C. Second Mortgage Renovation

The Second Mortgage program provides financing to renovate existing dwellings. The mortgaged premises must be in conformance with all applicable zoning and occupancy restrictions, Homeowner's Association restrictions and applicable Covenants, Conditions and Restrictions (CCRs) Declaration or Master Deed.

In the case of a Non-Conforming I dwelling, a second mortgage must be used for home improvements that bring the structure up to conforming standards.

1. Maximum Loan Amount(s)

   a. $318,075 with new appraisal as required in Section 2000

   b. $100,000 with an alternate valuation for properties in a taxing district

      One of the following may be used:

      i. current municipal/borough tax assessment

      ii. recent appraisal (no more than 3 years old)

      iii. current Broker's Price Opinion (BPO)

   c. $100,000 with an alternate valuation for properties not in a taxing district

      One of the following may be used:

      i. recent appraisal (no more than 3 years old)

      ii. current Broker's Price Opinion (BPO)

2. Maximum Term

   15 Years

3. Interest Rate

   15-year Taxable plus .5% or 15-year Rural Owner-Occupied plus .5%

4. Maximum Combined Loan-to-Value Ratio (CLTV)

   The CLTV is determined by dividing the sum of the outstanding principal balance of all liens (except liens for taxes not yet due) secured by the mortgaged premises by the value (sales price or appraised value after improvements, if applicable, whichever is less).

a. 90% with new appraisal as required in Section 2000 for single-family and duplex dwellings

b. 80% with new appraisal as required in Section 2000 for triplex and fourplex dwellings

c. 75% with alternate valuation as required above (Section 5008.04.A.2)

The Second Mortgage Data Sheet (Form PRG-30) must be completed and included in the commitment submission file for all seconds, including when the second is used for renovations.

5. Use of Proceeds

In addition to improvements, proceeds may be used for the following purposes:

a. Proceeds may be used to pay reasonable and customary loan closing costs and applicable insurance premiums associated with the loan. The borrower must pay prepaids for taxes and insurance unless already established on the first mortgage.

b. For Rural Owner-Occupied loans, the proceeds may be used to create commercial space; however, the commercial space may not exceed 25% of the gross square footage of the improvements. Only structural or site improvements (no trade fixtures) may be financed with loan proceeds.

c. Proceeds may be used to pay off a short-term construction, interim or bridge loan that was taken out specifically to finance the improvements to the subject property.

Notes: The short-term loan need not be secured by the subject real property; however, the Note associated with the short-term loan must state the proceeds are strictly for specific improvements to the subject parcel of real estate.

Proceeds cannot be used to pay off any other liens, including assessments.

6. Superior Lien

The Lender/Seller must warrant the balance of the lien superior to AHFC's second mortgage has been reliably verified as submitted to AHFC and that the payments are current at the time the second mortgage is closed.

The first lien must be based on credit terms that require full amortization during the original term of the loan.

On a second for purchase, the Lender/Seller must warrant the holder of the first lien (AHFC) has approved the assumption and executed the appropriate documentation authorizing placement of a second Deed of Trust on the property.

7. Condominium and Common Interest Community Requirements

A second mortgage may be used to finance an individual unit but **may not** be used to finance the purchase or improvements to any of the common elements of a condominium, or common areas or property owned by a Common Interest Community or Homeowner's Association.

Evidence that the improvements are allowable within the project must be provided to the Lender, including Homeowner's Association approval, if applicable.

8. Renovations Completed Prior to Commitment

The renovation/improvement may have begun prior to commitment submission, provided the improvement project was started within the preceding 12 months.

If the improvements are already completed, the loan must be submitted to AHFC for purchase no later than:

a. 180 days from the date of final disbursement, or

b. 180 days from the issuance of a certificate of completion by the original appraiser, or

c. 180 days from the certification by the local municipality or borough that the work has been completed as proposed

For a renovation that is not completed prior to loan purchase, the loan may be sold to AHFC if it is substantially complete, there are no incomplete health or safety items and the Lender holds an escrow with sufficient funds to complete the minor interior items and/or items that cannot be completed due to weather conditions.