

**AMERICAN FINANCIAL RESOURCES, INC.
REHABILITATION LOAN AGREEMENT**

THIS AGREEMENT, including the provisions below is made this _____ day of _____, 20_____, between the Borrower(s) _____ and **American Financial Resources, Inc.** (Lender) to establish the conditions under which the Lender will advance the proceeds of a loan to be used to purchase and rehabilitate or refinance and rehabilitate the property described below.

The subject property is located in the County of _____ State of _____ and is described as: _____

- 1) The total amount of the mortgage will be in the principal sum of \$ _____ to be secured by a mortgage or deed of trust ("Mortgage"), which will be a first lien on the above property.
- 2) Payments required under the mortgage or deed of trust must be made by the Borrower on the date specified, even though the proposed rehabilitation or improvement may not be completed, or the property may not be suitable for occupancy, on the anticipated date.
- 3) The Lender intends to request the Assistant Secretary for Housing-Federal Housing Commissioner ("Commissioner") to insure the loan under the provisions of Section 203(k) of the National Housing Act; therefore, the Borrower agrees to conform to, and to cause improvements to be constructed in conformance with all requirements of the Commissioner.
- 4) The Lender will place the portion of the principal amount of the mortgage allocated to the total rehabilitation cost plus any amount deposited by the Borrower or others in cash, in a secured interest bearing account, trust or escrow for the benefit of the Borrower (hereafter called, "escrowed funds").
- 5) The escrowed funds will only be released twice. Up to 50% of the funds held for the repair costs will be disbursed when the loan initially funds (after rescission on a refinance) and the remaining 50% will be released after a satisfactory final inspection report from the appraiser is received by the Lender.
- 6) Lender shall release the escrowed funds by check, payable to the contractor.
- 7) a. The cost of repair as indicated on the appraisal report and construction contract is \$ _____.
b. The reserve contingency required by the Lender is \$ _____.
c. The estimated cost of the final inspection(s) from the appraiser after all of the work is completed is \$ **300.00** .
d. The total escrowed funds for the property listed above is (the sum of 7a, b and c) \$ _____.
e. The amount to be released at the initial funding of the loan is (cannot be more than 50% of 7a.) \$ _____.
- 8) The interest accumulated in the Rehabilitation Escrow Account will be distributed as required by the 203(k) Borrower's Acknowledgment, form HUD 92700-A.
- 9) If the contingency reserve (as per 7b.) or any part thereof is not used, the remaining balance will be applied as a partial prepayment of the loan. **Such prepayment will not extend or postpone the due date of any monthly installment due under the note, nor change the amount of such installments.**

- 10) The Borrower will complete all improvements on the property in accordance with the architectural exhibits (if applicable) or the Construction Contract as accepted by the lender.
- 11) Changes in the architectural exhibits (if applicable) or Construction Contract must be approved in writing by the Lender, prior to the beginning of the work, by writing a letter describing the changes or using form HUD-92577 and e-mailing them to 203k@afrmortgage.com or 203k@afrwholesale.com.
- 12) Borrower will cause all improvements to be made in a workmanlike manner and in accordance with all applicable statutes and regulations. All licenses, permits and privileges required by local governmental authorities to rehabilitate the property will be obtained by the Borrower(s) or his/her contractor prior to closing.
- 13) Representatives of the Lender and or the Commissioner will have the right to enter upon the property at all times during the period of construction and on completion of construction to determine whether the work conforms with this Agreement and to determine the amount of Rehabilitation Escrow Account to be released by the Lender.
- 14) Borrower will furnish such records, contracts, bills and other documents relating to the property and the improvements as the Lender or the Commissioner may require.
- 15) Without prior, written consent of the Lender, no materials, equipment, fixtures or any part of improvements financed with this loan will be purchased or installed subject to conditional sales contracts, security agreements, lease agreements or other arrangements whereby title is retained or the right is reserved or accrues to anyone to remove or repossess any item, or to consider it as personal property.
- 16) The Borrower will cause either this instrument or the construction contract under which the improvements are to be made to be filed in the public records, if the effect of recording will be to relieve the mortgaged property from mechanics' and materialmen's liens. Before any advance under this Agreement, the Lender may require the Borrower to obtain acknowledgment of payment and releases of lien from the contractor and all subcontractors and materialmen dealing directly with the principal contractor. These rereleases will cover the period down to the date covered by the last advance, and concurrently with the final payment for the entire project. Such acknowledgments and release must be in the form required by local or state lien laws and must cover all work done, labor performed and materials (including equipment and fixtures) furnished for the project.
- 17) Borrower must cause work to begin within 30 days following the date of this Agreement. Work must be performed with reasonable diligence; therefore, work is never to cease for more than 30 consecutive days. Should Borrower fail to comply with these terms, the Lender may refuse to make any further payments under this agreement. Any funds remaining in the Rehabilitation Escrow Account will be applied as prepayment to the mortgage.
- 18) A final inspection certificate from the appraiser stating all work has been satisfactorily completed must be received by the lender within 90 days of closing the loan. If, for whatever reason, the final inspection verifying that all work is completed is not received within 90 days of closing, the Lender has the right to make a principle reduction payment with the funds being held in escrow. If the funds held in escrow are used to make a principle reduction, the final payment to the contractor will not be available from the lender.
- 19) In the event any Stop Notices, Notices to Withhold, Mechanics Liens, or claims of lien are filed against the property, the Lender, after five (5) days notice to the undersigned of its intention to do so, may pay any or all of such liens or claims, or may contest the validity of any claim, paying all costs and expenses of contesting the same.

20) Failure of the Borrower to perform under the terms of this Rehabilitation Loan Agreement will make the loan amount, at the option of the lender, due and payable.

21) The accepted architectural exhibits (if applicable) are incorporated in this Agreement.

22) Date of estimated completion: _____

23) The Lender can be contacted by e-mailing 203k@afrmortgage.com or 203k@afrwholesale.com or by calling 973-983-5626.

Mortgagor Date Mortgagor Date

Mortgagor Date Mortgagor Date

Signature of Lender Title Date