

EXAMPLE

James and the Near North Development Corporation have been discussing the possibility of renovating a distressed home in the Crown Hill neighborhood. The home is in serious disrepair, but James would like to rehabilitate it from the ground up. Near North has connected James to INHP for the Home Value Guaranty program.

James works with Near North to find licensed contractors to collect estimates of rehabilitation costs. After collecting estimates, he learns it will take \$125,000 to purchase and repair the home so he can live there. Even though repairs will be made, recent home sales and the existing condition of some neighboring homes mean that James' home will appraise for only \$100,000 once he's done.

INHP provides James a first mortgage worth \$97,000, which is 97 percent of \$100,000. INHP also provides James with a second mortgage in the amount of \$24,250; this amount is 97 percent of \$25,000 — the gap between the total cost to purchase and repair the home and the current appraised value. James is required to pay a \$3,750 down payment (the remaining 3 percent from each mortgage).

James works with Near North and INHP to secure the contractor and make all the necessary repairs to the house. Six months later, he is enjoying his new home. James knows that if his home doesn't appraise for \$131,250 after seven years, his loan will be reduced by the gap between the appraised value of the house in seven years and \$131,250. This is his guaranty.

Six years later, the neighborhood is attracting more development and home values are rising. Although he has enjoyed being part of his neighborhood's growth, James must move because he has taken a new job. Without considering a buyer willing to take the guaranty, he exits the program one year early.

INHP secures a third-party appraisal of the home. They learn the house has appreciated in value to \$128,500. Although the price hasn't reached the guaranty value, James will not receive money from the guaranty because he has chosen to leave the program early and the price of the house is above the original total cost. He knows he has benefitted because he has not lost any equity because of the agreement.

James eventually sells the home for his asking price of \$128,500.

GET STARTED

Visit INHP.org/hvg to see the designated areas within each neighborhood and fill out a pre-qualification form.

REHAB MATCH

Want to do part of the rehab work yourself? Check out our Rehab Match Program at INHP.org/rehab-match.



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v. 6/18



HOME VALUE GUARANTY®



BUYER BENEFITS:



INHP'S HOME VALUE GUARANTY

Home Value Guaranty is a program that incentivizes homebuyers to invest in designated areas within five Indianapolis neighborhoods.

Homebuyers can purchase:

- A vacant or abandoned home that needs extensive repairs.
- An empty lot for building a home.
- A new or rehabbed home on the market by a local community-based organization or developer.

The program guarantees that after seven years, the home will appreciate 5 percent above the total cost to purchase and repair it.

The guaranty: If the home's value doesn't increase, INHP will reduce the homebuyer's mortgage.

DESIGNATED AREAS

1. WITHIN RIVERSIDE NEIGHBORHOOD

North boundary: 29th Street
South boundary: Burdsal Parkway
East boundary: Central Canal
West boundary: Harding Street

2. WITHIN CROWN HILL NEIGHBORHOOD

North boundary: 38th Street
South boundary: 31st Street
East boundary: Illinois Street
West boundary: Boulevard Place

3. WITHIN MAPLETON-FALL CREEK NEIGHBORHOOD

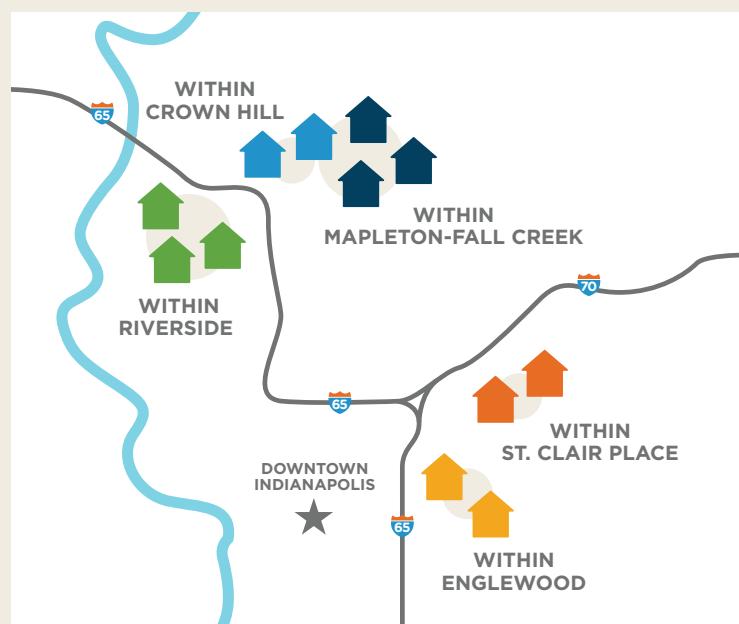
North boundary: 36th Street
South boundary: Fall Creek Parkway
East boundary: Fall Creek Parkway
West boundary: Kenwood Avenue

4. WITHIN ST. CLAIR PLACE NEIGHBORHOOD

North boundary: Brookside Parkway
South boundary: Michigan Street
East boundary: Dearborn Street
West boundary: Varies (visit INHP.org for details)

5. WITHIN ENGLEWOOD NEIGHBORHOOD

North boundary: Michigan Street
South boundary: Washington Street
East boundary: Parkview Avenue
West boundary: Highland Avenue



WHO'S ELIGIBLE

Homebuyers who earn up to 120 percent of HUD's Area Median Income (AMI) are eligible for this program. The buyers must live in their homes as their primary residence.



THE PROGRAM: HOW IT WORKS

1. **Form:** Visit INHP.org/hvg to fill out an interest form.
2. **Resources:** INHP will provide resources to help you choose a qualifying property, such as how to connect with real estate agents, nonprofit community-based organizations and/or for-profit developers.
3. **Real estate agent support:** A real estate agent can help you choose a property in one of five designated areas. You may choose to rehab a home, build a new home on an empty lot or purchase a new or rehabbed home on the market by a local community-based organization or developer.
4. **Qualification:**
 - The **FIRST MORTGAGE** finances the purchase and repair costs or the appraised value after repairs, whichever is lower. It features low-interest financing and a 3 percent down payment.
 - The **SECOND MORTGAGE** funds 97 percent of the difference between the purchase and repair costs and the home's appraised value after repairs.
5. **Guaranty value:** INHP takes the total cost to purchase and repair the home and adds 5 percent to create the home's guaranty value. Then, the difference between the guaranty value and the current appraised value of the home becomes the guaranty amount.
6. **Guaranty set:** Once the guaranty amount is set, it cannot increase, even if the home's value decreases.
7. **Repairs:** Repairs must be completed within six months after closing. (Extensions may be granted.)
8. **Seven years:** After seven years, if the home has not appreciated to the guaranty value, INHP will reduce the mortgage balance(s) up to the guaranty amount.



At any time, INHP can request that the home's value be appraised. If its value increases before seven years have passed, INHP can lock in the appraised value to reduce the guaranty. If the buyer must sell sooner than seven years, INHP provides several options.

1. After five years: INHP will guarantee the house will be worth at least as much as the total cost to purchase and repair the home. Any mortgage reduction will be in the amount of the gap between the then-current appraised value and the as-completed cost.
2. After four years: INHP will honor half of the gap between the total cost to purchase and repair and the original appraised value.
3. At any time, the guaranty can be transferred from the original buyer to a new owner-occupant.

If the homeowner fails to maintain the home, as compared to other similar neighboring homes, an appraiser will determine the effect of the neglect. The guaranty will be reduced by the effect.

Home Value Guaranty offers:

- 3 percent down payment
- Low-interest financing
- Unique 20-year loan option with approximately the same monthly payment as 30-year loan
- Guaranteed 5 percent home value appreciation