



IonBank.com
203.729.4442 | 877.729.4442
PO Box 370, Naugatuck, CT 06770-0370

Frequently Asked Questions Association Lending

What is the process to apply for a Homeowner Association loan?

An individual unit owner or property manager completes the short inquiry form on Ion Bank's website. Within two business days, an Ion Bank Business Banker will contact a representative of the Association.

What kind of documentation will be required to apply?

Initially, the Association will need to submit its two most recent Federal tax returns, its current annual budget, a proposed contract or work order for the project, the project construction budget and copies of minutes duly authorizing the Board to proceed with financing.

What happens after the Association applies?

The loan will be submitted to Ion Bank's Business Lending Underwriting team to review. During this process, additional information may be requested to clarify any questions the Credit Analyst may have. If the loan is approved, a commitment letter will be drafted by Ion Bank's Attorney and sent to the Association and/or its Counsel for review.

What will the process be once the Association signs the loan commitment?

Ion Bank's Attorney will provide a checklist of documents required to proceed to closing to the Association's Attorney.

What kinds of documents are required to close?

Typically, the required pre-closing documents will be a certified copy of the Association's Articles of Organization, Certificate of Legal Existence, Declaration, By-Laws, signed construction contract or work order, construction budget, certificate regarding eligible mortgages, appropriate insurance certificates and attorney opinion letter.

Who authorizes my Association to obtain a loan with the Bank?

Associations are advised to discuss the specific requirements to borrow money with their Attorney and Property Manager. Association lending is governed by Connecticut statutes and the specific requirements contained in an Association's declaration and by-laws.

Does the bank require a capital improvement report or long-range facilities plan?

No. While we suggest that Associations discuss this with their Property Manager or a local contractor, it is not a requirement of the loan.

Why so much paperwork?

All of the required documentation is a standard part of the closing process. Most of the work involved during the pre-closing process is handled by the Attorneys representing the Association and the Bank.

Are there any other requirements?

All the requirements of the loan will be outlined in the commitment letter and subject to review by the Bank's Attorney. We will require that the Association open and maintain a bank account at Ion Bank throughout the duration of the loan.

What are the rates?

Ion Bank offers competitive pricing consistent with other institutions that offer Association Lending. Rates are negotiable. Generally, the Bank will quote an index and margin for the loan, which will fix for a specific duration five business days before closing. Associations may request a loan proposal letter from the Bank, which will outline general terms.

How long will the term be?

The term of the loan is subject to negotiation between the Bank and the Association. Generally, loans are structured as five or ten year loans, fully amortized. Ion Bank will consider fifteen year term loans for certain projects. Associations may request a loan proposal letter from the bank, which will outline general terms.

How soon does the Association have to start making payments?

Ion Bank generally structures its Association loans to include an interest-only period during the construction phase of the project. This means that the Association would only be responsible to pay the monthly interest that accrues on funds advanced during the period that the project is proceeding. After the construction period is over, the outstanding balance will be fully amortized over the agreed-upon term of the loan.

Are there any prepayment penalties?

Generally, Ion Bank does not require prepayment penalties if the loan is paid earlier than the maturity date.

Are there any other fees?

A commitment fee is negotiable between the Bank and the Association, and may be waived under certain circumstances. All other closing fees are standard.

What kinds of projects will the Bank finance?

Ion Bank finances repairs and maintenance typical to common interest communities. Projects include but are not limited to roof replacements, siding, paving and masonry work.

Do Board members have to personally guaranty the loan?

No, the loan is made to the Association and does not require personal guarantees from individual Board members or unit owners.

What is the Bank's collateral for making the loan?

The Bank takes a first position pledge and assignment of the Association's statutory right to collect future common charges, special assessment or other income. If the loan were to default, the Bank could appoint a receiver to collect the Association's income to payoff the loan.

Does the Bank place a mortgage lien against individual units?

No, Association Loans are not secured by real estate and/or individual units. While a document will be recorded on the land records indicating that the Bank has secured its loan with the future income of the Association, there are no individual liens placed on the units within an Association.

Does Ion Bank require that my Association be professionally managed?

No, Ion Bank will work with self-managed Associations as well.

Does the Bank require that my Association move its entire banking relationship to Ion Bank?

Ion Bank is a relationship-oriented bank that offers an expansive selection of financial products to its customers. While it is our policy that business loan customers maintain their primary operating accounts with Ion Bank, we understand that such a requirement is difficult for professionally-managed Associations. The Bank will require that an Association establish a banking relationship with Ion Bank, but will work to accommodate the Association's arrangement with its current Property Manager. However, we may offer even more competitive terms to an Association that is able to bring its entire, banking relationship to Ion Bank.

How long does the process take?

Once Ion Bank has the documents required for the application process, a decision is usually rendered within two weeks. If a loan commitment is issued, the timing of the closing is determined by how quickly the Association's Attorney can provide the Bank's Attorney with all the necessary documentation to satisfy conditions of the loan commitment.

Who should I call with any additional questions?

Please contact Ion Business Banker, Bob Mezzo, at 203.720.2627 (direct), 203.525.0108 (cell), or rmezzo@ionbank.com, with any additional questions or to discuss possible loan structuring. Bob is a CAI Educated Business Partner who would welcome the opportunity to discuss the best way to meet the financing needs of your Association.