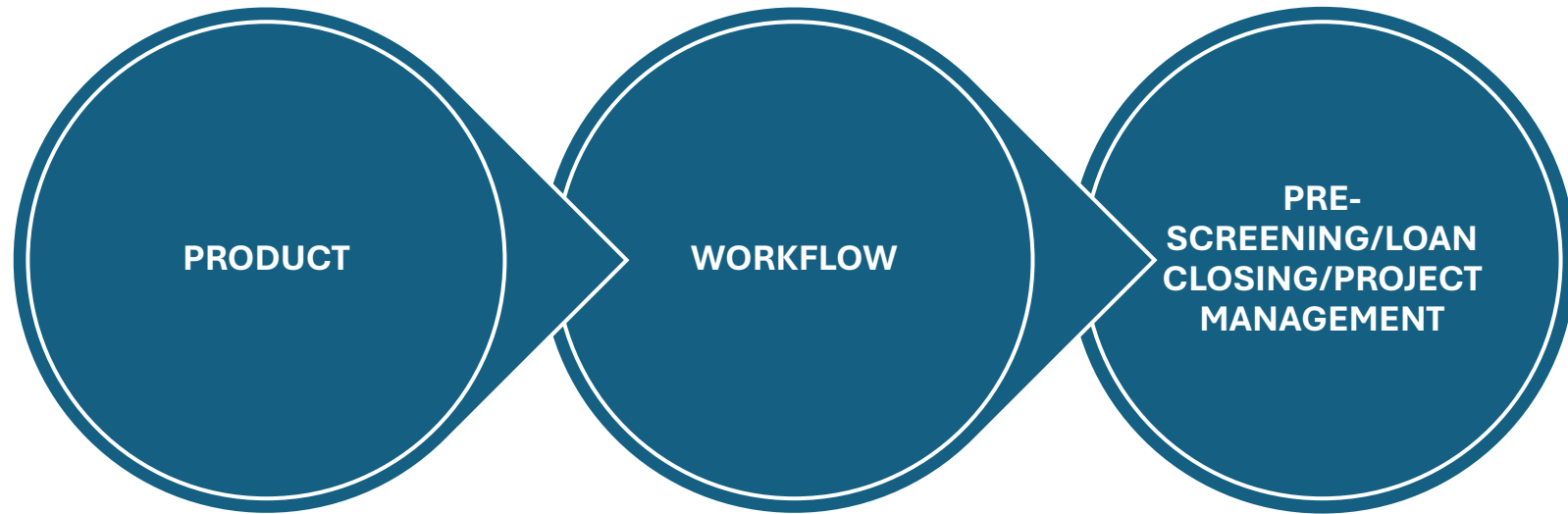


HOME IMPROVEMENT LOAN PROGRAM

April 2026

OVERVIEW

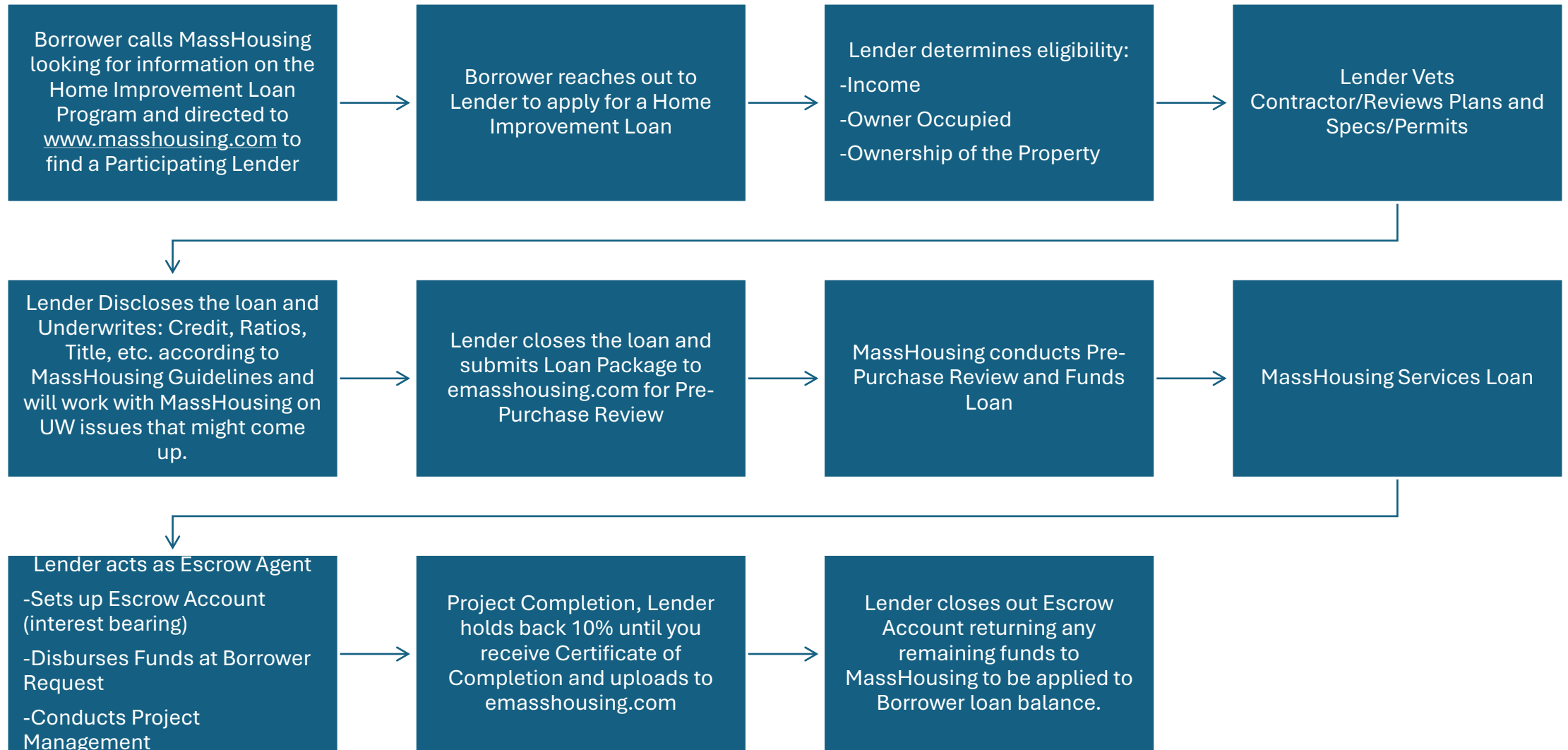


PRODUCT

Home Improvement Loan Program	
Product 5003 - Home Improvement 5% 15 Year Amortized	
Transaction Type	<ul style="list-style-type: none"> • Subordinate Mortgage
Interest Rate	<ul style="list-style-type: none"> • 5% Amortized – No Points
Income Limits	<ul style="list-style-type: none"> • Click here for Income Limits
Loan Limits	<ul style="list-style-type: none"> • Min \$7,500 up to a Max of \$50,000
Loan Term	<ul style="list-style-type: none"> • 15 Year
Property Type	<ul style="list-style-type: none"> • 1 Unit/Condo/PUD, 2-4 Unit
Partners	<ul style="list-style-type: none"> • Lender
MassHousing Processing Fee	<ul style="list-style-type: none"> • NA
Lender Fee	<ul style="list-style-type: none"> • Lender Paid \$1,000 per loan (paid by MassHousing upon funding)
Eligible Borrower	<ul style="list-style-type: none"> • All owner-occupied 1 Unit/Condo/PUD, 2-4 Units with incomes that meet the income limit guidelines • Trusts will be pre-reviewed by MassHousing.
Ineligible Borrower	<ul style="list-style-type: none"> • Any person(s) who does not have an ownership interest in the property should NOT be on any closing documents or be a part of the loan transaction. • Life Estates are not eligible for this Program.

Credit Score	<ul style="list-style-type: none"> • 640
Max DTI	<ul style="list-style-type: none"> • 50%
Max LTV/CLTV	<ul style="list-style-type: none"> • 100% of assessed or appraised value, based on a drive-by appraisal with external pictures and comps, including expected rehab
Lien Position	<ul style="list-style-type: none"> • The Home Improvement Loan Program has been designed as a second mortgage loan program. MassHousing will assume a third position behind a 1st and 2nd DPA or equity line, making sure the borrower meets all the eligibility requirements.
Occupancy	<ul style="list-style-type: none"> • Owner Occupied/Primary Residence for the Life of the Mortgage
Appraisal	<ul style="list-style-type: none"> • Assessed or appraised value, based on a drive-by appraisal with external pictures and comps. Value determined is based on as complete of expected renovation, including expected rehab. AVMs are also acceptable.
Closing Costs and Fees	<ul style="list-style-type: none"> • Borrowers will be responsible for all closing costs and fees (reasonable) which can be rolled into the loan
Required Documents and MassHousing Forms	<ul style="list-style-type: none"> • Click here for Document Loan Delivery
Right of Rescission	<ul style="list-style-type: none"> • Required
Eligible Improvements	<ul style="list-style-type: none"> • Permanent general improvements shall include additions, alterations, renovations, or repairs upon or in connection with existing structures which materially preserve or improve the basic livability, safety, or utility of the property including lead abatement and septic repairs. Appliances not permanently affixed, pieces of furniture, or other personal property items will not be considered permanent general improvements. Refrigerators are eligible. • Accessibility improvements • Septic Repair • Lead Abatement
Contingency Fee	<ul style="list-style-type: none"> • 5% Contingency Required
Escrow Agent	<ul style="list-style-type: none"> • Lender
Maximum Construction Timeframe	<ul style="list-style-type: none"> • Borrowers applying for mortgage financing have a maximum time limit of six months from the closing date of the mortgage to complete the work.
Final Completion	<ul style="list-style-type: none"> • Final Completion Documentation depending on the repairs, i.e. permits signed off by city/town, COO, Completion Certificate if using an Appraisal
Pre-Payment Penalties	<ul style="list-style-type: none"> • NA

WORKFLOW



PRE-SCREENING/LOAN CLOSING/PROJECT MANAGEMENT

Please see Seller Guide located on www.emasshousing.com for more detailed information on these processes.

STEP 1: Program Marketing

- Advertise availability of funds locally
- Inform property owners of eligibility requirements

STEP 2: Applicant Pre-Screening

- Financially pre-screen applicants
- Ensure they understand:
 - Loan terms
 - Compliance requirements

Confirm:

- Property eligibility
- Borrower eligibility
- Understanding of program obligations



STEP 3: Inspection & Contractor Selection

Lender Responsibilities:

- Participate in preliminary inspection/cost discussions
- Provide list of **State Licensed Contractors**
- Conduct preconstruction conference (if needed)

Applicant Must Submit:

- Contractor cost estimate/Schedule of Disbursements
- Executed contract

Lender Must Review:

- Contractor licensing and insurance
- Bid accuracy and completeness

Contractors Must:

- Be licensed in Massachusetts
- Be active and in good standing
- Maintain required insurance
- Comply with federal and state regulations



STEP 4. Escrow & Loan Closing

- After loan approval:

Lender Must:

- Execute Escrow Agreement with borrower
- Establish escrow account (interest bearing)
- Ensure borrower understands:
 - Payment schedule
 - Completion deadlines
 - Holdback requirement

Lender Issues:

- Joint check (Borrower + Contractor)
- **NEW**- Lenders can now issue a 1/3 of the Project Cost Upfront.



A close-up, profile view of three construction workers wearing hard hats and safety glasses, looking towards the right. The worker in the center is wearing a yellow hard hat and a green shirt. The worker on the left is wearing a white hard hat and a white shirt. The worker on the right is wearing a white hard hat and a blue shirt. The background is dark and out of focus.

STEP 5. Construction Oversight

- Coordinate site overviews
- Monitor project timeline
- Ensure work follows:
 - Plans and specifications
 - Contractor bid
 - Building codes
- Verify required permits are obtained

STEP 6. Disbursement of Funds

- Review Disbursement Requests (with backup) from Borrower for Payment to Contractor
- Issue Joint check (Borrower + Contractor)



STEP 7. Monthly Reporting Requirements

- Once a month you will receive an email from MassHousing requesting the Project Status

STEP 8. Extensions

- If project delays occur:
 - Identify reason for delay
 - Submit Extension Request
 - Monitor extension implementation
 - Provide updates to MassHousing



STEP 9. 10% Holdback Requirement, Final Disbursement and Documentation

- A 10% holdback is required until:
- Certificate of Completion received
- Final Disbursement can be made

Remaining Escrow Funds Must Be Sent To:

- MassHousing Home Ownership CASH
One Beacon Street, 6th Floor
Boston, MA 02108
- Check payable to: MassHousing
Include:
- Cover Letter with Borrower name and Property address
- Borrower must be notified in writing.

Final Documentation You Must Submit to MassHousing

- Certificate of Completion
- All supporting documentation for Project Management

Compliance Best Practices for New Staff

- ✓ Use checklists for every file
- ✓ Document every communication
- ✓ Monitor timelines closely
- ✓ Never release funds without required documentation
- ✓ Confirm licenses and insurance before construction begins
- ✓ Keep escrow tracking updated monthly
- ✓ Notify borrower in writing for all major actions

Common Compliance Risks to Avoid

- Financing non-eligible work
- Incomplete contractor documentation
- Missing insurance verification
- Delayed extension requests
- Releasing funds before compliance certification
- Failure to submit monthly reports

Subordination Requests

- MassHousing will consider subordination of its liens whereby the new Loan amount is to be less than, or equal to, the outstanding principal balance of the existing loan(s) and which is to be subject to an interest rate that is lower than the existing priority loan(s); and which is to be for a term greater than, or equal to, the remaining term of the existing loan(s); this is more commonly referred to as a “no-cash-out, rate/term refinance.”
- The only exception to this policy is that we will allow Borrowers to finance the closing costs into the new Loan amount. All subordination requests should be directed to the Home Ownership Mortgage Service Center 1-888-843-6432.

Contact Information

HOloanrepair@masshousing.com
dramsdan@masshousing.com
smelvin@masshousing.com

Additional Resources

[MassHousing Lender Forms and Resources - Second Mortgage Programs](#)

