

LOAN AGREEMENT

Georgia Department of Community Affairs
Community HOME Investment Program
Homeowner Rehabilitation Assistance Loan

THIS AGREEMENT is entered into this _____ day of _____, 20____, between _____ (the "Borrower") and the State Recipient or Sub-recipient of _____ ("Lender").

RECITALS:

WHEREAS, Borrower has applied to Lender for a loan (the "Loan") to finance the rehabilitation of Borrower's home located at _____ in _____, Georgia (said improvements are hereinafter collectively referred to as the "Improvements");

WHEREAS, the Loan is being made under the Community HOME Investment Program ("CHIP"), which is part of the HOME Program, which is administered by the Georgia Department of Community Affairs ("DCA") on behalf of the Georgia Housing and Finance Authority;

NOW THEREFORE, for good and valuable consideration, including the making of the Loan, the parties agree as follows:

AGREEMENT:

1. The Loan and Loan Documents:

The Loan amount shall not exceed \$_____. The payment terms, interest rate, and other requirements of the Loan are specifically set forth in the Promissory Note from Borrower to Lender (the "Note"), which will be executed contemporaneously with this Agreement. The payment of the Note shall be secured by a Deed to Secure Debt (the "Deed") from Borrower to Lender for the Property. This Agreement, the Note and the Security Deed are sometimes hereinafter collectively referred to as the "Loan Documents".

The terms of the Note and the Deed are incorporated in this Agreement by reference as fully and to the same extent as though set forth herein.

2. Use of the Loan Proceeds:

Borrower agrees to use the Loan proceeds solely to rehabilitate the Property in accordance with the Contractor's Proposal attached hereto as Exhibit A and incorporated herein by this reference ("Contractor's Proposal") and to not use said Loan proceeds for activities, cost or expenses which are not permitted under the CHIP Requirements or under any DCA requirements.

Borrower must select a contractor from Lender's list of approved contractors to perform the rehabilitation work included in the Contractor's Proposal who shall be properly licensed by the State of Georgia to engage in the type of work for which said contractor is hired.

3. Disbursement of the Loan Proceeds:

Prior to any disbursement of the Loan funds, all applicable parts of the Contractor Payment Request attached hereto as Exhibit B must be completed and the contractor, the Borrower and the Program Participant must have executed the same.

A disbursement request must include: (i) the percentage of the rehabilitation work completed; (ii) evidence that all rehabilitation prior to the date of the disbursement request has been done substantially in accordance with the Program Participant approved Contractor's Proposal, the CHIP Requirements and any DCA requirements; and (iii) confirmation that all Loan funds previously advanced have been applied directly to the costs for which funds were requested under the applicable disbursement request.

Up to ten percent (10%) of each amount requested under any one disbursement request may be withheld until Borrower provides final lien waivers from any general contractor and subcontractors.

4. Ownership during the Affordability Period:

Borrower's family shall continuously use and occupy the Property as its principal residence for a period of not less than for not less than the applicable period specified in the following table, beginning after project completion.

| <u>Activity Type</u> | <u>Length of Affordability Period</u> |
|--------------------------|---------------------------------------|
| Homeowner Rehabilitation | 5 years |
| Homeowner Reconstruction | 10 years |

If the covenants in this Section are breached before the expiration of the Affordability Period, the Loan amount shall be subject to recapture by Lender.

5. Recapture:

During the Affordability Period, the Borrower must immediately notify the Lender if either of the following occurs:

- a) The Property is not used as the principal residence of the Borrower or the Borrower's family; or
- b) All or part of the Property or an interest therein is sold or transferred by the Borrower except for (a) the creation of a lien or encumbrance subordinate to the Deed, (b) the creation of a purchase money security interest for household appliances or (c) a transfer by device, descent or by operation of law upon the death of a joint tenant.

Any outstanding balance of the Loan must be repaid in full if the Property is not used as the principal residence of the Borrower or the Borrower's family for the entire Affordability Period. A percentage of the loan will be forgiven annually in equal installments over the applicable period of affordability. If the property is sold, the repayment is limited to the net proceeds of the sale which is defined as the sales price minus any superior loan repayments and closing costs.

Any funds subject to recapture will be paid to the Georgia Housing and Finance Authority unless approved by DCA.

5. **Federal HOME Requirements:**

The Borrower agrees to comply with all regulations governing the HOME Investment Partnerships Program found in 24 CFR Part 92, including but not limited to the following:

- A. **Income Requirements:** The borrower's annual household income must be no more than 80% of the median family income (adjusted for household size) as established by the U.S. Department of Housing and Urban Development (HUD).
- B. **Property Standards and Inspections:** The property must meet the minimum property standards as established by HUD, including but not limited to compliance with all building codes and local ordinances. During the Affordability Period and with written notice to the Borrower, the Borrower agrees to allow the Lender or its representatives to enter upon the Property for inspections as required to verify compliance with the property standards.
- C. **Qualification as Affordable Housing:** The estimated value of the property, after rehabilitation, may not exceed 95 percent of the limits established annually by HUD for the area in which the property is located. These limits are calculated in accordance with 24 C.F.R. §92.254.

5. **Amendments:**

No amendment, change or modification of this Agreement shall be effective unless made in writing signed by the Lender.

6. **Indemnification:**

The Borrower agrees to hold the Lender and DCA harmless and to indemnify Lender and DCA from all liabilities, claims, or damages whatsoever, arising or alleged to have arisen or in any way connected to the receipt of the Loan funds.

7. **Governing Law:**

This Agreement shall be governed by the law of the State of Georgia. In the event that any provision or clause of this Agreement conflicts with applicable law, such conflict shall not affect the other provisions which can be given effect without the conflicting provisions.

IN WITNESS WHEREOF, the parties have executed this Agreement on the dates indicated below.

WITNESS:

WITNESS:

BORROWER (S):

Date: _____

Date: _____

LENDER:

By: _____

Its: _____

Date: _____

EXHIBIT A
CONTRACTOR'S PROPOSAL

EXHIBIT B
CONTRACTOR PAYMENT REQUEST