

## ***FHA TITLE I HOME IMPROVEMENT LOAN PROGRAM***

**PURPOSE:** Loan proceeds may be used to finance the alterations, repairs or additions to an existing structure which improves the basic livability or utility of a property. Examples of Eligible Improvements include:

- new flooring
- new/repair fence
- remodel kitchen
- sheetrock repair & painting
- complete unfinished living area
- install or upgrade approved well or septic systems
- new roofing
- new built-in appliances
- new heating system
- driveways/walkways
- repair electrical
- new/repair porch
- remodel bathroom
- add living area
- repair plumbing

The property improvements must become a permanent part of the real property. The improvements must be started only after approval of the loan application. The improvements must not be considered luxury items as established by the U.S. Department of Housing and Urban Development. Examples of items which are ineligible improvements and cannot be financed include:

- airplane hangers
- saunas
- satellite dishes
- barbecue pits
- swimming pools
- personal property
- hot tubs
- tennis courts
- kennels
- TV antennas

**QUALIFYING:** To be considered, the improvements must be to an OWNER OCCUPIED one to four unit property. If new construction, the property must have been completed and occupied for at least 90 days. Most loans should be secured by a Deed of Trust. Loans for less than \$7,500 may be considered as an unsecured loan, not requiring a recorded Deed of Trust. The Deed of Trust does not have to be in a first lien position. There is no equity requirement for single family detached homes. In most cases appraisals are not required, however tax assessment information, where available, is helpful in the qualification process. Owners of multi-family properties should discuss their needs with our loan officers to determine the additional needed information required for their loan application. The applicant's recurring monthly expenses should be less than 45 percent of their total gross monthly income.

**PROCESSING:** The following items are required in making the qualification determination:

- a complete, signed and dated Title I Credit Application for Property Improvement Loan (HUD form 56001). (Available at all Denali Alaskan FCU offices.)
- a copy of their current employer pay stubs, or a signed verification of employment form(s).
- a copy of the previous years W-2 form or tax return.
- if self employed, a copy of the previous two years tax returns and a profit and loss statement no more than 60 days old.
- a copy of the latest bank statement, or a signed verification of deposit form(s).
- Verification of Mortgage (if not current on credit report).
- a detailed narrative description of the proposed improvements
- One of the following:
  - A detailed contract or bid for the work to be completed, if a contractor is to do the work.
  - A detailed estimate or bid of material costs from the suppliers, if the work is to be done by the applicant.

The completed application along with the other information needed from the above list should be submitted to any Denali Alaskan Federal Credit Union Office. Your application and additional information will be forwarded to our Real Estate Office located at 440 East 36th Ave, Ste. 220 in

Anchorage. You may also mail your application to the same address, Attention: Real Estate Office. The application and information will be reviewed and you will be contacted should additional information be needed. You will be notified of the loan decision within a few days and, if approved, a loan closing will be scheduled.

At the loan closing, the applicant will be required to:

- Pay all allowable closing costs.
- Provide a homeowners insurance binder which adds Denali Alaskan Federal Credit Union to the policy as a loss payee.

**DISBURSEMENT:** There are several ways in which we may disburse funds. After review of the contract or estimates of material costs from the suppliers, you will be contacted to discuss the most appropriate method of disbursement. A certificate of completion will be required when the improvements are completed. A copy of all invoices, bills and paid receipts must be provided by completion. For loans over \$7500 it will be necessary for credit union staff to conduct a final inspection of the improvements. A \$50.00 fee will be charged for the inspection. **All improvements must be made and completed within six months of closing or the loan may be considered in default. Any changes from the original description of the work to be completed must be submitted in writing to Denali Alaskan for review and approval. Failure to obtain Denali Alaskan prior approval for changes may result in cost not being covered by the loan or foreclosure being started.**

**TERMS:** The maximum loan amount - Secured for an owner occupied single family home is \$25,000.00. The maximum loan amounts for owner occupied duplex, tri-plex and four-plex units are \$24,000, \$36,000 and \$48,000 respectively. The interest rate will vary based on the loan term, however it is fixed for the term of the loan. The maximum term for repayment of a secured loan is twenty (20) years.

The maximum loan amount - Unsecured for a property is \$7,500. The interest rate will vary based on the loan term, however it is fixed for the term of the loan. The maximum term for repayment of an unsecured loan is ten (10) years.

See the latest Denali Alaskan Real Estate Rate Sheet for the current interest rate information. The Annual Percentage Rate (APR) may be higher when the costs of the loan are included.

**COSTS:** The applicant will be required to pay all the loan costs, not previously collected, at closing. Some costs may be incorporated in to the loan amount, see the Real Estate Office for details. The typical costs associated with the secured loan are:

- Recording Fees (about \$82.00).
- Initial FHA insurance premium (1% of the loan amount)Denali may annually bill you for subsequent FHA insurance premiums.
- Inspection Fee of up to \$75.00, if needed.
- Property title insurance (about \$250.00).
- Flood Hazard Determination, (\$20.00).
- When the loan is paid in full, a reconveyance fee will be required to remove the deed of trust. The borrower will be required to pay this fee at that time.

Costs associated with the unsecured loan are the FHA initial Insurance Premium and the flood insurance determination.

If you have any questions about this program please call the Real Estate Office at 257-9416 in Anchorage.