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HOPE 3 LOAN AGREEMENT

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Chicago, IL 60657

DEPT-01 RECORDING \$37.00
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#5111 # JM *-95-550974
COOK COUNTY RECORDER

Whereas, Chicago Rehabilitation Network, an Illinois non-profit corporation with offices at 53 W. Jackson Blvd., Chicago, Illinois ("CRN") has agreed to finance the rehabilitation of property belonging to Bethel New Life, Inc. ("Developer") a non-profit developer of affordable housing with offices at 367 N. Karlov Avenue, Chicago, Illinois; and

Whereas, the property to be rehabilitated is described as follows:

Lots 4, 5 and 6 in Hoffman's Subdivision of Lots 1 to 5 both inclusive in Block 30 in the Resubdivision of the South 1/2 of Blocks 18 to 24 inclusive and the North 1/2 of Blocks 25 to 32 inclusive in the Subdivision of the South 1/2 of Section 10, Township 39 North, Range 13 East of the Third Principal Meridian in Cook County, Illinois.

Common Address: 120-124 N. Keeler Avenue, Chicago, IL
PIN: 16-10-419-022-0000

Now therefore, for good and valuable consideration acknowledged by the parties as received, the parties hereby agree follows this 3 day of August, 1995:

GENERAL CONDITIONS

1.01. Loan Pool. There is hereby established the HOPE 3 Loan Pool ("Loan Pool") to be administered by CRN for the benefit of CRN members. CRN members who are selected by CRN for participation in the Loan Pool will become eligible for receipt of funds from the Loan Pool by complying with the conditions stated below.

1.02. Availability of Funds. Developer may borrow funds from the Loan Pool as such funds are available from time to time from the date Developer has complied with the conditions stated below until February 23, 1996, under the terms and conditions as stated in the Note and Mortgage.

1.03. Eligible Projects. Developer may use the Loan Pool to acquire and/or rehabilitate residential properties of one to four units in Developer's targeted area of operation, which shall upon completion be sold or leased to occupants whose income is within guidelines established by Grant Agreement #H3931L0016-IN between the U.S. Department of Housing and Urban Development and Chicago Rehabilitation Network for the HOPE 3 Program.

1.04. Project Commitment. Developer hereby agrees to acquire and/or rehabilitate one residential property using Loan Pool funds.

ACQUISITION OF BUILDINGS

2.01. HUD-Owned Buildings. CRN members will identify HUD-owned buildings for acquisition and use under the HOPE 3 Loan Pool. CRN members will bid on HUD-owned properties on their own behalf. Alternatively, CRN can on behalf of a CRN member, bid on the building and acquire it with HOPE 3 or other funds available to CRN.

2.02. CAPP Buildings. CRN members will acquire CAPP buildings from the City of Chicago under the Chicago Abandoned Property Program as per the regulations of that program.

BOX 333-CTT

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2.03 Other Buildings. CRN members may acquire 1-6 unit properties from other governmental sources, including but not limited to Resolution Trust Corporation, or Veteran's Administration.

CONDITIONS OF LENDING

3.01 Project Approval. Subject to approval of the Developer under such conditions as CRN shall from time to time establish, Developer may request funding for specific projects. Developer shall submit the following documents for each project:

- (a) executed copy of this Agreement,
- (b) certified copy of corporate resolution of Developer approving the Agreement and Note, authorizing certain corporate officers or directors to bind Developer to the terms and conditions stated in the Agreement and Note.

In addition, Developer shall submit not less than 30 days before any requested advance under the Note and Agreement the following documents:

- (c) identification of property to be acquired and rehabilitated, with attachments as follows:
 - (1) contract for purchase (HUD-owned properties) or CAPP award letter (CAPP buildings)
 - (2) work write-up in narrative form or plans and specifications
 - (3) three contractor's sworn statements or bids
 - (4) total estimated project costs, including construction and soft costs, interest expense, selling costs and other carrying costs
 - (5) targeted selling price of property
 - (6) evidence of pre-qualified borrower to purchase property after rehab
 - (7) timeline for completion and sale of project
 - (8) title commitment and survey for property
 - (9) after rehab value appraisal supporting sales price.

3.02 Conditions for Initial Advance. Prior to the initial advance of Loan Pool funds, Developer shall provide the following documents in form satisfactory to CRN:

- (a) copy of executed contract with contractor
- (b) Owner's Sworn Statement
- (c) certificate signed by authorized officer of Developer dated the date of request for advance and stating that the representations, warranties and covenants contained in this Agreement are materially correct as of the date of the requested advance and that no event of default under this Agreement has occurred,
- (d) certificate signed by authorized officer of Developer dated the date of request for advance and stating that the funds advanced will be used only for acquisition and rehabilitation of the property for which the advance is requested,
- (e) clearance of all impediments to Developer's acquisition of clear title to proposed property,
- (f) evidence of builder's risk insurance for the contract amount, hazard insurance for the loan amount naming CRN as mortgage loss payee, and general liability insurance, protecting Developer,
- (g) executed Note (to be signed after determination with CRN as to amount and term of advance),
- (h) executed Mortgage, granting to CRN a secured interest in the property to be acquired and rehabilitated,
- (i) copy of building permit and signed copy of construction contract,
- (j) Construction Escrow Agreement to be established at Title Company.

TERMS OF LENDING

4.01 Advances. Advances requested by Developer will be submitted by CRN to HUD not more than three business days after Developer has provided to CRN all documentation required under Section 3 above, and which CRN has reasonably determined is complete and in proper form. Upon receipt of funds from HUD, CRN will disburse such funds to Developer or title company escrow, as applicable, within two (2) additional business days.

4.02 Interest and Repayment. Developer shall pay the interest accrued at maturity on the Note at the interest rate stated in the Note at maturity. Final payment of principal and accrued interest shall be due in accordance with the terms of the Note. Developer may prepay the Note in whole or in part at any time.

4.03 Inspections. Developer will permit access to the premises at reasonable times upon prior notice during the rehab work for CRN or its nominees to assess the quality of the work and to determine that the work can be completed in

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accordance with Developer's timetable. Developer will notify CRN prior to any construction draw request to enable CRN to inspect the property for compliance with the construction contract and the plans and specifications for rehabilitation of the property. In addition, CRN will inspect the work after the installation of mechanical and framing systems, but prior to the closure of any walls. Developer will notify CRN in writing when mechanical and framing systems will be completed.

4.04. Change Orders. Developer will not approve any change orders increasing the cost to the construction budget unless approved in writing by CRN.

4.05. Fees. Developer shall pay to CRN a servicing fee of one percent (1%) of the loan amount, payable at the time the loan is initially funded. Developer shall also reimburse CRN for all recording, title and search and other out-of-pocket fees, including reasonable attorney's fees (except attorney's initial closing fee), payable at the time the final advance is made. *

CONDITIONS FOR RELEASE OF NOTE AND MORTGAGE

5.01. Compliance with HOPE 3 Regulations. Prior to the release of a Note and Mortgage extended under this program, Developer shall present evidence that it has complied with the requirements of the HOPE 3 program, including:

- (a) the homebuyer or the property has completed or is enrolled in a course in homeownership counseling;
- (b) the contract with homebuyer includes the HOPE 3 resale restrictions, which homeowner has approved and accepted;
- (c) the homebuyer has been properly qualified under income guidelines of the U.S. Department of Housing and Urban Development, and Developer has presented evidence of homebuyer's income qualifications;
- (d) intentionally left blank
- (e) homebuyer has signed the lead-based paint disclosure statement;
- (f) the HOPE 3 resale restrictions have been recorded as a lien against the property in the form of a junior mortgage, approved by CRN and meeting the requirements of the attached regulations or any waiver approved by the HUD.

5.02. HOPE 3 Resale Restrictions. Homebuyer and Developer shall include the following restrictions in the contract and closing documents for the property:

- (a) Developer shall have the right of first refusal to purchase the property at the same price as that made by a bona fide purchaser; and
- (b) If the property is sold prior to six years of ownership by homebuyer, the distribution of sale proceeds shall be made as follows:
 - (1) payment of outstanding mortgages and other recoverable grants or subsidies, evidenced as liens on the property
 - (2) payment of closing costs
 - (3) payment of homebuyer equity, consisting of:
 - (a) downpayment
 - (b) mortgage principal reduction
 - (c) value of improvements made by homebuyer, evidenced by receipts
 - (d) appreciation index, calculated by multiplying the increase in the Consumer Price Index for each year of ownership by the total of the homebuyer equity as defined above.
 - (4) balance of proceeds to CRN for distribution pursuant to HOPE 3 regulations. Funds allocated to CRN shall be shared equally with Developer.
- (c) After six years of homeownership, the above restrictions shall lapse, and the junior mortgage may be released.

5.03. Partial Releases. In the case of condominium development, CRN will partially release the Mortgage and the obligations under this Agreement for each unit sold, upon the satisfaction of the conditions stated above in §5.01 and §5.02. The repayment required for each partial release is specified for each unit in Exhibit A attached hereto.

REPRESENTATIONS, WARRANTIES AND COVENANTS OF DEVELOPER

6.01. Representations and Warranties. Developer represents and warrants as follows:

- (a) Developer is a non profit corporation duly incorporated and in good standing with the State of Illinois,

* Developer shall be notified in advance of any attorney's fees charged in connection with further loan negotiations, except in Events of Default.

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(b) Developer has been duly authorized by its Board of Directors to participate in the Loan Pool, the execution and performance of the Agreement and the accompanying Note are within Developer's corporate powers and do not contravene Developer's charter or by-laws or any law or contractual restriction binding upon Developer,

(c) no authorization, approval, other action by or notice to any governmental authority is required for the execution, delivery and performance by Developer under this Agreement,

(d) the agreement is and the Note will be legal, valid and binding obligations of Developer enforceable against Developer in accordance with their terms, subject to applicable bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditor rights,

(e) financial statements submitted by Developer fairly represent the financial condition of Developer on the date indicated and since the date of these financial statements there has been no material adverse change in such condition or operations,

(f) there is no pending or threatened litigation or other government action against Developer which may materially adversely affect its financial condition or performance under the Agreement.

6.02. Covenants of Developer. Developer will

(a) materially comply with all applicable laws, rules, regulations and orders, such compliance to include without limitation, payment when due of all taxes, assessments and governmental charges imposed on Developer or Developer's property except to the extent contested in good faith,

(b) furnish to CRN such financial information or information about progress under this program as CRN may from time to time reasonably request, until loan repayment,

(c) maintain its valid existence and its good standing as a not-for-profit corporation in the State of Illinois,

(d) pay all fees, costs, expenses and charges incurred by CRN in connection with this loan, as reflected in the closing settlement statement, and comply with the terms of this agreement and the terms of all Notes and Mortgages executed by Developer, including the restriction on the use of loan proceeds,

(e) maintain all required insurance coverage as described in Section 3,

(f) allow CRN or its nominee access to Developer's books and records, relating to the property purchased or improved with HOPE 3 funds, at reasonable times and places, upon prior written notice, until loan repayment.

EVENTS OF DEFAULT; LENDER'S REMEDIES

7.01. Events of Default. If any of the following conditions occur and are continuing:

(a) Developer fails to pay any portion of principal or interest on the Note when due and such failure remains unremedied for ten (10) days following notice,

(b) any representation made by Developer is found to be materially false,

(c) Developer fails to materially perform or observe the covenants or any other part of this Agreement, and such failure continues unremedied for more than thirty (30) days without good faith effort of Developer to cure, following notice,

(d) Developer additionally encumbers the premises financed through the Loan Pool without CRN's consent except for financing not to exceed \$36,000 from the Federal Home Loan Bank of Chicago,

(e) Developer transfers the premises financed through the Loan Pool without CRN's consent,

(f) Developer admits in writing its inability to pay its debts, or a proceeding shall be instituted by or against Developer seeking to adjudicate it bankrupt or insolvent, or Developer's assets are placed under the control of a receiver, trustee or similar official, or a final judgment for payment of money in excess of \$10,000 is ordered against Developer which shall continue unsatisfied for 30 days,

then, CRN may by notice to Developer declare its obligation to make further advances under this Agreement terminated and declare the Note, all interest and other amounts payable under the Agreement to be immediately due and payable without presentment, demand protest or further notice of any kind, all of which are expressly waived by Developer.

7.02. Lender's Remedies. If CRN determines that an event of default has occurred as described above, it may exercise any or all of the remedies available to it at law or in equity, including but not limited to:

(a) declare all principal and interest immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are expressly waived by Developer.

(b) exercise all remedies provided in this Agreement or by law for the realization of security interests including foreclosure on the mortgage, or protection of CRN's rights by other judicial proceedings, including an award of specific performance, order for receivership or any equity relief;

(c) restructure the Note or any of its terms as CRN deems prudent;

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(d) assume control of the property to complete the rehabilitation and sale in accordance with Developer's approved plans.

(e) No failure on the part of CRN to exercise and no delay in exercising any rights under the Agreement or Note shall operate as a waiver thereof; nor shall the exercise or partial exercise of any right preclude the right to exercise any other right. The remedies herein are cumulative and not exclusive of any other remedies provided by law.

MISCELLANEOUS PROVISIONS

8.01. No amendment or waiver of any provision of the Agreement or Note shall be effective unless made in writing and signed by CRN and Developer.

8.02. Notices. All notices and other communications provided for hereunder shall be made in writing and delivered to the following addresses:

Developer: Bethel New Life, Inc.
367 N. Karlov
Chicago, Illinois
Attn:

CRN: Chicago Rehab Network
53 W. Jackson (N.W.)
Chicago, Illinois 60604
Attn:

Mailed notices shall be effective three business days after mailing; facsimile transmissions shall be effective upon a confirmation of a transmission receipt.

8.03. Binding Effect. The Agreement shall be binding upon and inure to the benefit of the Developer and CRN and their respective successors and assigns except that Developer shall not have the right to assign its rights hereunder without proper written consent of CRN. This Agreement and Note shall be governed by and construed in accordance with the laws of the State of Illinois.

8.04. Severability. If any portion of this Agreement shall for any reason be held to be illegal, invalid or unenforceable, such determination shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such illegal, invalid or unenforceable provision had never been contained herein.

8.05. Right to Trial by Jury. Developer and CRN each waive its right to trial by jury in the event any issue under this Agreement is litigated.

8.06. Loan Committee. Prior to any action by CRN with regard to this loan, the Board of Directors shall consult with the Loan Review Subcommittee for its recommendation. Notwithstanding the Loan Review Subcommittee's recommendation, final decision shall rest with the Board of Directors.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first written above.

**CHICAGO REHABILITATION
NETWORK**

by: _____
its: _____

BETHEL NEW LIFE, INC.

Developer

by: _____
its: _____

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CORPORATE ACKNOWLEDGMENT

STATE OF ILLINOIS)
COUNTY OF COOK)

On the 3RD day of AUGUST, 1996, before me personally DAVID HUNT and MARY NELSON who being by me duly sworn, did depose and say that they are the ~~Executive Director~~ President and of BETH NELSON of CHICAGO REHAB NETWORK, the corporation described in and which executed the assignment on the reverse side hereof; that he has signed his name hereto by direction of the Board of Directors of said corporation for the uses and purposes set forth herein.



Maureen Mulligan
Notary Public

CORPORATE ACKNOWLEDGMENT

STATE OF ILLINOIS)
COUNTY OF COOK)

On the 3RD day of AUGUST, 1996, before me personally appeared MARY NELSON and _____ who being by me duly sworn, did depose and say that they are the PRESIDENT and of BETH NELSON of CHICAGO REHABILITATION NETWORK, the corporation described in and which executed the assignment on the reverse side hereof; that he has signed his name hereto by direction of the Board of Directors of said corporation for the uses and purposes set forth herein.

Maureen Mulligan
Notary Public



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Module 8

Resale Restrictions

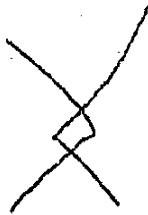
Statutory/Regulatory Source

National Affordable Housing Act of 1990, Title IV, Subtitle C,
Sections 443, 445, as amended by the Housing and Community
Development Act of 1992.

Final Rule: Section 572.1 - 572.425.

Overview

- o HOPE 3 has no restrictions preventing the initial homebuyer from selling the property at any time after purchase.
- o HOPE 3 does not require the initial homebuyer to sell the property to another low income family.
- o HOPE 3 program regulations do restrict the amount of appreciation in the value of the property that a homeowner may receive if they sell during the first 6 years after purchase.
- o HOPE 3 program regulations do give the grant recipient, in specified circumstances, the option to exercise first right to purchase when the initial homebuyer decides to sell the property.
- o Additional resale restrictions are only required by the program regulations if the homebuyer either purchased the property at less than fair market value (FMV) or received substantial financial assistance when purchasing the unit that would result in an undue profit being received by the family as a result of the sale (i.e., a downpayment grant that has the same effect as reducing the original sale price below FMV).
- o HUD approval must be given for any additional resale restrictions proposed by the applicant.



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- o Any additional resale restrictions proposed by the applicant which would have the effect of frustrating the "empowerment" goal of the HOPE 3 Program will not be approved. For example, programs which propose severe limitations on the potential appreciation homeowners might receive in the value of their properties, or which require the grantee to give prior approval to improvements on the property, will not be approved by HUD.

Resale Restriction #1: Right to Purchase When the Homebuyer Decides to Sell

- o If a cooperative association has jurisdiction over a HOPE 3 property being sold, it has the right to purchase the unit from the initial homebuyer for the amount specified in a firm contract between the homeowner and another prospective buyer.
- o If no cooperative has jurisdiction over the property or elects not to purchase, and if the prospective buyer is not a low-income family, then the HOPE 3 grant recipient or the PHA/IHA with jurisdiction for the area where the unit is located shall have the right to purchase for the amount specified in a firm contract between the homebuyer and the prospective buyer.
- o In order to identify a prospective buyer who wishes to purchase the property, the initial homebuyer must place the property "on the market" and seek offers from the public until a firm contract is offered by a prospective buyer.
- o If either the HOPE 3 grant recipient or PHA/IHA wishes to maintain the right to purchase option, the right to purchase provisions must be specified and the entity who will retain the right must be identified (the grant recipient or the PHA/IHA), in the documents under which the initial homebuyer acquires an ownership interest in the unit.
- o While the entities identified above may claim their overall right to purchase, they may opt not to purchase individual properties for any reason (i.e. contract price is considered too high).

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Resale Restriction #2: Restrictions on Homebuyers Receipt of Appreciation During Initial 6 Years

- o All HOPE 3 homebuyers are restricted during the first six years of ownership in the amount of sales proceeds they may receive.
- o If a promissory note is required, additional resale restrictions apply (see below).
- o Order of distribution of resale proceeds when promissory note is not required and sale occurs during the first 6 years of ownership:
 1. payment of debt (mortgages/loans incurred by the family for acquisition and rehabilitation, where applicable)
 2. payment of closing costs
 3. payment of homebuyer equity calculated by adding the following:
 - Downpayment (from family resources)
 - + Mortgage principal repaid
 - + Value of improvements (paid for by the family)
 - + Appreciation index (CPI) applied only against the three above items
 4. recapture of excess proceeds by the HOPE 3 grant recipient and payment to HUD of 50 percent of the excess proceeds within 15 days.
- o The homebuyer only receives the full amount of equity as calculated above if resale proceeds are sufficient after outstanding debt and closing costs are paid off.
- o Since actual appreciation in the value of the property will normally exceed the amount of appreciation calculated by application of the appreciation index, excess sale proceeds which cannot be retained by the homeseller will generally be recaptured by the grant recipient.

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