I. PROGRAM OBJECTIVE

The main objective of the Community Acquisition Rehabilitation Loan (CARL) is to provide financial and technical assistance to homebuyers for the purpose of acquiring and rehabilitating properties citywide. Through CARL, participating lenders provide one low interest rate loan for both a mortgage and rehabilitation funds. CARL will help address the aging, vacant and foreclosed properties in Pittsburgh, PA.

II. PROGRAM FUNDING

CARL will be funded as follows:

A. A participating lender will finance up to the lesser of acquisition and construction costs or 95% of post-construction appraised value. The Loan to Value (LTV) will be 95%. If the post appraisal exceeds the 95% LTV the borrower will need to provide additional funds.

B. Borrower will have at least 5% plus closing costs in a down payment. Borrower can have up to 6% of seller’s assist of the purchase price of the home, but borrower must have at least 1.5% invested in the project.

C. The Urban Redevelopment Authority will guarantee up to 15% of the post appraised value not to exceed $35,000 per transaction. The maximum loan amount is $300,000; but if the loan amount is greater than $233,000, the borrower will be required to provide equity greater than 5%.

III. PROGRAM TERMS, LIMITS AND OTHER REQUIREMENTS

A. The interest rate will be based on a Fannie Mae 30-year mortgage, with a 60-day commitment rate, plus 1% rounded to the nearest 8th and locked for 60 days at the time of application of the loan. The rate can be found at: http://bit.ly/30year60day.

B. The loan will be Interest-only during construction/rehab period (up to 6 months). Once the construction term is over, principal and interest payments will begin regardless if the construction is complete.

C. The maximum loan term will be 30 years including a 6 month construction period.
D. Participating private lending institution(s) will originate, close and service loans made under the program.

E. The minimum loan amount is $30,000 and the maximum loan amount is $300,000.

F. Repayment of the amortized loan amount shall be made in consecutive monthly payments in accordance with the interest rate and terms as established in the mortgage note.

G. In the event of a default on the loan by the borrower, the Lender reserves the right to foreclose.

IV. ELIGIBLE BORROWERS

Borrowers receiving loans under CARL must meet the following requirements:

A. Each borrower must be an owner occupant of the property to be improved.

B. Borrower must have a minimum credit score of 620 (with more review if necessary). Counseling for first time homebuyers and those with a credit score under 700 are required by a HUD approved agency.

C. Borrower must have a debt to income ratio of equal to or less than: 31 (front end) /43 (back- end).

D. Borrower will have at least 5% plus closing costs in a down payment. Buyer must have at least 1.5% of their own funds in the transaction.

V. BORROWER FEES

A. Application Deposit of $495.00 will be collected at application and will cover an "as is" and "as completed" appraisals, appraisal review, credit report, flood certification, wire transfers and other costs to be credited at closing.

B. The borrower, at loan closing, is required to pay a construction services fee of $500, for 5 URA construction inspections.

C. An Origination Fee of 1% to be retained by the Lender. (Once the Mortgage Fund is set up the origination fee will increase ½% and will be retained by the mortgage fund.)

D. URA Guarantee Fee of 1% of the total guarantee amount.

E. An independent home inspection paid by the borrower will be required. The report will need to be sent to the URA and all deficiencies noted will need to be addressed in the URA’s work scope. In cases of significant work scope an engineering report may also be required.
F. Title insurance and related fees are separate and not included in any of the other specifically identified fees.

VI. ELIGIBLE PROPERTIES

A. Each property must be a permanent structure used primarily for year-round residential use. If the residence to be improved is vacant, the borrower must certify in writing prior to closing intent to occupy within thirty (30) days of work completion.

B. 1-4 Family contiguous units, with one unit being the principal residence of the borrower.

VII. ELIGIBLE AREAS

A. The Pilot program will consist of the attached City of Pittsburgh Neighborhoods and Census Tracts.

VIII. ELIGIBLE AND REQUIRED IMPROVEMENTS

A. As a condition of CARL, the borrower will be required to undertake all improvements necessary to remedy the conditions presenting a danger to the health and safety of the occupants of the property. The URA will conduct an inspection of each property identifying code violations and conditions presenting a danger to health and safety. Improvements necessary to remedy these conditions are to be included in the scope of work to be financed with the loan. In the event the borrower is financially unable to obtain a loan in an amount sufficient to bring about total compliance with existing codes, the loan will not be made.

B. Substantial Rehab amount must be at least $25,000 or 25% of the complete loan package, whichever is less.

C. Contingency amount should be 10% but project can be granted a lesser amount depending on the scope of work and receiving approval from the lender, supported by the Construction Advisor.

D. Priority use of loan funds will be initial code violations, energy related improvements and finally general property improvements.

E. Work started prior to URA approval and inspection will not be eligible for loan funds.

F. Work proposed for a building listed in the National Register of Historic Places or located in an historic district listed in or eligible for the National Register, or for a building determined by the Historic Preservation Planner to be eligible for listing in the National Register, shall be reviewed by the City’s Historic Preservation Planner to ensure that it conforms to the Secretary of the
Interior’s Standards for Rehabilitation. Any exterior work proposed for a building designated by the City as an historic structure, or located in a City-designated historic district, must first be reviewed and approved by the Historic Review Commission of the City of Pittsburgh.

**IX. INSPECTIONS**

All properties rehabilitated under CARL are subject to inspections by the URA.

A. The URA Construction Advisor will conduct an initial inspection of the property. The URA construction advisor will identify code violations and conditions presenting a danger to the health and safety of the occupants.

B. The URA will review the Specification of Repairs completed by the homeowner’s chosen contractor.

C. All renovations and construction work must be done by a licensed contractor who is preapproved to a standard established by the URA and PCRG, and is acceptable to the bank. Customers may select pre-approved contractors from the list or secure their own. If securing their own, that contractor will have to undergo the same vetting process of the URA, PCRG, and underwriting bank, and demonstrate the same capacity and qualifications.

D. Maximum of 5 inspections/draws ($100 per inspection) with a fee collected at closing of $500.

E. The URA Construction Advisor will conduct on-site stage inspections upon a payment request from the contractor and borrower. The URA will issue a letter to the lender to pay the contractor a specific amount based on work completed.

**X. PAYMENT PROCEDURES**

A. Contractors must request payments on the proper form, duly signed and approved by the borrower, for a specified dollar amount. No request for payment will be processed unless the amount of work completed is equal to or greater than the dollar amount applied for according to the URA’s contractor payment schedule.

B. Final payments will not be released until all required permits have been approved and signed off.

**XI. CONSTRUCTION STANDARDS AND CONTRACTOR APPROVAL**

All properties rehabilitated under the CARL must comply with all relevant codes of Allegheny County and the City of Pittsburgh; comply with the General Specifications of the URA’s Housing Rehabilitation Programs. All contractors shall:
A. Meet all licensing requirements necessary to perform the construction.

B. Be of good reputation, financially sound and fully qualified to perform the required work outlined in the work write-up as evidenced by previous professional construction experience.

C. Provide insurance coverage for comprehensive public liability, property damage liability and worker’s compensation in form and amounts required by the URA.

D. Perform all work covered by the work write-up and drawings in conformance with the contract and all applicable laws, codes and URA construction standards, and in a competent, workmanlike manner equal to the standards of the General Specifications of the URA.

E. Comply with all applicable laws, ordinances and regulations relating to the protection and safety of persons and property.

F. Furnish all labor, materials and equipment and obtain and pay for all licenses, permits and privileges required to construct the property in accordance with the contract documents.

G. Agree to complete construction according to the specifications of the work write-up within the completion date stated on the agreement.

H. Indemnify and hold the URA, PCRG, and the lender harmless from all liability and loss due to injury to or death of any person, or damage to any property which may occur or be alleged to occur during performance of the contract as a direct or indirect result of any act or omission, whether intentional, negligent or otherwise by the contractor, subcontractors or their agent, servants and employees. The contractor shall defend all suits or claims involving the above at his or her sole cost and expense.

I. If the homeowner is required to do lead hazard reduction work, the work must be done by a certified Lead Abatement Contractor.

XII. DISBURSEMENT FROM LENDER

A. Lender will hold the borrower’s funds at their lending institution. The URA will fax an authorization to pay the contractor. The lender will prepare and mail check to the contractor, or deposit into contractor’s account.

XIII. PCRG HOME MORTGAGE FUND

A. This product will be the first part of a two part program to ensure consistent availability of capital for the program. PCRG plans to establish and house a
PCRG Home Mortgage Fund. The fund will meet regulatory requirements as well as provide loan loss reserves to ensure safety and soundness of the investments therefore mitigating risk of investors in the fund. This loan loss reserve might in part be provided by the URA and/or Foundations.

B. Once this fund is established the lending partners are required to sell the loans to this fund.

C. Banks can apply to the URA and PCRG to be an eligible lender for the program. Borrowers can select from the list of eligible lenders.

D. Lenders may be eligible to receive Community Reinvestment Act (CRA) credit under the lending test criteria for originating this product.

E. Lenders may be eligible to receive Community Reinvestment Act (CRA) credit under the investment test criteria for investing in the Mortgage Fund.

XIV. NON-DISCRIMINATION CERTIFICATION

The Urban Redevelopment Authority of Pittsburgh and Pittsburgh Community Reinvestment Group do not discriminate on the basis of age, race, sex, religion, national origin, physical handicap, including impaired vision or hearing, or political or union affiliation. No person, solely on the basis of any of the above factors, shall be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination under the loan and grant programs operated by the Housing Department of the Urban Redevelopment Authority of Pittsburgh.