1. **The Healthy Neighborhood Purchase-Rehabilitation Program**: The Healthy Neighborhood purchase-Rehabilitation Program has 2 mortgages. The first mortgage you close on is The Healthy Neighborhood Rehabilitation Loan. This loan is used to purchase the property and pay your contractor(s) for your renovations per the Healthy Neighborhood/M&T approved draw schedule(s). The second mortgage is your Healthy Neighborhood End/Permanent loan. This loan is used to refinance your Healthy Neighborhood Rehabilitation Loan. After closing on your Healthy Neighborhood End/Permanent loan your Healthy Neighborhood Rehabilitation loan is closed. Both your Healthy Neighborhood Purchase-Rehabilitation loan and your Healthy Neighborhood Purchase End/Permanent loan are mortgages and recorded as first liens against your property.

   a. **Rate, Points & Term Healthy Neighborhood Purchase Rehabilitation loan**: The term of the loan shall not exceed 12 months. The Note Rate shall be fixed and locked prior to the date of loan settlement. During the rehabilitation period, outstanding draws will be billed interest-only based on the Note Rate. Upon expiration of the rehabilitation period and completion of rehabilitation, the loan must be paid in full or refinanced to the Healthy Neighborhood Purchase End/Permanent loan. The rate for the Healthy Neighborhood Purchase Rehabilitation loan will be **M&T Bank's Prime Interest Rate minus 1% with a minimum rate of 6%**.

   b. **Rate, Points & Term Healthy Neighborhood End/Permanent loan**: The term of the loan will be 360 months. The Note Rate shall be fixed and locked upon expiration of the rehabilitation period and completion of rehabilitation and at least 15 days prior to the date of loan settlement. During the term of this loan your payments will be principal and interest plus an amount for the escrow of property taxes and homeowner's insurance. The rate for the Healthy Neighborhood Purchase End/Permanent loan will be **Fannie Mae 30 year fixed rate mortgage minus 1% with a minimum interest rate of 4%**.

2. **The Healthy Neighborhood Refinance-Rehabilitation Program**: The Healthy Neighborhood Refinance-Rehabilitation Program has 2 mortgages. The first mortgage you close on is The Healthy Neighborhood Rehabilitation Loan. This loan is used to refinance and payoff your existing first mortgage and pay your contractor(s) for your renovations per the Healthy Neighborhood/M&T approved draw schedule(s). The second mortgage is your Healthy Neighborhood End/Permanent loan. This loan is used to refinance your Healthy Neighborhood Rehabilitation Loan. After closing on your Healthy Neighborhood End/Permanent loan your Healthy Neighborhood Rehabilitation loan is closed. Both your Healthy Neighborhood Purchase-Rehabilitation loan and your Healthy Neighborhood Purchase End/Permanent loan are mortgages and recorded as first liens against your property.

   a. **Rate, Points & Term Healthy Neighborhood Refinance Rehabilitation loan**: The term of the loan shall not exceed 12 months. The Note Rate shall be fixed and locked prior to the date of loan settlement. During the rehabilitation period, outstanding draws will be billed interest-only based on the Note Rate. Upon expiration of the rehabilitation period and completion of rehabilitation, the loan must be paid in full or refinanced to the Healthy Neighborhood Refinance End/Permanent loan. The rate for the Healthy Neighborhood Purchase Rehabilitation loan will be **M&T Bank's Prime Interest Rate minus 1% with a minimum rate of 6%**.

   b. **Rate, Points & Term Healthy Neighborhood End/Permanent loan**: The term of the loan will be 360 months. The Note Rate shall be fixed and locked upon expiration of the rehabilitation period and completion of rehabilitation and at least 15 days prior to the date of loan settlement. During the term of this loan your payments will be principal and interest plus an amount for the escrow of property taxes and homeowner's insurance. The rate for the Healthy Neighborhood End/Permanent loan will be **Fannie Mae 30 year fixed rate mortgage minus 1% with a minimum interest rate of 4%**.

3. **The Healthy Neighborhood Home Improvement Program**: The Healthy Neighborhood Home Improvement has 2 loans. The first loan you close on is The Healthy Neighborhood Home Improvement Rehabilitation Loan. This loan is used to pay your contractor(s) for your renovations per the Healthy Neighborhood/M&T approved draw schedule(s). The second mortgage is your Healthy Neighborhood Home Improvement End/Permanent loan. This loan is used to refinance your Healthy Neighborhood Home Improvement Rehabilitation Loan. After closing on your Healthy Neighborhood Home Improvement End/Permanent loan your Healthy Neighborhood Home Improvement Rehabilitation loan is closed. Your Healthy Neighborhood Home Improvement Rehabilitation loan is an unsecured
personal loan and there will not be a lien recorded against your property. Your Healthy Neighborhood Home Improvement End/Permanent loan is a mortgage and must be recorded in the second lien position against your property.

a. **Rate, Points & Term Healthy Neighborhood Home Improvement Rehabilitation loan:** The term of the loan shall not exceed 12 months. The Note Rate shall be fixed and locked prior to the date of loan settlement. During the rehabilitation period, outstanding draws will be billed interest-only based on the Note Rate. Upon expiration of the rehabilitation period and completion of rehabilitation, the loan must be paid in full or refinanced to the Healthy Neighborhood Home Improvement End/Permanent loan. The rate for the Healthy Neighborhood Home Improvement Rehabilitation loan will be **M&T Bank's Prime Interest Rate minus 1% with a minimum rate of 6%**.

b. **Rate, Points & Term Healthy Neighborhood Home Improvement End/Permanent loan:** The term of the loan will be 120 months. The Note Rate shall be fixed and locked upon expiration of the rehabilitation period and completion of rehabilitation and at least 15 days prior to the date of loan settlement. During the term of this loan your payments will be principal and interest. The rate for the Healthy Neighborhood End/Permanent loan will be **M&T Bank's Prime Interest Rate minus 1% with a minimum interest rate of 4%**.

4. **Interest-Only Renovation Loan.** The Healthy Neighborhood Rehabilitation loan payments will consist of interest only. Your interest-only period is 12 months. That means for the first 11 months of your loan your payments will consist of interest only. After the interest only period your 12th and final payment will include the outstanding loan balance and any interest that has accrued through your settlement date.
   - No payments of principal are due during the interest-only period.
   - Your principal balance will not be reduced during the interest-only period unless you make an additional payment towards principal.
   - If you make an additional payment towards principal during the interest-only period, your future interest only payments will be automatically reduced.
   - **THE CHANGE IN YOUR PAYMENT FROM INTEREST-ONLY TO PRINCIPAL AND INTEREST WILL CAUSE YOUR MORTGAGE PAYMENT TO INCREASE.**

5. **Balloon Loan.** The Healthy Neighborhood Rehabilitation loan contains a balloon payment provision at the end of 12 months. A balloon payment is a scheduled lump sum usually due at the end of the loan term that is significantly larger than the other regularly scheduled periodic payments. If you cannot pay the balloon payment when due, you may have to obtain a new loan to make the balloon payment. Before deciding to take this loan, consider your ability to pay the balloon payment when it comes due. The balloon payment on the loan you have applied for is due 12 months from the date your mortgage loan begins.

   a. **Healthy Neighborhood End/Permanent Loan:** The Healthy Neighborhood End/Permanent loan is used to pay off your Healthy Neighborhood Rehabilitation Balloon loan. You will close on this loan upon the completion of your renovations and/or at the end of your balloon term. You are approved for your Healthy Neighborhood End/Permanent loan prior to settlement on your Healthy Neighborhood Rehabilitation loan subject to re-verification of your employment (Please see section 6).

6. **End/Permanent Loan Employment Verification:** Prior to settlement on your Healthy Neighborhood End/Permanent Loan, M&T Bank will verify your employment to ensure you have not changed jobs. In the event you plan to change jobs during the rehabilitation period and prior to closing on your Healthy Neighborhood End/Permanent loan, please contact M&T Bank to make sure your job change will not affect your approval and closing on your Healthy Neighborhood End/Permanent Loan. In the event that you change jobs during the rehabilitation period and you have not received written approval from M&T that your change in employment will not affect your loan approval on your Healthy Neighborhood End/Permanent loan then you may not qualify for your Healthy Neighborhood End/Permanent loan and may have to seek other financing to pay off your Healthy Neighborhood Rehabilitation loan.
7. **Tax and Insurance Escrows on Purchase & Refinance Rehabilitation Mortgages**: During the rehabilitation period, you will be responsible for paying any and all real estate taxes and homeowner’s insurance that comes due. (Each borrower should initial)

- A complete escrow for taxes and any required insurances will not be collected at the first closing (for the Rehabilitation Loan).
- During the rehabilitation period/loan you will be responsible for all payments of property taxes due in July and December of the current tax year and any insurance(s) that come due or need to be renewed.
- You will NOT be allowed to roll into your end/permanent loan with M&T any open and outstanding tax bills and insurance(s) that come due during the rehabilitation period.
- A traditional escrow for property taxes and any insurance(s) will be collected and administered upon consummation of your end/permanent loan with M&T.

An Escrow account is NOT required on a Healthy Neighborhood Home Improvement Rehabilitation or End/Permanent loan if the borrowers’ existing first mortgage has an escrow account.

8. **Subordinate Financing**: You will be responsible for any subordination processing fees, recording fees and recordation and transfer taxes of any subordinate liens and grants.

9. **Prepayment Penalties**: There are no prepayment penalties on either the rehabilitation or permanent/end loans.

10. **Receipt of Draw Funds**: Your draws after the initial closing may be received no sooner than 3 business days following receipt of a satisfactory inspection. For projects with rehab monies of $100,000 or greater, clear title is also required before a draw may be issued. Standard draw funds will be advanced in check form made jointly payable to the borrower(s) and contractor(s).

You may order an inspection and arrange for a draw by contacting:

Rahn Barnes  
Healthy Neighborhoods  
Phone #: 410-332-0387 extension 154

11. **Draw Checks**: All draw checks will be made payable to all of the borrower(s) and the contractor and will be mailed to the borrower's subject property address. If the borrower(s) would like their draw checks mailed to a different address they must do so in writing and all borrower(s) must sign and date the document. All borrower(s) must endorse the check before delivering it to the contractor. Healthy Neighborhoods and M&T Bank will assume that the borrower(s) are satisfied with the contractor's work after they have endorsed their draw check and given it to the contractor.

12. **Contractor Issues**: In the event you have a problem with your contractor and/or are not satisfied the work has been completed in a proper fashion, please contact Rahn Barnes at Healthy Neighborhoods (410-332-0387 x154) to review your options and attempt to work out an agreement with your contractor. If you decide to change a contractor for any reason, you may be obligated under the terms of the contract with that contractor and should seek legal advice before taking such action.

13. **Renovation Plan(s) Changes**: Any changes to the Healthy Neighborhood approved renovation plans must be submitted in writing to Healthy Neighborhoods and M&T Bank and approved by Healthy Neighborhoods and M&T Bank. No draws will be modified or advanced for any changes to the renovation plans until Healthy Neighborhoods and M&T Bank have approved the renovation plan(s) changes and a revised draw schedule has been executed by the borrower(s) and contractor.
I have read and agree to the above-outlined program parameters for M&T's Healthy Neighborhoods loan program.

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