

I. Renovation Refinance Loans

1. Escrows

Escrows for completion of the renovations are acceptable provided they do not exceed 50% of the total loan amount or \$75,000 whichever is less, and must contain a minimum 10% contingency for cost overruns. Any funds remaining in the escrow account at completion of the project are applied to the principal balance of the loan. The term of the escrow generally may not exceed 180 days.

2. Additional Restrictions

- a. Type II Manufactured Home loans are not eligible for a renovation/refinance.
- b. Improvements may be structural in nature, or major renovations, and/or minor cosmetic improvements such as carpet, blinds, wallpaper, or painting. Luxury items such as saunas, hot tubs, etc., may be included in the renovation costs and loan amount, provided the luxury items are only a portion of the cost and the appraised value supports the loan request.
- c. Loans with completed improvements must be submitted to AHFC no later than one year from the date of completion and evidenced by: (i) final disbursement of loan proceeds, (ii) issuance of a certificate of completion by the original appraiser, or (iii) certification by the local municipality or borough that the work has been completed as proposed.
- d. The appraisal report is to be based on an "as completed" value and must show the existing floor plan as well as the "as proposed" room layout. A narrative description of the proposed improvements must be included in the appraisal report or completed by the lender.
- e. If the borrower is completing the improvements, a complete cost breakdown must be included in the submission. Labor cost paid to the borrower or a member of the borrower's immediate family may not be included in the loan amount requested. If a contractor is completing the improvements, a copy of the bid or contract must be included in the submission package.
- f. Any additions (new construction) to a property where the original construction began after January 1, 1992 (for energy efficiency) or July 1, 1992 (for construction inspections) are subject to applicable thermal standards and mandatory

inspections as outlined in [Section 2001.07](#). Depending on the age/condition of an existing dwelling and the scope of the proposed improvements, AHFC may require an engineer's evaluation.

- g. The Lender must insure that any additional square footage added to the foundation footprint conforms to the lot setbacks and does not create encroachments of any kind.