



# NEIGHBORHOOD FINANCE CORPORATION

## Renovation Loan Agreement

**RENOVATION LOAN AGREEMENT** (“Loan Agreement”) is made by and between the undersigned borrower(s) (“Borrower”, “I”, “me” or “my”), and Neighborhood Finance Corporation, an Iowa nonprofit corporation (“Lender”).

I. **LENDER’S LOAN TO ME.** I have signed a Promissory Note payable to Lender (“Note”). The Note is for the loan by Lender to me in the principal amount of \$\_\_\_\_\_ (“Loan”). I acknowledge that \$\_\_\_\_\_ (“Renovation Amount”) of the principal amount of the Loan will be held by Lender in an escrow account (“Renovation Escrow Account”). This Renovation Escrow Account shall only be used to fund the renovations designated on the Scope of Renovation Work attached as Exhibit “A” (a portion of the renovation work or all of the renovation work, as the context requires, “Work”) or otherwise in accordance with this Loan Agreement. “Property” includes the Improvements. I also have executed a Mortgage (“Security Instrument”), granting Lender a first priority lien on the Property. In this Loan Agreement, “Loan Documents” means the Note, the Security Instrument, this Loan Agreement, and all other documents executed in connection with the Loan. All terms defined in the Note and the Security Instrument shall have the same meaning in this Loan Agreement.

## 2. MY AGREEMENTS

### 2.1. The Work.

2.1.1. **Permits.** I will get, and keep in force, all approvals for the Work (each, a “Permit”) that are required by any federal, state, county, or local government agency (each, a “Government Authority”), if any. I will comply with all applicable laws of any Government Authority (“Government Regulations”). I will get from each contractor and give Lender copies of all licenses and Permits, if any, required by Government Authorities.

2.1.2. **Change Orders.** Any change in the price for any of the Work and any change beyond a de minimis change to the Work must be in a written agreement signed by me and the applicable contractor and approved by Lender.

2.1.3. **Completing the Work.** The Work will begin promptly after I sign the Loan Documents. The Work will continue diligently and in a good and workmanlike manner in strict accordance with the contracts for the Work and all Government Regulations. The Work will satisfy the Environmental Protection Agency’s guidelines for lead safe renovations. The Work will not violate any of the conditions, covenants or restrictions on the Property.

I will notify Lender immediately in writing if (i) any notice of lien on the Property is served on me or any contractor; or (ii) any Government Authority issues any notice or claim relating to the Property.

**I PROMISE THE WORK WILL BE COMPLETED ON OR BEFORE SIX (6) MONTHS AFTER THE CLOSING OF THE LOAN (“COMPLETION DATE”); PROVIDED, IF THE WORK CANNOT BE COMPLETED BY THE COMPLETION DATE DUE TO A TORNADO, FLOOD, FIRE, OR OTHER ACT OF GOD, I MAY REQUEST AN EXTENSION OF THE COMPLETION DATE TO A DATE THAT WILL ALLOW THE WORK TO BE COMPLETED THAT IS AS CLOSE AS REASONABLY PRACTICABLE TO THE COMPLETION DATE, AND LENDER MAY GRANT SUCH EXTENSION, IN ITS SOLE DISCRETION, ON THE SAME TERMS AND CONDITIONS CONTAINED IN THIS LOAN AGREEMENT. LENDER WILL ACCEPT THE WORK AS COMPLETED WHEN ALL OF THE CONDITIONS IN SECTION 2.7.2 OF THIS LOAN AGREEMENT ARE SATISFIED.**

2.1.4. **Inspections.** Lender and its agents have the right to enter the Property to inspect the Work, without notice to me, during normal business hours, or any other times that Lender arranges with me. Lender inspections are for Lender’s benefit only. Lender’s inspections create no liability or responsibility to me or any third parties.

2.1.5. **I Am Responsible for the Work.** I have full and sole responsibility to make sure that the Work complies with Exhibit "A" and all Government Regulations. Lender has no liability, obligation or responsibility for the Work. Lender is not liable for any failure to construct, complete, protect, or insure the Work. Lender is not liable for any costs of the Work. Nothing Lender does (including inspecting the Work or making an advance) will be a representation or warranty by Lender that the Work complies with any contract, this Loan Agreement, the Permits or any Government Regulations. If Lender asks, I will repair or replace at my expense any Work that does not comply with Exhibit "A". I have no right to assert or claim any offset, counterclaim or defense against Lender because of any claim I may have against contractor or any suppliers of materials for the Work.

2.1.6. **My General Contractor.** I have entered into a written agreement ("Renovation Contract") with a general contractor licensed in the State of Iowa ("General Contractor") for all the Work. The Renovation Contract states the total amount that I will pay General Contractor for the Work ("Contract Price") and includes: (i) the plans and specifications for the Work; and (ii) a written itemization of the Work and the Contract Price. I have provided to the Lender a copy of the Renovation Contract. The Renovation Contract comprises the entire agreement between the General Contractor and me regarding the Work. The General Contractor will give Lender the name, address and telephone number of each person that has a contract with General Contractor to supply materials or labor for the Work (each, a "Supplier"). I acknowledge that I am authorized to provide the General Contractor with a copy of this Loan Agreement.

2.2. **Costs and Expenses.** I will pay all costs and expenses required to satisfy the conditions of this Loan Agreement.

2.3. **Title Certificate and Abstract.** Promptly after the execution of this Loan Agreement, I will obtain, at my sole cost and expense, and deliver to Lender a title certificate or attorney's title opinion dated no earlier than the date of this Loan Agreement and prepared by an attorney licensed to practice law in the State of Iowa or Iowa Title Guaranty. Such title opinion or certificate shall be addressed to Lender and show marketable title to the Property in me in conformity with Iowa law and the Title Standards of the Iowa State Bar Association.

2.4. **Survey.** If Lender requests, I will provide and certify to Lender a survey of the Property and the Improvements, including dimensions and locations of all completed Improvements and all easements or other rights or restrictions (each, a "Survey").

2.5. **Appraisal.** Lender obtain at my expense an appraisal of the Property and the Improvements before Lender disburses any part of the Loan. The appraisal will reflect an appraised value and be in form and substance satisfactory to Lender.

## 2.6. Insurance.

2.6.1. **General Contractor Insurance.** The General Contractor must get and keep in force the following insurance policies: (i) a builder's all risk insurance policy (with a mortgagee's loss payable clause in favor of Lender and with a physical loss form endorsement), without co-insurance, in an amount not less than one hundred percent (100%) of the replacement cost of the Improvements, with the standard conditions; (ii) public liability insurance with limits of liability equal to at least \$500,000 per occurrence; (iii) worker's compensation insurance as required by applicable state law; and (iv) automobile liability insurance with limits of liability equal to at least \$300,000 per occurrence for each vehicle that will be used in providing the services. The insurance required of General Contractor in this Loan Agreement shall be in force until the Improvements are accepted by me.

2.6.2. **My Insurance.** When the Work is completed, Lender will obtain, at my cost and expense, endorsements or its equivalent to the title certificate obtained at time of loan closing to insure Lender, its successors and assigns, for the full amount of the mortgage loan as a first lien and against any mechanics' liens that could arise out of or relate to the Work.

## 2.7. The Loan.

2.7.1. **Administration.** All disbursements made by the Lender from the Renovation Escrow Account shall be made directly payable to the applicable contractor after delivery to Lender of the lien waiver release form.

2.7.2. **Payments; Conditions To Payments.** Each of the promises I make in this Loan Agreement shall be considered made again as of the time (i) Lender receives any request from me and my contractor for a Payment ("Request for Payment"); or (ii) I endorse any Loan Proceeds check to my contractor. Payments will be made as shown, but only if all the following conditions are satisfied:

- 2.7.2.1. **Work Completed.** The Work for which a Payment is requested has been completed in a good and workmanlike manner, and complies with Exhibit "A", the Permits, and all Government Regulations.
- 2.7.2.2. **No Defaults.** I am not in default under any of the Loan Documents or any of the Contracts. I have complied completely with all of my promises about the Work (including the promises in Section 2.1.3 of this Loan Agreement).
- 2.7.2.3. **Request for Payment.** Contractor will deliver to Lender (i) a Request for Payment, on Lender's form, properly completed, and signed by me and my contractor; (ii) the invoices for the Work; (iii) unconditional construction lien waivers from contractor and from all suppliers of materials for all Work covered by the Request for Payment; and (iv) all other required information described in the Request for Payment. Lender may rely on my statements and each contractor's statements in the Request for Payment and on the invoices and lien waivers submitted by the contractor. Lender is not responsible to verify any of the information. The funds obtained with the Request for Payment will be used to pay for the Work described in the Request for Payment.
- 2.7.2.4. **Renovation Amount.** The Renovation Amount remaining after each Payment will be enough to complete all the Work. The contingency, if any, shown on Exhibit "A" is to cover unexpected costs associated with the Work and will be paid out at the discretion of Lender; any unused contingency will be applied to loan principal at time of final certification of the Work.
- 2.7.3. **Completion of Improvements.** The Work will be completed as required by this Loan Agreement. Lender will obtain, at my cost and expense, (i) an endorsement guarantying or insuring Lender for a first lien position on the full amount of the Loan and against any mechanics' liens that could arise out of or relate to the Work; and (ii) the final inspection report. I agree to cooperate with Lender to obtain the final inspection report. I will deliver to Lender a completion certificate signed by me and contractor and the appraiser if applicable, and evidence of hazard and other insurance coverage equal to the as-completed value of my home. I agree that the final Payment from the Renovation Amount shall not be made until the completion certificate is delivered to Lender.

### 3. DEFAULT AND REMEDIES

- 3.1. **Events of Default.** I will be in default under this Loan Agreement and the other Loan Documents if any of the following events ("Events of Default") occurs: (i) I fail to make any payment due under any Loan Document; (ii) I fail to keep any promise in this Loan Agreement or any other Loan Document; or (iii) Any statement of fact, representation or warranty I make to Lender in my loan application, this Loan Agreement or in any other Loan Document is false, inaccurate, or incomplete.
- 3.2. **Lender's Rights and Remedies.** Subject to my right to notice of default and right to cure the default(s), to the extent required by law, if an Event of Default occurs, Lender has the following rights and remedies ("Rights and Remedies"):
- 3.2.1. **Declare a Default.** Lender may declare any or all Loan Documents in default and pursue any rights or remedies created by such Loan Documents and/or existing at law or in equity.
- 3.2.2. **Take the Escrow Account.** Lender may take any funds in the Renovation Escrow Account, if any, to apply to any amounts I owe under the Loan Documents.
- 3.2.3. **Indemnity.** I will indemnify and hold Lender and Lender's affiliates, and the officers, directors, employees and agents of Lender and its affiliates and any purchaser or subsequent holder of the Note (collectively, "Indemnified Parties"), harmless from any liability, claim, loss, cost, legal expenses (including suits, claims, proceedings, damages, and costs arising from or relating to any third-party claim), incurred by or alleged against any of the Indemnified Parties arising from or related to (i) the Property, (ii) the Work, or (iii) my default under the Loan Documents.
- 3.2.4. **Lender's Fees, Costs, and Expenses.** I shall promptly pay to Lender all attorney's fees, costs, and other expenses paid or incurred by Lender in enforcing or exercising Lender's Rights and Remedies, including without limitation the costs to obtain a new as-built appraisal of the property based on the failure to complete the Work as promised. Interest will accrue on these amounts at the rate in the Note from the date the expense is incurred. The expense plus interest will be secured by Lender's Security Instrument.

3.2.5. **Remedies Cumulative.** Lender may (but is not required to) exercise any or all of its Rights and Remedies. All of Lender's Rights and Remedies contained in this Loan Agreement are cumulative and are in addition to any other Rights and Remedies created in any other Loan Document or existing at law or in equity.

#### 4. GENERAL

- 4.1. **My Cooperation.** I will, at my own cost and expense, sign any other instruments or documents, and supply any information and data that Lender considers necessary to accomplish the purposes of this Loan Agreement. If, in Lender's opinion, a material modification of the terms of this Loan Agreement is required, or occurs, I will execute an appropriate Renovation Loan Modification Agreement. All documents delivered to Lender by me shall become Lender's property.
- 4.2. **No Waivers.** Lender may choose to delay enforcing any of Lender's rights or waive any of Lender's rights under this Loan Agreement. Lender may delay enforcing or waive any of Lender's rights without affecting Lender's other rights. If Lender waives a right, Lender can still enforce the same right later.
- 4.3. **Entire Agreement.** This Loan Agreement and the other Loan Documents are the entire understanding between Lender and me about the Loan, the Improvements, and the Work, and may not be modified, amended, or terminated except by written agreement signed by Lender and me.
- 4.4. **Binding Agreement; Assignment.** This Loan Agreement is for the benefit of Lender and Lender's successors and assigns, and binds me, my heirs, executors, administrators, successors and assigns. I may not assign this Loan Agreement without Lender's prior written consent, which Lender may withhold in Lender's sole discretion.
- 4.5. **Survival of Representations.** Any promise I make shall survive the termination of this Loan Agreement and the repayment of the Loan.
- 4.6. **Joint and Several Liability.** Each person executing this Loan Agreement as a Borrower has joint and several liability.
- 4.7. **Notices.** Any communication required by this Loan Agreement shall be in writing and addressed to the addressee at the address indicated on the first page of this Loan Agreement.
- 4.8. **No Third Party Beneficiary.** This Loan Agreement is for the sole benefit of Lender and me, and is not for the benefit of anyone else. All conditions to Lender's obligation to make any Payment are solely for Lender's benefit. No other person or entity shall have standing to require satisfaction of those conditions or be deemed to be the beneficiary of those conditions.
- 4.9. **Governing Law.** This Loan Agreement is entered into in Iowa and shall be controlled and interpreted by the laws of the United States and Iowa.

In Witness Whereof, Borrower and Lender have executed this Loan Agreement as of the date first set forth on page one.

**IMPORTANT: READ BEFORE SIGNING. THE TERMS OF THIS AGREEMENT SHOULD BE READ CAREFULLY BECAUSE ONLY THOSE TERMS IN WRITING ARE ENFORCEABLE. NO OTHER TERMS OR ORAL PROMISES NOT CONTAINED IN THIS WRITTEN CONTRACT MAY BE LEGALLY ENFORCED. YOU MAY CHANGE THE TERMS OF THIS AGREEMENT ONLY BY ANOTHER WRITTEN AGREEMENT.**

**THIS IS A LEGALLY BINDING AGREEMENT. PLEASE READ IT CAREFULLY AND MAKE CERTAIN THAT YOU UNDERSTAND ALL OF THE TERMS AND CONDITIONS. IF YOU DO NOT UNDERSTAND ALL OF THE TERMS AND CONDITIONS YOU SHOULD CONSULT AN ATTORNEY PRIOR TO SIGNING THIS AGREEMENT.**

**LENDER:**

Neighborhood Finance Corporation

By: \_\_\_\_\_  
\_\_\_\_\_

**BORROWER(S):**

\_\_\_\_\_  
Printed Name: \_\_\_\_\_

\_\_\_\_\_  
Printed Name: \_\_\_\_\_

