement of plumbing** including connecting to public water and/or sewer system, heating, air conditioning and electrical systems. Installation of new plumbing fixtures is acceptable, including interior whirlpool bathtubs.
- **Repair or reinstallation of well and/or septic system.** The well or septic system must be reinstalled or repaired prior to beginning any other repairs to the Eligible Property. The reinstallation or the repair of an existing well (used for the primary water source to the Eligible Property) can be allowed provided there is adequate documentation to show there is reason to believe the well will produce a sufficient amount of potable water for the occupants. In all cases, the repair or reinstallation of a well and/or septic system must be done in accordance with applicable local health and building codes, ordinances, and requirements.
- **Roofing, gutters and downspouts.**
- **Flooring, tiling and carpeting.**
- **Purchase and installation of free-standing appliances.** e.g., stove, refrigerator, dishwasher, washer, dryer and microwave.
- **Energy conservation improvements.** e.g., new double pane windows, steel insulated exterior doors, insulation, solar domestic hot water systems, caulking and weather stripping, etc.
- **Major landscape work and site improvement.** e.g. patios, decks and terraces that improve the value of the property or required to preserve the property from erosion. The correction of grading and drainage problems is also acceptable.
 - ❖ **Tree removal** is acceptable if the tree is a safety hazard to the property.
 - ❖ **Repair of existing walks and driveway** is acceptable if it may affect the safety of the property.
 - ❖ **Fencing, new walks and driveways, and general landscape work** (i.e., trees, shrubs, seeding or sodding) are also acceptable.
- **Improvements for accessibility to a Disabled Person.** e.g., remodeling kitchens and baths for wheelchair access, lowering kitchen cabinets, installing wider doors and exterior ramps, etc.
- **Repair of an Existing In Ground Swimming Pool.** The repair of an in ground swimming pool, not to exceed \$1,500. Repair costs exceeding the \$1,500 limit must be paid into the contingency reserve fund by Mortgagor.

Ineligible Renovations

- **Luxury items and improvements** that do not become a permanent part of the real property are not eligible as a cost of renovation.

	<ul style="list-style-type: none"> ➤ The items listed below (not limited to this list) are not acceptable under the Remodel New York Program, including the repair of any of the following: <ul style="list-style-type: none"> ❖ Barbecue pit; bathhouse; dumbwaiter; exterior hot tub; sauna or spa; outdoor fireplace or hearth; photo mural; installation of a new swimming pool; gazebo; television antenna; satellite dish; tennis court; tree surgery; and ❖ Additions or alterations to provide for business/commercial use.
Contractor Approval	<p>Lenders will be fully responsible for ensuring that contractors are reputable, insured, and can perform the work specified in the home improvement contract. As part of Lenders' due diligence in reviewing a contractor, SONYMA recommends that Lenders do the following:</p> <ul style="list-style-type: none"> ➤ Contact the State's contractor licensing agency and state and/or local building departments to verify that the contractor has a clean record. Obtain copies of any licenses, where applicable; ➤ Ensure that the contractor is sufficiently insured (Workman's Compensation, General Liability [\$1 million each occurrence/\$2 million aggregate] and Short-Term Disability) to protect borrower(s) against property damage and losses caused by the contractor, its employees or subcontractors, and against on-site injuries to the contractor, its employees or subcontractors; ➤ In areas where licensing is not required, the Lender's due diligence should include, however, is not limited to: <ul style="list-style-type: none"> ❖ Contacting local trade associations; ❖ Looking for professional certifications such as Certified Graduate Remodeler (CGR) ; ❖ Accessing the New York Attorney General's website, "Know Your Contractor" or calling the local or state consumer protection agency and the Better Business Bureau to find out if there are any unresolved complaints filed against the contractor; and ❖ Checking references.
Consultant Requirement	<ul style="list-style-type: none"> ➤ A consultant may be used on any Remodel New York transaction. ➤ A consultant is <u>required</u> when: <ul style="list-style-type: none"> ❖ Renovation costs exceed \$35,000 OR ❖ The scope of renovation includes structural repairs/improvements ➤ Consultants must be HUD approved 203k Consultants
Hazard Insurance Requirements	<ul style="list-style-type: none"> ➤ Depending upon the scope of work, it may be difficult to obtain standard homeowners policies while the work is being completed. If a standard HO policy is unavailable, alternative forms of insurance such as Builder's Risk policies are permitted. In some cases, a builder's risk or course of construction endorsement could also be needed to protect the borrower from loss of materials not yet attached to the property. Builder's risk policies should be replaced with homeowner's coverage upon completion of the repairs.

ESCROW ADMINISTRATION

<p>Escrow Administration</p>	<p>SONYMA, <i>regardless of who will be servicing the mortgage</i>, will be responsible for the administration and disbursement of the funds held in escrow. Special arrangements may be made with lenders who service their own loans on a case-by-case basis, should they wish to retain draw administration responsibility. These responsibilities include, however, are not limited to:</p> <ul style="list-style-type: none"> ➤ Ensuring the home has been satisfactorily renovated in compliance with the repairs stated in the home improvement contract. ➤ Deposit of the funds for the renovations and contingency reserve into an escrow account at the time of loan closing. Escrow account will be administered by the Lender. ➤ Disbursement of the escrow funds to the contractor(s) as the renovation work progresses and after inspections have been done to ensure the work performed has been satisfactorily completed. Funds will be disbursed at the Lender's discretion. <p>Monitor the repairs as per the home improvement contract and ensure that they are completed within <u>6 months</u> from the mortgage closing date. Extension requests will be handled on a case-by-case basis. Requests must be made in writing and in advance for proper consideration.</p>
<p>Satisfactory Completion Certificate & Title Updates</p>	<p>Within 30 days upon completion of all work, the SONYMA will obtain and distribute to the originating lender, the MI company, the Pool Insurer, and the Servicer (if not the same as the Lender) a satisfactory final inspection report completed by the HUD approved consultant or property appraiser; a title update showing no liens through the date of the final inspection (i.e. mechanic liens) and a completed and signed SONYMA RemodelNY Mortgage Final Accounting Form and Certification (SONYMA Form # R7/12-14).</p>
<p>SONYMA RemodelNY Mortgage Forms</p>	<ul style="list-style-type: none"> ➤ SONYMA RemodelNY Maximum Mortgage Worksheet (SONYMA RemodelNY Maximum Mortgage Worksheet (SONYMA Form #R11/12-14) ➤ Homeowner/Contractor Agreement(s) (Form #R7/12-14) Note: Use of this form is optional. ➤ SONYMA RemodelNY Borrower's Acknowledgement (Form R2/12-14) ➤ SONYMA RemodelNY Repair Escrow Option Contractor Forms (Form #R6/12-14) ➤ SONYMA RemodelNY Mortgage Loan Agreement (SONYMA Form #R3/12-14) ➤ SONYMA RemodelNY Mortgage Rider (SONYMA Form # R5/12-14)