



NEIGHBORHOOD HOUSING SERVICES OF CHICAGO, INC.

TIF Purchase Rehab *PARTICIPANT MANUAL*



June 2024

Are you ready to own your dream home?

Let **NHS of Chicago** and the **City of Chicago** help you purchase and rehab your new home in **one of six TIF**

Districts!

- **Grant funds are available to pre-approved, income-eligible homebuyers to pay for up to 25% of the entire project cost**
- **Eligible grant fund uses include** the purchase price of a vacant property in one of the six eligible TIF districts, plus property improvement costs such as new kitchens, baths, roofs, windows, doors, siding, plumbing, electrical and much more
- **Affordable, fixed rate financing*** available through NHS and other private mortgage lenders to finance the remaining project costs
- **NHS Construction Specialists** are available to assist you through every step of the process, from initial home inspection, to contractor selection and construction oversight
- **Free NHS homebuyer classes** to help you decide if purchasing a TIF Purchase Rehab home is right for you

Eligible TIF Districts:

- Englewood
- 63rd & Ashland
- Central Park
- Midwest
- 79th & Vincennes
- 119th & Halsted

For more information,
Contact NHS of Chicago at
773-329-4111 or
visit us online at:
www.nhschicago.org/TIF2020



FIND YOUR DREAM HOME TODAY!



NHS of Chicago is a nonprofit organization serving Chicago's neighborhoods since 1975.
Learn more about NHS' service to help Chicagoans buy, fix and keep their homes at www.nhschicago.org

Grant funds made available by the City of Chicago through its Vacant Building TIF Purchase and Rehabilitation Program



TABLE OF CONTENTS

Section 1 – Tax Increment Finance (TIF) Overview

Section 2 – Active (Eligible) TIF Districts

Section 3 – TIFPR Program Overview

Section 4 – Process

Section 5 – Starting the Journey

Section 6 – Qualifying for a Mortgage

Section 7 – Program Eligibility

Section 8 – Construction Services

Section 9 – Frequently Used Websites

Tax Increment Finance (TIF) - Overview

"TIF" stands for "Tax Increment Financing," a special tool that a city such as Chicago can use to generate money for economic development in a specific geographic area. TIFs allow a city to re-invest all new property tax dollars in the neighborhood from which they came for a 23-year period.

These "new" revenues arise if new development takes place in the TIF district, or if the value of existing properties rises, resulting in higher tax bills. These funds can be spent on public works projects or given as subsidies to encourage private development. But TIFs can also make it easier for a city to acquire private property and demolish buildings to make way for new construction.

With consistent community participation, TIFs can be a tool for implementing a community-based revitalization plan through encouraging affordable housing development, improving parks and schools, fixing basic infrastructure, putting vacant land to productive use, creating well-paying jobs, and meeting other local needs.

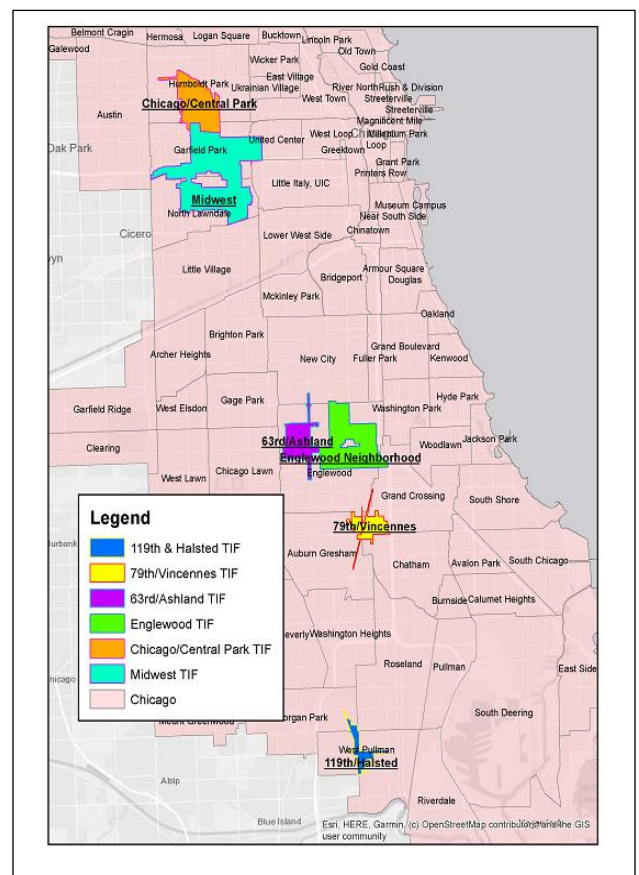
Active (Eligible) TIF Districts

While the City of Chicago has numerous TIF Districts, the Purchase Rehab program is available to properties located within the following six Chicago TIF Districts:

- 119th/Halsted TIF - \$500K
- 79th/Vincennes TIF - \$500K
- 63rd/Ashland TIF - \$1M
- Englewood TIF - \$1.5M
- Midwest TIF - \$500K
- Chicago/Central Park TIF - \$1M

In order to determine if an address is located within an eligible TIF please use the following look up tools:

- City of Chicago zoning map tool website: <https://gisapps.cityofchicago.org/zoning>
- Cook County TIF look up tool: <https://maps.cookcountyil.gov/tifViewer/>



TIFPR Program Overview

Income-eligible borrowers who are purchasing a vacant, foreclosed residential property in a designated Tax Increment Financing (TIF) District in the City of Chicago may apply for a Deferred/Forgivable Loan to assist them in the home purchase and rehabilitation. Single-family detached homes, condominiums, townhomes and 2- to 4-unit properties are eligible. Manufactured homes are not eligible for the Program. *Please note that at this time, City of Chicago employees are NOT eligible for this program.*

A Deferred Loan is a loan that will be secured with a mortgage (lien) on the home you purchase. It will have a 0% interest rate. Deferred Loans have to be repaid in full whenever you sell your home, obtain a cash-out refinance loan on your home, or no longer live in the home as your principal residence. The maximum amount of the TIF Purchase/Rehab Deferred/Forgivable Loan will be 25% of the Total Project Cost of the home you buy. Total Project Cost includes the purchase price, the cost of the rehabilitation, and all of the Closing Costs.

NHS of Chicago is the Administrator of the program and will process applications for the TIF Purchase/Rehab Deferred/Forgivable Loans. To begin this process a home buyer must be approved for eligibility and obtain a Reservation of funds before being eligible to receive a Deferred Loan.

Program Guidelines

- Buyer
 - Total household income must be at 150% Area Media Income (AMI) or below
 - Owner occupant must occupy property within 180 days after closing
 - Does not have to be first time home buyer
 - Must take homebuyer education and rehab ready workshops
- Funding
 - 25% of total project cost in form of forgivable loan
 - Total project cost is defined as contractors proposal, plus a 10% contingency, purchase price, and closing costs
 - Recapture period for the forgivable loan
 - Less than \$40K = 5 years
 - More than \$40K = 10 years
- Eligible properties
 - Located in a participating TIF
 - Vacant for at least 1 month
 - Needs “substantial rehabilitation” defined as \$10,000 minimum per unit
 - Lead risk assessment and clearance required

TIFPR Checklist

TIF Purchase Rehab Checklist

TIF PR Program Applicant Milestones:

- _____ Obtain construction or rehab pre-approval from lending partner (currently NLS and US bank)
- _____ Complete online TIFPR program initial application
- _____ Attend Required Rehab Ready 1 & 2 and Homebuyer Education Class
- _____ Identify property and get signed contract to purchase
- _____ Home Inspection – Report submitted to NHS

TIF-PR How to apply

- _____ Obtain Pre Approval from participating lender
- _____ Complete and submit the NHS TIF PR application: all required documents; including pre-approval
- _____ Identify a property in a TIF District
- _____ Sign purchase contract and submit inspection report to NHS

TIF-PR Post-Contract Program Steps

- _____ Hire a home inspector and conduct home inspection- submit to NHS
- _____ Complete **Purchase Rehab Reservation of Funds application process**,
 - _____ Signed household income affidavit
 - _____ Signed program certification
 - _____ Signed contract to purchase

NHS Construction Services

- _____ NHS performs HQS Inspection, environmental clearance and LBP risk assessment (if necessary)

- _____ NHS develops and/or approves lender scope of work
- _____ Homebuyer obtains three bids
- _____ Homebuyer selects contractor
- _____ Homebuyer closes on property
- _____ Homebuyer conducts a pre-construction walkthrough with contractor and NHS
- _____ Homebuyer signs construction contract documents
- _____ Construction begins
- _____ NHS and Homebuyer conducts 1 or more inspections during construction process
- _____ Owner and construction specialist approves payouts
- _____ Construction Ends
- _____ NHS conducts final inspections for completeness of work
- _____ Optional, but recommended: Buyer has home inspector conduct final inspection
- _____ NHS conducts a post LBP risk assessment, if required
- _____ Contractors sign construction waivers/releases
- _____ Buyer and NHS approves final payment

Homebuyer Education: To be completed before closing

- _____ Attend 8-hour homebuyer education workshops
- _____ Complete the Rehab Ready I and II workshops
- _____ Complete CIC Property Management workshop (**required to purchase 2-4 unit property**)

Recommended Resources

- Complete Estate Planning workshop
- Complete Financial Self Defense workshop

Starting the Journey

Each potential home buyer must

- Complete a grant application
The grant application may be online via the NHS grant portal or a paper application. Information collected will include contact, as well as identifying information which will be used to complete the eligibility determination. This includes household size and income, as well as ensuring that the applicant is interested in purchasing a property in an eligible TIF district. Income and identification documents to support information supplied in the grant application will need to be provided.
- Obtain a mortgage pre-approval
- Select and provide a signed purchase contract for a vacant property within an eligible TIF district needing substantial rehabilitation (minimum of \$10,000 per unit)
- Sign the grant program certification as part of the grant reservation process
- Before closing complete an NHS 8-hour HUD certified homebuyer education workshop
The 8-hour homebuyer education workshop provides the home buyer with essential information related to understanding the responsibilities of homeownership, including budgeting, maintenance, selecting the home buyer team, including realtors, home inspectors, etc.
- Before closing complete the Rehab Ready I & II curriculum which consists of two (4) four-hour workshops designed to help prepare the homebuyer for the rehab process. The workshop series is broken down into Part I--Planning Home Improvement Projects and Part II – Working with Contractors
- For buyers of two-to-four-unit buildings, the CIC Property Management workshops are required. Upon completion of the 4-Hour Property Management Training Session, recipients will receive a certificate. The workshop includes:
 - City, County & State Landlord Law Review
 - Fair Housing
 - Screening & Marketing
 - Tenant Retention & Evictions

Qualifying for a Mortgage

The home buyer must have a mortgage pre-approval to initiate an application. It is important that the home buyer have the pre-approval before they can qualify for the program.

In order to begin the mortgage pre-approval process, the buyer must contact the TIF approved lender of their choice, indicate they would like to do a purchase rehab loan and provide the appropriate documents. The information provided here will apply specifically to the NLS process, but will probably look similar for other TIF program approved purchase rehab lenders. **Please note that FHA 203K loans are NOT eligible for the TIFPR program because HUD will not allow us to record the lien/grant during the closing process.**

To get pre-approved, you'll need to verify your income, employment, assets and debts. Self-employed borrowers may need to provide additional documents.

Summary: Documents needed for a mortgage pre-approval letter

- Income and employment documents, including paycheck stubs, tax returns, W-2s and 1099s.
- Asset statements including bank, retirement and brokerage accounts.
- Records of rent payments, divorce, bankruptcy and foreclosure.

Determining Home Buyer Eligibility for the TIF program

Each potential home buyer must provide the following documents to NHS of Chicago in order to be approved for participation in the TIF purchase rehab program.

1. Obtain a mortgage financing pre-approval letter.
2. Three (3) most recent pay stubs from employment for all members of the household. If any member of the household has a fixed income, such as Social Security, a pension, SSI, or some other type of government assistance, you will be asked to provide the Award Letter or monthly statement showing the amount of that income or bank statements that show the direct deposit of these funds. This information is necessary to establish that your Household income meets the program guidelines.
3. Three (3) most recent years of Federal tax returns with all Schedules and W-2's for all members of the household.
4. Three (3) most recent and consecutive monthly bank statements for all savings and checking accounts for all members of the household. These establish that the Applicant has sufficient funds to meet the minimum down payment requirement for the TIF Purchase/Rehab Deferred/Forgivable Loan program.

- Provide a copy of your Illinois State ID or Driver’s License, along with your Illinois License Plate Number. This information is necessary in order to request a scofflaw check. A scofflaw check is required from the Department of Revenue in order to verify any delinquencies that you may have with the City of Chicago (i.e. parking tickets, water bills, etc.). The information you provide will be processed and, if you are eligible for the TIF Purchase/Rehab Deferred/Forgivable Loan, you will be given a TIF Eligibility approval letter. The TIF Eligibility approval letter will list all the conditions that will have to be satisfied in order for you to actually reserve and receive Loan funds.

City of Chicago Area Median Income Limits (AMI) Chart (As of June 1, 2024)

Household Size	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
150% Area Median Income	\$117,750	\$134,550	\$151,350	\$168,150	\$181,650	\$195,150	\$208,650	\$222,000

*See full chart at: https://www.chicago.gov/city/en/depts/doh/provdrs/renters/svcs/ami_chart.html

Locating a Property

After the program participant has been pre-approved for a mortgage by one of the participating lenders, they may begin looking for a property based on the pre-approval amount.

In order to be eligible for the program, a property must be located in one of the eligible TIF Districts:

- 119th/Halsted TIF - \$500K
- 79th/Vincennes TIF - \$500K
- 63rd/Ashland TIF - \$1M
- Englewood TIF - \$1.5M
- Midwest TIF - \$500K
- Chicago/Central Park TIF - \$1M

In addition the property must:

- Be vacant for at least 1 month
- Need “substantial rehabilitation” defined as \$10,000 minimum per unit
- Have a lead risk assessment and clearance conducted, if built before 1978

Participants are encouraged to identify properties on their own using various methods including:

- Work with a realtor to locate vacant properties, which is **HIGHLY RECOMMENDED**
- Drive through the desired neighborhoods within the TIF Districts, get the addresses of a vacant property and work with a realtor to determine the ownership status and reach out to the owner

- Identify listed properties using online search engines like
 - Zillow.com,
 - Realtor.com,
 - HUD.com,
 - Trulia.com,
 - FSBO.com,
 - Foreclosure.com

After locating a property, the program participant will need to get a signed contract for the property, and get an inspection of the property by an Illinois licensed home inspector. It is highly recommended that an attorney review the contract.

Once the contract has been approved by all parties, the contract and inspection report should be submitted to the TIFPR Grants Team so that construction services can begin the process of creating the scope of work which details the minimum construction work that needs to be done. The program participant will take the scope of work and provide it to at least three general contractors in order to get construction bids.

Complete the TIF Reservation of Funds application which includes information regarding the number of persons in the Household and their gross income. As part of the Reservation application, the applicant must certify to the following:

TIFPR Reservation Certification

- **I/we hereby apply for a Reservation of Funds from the TIF Purchase Assistance Deferred/Forgivable Loan. I/we certify that the information provided in this Application is true and complete as of the date set forth at my/our signature below.**
- I/we further declare and certify that, as a condition of this Reservation of Funds, I/we will occupy the property that I acquire as my/our principal place of residence and that I/we will be the owner of record of the property acquired.
- I/we understand that any intentional or negligent misrepresentation of the information contained in this Application may result in my/our Application being deemed ineligible for the TIF Purchase Assistance Deferred/Forgivable Loan.
- I/we have not been declared in arrearage in any child support obligation by the Circuit Court of Cook County or by another Illinois court of competent jurisdiction, or have entered into and am in compliance with a court-approved agreement for the payment of all such child support. I/we am not in default or in arrearage on any outstanding loans, water charges, sewer charges, property taxes, sales taxes or other fines (including but not limited to parking violation complaints), fees, taxes, assessments or charges owed to the City of Chicago, personally or by any partnership, corporation, joint venture or land trust in which I/we have at least a 5% beneficial interest.
- I/we understand that City of Chicago Employees and their household members do not qualify under this program.

- I understand that the City of Chicago Dept. of Revenue will verify the status of water bills and parking tickets and that my/our eligibility for a forgivable loan under this program is dependent on those items being paid.
- I understand that this Reservation of Funds is not a guarantee that I will be able to obtain the funds as funding is limited and will be granted based upon the order that completed applications are received.
- I/we hereby authorize Neighborhood Lending Services, Inc. to verify information and declarations contained in this Application. Further, under penalties of perjury, I/we state that the information contained in this application is true, correct, and complete.

Construction Services

After the closing, the TIFPR participant will be required to read, sign and retain a copy of the TIF Purchase Rehab Disclosure Agreement which clearly delineates the responsibilities of all parties in the project.

TIF Purchase Rehab Disclosure Agreement

Neighborhood Housing Services of Chicago (NHS) is a nonprofit housing organization whose purpose/mission is to assist low and moderate-income families to obtain access to credit, and to assist low-to moderate income communities with stabilization initiatives. Part of NHS' housing services includes arranging for financing for home improvements and repairs. The TIF Purchase Rehab (TIFPR) provides program participants with the opportunity to purchase a home that needs improvements.

In typical renovations, the homeowner has no assistance and must make important decisions with little experience and guidance. While this Agreement makes very clear that the Homebuyer is responsible for all aspects of the renovation, the TIFPR program is designed so that Homebuyers with little rehab experience can successfully renovate their properties. This is achieved by NHS's participation in and oversight of various aspects of the renovation to ensure that the renovation meets NHS' minimum standards. Therefore, NHS, for its own use, may obtain information, generate documents and monitor the renovation. While the Homebuyer can utilize this information and material, it **is the Homebuyer, however, who is ultimately responsible for all aspects of the renovation.** As the Homebuyer deems appropriate, they should verify and confirm the information and work done by NHS or anyone associated with NHS, and as appropriate have additional review and/or analysis completed by another party or parties.

1. PARTIES & DOCUMENTS:

The following document identifies the services and responsibilities of the various parties.

A. Homebuyer(s):

People who have contacted NHS and are participating in the TIF Purchase Rehab Program.
They are the Buyer or Buyers, or the Owner or Owners (after purchasing the property).

B. Neighborhood Housing Services of Chicago (NHS):

NHS is a non-profit housing services organization located in Chicago. NHS' services include homebuyer education and financial counseling to persons who desire to purchase or refinance a home. NHS' interest in the rehabilitation process is to make sure that the project is completed in a manner that NHS determines will maintain neighborhood stabilization and the viability of the program. NHS' goal is for the rehab to result in the property being in good condition and the owner able to pay the mortgage. NHS has no obligation to and does not represent the Homebuyer's interest, and to the extent the Homebuyer's interest overlaps with NHS' interest, NHS only represents its interests.

C. NHS Construction Department:

The NHS Construction Department is part of NHS and administers the construction component of the TIF Purchase Rehab. When a property requires rehab, the NHS construction department determines whether the property qualifies for the NHS Rehabilitation Program. To protect NHS and its interests, including whether the work meets NHS' requirements, the NHS department may do any of the following: determine what work needs to be performed to qualify the property for the program, monitor the progress of the rehabilitation and/or review all documentation regarding the rehabilitation. The NHS department will review all disbursement requests from the Contractor and/or Homebuyer to determine if the request meets NHS' criteria. NHS, in its sole discretion, can determine whether the request meets its criteria and whether or not it approves of the disbursement request. The lender or escrow agent must have NHS' approval before disbursing any funds.

The NHS Construction Department does NOT represent, owe any duty to, or directly protect the interests of the Homebuyer in any way. Determinations by the NHS Construction Department are not intended to be, nor may the Homebuyer reasonably rely upon them as, a recommendation, warranty, promise or guarantee regarding the property or the rehabilitation. The Homebuyer expressly agrees that he/she shall not rely upon the work of the NHS Construction Department and that errors, negligence, omissions or wrongdoing by the NHS Construction Department shall not serve as grounds for any claim by the Homebuyer against NHS.

The NHS Construction Staff are employed by NHS to work with Homebuyers in assisting them in determining what repairs are needed, how they would be addressed and if needed to assist them throughout the rehab project. Prior to the mortgage application the NHS Construction Department works with the Homebuyer to review the property to determine necessary repairs. For repairs to be made after the Homebuyer purchases the property, the NHS Department assists with reviewing Contractors, Inspectors, Suppliers, and others involved with the construction and management to determine if they meet program requirements for participation. Though it is ultimately the responsibility of the Homebuyer to accept their chosen vendors, the NHS department has the authority to decline the use of any vendor deemed unsuitable. The Homebuyer will be responsible for verification of all credentials and offered references. The NHS Construction Department will work with the Homebuyer to gather all necessary licenses, insurance verification and tax identifications.

D. Construction Manager:

The Construction Manager is employed by the Homebuyer to help facilitate the construction project. The Construction Manager works with the Homebuyer, Contractor and NHS to monitor work and project schedule. NHS may require that a particular rehab project use a Construction Manager. Even if not required by NHS, a Homebuyer may opt to use a Construction Manager and is encouraged to do so. The Construction Manager must be approved by the NHS Construction Department.

E. Owner's Construction Representatives

Home Inspector:

The Home Inspector evaluates the property to determine and report to the Homebuyer on the condition of the property prior to the Homebuyer submitting a mortgage application. The same Home Inspector may return after the seller makes agreed upon repairs before the Homebuyer purchases the home.

Construction Manager:

The Construction Manager will need to visit the job site to review the work proposed to meet minimum program requirements and consult with the Homebuyer on improvements they would like to include in the bidding. In addition to being involved in the bidding and bid analysis, the Construction Manager will visit the job site to verify that the work on the draw request has been satisfactorily completed. The inspector's signature is required on all draw inspections prior to submission to the NHS Department for approval.

NHS' review and determination concerning the Construction Manager selected and retained by the Homebuyer is not intended to be, nor may the Homebuyer reasonably rely upon them as, a recommendation, warranty, promise or guarantee with respect to a Construction Manager or their performance. The Homebuyer agrees that errors, negligence, omissions or wrongdoing by the Inspector shall not serve as grounds for any claim by the Homebuyer against NHS. The Homebuyer agrees to indemnify and hold NHS harmless for any disputes that arise out of or between the Homebuyer and the Construction Manager.

F. Contractors:

Contractors are the professional trades-people that will bid on and are determined by the Homebuyer to be qualified to perform the work on the project. The Homebuyer is responsible for choosing the Contractor(s). NHS is not responsible for the Contractor(s) workmanship. While the

Contractor(s) are selected and retained directly by the Homebuyer, NHS reserves the right to approve or reject any Contractor selected by the Homebuyer if it appears to NHS, at its sole discretion, that the Contractor may be unsuited to perform the work. The Homebuyer must submit the name and information regarding a Contractor the Homebuyer may use but who has not been approved by the NHS Construction Department.

NHS needs to assure itself that the Homebuyer is positioned to retain adequate rehabilitation services. NHS has the right to investigate the Contractors to determine if they are properly licensed and bonded in the jurisdiction where the work will be performed. NHS' review is conducted solely for the purpose of protecting NHS in connection with the loan and rehabilitation.

NHS' review and determination concerning Contractors selected and retained by the Homebuyer **are not intended to be, nor may the Homebuyer reasonably rely upon them as, a recommendation, warranty, promise or guarantee** with respect to any particular Contractor or its performance or workmanship. The Homebuyer cannot rely on NHS' approval of a Contractor as a warranty or promise that the Contractor is properly licensed and bonded in the jurisdiction where the Homebuyer is purchasing.

The Homebuyer agrees that errors, negligence, omissions or wrongdoing by the Contractors shall not serve as grounds for any claim by the Homebuyer against NHS. If NHS determines that the Contractor(s) will not be able to provide adequate rehabilitation services, NHS, at its sole discretion, which could result in any of the following: (1) determine that the project does not meet NHS' program criteria and that the Homebuyer does not qualify for NHS Lending and/or grants, (2) NHS does not support the loan and the lender cannot approve the mortgage application through the NHS program, or (3) prevent work on the property until there are approved Contractor(s).

The Homebuyer is obligated to pay all money due and owing under any agreement with the Contractor(s). If the Homebuyer disputes a payment, they are responsible for defending their position if the Contractor(s) pursue the payment through any and all proceedings, including arbitration or court proceedings. The Homebuyer agrees to indemnify and hold NHS harmless for any disputes that arise out of or between the Homebuyer and the Contractor(s) and/or Subcontractor(s).

1. REHABILITATION PROCESS:

A. NHS Repair List and Cost Estimates:

NHS requires that the Homebuyer address all repair issues determined by the NHS Construction Department to be necessary for health and safety. The NHS department will identify the scope and projected cost of work necessary to make the property meet NHS guidelines and submit this as the Repair List to the Homebuyer. The Homebuyer may include additional upgrade renovations if the funds are within their approved loan amount and meet appraised value.

The Homebuyer understands that the cost estimate are not exact, and that the process of construction often involves uncertainty, unexpected costs and problems. NHS does not promise or guarantee that the Repair List includes all the work that may be required by unforeseen conditions and other entities, including utility companies, the City of Chicago, or others; or that the cost of the work will not exceed the estimate. The Homebuyer is responsible for and accepts all the risk if the Repair List is incomplete or inaccurate, or if the ultimate cost exceeds the estimate.

NHS and its NHS department make no representations, promises or warranties to the Homebuyer of any kind concerning the property, the repair/rehabilitation, or the scope, timing, completeness, quality or cost of work to be performed. If the Homebuyer wants such promises or warranties, NHS encourages them to retain a Construction Manager or insist upon such promises or warranties from the Contractor who the Homebuyer has retained to perform such work.

Although NHS will provide the Homebuyer with assistance, the Homebuyer is not entitled to rely upon such assistance or any documentation produced by NHS, or to substitute this work for their obligation to be solely responsible for the rehabilitation and to ensure its quality and completeness. It is the Homebuyer's choice to purchase a property through the NHS program, and as they have chosen to purchase a property that requires rehabilitation, the Homebuyer may not sue or file any claim against NHS if something goes wrong before, during or after construction.

B. Contractor Bids:

As a condition of the mortgage application, the Homebuyer will be responsible for obtaining bids for the work from Contractors that meet NHS' and the Lender's guidelines. The Contractors need to prepare bids for the items in the Repair List. The Homebuyer shall make all reasonable efforts to obtain bids from at least three Contractors that meet NHS' minimum guidelines. The NHS department may assist the Homebuyer in obtaining bids from qualified Contractors. If NHS determines that the Homebuyer is not cooperating with the process, NHS reserves the right to not support the loan resulting in the Lender's inability to approve it through the NHS program.

During the bid process a Contractor, Subcontractor or NHS may determine that additional work beyond the Repair List is required. If NHS is to continue supporting the loan application, the Homebuyer must agree with this determination. NHS may insist that the Homebuyer work with the NHS Construction Department to reach agreement concerning the additional work. If no such agreement can be reached or other funds are not available, NHS will not support the loan and the Homebuyer may decide not to purchase the property through the NHS program or to obtain additional funds from their own resources in order to pay for their desired work.

C. Contractor Selection:

The Homebuyer will review the Contractor(s) bids to select from and enter into a contract. If a bid exceeds available funds, the NHS Construction Department is available to assist the Homebuyer in determining if there is work that can be eliminated so that the Homebuyer

remains within NHS guidelines. The Homebuyer is not required to accept any particular Contractor(s), since at this stage the Homebuyer still has the right to decide not to purchase the property.

If the Homebuyer accepts a bid that is the contract they will sign after closing with the Contractor(s) to perform that work. This contract will be submitted to the NHS Construction Department for review and approval. NHS' approval does not make NHS responsible for the Contractor's work or performance even if NHS staff and/or the NHS Construction Department advised the Homebuyer to use them. The Homebuyer is solely responsible for the selection and work of the Contractor. The rehabilitation costs and the purchase price will be used to determine the amount the Homebuyer needs to borrow. The amount the Homebuyer can borrow cannot exceed the maximum amount they were qualified for by their Housing Consultant.

D. Rehabilitation Work:

Once the Homebuyer has signed the closing documents and purchased the property from the seller, the Homebuyer hereinafter, the Owner, when referring to duties post-closing on the purchase loan, is solely responsible for the property and rehabilitation. The Owner is responsible for the mortgage payments, property taxes, hazard insurance premiums and other costs associated with the ownership of the property during the construction.

The NHS Construction Department will coordinate contacting the Owner and the Contractor to sign the contract and initiate the rehabilitation work. After signing the contract, the Contractor is responsible for obtaining the required permits for the work. The Owner must visit and inspect the property at least three (3) times a week including: whenever a portion of the work is completed; whenever the NHS Construction Department requests the Owner to inspect the property; whenever the Contractor requests the Owner to inspect the property; or whenever an inspection is necessary for a draw or for the Owner to evaluate the quality and completeness of construction to prevent defects and problems. The Owner is responsible for maintaining communication with the Contractor(s) or any other professional they retain in order to know how, when and what they must inspect.

The Owner, not NHS is responsible for monitoring the progress and quality of work to the property. The Contractor(s) will be working for the Owner and it will be up to the Owner to approve the request for payments to the Contractor(s) as they complete the work that was contracted for with them. The Owner is responsible for determining whether the work completed was completed in a manner satisfactory to them before agreeing to pay for it. **The Owner is not to authorize payment for any work not actually completed in a satisfactory manner.** The Owner will have to make this determination based on their inspection of the property. The Owner agrees that NHS does not owe them any duty to provide them with an accurate assessment of the work.

The Owner must cooperate with the NHS Construction Department staff. The staff will not be working for the Owner and the NHS Construction Department staff do not owe the Owner any

duties arising out of or relating to their work to monitor the project. NHS will allow the Owner, at his/her risk, to use the information prepared by an independent Construction Manager.

The NHS Construction Department will not approve a payment unless it agrees that the work has been done in a manner that satisfies NHS. The Construction Manager may notify NHS of the progress of the work and provide information necessary for NHS to determine if the work is completed in a manner satisfactory to NHS. NHS' evaluation is for itself, and its decision does not constitute a representation, promise, warranty or guarantee to the Owner that the work is satisfactory or free of defect. NHS is not liable to the Owner for any payments the Owner makes to a Contractor for unsatisfactory or defective work.

NHS submits a request for disbursement of funds to the Lender or escrow agent. They will issue a check or wire funds in the Contractor(s) name. The Owner will approve all disbursements of funds to the Contractor(s) by signing the draw request made out to the Contractor.

While it is the Owner who is responsible for all aspects of and decisions concerning the renovation, NHS will only support the project if the Owner and the project meet NHS' requirements. If the Owner fails to follow the requirements or the project no longer meets NHS' requirements, NHS reserves the right, at its sole discretion, to withdraw its support. Without NHS' support, funding may be denied and/or work may not be performed. In the case where fraud is discovered on the part of the Owner, all escrow funds will be returned to the lender and applied towards the Owner's principle balance.

Examples of fraud would be falsified documentation, coordination with contractors, inspectors or suppliers for kickbacks, or other behaviors directly conflicting with NHS' requirements.

The Owner is also responsible for the costs of all repairs and damages that occur to the property and any injuries sustained by guests or occupants of the property. NHS does not have any responsibility for the property and will not pay for or help defray any costs that may occur. NHS will not reimburse the Owner for any fees they have paid to NHS or its agents. NHS will not be responsible for any additional costs the Homebuyer may incur during the rehabilitation work due to negligence, gross negligence, malfeasance, fraud or for any reason by any Contractor, Subcontractor, NHS staff, NHS department, NHS agents or vendors that performs any work in connection with the rehabilitation of the property.

It is the responsibility of the Owner to seek temporary insurance coverage, if required, covering the rehabilitation project period and to seek guidance of insurance options from local insurance agents. A basic Homeowner's policy does not always cover damages caused during a renovation. The Owner must determine if they have adequate coverage during the project period.

2. NHS REHABILITATION GUIDELINES:

- A. The total cost of the purchase and rehabilitation cannot exceed the amount the NHS

Construction Consultant has determined the Homebuyer can afford;

- B. The Contractor(s) selected by the Owner must timely and completely submit all documentation required by NHS so that it may evaluate for its own interests the scope and progress of construction;
- C. The Owner and Contractors must agree on a contract which meets NHS' requirements but to which NHS will not be a party. The NHS Contactor's Agreement form is the standard for all rehab projects. The NHS Construction Department determines the need for the Contactor's Agreement to include the scope of work, the time period needed to complete the work, or other factors in the NHS Construction Department's sole discretion.
- D. All work necessary to make the property safe, up to code, and significant items addressed and in working order with a reasonable life expectancy, must be either included in the project or performed by the seller before the Homebuyer closes on the property;
- E. Contractor(s) that perform work on the project must have all appropriate licenses and permits in the jurisdiction where the property is located. They must have a tax identification number, proper insurance as required by NHS in its sole discretion. NHS, in its sole discretion, would approve the Contractor(s) and obtain appropriate documents and verifications. However, the Owner is ultimately responsible for the Contactor(s) including verification of their licenses, insurance, permits, and any other requirements.
- F. The Homebuyer must participate in all aspects of the project and demonstrate the commitment and ability to make all the decisions necessary to proceed through the project;
- G. NHS, in its sole discretion, may not approve a request for disbursement for any work not included in the Contractor's Agreement or statement of work. NHS will review the disbursement to determine if the scope changed in order to address needed repairs in which case a Change Order must be submitted and approved in NHS' sole discretion.
- H. NHS, in its sole discretion, may not approve any disbursement request for any funds to a Contractor that was not approved by NHS or the lender prior to closing the loan. NHS will review all disbursements to determine if the previously approved is not willing to or capable of completing the Rehabilitation Project in a satisfactory manner and can be replaced with a new Contractor who meets NHS' criteria.
- I. The Owner shall not approve any disbursement requests for any funds to a Contractor for work not yet completed. NHS, in its sole discretion, may not approve any such disbursements even if approved by the Owner.
- J. The Owner must pay all the costs incurred during the project. These costs include but are not limited to full, complete payment to all Contractors and/or Subcontractors entitled to payment, and all rehabilitation fees deemed due to NHS. Because of the complex nature of the project, there may be additional costs not accounted for in the final bid selected by the Owner. Increased

costs could include, but are not limited to, the cost of additional work that was not discovered at the time of the bid but is required before the project meets NHS' requirements. The Owner must pay these additional costs if the Contractor(s) and/or Subcontractor(s) are entitled to them. In addition, the Owner must pay all costs for professional services such as structural engineering and architectural drawings required by state and local building codes or to address safety issues that may not have been anticipated in the original scope of work.

3. SERVICES:

The NHS Construction Department, Home Inspector, or other vendor(s) may provide the services identified below to successfully complete the rehabilitation. The Homebuyer must fully cooperate with NHS and others identified by NHS throughout the rehab process, including but not limited to providing access to the property and necessary information.

Phase I – Scope of Work:

- Preliminary review of the project scope and estimate required repairs necessary for property approval.
- Additional inspections such as Termite and Structural reports may be required if warranted.
- Consult with building professional and the Homebuyer to determine project feasibility
- Evaluate the scope of necessary repairs to determine if the Homebuyer can afford such expenses, and evaluate scope of discretionary repairs or improvements desired by the Homebuyer
- The Homebuyer may need a full Work Write-Up and project specifications in the specified manner for approval of the Homebuyer and submission to NHS.
- Add Homebuyer desired upgrade repairs to the scope of work if within the approved loan amount which may include interest rate buy-down options.

Phase II – Negotiations of Repairs:

- Submit a list of required repairs ("Repair List") to the Homebuyer and their real estate agent to review and negotiate with the seller to contribute funds for all necessary repairs to be used to buy-down the interest rate with a corresponding increase in the mortgage amount to cover the repairs, or have repairs completed prior to closing by the seller, or a combination of the above.
- Accept signed addenda or amendments to the Purchase and Sales Contract showing sellers responsibility for repairs and/or contribution.

Phase III - Contractor Bid and Selection:

- Provide general assistance to the Homebuyer in identifying and selecting licensed and insured Contractors for bidding.
- Conduct site meeting for bidding Contractors (along with the Homebuyer). NHS recommends that the Homebuyer obtains more than one serious bid for price comparison and back-up bids.
- Review bids with the Homebuyer.
- Generally, assist Homebuyer in revising the scope of work as necessary based on the bids and

additional information.

- Prepare a “Rehabilitation Package” for submission to the NHS Construction Department.

Phase III - Construction (**This section is the responsibility of Owner**):

- Insure that Contractor(s) obtain(s) proper permits
 - Inspect work on a weekly basis unless otherwise determined by the NHS Construction Department.
- Review change orders and obtain signatures from Contractor
- Obtain all necessary signatures for payment approvals to Contractor(s) and/or Subcontractor(s). These requests must have all parties’ signatures, including the Contractor(s) and/or Subcontractor(s), the Owner and other parties. The payment approval request must also be approved by the NHS Construction Department.
- Obtain a lien waiver from the Contractor and/or Subcontractors for all payment requests.
- Schedule final inspections and obtain necessary approvals and documentation (i.e., lead abatement compliance letter, lien releases, certificate of occupancy, etc.)

The Owner shall not make any direct payments to the Contractor, Subcontractor, or Inspector under any circumstance while the project is under construction.

4. OBLIGATIONS:

NHS provides a homeownership workshops including homebuyer education, rehab workshops, estate planning, property taxes and insurance and property management (if 2-4 unit purchase) and counseling to assist the Homebuyer in determining if they are qualified to purchase a home and to assist in determining how much they can and want to spend on a mortgage, as well as their capacity to complete a rehab project.

NHS has offered the Homebuyer information on the home purchase and rehab process. The Homebuyer has been qualified by NHS to purchase NHS has offered the Homebuyer the opportunity a property that needs rehabilitation. When the Homebuyer chooses to purchase a home that needs rehabilitation, the Homebuyer is solely responsible for making sure that the necessary work is done in a manner acceptable to the Homebuyer and NHS.

The choice to purchase and rehab a property is the Homebuyer’s and theirs alone. The Homebuyer is completely responsible for making sure that they are satisfied with the property. NHS, at its sole discretion, may review the inspection report to determine if the property meets NHS’ guidelines.

NHS may monitor the progress of the rehabilitation but will do so for its own benefit only. If the Homebuyer is unable or unwilling to monitor the progress, quality and completeness of the rehabilitation on their own, **NHS encourages the Homebuyer to retain at their cost a Construction Manager to monitor construction.** While NHS is willing and available to provide the Homebuyer with assistance, advice and information throughout the project, the Homebuyer agrees to hold NHS harmless from any suits or claims related to such assistance, advice or information since the

Homebuyer (or persons retained by the Homebuyer) is completely responsible for all aspects of the Rehabilitation Project. The Homebuyer (or persons retained by the Homebuyer) is responsible for the consequences that result from problems or delays in any part of the project. **The Homebuyer will have an opportunity to withdraw from the purchase at any time up to the day of the closing.**

5. MISCELLANEOUS:

The Owner needs to pay special attention to the rehabilitation costs, the progress of the rehabilitation, and the quality of the work. The Owner needs to contact the NHS Construction Department and NHS immediately if they are concerned about these or any other issues. Examples may be that the Contractor is not following the scope of work, or that the rehabilitation has not started in a timely manner or has been delayed. These concerns need to be relayed to the NHS Construction Department at 1-773-329-4111. If they do not respond within a reasonable time not to exceed two (2) days, or shorter if an immediate response is necessary, then call NHS' Construction Services Manager, at 1-773-329-4111.

The Contractor(s) and/or Subcontractor(s) are not to perform any work other than that identified in the Contractor Agreement work specification as approved by NHS until after the NHS - approved rehabilitation has been fully completed and the loan has closed. If prior to the completed rehab, the Homebuyer wants to change a Contractor or the scope of work in the Contractor Agreement, the Homebuyer must submit the appropriate documentation similar to the original scope of work, bids and Contractor approval forms to the NHS Construction Department. NHS will review the submission to determine if the changes meet the NHS criteria. NHS, at its sole discretion, will make this determination.

Neither the Homebuyer nor their relatives, friends or agents are authorized to perform any work on the project or any work on the property until the rehabilitation project is completed unless they have received prior written authorization from the NHS Construction Department. NHS reserves the right not to approve any disbursement requests submitted by the Homebuyer for unauthorized work.

6. EXPRESS LIMITATIONS ON LIABILITY AND ARBITRATION:

In addition to those waiver and arbitration provisions set forth and agreed to in the NHS Disclosure Statement, which are incorporated herein, the Homebuyer agrees to indemnify, hold harmless and waive any and all present or future claims against NHS and its subsidiaries from all loss, liability, damage and expense, including reasonable attorney's fees, occasioned by or associated with any claims, suits or actions arising from or related to the Work Write-Up, construction, rehabilitation, inspections and/or other services completed or not completed in connection with or related to the rehabilitation, including but not limited to legal actions brought by the Homebuyer or any Contractor and/or Subcontractor.

The Homebuyer further acknowledges that NHS is a licensed lead paint inspector. That NHS shall conduct a test the purpose of which is to determine whether there is lead paint present in the

property, and that NHS shall not be liable for any costs or damages related to or arising out of the presence or non-detection of lead in the property.

Any claim or dispute brought for or by any party hereto regarding the terms or conditions of this Agreement, or the performance of NHS or any other person, which relates in any way, directly or indirectly, to the subject matter of this Agreement, including without limitation whether any claim or dispute is subject to arbitration, shall be submitted to arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. Any arbitration hereunder shall be held in Chicago Illinois or other location as determined by NHS. The judgment in the arbitration proceeding shall be final and binding on the parties, and the judgment on such award may be entered in any court having competent jurisdiction.

Each party required to participate shall be personally responsible for one-half of the costs of arbitration, excluding costs associated with each party's presentation which shall be borne by that party; provided, however, that if NHS prevails in any such arbitration, NHS shall, in addition to all other remedies provided by law, be entitled to an award of its attorneys' fees and costs. The arbitrators shall be specifically empowered to order specific performance and/or injunctive relief, as they may deem appropriate. Demand for arbitration shall be filed in writing with the other parties to this Agreement and with the American Arbitration Association. This Section shall survive the cancellation, expiration, or termination of this Agreement.

The NHS program has been developed to support the Homebuyer in the process of renovating their home in an efficient and cost-effective manner. It is critical that the Homebuyer understands and follows the guidelines as written in this disclosure and any other documents or manuals that have been provided. The Homebuyer needs to take the time to read thoroughly all documents including this disclosure.

By signing the Homebuyer Rehabilitation Disclosure, the Homebuyer certifies that they fully understand the contents. The Homebuyer agrees to provide the information required and agrees to follow the process outlined herein and in other rehab documents provided to the Homebuyer. In addition, the Homebuyer agrees to abide by the terms and conditions described herein. The Homebuyer agrees to cooperate with NHS and its representatives. The Homebuyer understands that if NHS determines that the Homebuyer has failed to comply with the outlined terms and conditions, NHS may, in addition to other remedies, withdraw its support of the Homebuyer and the Homebuyer may have to seek financing elsewhere.

FREQUENTLY USED WEB-SITES

1. NHS of Chicago workshops: www.nhschicago.org/workshops/
2. NHS of Chicago TIF Purchase Rehab website: www.nhschicago.org/TIFPR
3. City of Chicago TIF Data <https://webapps1.chicago.gov/ChicagoTif/>
4. City of Chicago Zoning and Land Use Map <https://gisapps.cityofchicago.org/zoning>
5. Cook County Recorder of Deeds <https://cookrecorder.com/>
6. Cook County Property Taxes <http://www.cookcountypropertyinfo.com/>
7. NHS of Chicago <https://www.nhschicago.org/>
8. Tract look up <https://geomap.ffiec.gov/FFIECGeocMap/GeocodeMap1.aspx>
9. Ward look up
https://www.chicago.gov/city/en/depts/mayor/iframe/lookup_ward_and_alderman.html
10. Cook County TIF look up <https://maps.cookcountyil.gov/tifViewer/>
11. Vacant buildings status look up:
https://www.chicago.gov/city/en/depts/bldgs/provdrs/inspect/svcs/check_status_of_vacantproperty.html
12. Zillow.com
13. Realtor.com
14. HUD.com
15. Trulia.com
16. FSBO.com,
17. Foreclosure.com
18. Cook County Land Bank: <http://www.cookcountylandbank.org/>