



## Loans to Community Associations

**Finance your projects today!**

**First Niagara specializes in providing services to Community Associations. We tailor our loan products to meet the needs of the community and we work with you to get the job done. A summary of typical loan structures and frequently asked questions follows.**

### Commonly Asked Questions:

#### **Is the application complicated?**

No, it is one page back and front. If we require any other items later on we'll ask for them.

#### **What will the bank finance?**

The bank will fund up to 100% of the project cost for maintenance or capital improvements including a contingency and any related costs.

#### **What are the loan rates?**

Interest rates are set to the New York FHLB Advance rate or Prime Rate which changes daily with a spread. During the credit line period (project build out), interest rate floats with Prime Rate as an Index. During the amortizing loan (term period) the interest rate is calculated at the New York FHLB Advance rate with a spread and can be fixed for different increments of time. You will find our rates to be extremely competitive in the market place. We can also provide a loan proposal with estimated rates and terms for discussion purposes to share with the board.

#### **What is the typical loan structure?**

Term length is negotiable and depends on the type of capital improvement project (landscaping, roofs siding, interiors, etc). We can go up to 15 years if the project is a full envelope renovation otherwise the maximum loan term is generally 10 years depending on the estimated life of the improvements or repairs.

We offer a line of credit for the project build out period up to 24 months. At the end of the line period any amount outstanding would convert to a fully amortizing term loan. During the line of credit the association will pay interest only on the amount borrowed.

We will work with the community to find a structure that works best for you.

#### **How do I obtain my money?**

With a line of credit you will submit advance requests as the project progresses. The funds are then transferred to whichever account you have specified. The association then in turn pays the contractor.

If the loan is closed as a term loan, all of the funds will be placed in a deposit account at closing with a hold placed on that account. Similar to the line of credit, advance requests must be submitted to release funds. The advance of using a term loan is the association locks their interest rate in at time of closing and begins the amortizing term loan. The association saves any interest it would have paid during the line of credit.



**What is the collateral?**

We take an assignment of Common Charges/Homeowner Assessments (the dues). You will continue to operate as always with no disruption to how dues are collected. We do not place liens on individual homes or ask for personal guarantees. However if the loan request is to purchase real estate, a mortgage lien may be requested and in some circumstances a pledge of some amount of cash balances may be requested.

**Are there any fees or additional expenses?**

There is no application fee. There may be a negotiable loan origination fee and the only other cost of obtaining the loan is the legal expenses at the closing. The association will have to engage an attorney to close the loan on their behalf. The association attorney will need to provide an opinion letter opining to the association's ability to borrow money and to pledge assessments as collateral for the loan and that the association is in good standing with the state as well as to close the loan for the association.

The bank also engages an attorney to represent the bank. We will provide you with an estimate of the bank attorneys closing costs in the commitment letter. There may also be miscellaneous filing, flood search and FedEx fees association with the closing.

**Are there any prepayment penalties?**

No. Prepayments can be made at anytime during the term of the loan with no penalty.

**What are the basic requirements in order to qualify for the loan?**

The community needs to have at least 20 units.

Unit owners past due on assessments over 60 days should not be more than 10% of the total number of units. We look at regular and special assessments, not fines, fees or violations. We'll want to make sure you have a collection policy in place and are following it.

The development should be primarily owner occupied with at least 60% of the homes, owner occupied. If more than 40% of the units are investor owned we may request additional collateral in the form of pledged deposits.



No one unit owner should own more than 10% of the units. No more than 30% of the units should be owned by multiple unit owners.

The community cannot be developer controlled.

If the assessment increase needed to pay back the loan is double or more what owners are currently paying, we may ask the association to put the increase in place for 4 months prior to closing the loan without delinquencies increasing. This demonstrates to both the bank and the association owners' ability to pay the additional debt.

**Do I need a reserve study?**

No, you just have to be able to tell us about any other capital repairs/replacements that may occur during the term of the loan.

**What if I don't have a management company?**

No problem, we will work with the association directly.

**Do I have to sign contracts for the work in order to qualify?**

No, we will ask for copies of any bids or estimates. We want to make sure that you've done your homework and have a good idea of what the project will cost.

**How fast can I get an answer and close the loan?**

Once we have all of the required application items, we can make a decision quickly. From the point of approval we issue a commitment letter. When the signed commitment letter is returned, the closing process starts. At that point and if all goes well the loan should be able to close with 30 days.