



ARE YOUR LOAN DOCUMENTS PROPERLY PREPARED?

Star Canada

August 21, 2014

Disclaimer:

The grantee must use an attorney to ensure the Deed of Trust Note and other legal documentation is properly prepared and contains the correct language. My review of said documents **is not** legal advise.

Star Canada/DHCD

Loan Documents

- The Note (Deed of Trust Note/Promissory Note)
- The Deed of Trust
- The Truth in Lending Disclosure Statement
- Notice of Right to Cancel
- Acknowledgement of receipt of ECOA Notices and Disclosures.

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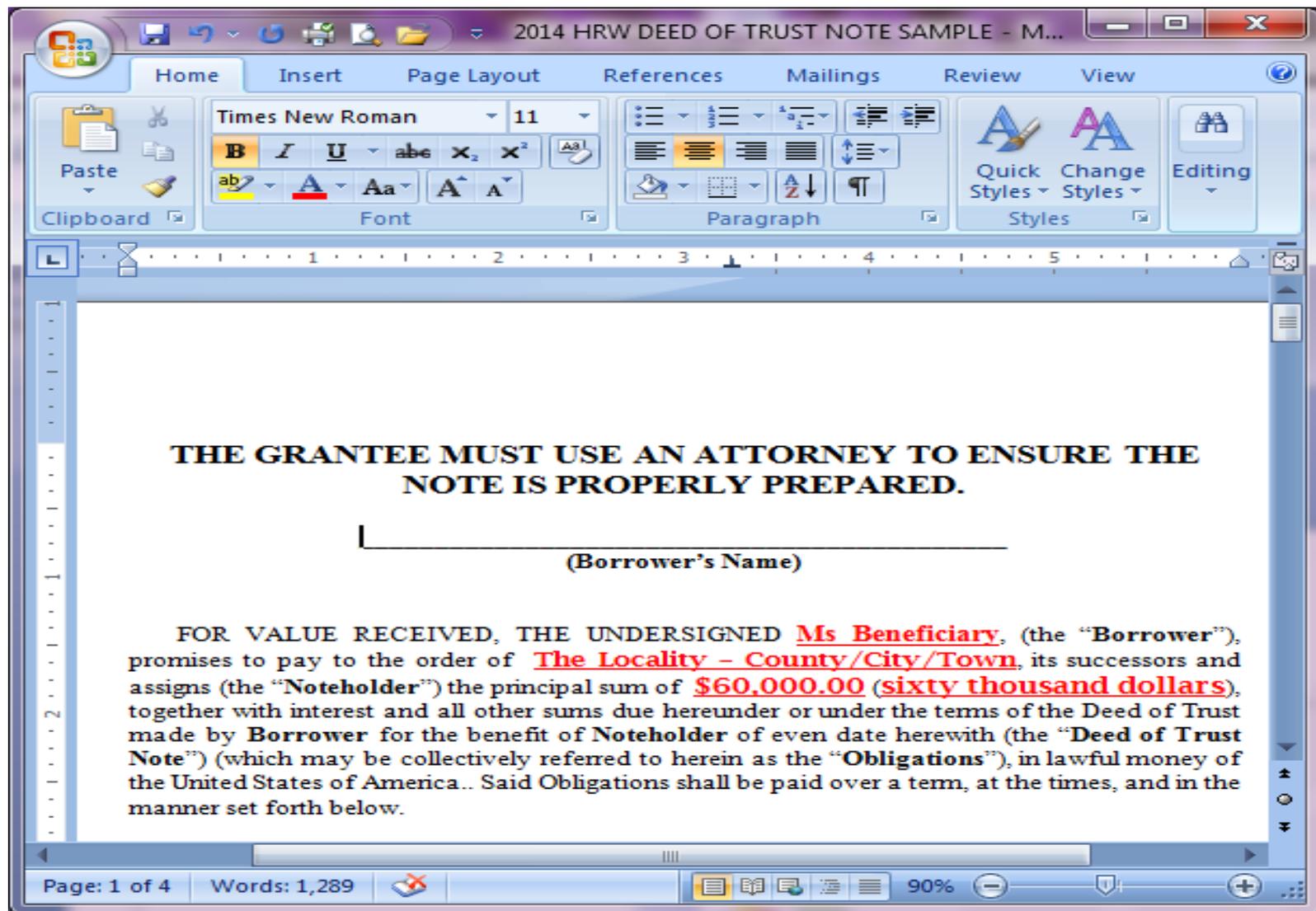
- Recordation of a Septic

The Note

- The Note should include the following:
 - Rate of Interest
 - Term of the loan and Due date
 - Late payment and default penalty
 - Time and location of payment



The Note - Based on the Sample Note in the Manual



The Note

2014 HRW DEED OF TRUST NOTE SAMPLE - M...

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The loan evidenced by this Note is being made to finance the improvement of certain property pursuant to the Community Development Block Grant Program.

1. **Amount Borrowed:** Based on **Borrower's Ability-to-Pay (ATP)**, the Borrower promises to pay the principal sum of **\$60,000.00 (sixty thousand dollars)** to the **Noteholder**.
2. **Ability-to-Pay:** The **Borrower's ATP** should be calculated using Virginia Department of Housing and Community Development methodology and calculated at least annually or more frequently if requested by **Borrower or Noteholder**, to accurately reflect adjustments to **Borrower's ATP**. Those **calculations are reflected as attachments to this Note and reflect the amount of payments due and forgiven**. Attachments shall be dated and signed by both the **Borrower and Noteholder**. The most recent ATP calculation shall supersede all previous ATP calculations.

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The Ability to Pay Form

2014 HRW ABILITY TO PAY EXCEL.xlsx [Compatibility Mode] - Microsoft Ex...

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1	LOCALITY / NON-PROFIT GRANT #	14-100	ATP IS GOOD THRU:	REASSESSMENT DATE
2	Client Name:	MR. SPONGEBOB	Address:	BOTTOM OF THE SEA
3				
4	Ability to Pay		Loan Repayment	
5				
6	Gross Household Income:		\$15,000.00	Amount of Loan:
7				68,000.00
8	# under 18:	2	(\$960.00)	Amount to fully amortize:
9				(Based on 10 yr, 0% interest)
10	Elderly:	0	\$0.00	Client Payment:
11	(1=yes, 0=no)			\$72.50
12	Medical (per yr):		\$0.00	Amount Forgiven:
13				\$494.17
14	Adjusted Gross Income:		\$14,040.00	Monthly Payment:
15				\$72.50
16	Monthly Income:		\$1,170.00	
17	Income Available for Housing:		\$292.50	
18				
19	Monthly Housing Costs:			
20	Mortgage Payment:		\$0.00	
21	Homeowners Insurance:		\$40.00	
22	Real Estate Tax:		\$35.00	
23	Utility Allowance:		\$145.00	
24			(\$220.00)	
25				
26				
27	Ability to Pay:		\$72.50	
28			MINIMUM PAYMENT = \$25.00	
29				
30	LOCALITY/NON-PROFIT NAME		MAILING ADDRESS, CITY, VA	ZIP
31				
32	I understand that my monthly payment for the Housing Rehab loan is based on my ability to pay.			
33	I certify that the above figures were provided to (locality/non-profit) and that they are correct and true.			
34				
35				
36	Homeowner Signature	Date	Representative for Locality/Non-Profit	Date
37				
38				

Ready ATP 100%

The Note

2014 HRW DEED OF TRUST NOTE SAMPLE - Micr...

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3. **Interest:** This Note secured by the Deed of Trust (this "Note") shall bear interest at the rate of zero percent (0%) per annum.

4. **Term:** The term of this loan is 10 (ten) years.

5. **Payments:** Borrower is obligated to make 120 (one hundred twenty) monthly payments to the Noteholder in an amount of **\$500.00** based on the Borrower's ATP.

Monthly payments shall be due on the 1st day of each month beginning the first month following the execution of this document or the **1ST** day of **MONTH, 20YR**, and continuing on the like day of each successive month thereafter until the entire indebtedness evidenced hereby is fully paid.

The Obligations shall be payable at the office of "**Noteholder**" at **Street Address Here** (*insert address*) or at such other address as the Noteholder may from time to time designate. Said Obligations shall be paid over a term, at the times, and in the manner set forth below.

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The Deed of Trust

2014 HRW DEED OF TRUST SAMPLE - M...

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ab A Aa A A

1 2 3 4 5

THE GRANTEE MUST USE AN ATTORNEY TO ENSURE THE DEED IS PROPERLY PREPARED.

DEED OF TRUST

(Lender's Name)

This Deed of Trust Made this **date** day of **Month**, 20**YR**, by and between **HOMEOWNER(S)**, (herein referred to as "Borrower"), and **MR. Executive Director**, a resident of the Commonwealth of Virginia, (address) and **MS Board Member**, **a resident of the commonwealth of Virginia, address,** (herein referred to as "Trustees"), either of whom may act; on behalf of **(Lender's Name and Address)** (herein referred to as "Lender").

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The Deed of Trust

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Paragraph

RECITALS

Whereas, the Borrower has executed a deed of trust note of even date (the "Note") payable to the Lender in the amount of **Sixty thousand dollars (\$60,000.00)** and maturing on (date) day of MONTH, 20YR, and evidencing a loan for rehabilitation of the Property (as defined herein below) intended for occupancy by persons of low and moderate income. The Borrower desires to secure to the Lender the payment of certain indebtednesses of the Borrower to the Lender and the performance of certain covenants made by the Borrower to the Lender; and

Whereas, the aforementioned deed of trust note of even date (the "Note") reflects that:

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The Deed of Trust

2014 HRW DEED OF TRUST SAMPLE - M...

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SIXTY THOUSAND dollars (**\$60,000.00**) of the a forementioned amount is a loan and matures on **DATE** day of **DATE**, **20YR**, (if not applicable, insert N/A in each of the foregoing blanks); and

FOUR HUNDRED SEVENTY FIVE dollars (**\$475.00**) of the a forementioned amount is forgiven monthly on each **DATE** day of **EACH MONTH**, for **ONE HUNDRED TWENTY** (120) months until the forgiven balance is paid in full based on the most recent ability to pay on file. (if not applicable, insert N/A in each of the foregoing blanks).

Now Therefore, Witnesseth: That for and in consideration of the provisions of this Deed of Trust (herein referred to as "Deed") and of \$1.00 cash in hand paid and other

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The Deed of Trust

- *Additional items incorporated in the DOT:*
 - Payment of Debt, Taxes and Utility Charges;
 - Maintenance of property for term of the loan;
 - Owner's requirement to obtain homeowner's insurance;
 - Resale and residency requirements;
 - Notice of Right to Cancel (attachment);
 - Truth-in-Lending Disclosure Statement (attachment);
 - Investor-Owned property has additional clauses.

Truth in Lending Disclosure Statement

2014 HRW TRUTH IN LENDING STATEMENT SAMPLE - Microso...

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Truth-in-Lending Disclosure Statement

Borrower: Name / Address / City / State / Zip

Lender: Name / Address / City / State / Zip

1. Amount Financed (the amount of credit provided to you on your behalf)	<u>\$ 60,000.00</u>
2. FINANCE CHARGE (the total dollar amount your credit will cost you):	<u>\$ 0.00</u>
3. Total of Payments (amount you will have paid after you have made all scheduled payments)	<u>\$ 60,000.00</u>
4. ANNUAL PERCENTAGE RATE (the cost of your credit as a yearly rate)	<u>0 %</u>
5. The loan is to be repaid in 120 equal consecutive monthly installments. Each monthly payment shall be in the amount of This amount includes the current Ability-to-Pay amount of \$ 25.00 and the Monthly Forgiven amount of \$ 475.00 <i>if paid every month on time.</i>	<u>\$ 500.00</u>
6. Payment of monthly installments shall begin on the 1st day of _____, 20____, and thereafter on the 1st day of each and every month until the loan is repaid in full.	
7. THE FINANCE CHARGE BEGINS TO ACCRUE ON ____/____/____ (the date)	

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Truth in Lending Disclosure Statement

2014 HRW TRUTH IN LENDING STATEMENT SAMPLE - Microso...

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8. The following must be paid at closing:

Recording cost (Estimate)	\$ _____
Other	\$ _____

9. **Late Payments.** If a payment is late, the following selected option(s) will be applicable:

- You will be charged _____ percent (____ %) of the payment.
- You will be charged a \$ _____ late fee.
- All amounts secured by the Deed of Trust Note may become due and payable immediately.

10. **Deferred Payments.** If your payment is due but is not paid in a given month, both the payment (ATP) and forgiven amounts will be added onto the end of the loan period, adjusting the maturity date. If your loan is in default, all amounts secured by the Deed of Trust may become due and payable immediately.

11. **Prepayment Provisions.** If you pay off early, you will have to pay off the entire outstanding amount of the loan, including the forgiven amount. You will not have to pay a penalty and you will not be entitled to a refund of part of any finance charges.

12. **Assumption.** A low-to-moderate income heir may, with the approval of the lender, be allowed to assume the remainder of the loan on the original terms.

13. **Insurance.** Hazard insurance is required for the entire duration of the loan. You may obtain the insurance from anyone you want that is acceptable to the Lender. The Lender must be listed as a loss payee. If you fail to maintain the insurance, the Lender may obtain it for you and the cost will be incorporated into the amount financed.

14. **Additional Information.** See your contract documents for additional information about insurance, security interests, nonpayment, default, and any required repayment in full before the scheduled date and prepayment refunds and penalties.

15. **Security interest.** This loan will be secured by a Deed of Trust on _____ / _____ / _____ for the Property at _____

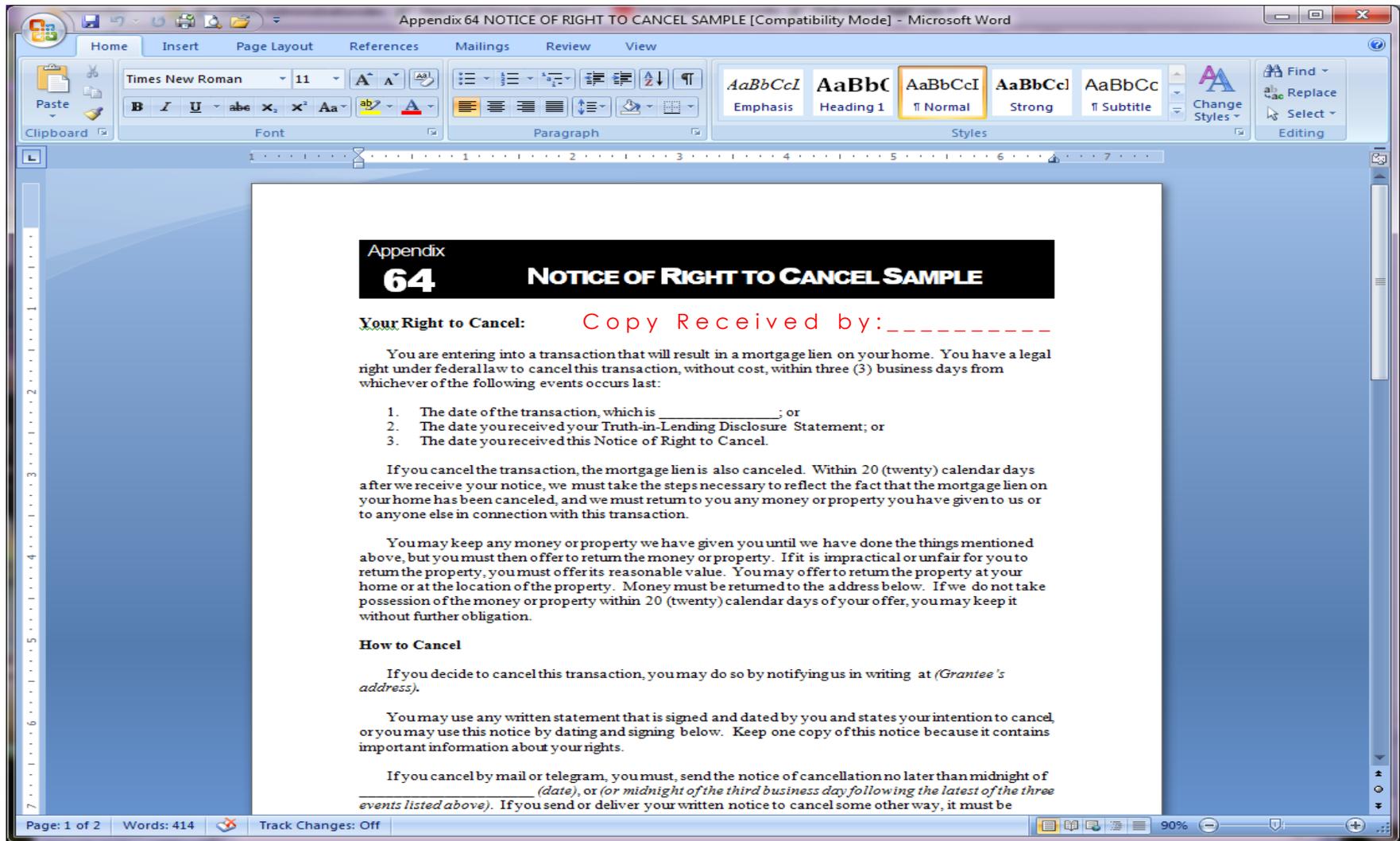
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The Notice of Right to Cancel

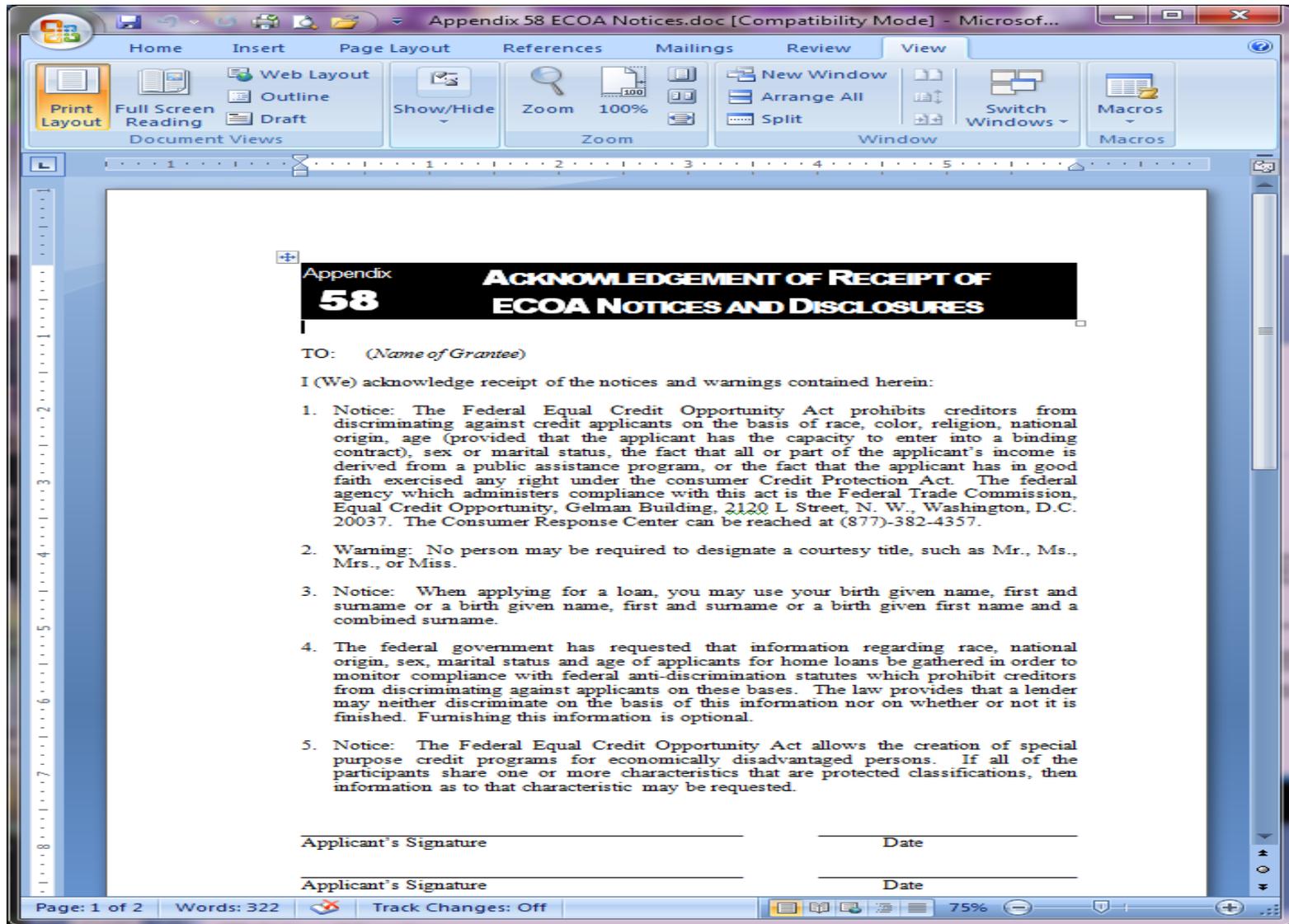
- FEDERAL LAW – Regulation Z of the Truth-in-Lending Act, allows every homeowner a three-day grace period to cancel the construction contract!
- The homeowner has a legal right to cancel the transaction within 3 business days after signing.
- **DO NOT** count weekends or holidays!



Notice of Right to Cancel



Acknowledgement of Receipt of ECOA Notices and Disclosures



Compliance Review Issues

- Loan documents have been completed incorrectly.
- The Deed of Trust was not recorded timely – was recorded after construction completed.
- Errors and typo's within the loan documents

Questions?

If you have any legal questions please contact your attorney.

If you have any questions in regards to DHCD requirements please contact your Community Development Specialist or the Program Manager, Joanne Peerman.

Thank you!