

CITY OF OBERLIN, OHIO

ORDINANCE No. 17-52 AC CMS

AN ORDINANCE AUTHORIZING THE CITY MANAGER TO ENTER INTO AN AGREEMENT WITH NORTHWEST BANK TO PROVIDE MORTGAGE-SECURED LOANS FOR THE PRESERVATION AND RESTORATION OF OLDER HOMES IN OBERLIN AS PART OF THE HERITAGE HOME PROGRAM AND DECLARING AN EMERGENCY.

WHEREAS, by agreement with the Cleveland Restoration Society, the City of Oberlin will participate in the Heritage Home Program for the purpose of providing professional technical assistance to the owners of houses that are over 50 years old within the City of Oberlin; and,

WHEREAS, in order to implement participation in the Heritage Home Program, it is necessary that the City enter into an agreement with a with an eligible lending institution establishing a linked deposit program to provide a source of funds to enable qualifying homeowners to restore and rehabilitate eligible homes within the City of Oberlin; and,

WHEREAS, Northwest Bank has agreed to be the lender of funds to the owners of homes who will participate in the Heritage Home Program; and,

WHEREAS, Section 135.80 of the Ohio Revised Code authorizes the establishment of a linked deposit program by ordinance of Council.

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Oberlin, County of Lorain, State of Ohio, five-sevenths (5/7ths) of all members elected thereto concurring:

SECTION 1. That the City Manager is hereby authorized and directed to enter into an agreement with Northwest Bank and the Heritage Home Educational Society as part of the implementation of the Heritage Home Program, in substantially the form attached hereto as Exhibit "A."

SECTION 2. It is hereby found and determined that all formal actions of this Council concerning or relating to the adoption of this ordinance were adopted in an open meeting of this Council, and that all deliberations of this Council and of any of its committees that resulted in such formal action, were in meetings open to the public in compliance with all legal requirements, including Section 121.22 of the Ohio Revised Code.

SECTION 3. That this ordinance is hereby declared to be an emergency measure necessary for the immediate preservation of the public peace, health and safety of the citizens of the City of Oberlin, Ohio or to provide for the usual daily operation of a municipal department, to wit: to establish a linked deposit program without delay to facilitate the agreement between the City, the Cleveland Restoration Society and Northwest Bank establishing the Heritage Home Program for the benefit of homeowners who chose to participate in that program.

PASSED: 1st Reading: November 6, 2017 (E)

2nd Reading: _____

3rd Reading: _____

ATTEST:



BELINDA B. ANDERSON, MMC
CLERK OF COUNCIL



RONNIE RIMBERT
PRESIDENT OF COUNCIL

POSTED: 11/07/2017

EFFECTIVE DATE: 11/06/2017

BANK AGREEMENT

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By and Among

CITY OF OBERLIN

and

NORTHWEST BANK

and

HERITAGE HOME EDUCATIONAL SOCIETY

relating to

**City of Oberlin Ohio
Heritage Home Loan Program**

Dated

as of

October 16, 2017

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HERITAGE HOME LOAN

BANK AGREEMENT

**Oberlin, Ohio's
Heritage Home Program**

This Heritage Home Loan Bank Agreement (the "Agreement") is entered into as of October 16, 2017, by and between the City of **Oberlin, Ohio** (the "City"), **Northwest Bank**, a banking association duly organized and validly existing under the laws of Pennsylvania, with its principal Ohio business office located at 457 Broadway Avenue, Lorain, Ohio 44052 (the "Bank"), and **Heritage Home Educational Society ("HHES")**, an Ohio corporation with its principal business office located at 3751 Prospect Avenue, Cleveland, Ohio 44115. Words and terms with initial capital letters being used as defined terms in this Agreement are defined in the body of this Agreement.

RECITALS

WHEREAS, pursuant to Ohio Revised Code Section 135.80 (the "Act") and a resolution duly adopted by the Council of the City of Oberlin, Ohio (the "City Council"), the City, is authorized and directed to establish with HHES and the Bank a Heritage Home Loan program, referred to herein as the Oberlin Heritage Home Program (the "Heritage Home Program") for Eligible Program Purposes within the boundaries of the City; and

WHEREAS, through the Heritage Home Program, the City is authorized and directed, and is willing, to place certificates of deposit representing interim and/or inactive moneys of the City (the "Linked Deposit Funds") with the Bank, provided that the Bank agrees to lend the value of each certificate of deposit placed with it (each a "Heritage Home Loan") to a LMI Homeowner at an interest rate which is three percent (3%) below the borrowing rate applicable to the LMI Homeowner at the time the Heritage Home Loan is made; and

WHEREAS, the Bank, having a branch office or offices within the City and being designated a public depository pursuant to Chapter 135, Ohio Revised Code, has expressed its interest in participating in the Heritage Home Program and is willing to accept the terms and conditions of participation in the Heritage Home Program as set forth herein, including, without limitation, the making of each Heritage Home Loan to a LMI Homeowner at an interest rate which is at least three percent (3%) below the borrowing rate applicable to the particular Eligible Borrower at the time such Loan is made; and

WHEREAS, the Bank will also make Heritage Home Loans to other homeowners in the City under the Heritage Home Program at the Bank's current promotional rate offering without any additional rate add-ons due to loan amount; and

WHEREAS, the City, being duly authorized and directed by the Council, and the Bank, and HHES being duly authorized, now desire to enter into this Agreement to set forth the rights and duties of each in connection with the implementation of the Heritage Home Program;

NOW, THEREFORE, in consideration of the mutual representations, warranties, covenants, terms and conditions contained herein, each of the parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS.

- A) Unless the context clearly indicates otherwise, or may otherwise require, in this Agreement (i) the definitions set forth in this Agreement shall include both the singular and the plural, (ii) the terms "herein", "hereunder", "hereby", "hereto", "hereof" and any similar terms refer to this Agreement as a whole and not to any particular section or subdivision hereof, and (iii) references to specific provisions of the Heritage Home Program, the Act or any other public law, statute or regulation are to such provisions as they may be amended from time to time.
- B) "Bond Equivalent Yield -- 2-year U.S. Treasury Note" means the yield to maturity on the United States Treasury Note that matures on, or nearly as possible before or after, the second anniversary of the date on which a particular Heritage Home Loan is, was or will be closed.
- C) "Business Day" shall mean any day on which the Bank at its address set forth in or for purposes of this Agreement is open for commercial banking business and on which the New York Stock Exchange is open.
- D) "Eligible Borrower" shall mean a Person that:
- (i) owns Eligible Property;
 - (ii) is current on all property tax payments to the County; and
 - (iii) qualifies for a Heritage Home Loan based on the Bank's underwriting standards.
- E) "Eligible Lending Institution" means a financial institution located in the State of Ohio, with its main office or a branch office located in the City, which has applied for interim moneys or inactive moneys (as defined in Chapter 135, Ohio Revised Code) and has been designated a public depository (as defined in Chapter 135, Ohio Revised Code).
- F) "Eligible Program Purposes" means the payment of the costs of construction, alteration, repair, maintenance or improvement of an Eligible Property, which construction, alteration, repair, maintenance or improvement (i) protects, improves or upgrades the basic livability of the Eligible Property or brings the Eligible Property into compliance with local building code standards, (ii) enhances the value of the Eligible Property, (iii) is made in compliance with all local building code standards, and (iv) is approved by HHES as being consistent with the architectural heritage of the Eligible Property. Payment of the costs of constructing new residential housing and the refinancing of an existing loan of any kind, whether or not related to residential real property improvements, are not Eligible Program Purposes.
- G) "Eligible Property" means real property used as a tenant residence or owner-occupied residence that:

- (i) is fifty (50) years old or older; and
- (ii) is located in Oberlin, Ohio; and
- (iii) meets the Bank's customary and usual appraisal standards required for the granting of a loan to improve residential real property;
- (iv) is not exempt from real property taxes; and
- (v) contains less than four residential units and has a fair market value less than \$750,000 (as determined from the records of the County Auditor at the time of the Heritage Home Loan).

H) "Heritage Home Program" and "Heritage Home Loan" are proprietary names and service marks of HHES.

I) "Linked Deposit" means an investment by the City in a certificate of deposit issued by the Bank as described in Section 2.B. hereof which is equal to the amount lent by the Bank in a Heritage Home Loan to a LMI Homeowner.

J) "Loan To Value Ratio" means the ratio expressed as a percentage of the principal amount of a Heritage Home Loan to the market value of the subject residential real property, as determined from the records of the County Auditor or an appraisal acceptable to the Bank.

K) "LMI Homeowner" means a homeowner who meets low or moderate income guidelines or lives in a low or moderate income geography as defined in Title 12, Chapter I, Part 25, Subpart A, Section 25.12(m)(1) and 25.12(m)(2) of the United States Code of Federal Regulations (12 CFR 25.12(m)(1) and (2)). The determination of whether a homeowner meets such guidelines or lives in such a census tract shall be made at the time that a Heritage Home Loan is made and shall not change thereafter with respect to such loan.

L) "Luxury Item" means any item of real or personal property not expressly identified hereunder, including a fixture to the Eligible Property, constituting an improvement or addition to the Eligible Property, which is not used by or is not in the possession of a majority of the residents of properties similar to the Eligible Property hereunder, including, without limitation, swimming pools, stables, and hot tubs.

M) "Person" means a corporation, partnership, limited liability company, unincorporated association, trust or natural person.

SECTION 2. MAKING HERITAGE HOME LOANS: PLACING CERTIFICATES OF DEPOSIT; TERMS RELATING THERETO.

A) Bank's Agreement to Make Heritage Home Loans. For so long as (1) this Agreement is in effect and has not been suspended or terminated pursuant to Section 13 hereof and (ii) the City complies with subsection B) of this Section 2, the Bank agrees to make a Heritage Home Loan to an applicant for such a Loan that (i) satisfies the criteria set forth in the definition of an Eligible Borrower, (ii) otherwise meets the credit and other criteria applicable to the Eligible Borrower and generally applicable to a borrower of the Bank for loans similar to a Heritage Home

Loan and (iii) agrees in such applicant's application that the applicant will use the proceeds of the Heritage Home Loan solely for Eligible Program Purposes.

B) City's Agreement to Place Certificates of Deposit. For each Heritage Home Loan made to a LMI Homeowner during each calendar month by the Bank, the City agrees to invest on the last Business Day of each such month interim or inactive moneys of the City in a certificate of deposit of the Bank in an amount equal to the principal amount of each such Heritage Home Loan at an interest rate per annum equal to (i) the Bond Equivalent Yield -- 2-year U.S. Treasury Note less (ii) three percent (3%), provided, however, that the such interest rate on such a certificate of deposit shall in no event be less than zero percent (0%). The maximum amount of the City's investment will be \$200,000. Notwithstanding the foregoing, the City reserves the right to match a particular certificate of deposit to a particular Heritage Home Loan, and/or to aggregate outstanding Heritage Home Loan balances into one or more certificates of deposit. The Bank acknowledges and agrees that any certificate of deposit placed pursuant to this Agreement is not intended to be, and shall not be, security or collateral securing repayment of the related or any unrelated Heritage Home Loan.

The City shall have no obligation to invest monies in a Certificate of Deposit with respect to a loan to any homeowner who is not a LMI Homeowner.

C) Terms Applicable to Heritage Home Loans. The City and the Bank each acknowledges and agrees that:

(i) A Heritage Home Loan shall be made, and the proceeds of a Heritage Home Loan shall be used, solely for Eligible Program Purposes, provided, however, that, if in respect or a Heritage Home Loan all Eligible Program Purposes have been effected and proceeds of the Heritage Home Loan remain unexpended in an amount of \$500 or more, such proceeds shall be used by the Eligible Borrower to repay an equal amount of principal of the Heritage Home Loan at the earliest practicable time that such principal can be repaid without penalty.

(ii) No proceeds of a Heritage Home Loan shall be used for any Luxury Item, provided, however, that if the Bank is unsure as to whether any particular item, the cost of which is being paid from proceeds of a Heritage Home Loan, constitutes a Luxury Item for purposes of this Agreement and a Heritage Home Loan, the Bank shall request in writing from HHES a determination on such question. HHES shall make its determination in writing as soon as practicable after receiving such a written request, and HHES's determination shall be final and conclusive of the matter.

(iii) Each Heritage Home Loan shall be made in an amount not less than \$10,000.00. The maximum loan amount on any Heritage Home Loan will be \$100,000.

(iv) The term of the Heritage Home Loan will begin on the day that the cash proceeds of the Heritage Home Loan are disbursed to the Eligible Borrower or to CRS as the escrow agent. The maximum repayment term for a Heritage Home Loan shall be ten years,

(v) (a) The interest rate per annum, on a fixed rate basis, on each Heritage Home Loan hereunder shall be:

- i. For a LMI Homeowner, 5.375% reduced by three percent (3%) as a result of the City's linked deposit; or
- ii. For any other homeowner, the going promotional interest rate of the Participating Bank which is subject to change at any time.

(b) The interest rates described in 2.C.(v)(a) above shall be subject to quarterly review and adjustment for future borrowers based on current market conditions and the Participating Bank's cost of funds.

(c) In connection therewith, the Bank shall certify on the Business Day a Heritage Home Loan is disbursed, the interest rate on the Heritage Home Loan determined pursuant to the provisions of subparagraph (a) of this subdivision (v).

(vi) The Bank shall be solely responsible for (a) determination of all lending criteria beyond the terms of this Agreement, (b) the evaluation of the creditworthiness of a potential Eligible Borrower based upon such lending criteria and any other factors the Bank, in its sole discretion, deems relevant to its decision about whether to make the Heritage Home Loan and (c) the security, if any, for the Heritage Home Loan. All repayment risk in connection with a Heritage Home Loan shall be borne solely by the Bank, and neither HHES, nor the City shall be liable in any way with respect to repayment of a Heritage Home Loan.

(vii) The City and the Bank agree that, in connection with each Heritage Home Loan, the Bank can charge an origination fee and any third party fees to the Eligible Borrower for such Loan and HHES can charge a fee for assisting the homeowner up to two percent (2%) of the loan amount. The Eligible Borrower will be responsible for the fees described in this subparagraph (vii).

(viii) Notwithstanding anything to the contrary herein, the City reserves the right to limit the number of Heritage Home Loans made to any one Person.

D) Terms Applicable to Certificates of Deposit.

(i) The maximum term of any certificate of deposit placed by the City hereunder will be one year. However, the City hereby agrees that on the last Business Day of each month it will renew a maturing certificate of deposit or place a new certificate of deposit with the Bank, subject, however, to all the terms and provisions of this Agreement, to the extent necessary to maintain an amount in aggregate placed in certificates of deposit not less than the aggregate outstanding principal balance of all Heritage Home Loans made by the Bank to LMI Homeowners, subject to any limits in section 2. B) of this agreement.

(ii) Notwithstanding the provisions of the preceding subdivision i), if the HHES reasonably determines based upon credible evidence that a material portion or all of the proceeds of a Heritage Home Loan were not used for Eligible Program Purposes (such a Loan referred to in this subdivision ii) as an "Ineligible Heritage Home Loan"), HHES shall immediately notify the City and the Bank in writing of such determination and the City shall not be required to renew or replace a maturing certificate of deposit pursuant to the preceding subdivision i) in respect of such Ineligible Heritage Home Loan. If the City determines not to renew or replace a maturing certificate of deposit for such a reason, the City shall immediately notify the Bank in writing of such determination, and the aggregate outstanding principal amount of all Heritage Home Loans made to LMI Homeowners for purposes of the preceding subdivision i) shall be permanently reduced by the outstanding principal amount of such Ineligible Heritage Home Loan. From and after the date of such reduction, the Bank may, to the extent legally permitted under the terms of the Ineligible Heritage Home Loan, increase the interest rate on such Ineligible Heritage Home Loan so that the interest rate on such Loan no longer reflects the benefit of the reduced interest rate of the Heritage Home Program.

(iii) All Certificates of deposit placed pursuant to subsection B) above and this subsection D) shall be secured by the Bank in compliance with the provisions of Ohio Revised Code Sections 135.18, 135.181 or any other subsection of 135 related to securing municipal funds, as determined by the City.

SECTION 3. PERFORMANCE OF SERVICES BY THE CITY.

A) The City hereby agrees to make deposits with the Bank in accordance with the provisions of this Agreement.

B) The City shall have no duty, responsibility or liability with respect to the determination of the creditworthiness of any Eligible Borrower.

SECTION 4. PERFORMANCE OF SERVICES BY THE BANK.

The Bank hereby agrees to and shall perform the following services:

A) Market the Heritage Home Program to potential Eligible Borrowers.

B) Pre-screen the potential Eligible Borrower and accept applications for Heritage Home Loans from potential Eligible Borrowers upon referral by the City, HHES, or otherwise. If the Bank determines that the potential Eligible Borrower does not satisfy the requirements of an Eligible Borrower, the Bank shall promptly send a copy of the pre-screening checklist showing such determination to the referring party.

C) Review all applications for Heritage Home Loans and other information and certifications submitted by the City and/or a potential Eligible Borrower, as applicable, and determine whether to grant or deny a Heritage Home Loan in accordance with its standard underwriting guidelines for a secured or unsecured loan, as applicable.

D) Calculate the interest rate on the Heritage Home Loan in accordance with the provisions of Section 2. C) (v) hereof and certify that such Rate complies with the requirements of such Section 2. C) (v).

E) Notify the City by telefax on the date of execution of this Agreement, and thereafter during the term of this Agreement within three (3) Business Days after the Business Day on which a new "benchmark" interest rate is applicable to Heritage Home Loans, of the "benchmark" interest rate that applies to a Heritage Home Loan that is a fixed interest rate for up to 120 months and secured by a mortgage on the residential real property with a Loan To Value Ratio of 90% or less.

F) Identify for the City and HHES a telephone number that can be advertised to potential Eligible Borrowers who have an interest in receiving information about the Heritage Home Program.

SECTION 5. PERFORMANCE OF SERVICES BY HHES.

HHES hereby agrees to and shall perform the following services:

A) Market the Heritage Home Program to potential Eligible Borrowers.

B) Provide free technical assistance to the owners of Eligible Properties about the maintenance, repair, and renovation of the Eligible Properties consistent with the exterior architecture and design of the Eligible Properties.

C) Upon the request of the Bank, determine whether a potential Eligible Borrower satisfies the requirements of items 1) and 2) of the definition thereof communicate such determination in writing to the Bank.

D) Provide assistance to owners of Eligible Properties in securing a Heritage Home Loan from the Bank.

E) Certify to the City and the Bank upon the conclusion of the project that the work specified in connection with the Heritage Home Loan has been done in accordance with the construction specifications and plans on which the Loan was based.

F) Provide reports to the City on an annual basis as to the results of the Heritage Home Program.

G) Grant the City, and the Bank a non-exclusive license to use HHES's proprietary service names, service marks and website related to the Heritage Home Program and Heritage Home Loans.

H) Prepare construction specifications for exterior work that is the subject of a Heritage Home Loan.

I) Hold the proceeds of a Heritage Home Loan that is made in reliance on an after rehabilitation appraisal in escrow and only release the funds as the construction work is completed in accordance with the construction specifications for the project as certified by the homeowner.

SECTION 6. UNDERWRITING GUIDELINES.

A) Nothing contained herein shall require the Bank to deviate from its normal consumer or commercial lending underwriting guidelines, as applicable in each case, for Heritage Home Loans, including, but not limited to, reviewing the creditworthiness of any potential Eligible Borrower, appraising the Eligible Property and/or determining whether to grant or deny a Heritage Home Loan to such Eligible Borrowers. All determinations made by the Bank concerning whether to grant or deny a Heritage Home Loan shall be final and unreviewable by the City, or HHES.

B) The Bank shall have no duty, responsibility or liability to review any loan application of a potential Eligible Borrower and/or grant a Heritage Home Loan to any natural person or persons who does or do not satisfy items (i) through (iii), inclusive, of the definition of an Eligible Borrower.

SECTION 7. LOAN DOCUMENTATION; SERVICING.

A) The City and HHES acknowledge and agree that all documents evidencing a Heritage Home Loan and executed by an Eligible Borrower shall be written in the name of the Bank, and agree that the City and HHES shall have no right, title or interest therein.

B) The Bank shall service, or cause to be serviced, all Heritage Home Loans to Eligible Borrowers, in accordance with its standard servicing guidelines, as the same may be amended from time to time by the Bank in its sole discretion. The City and HHES shall owe no duty or obligation to the Bank relating to such servicing.

SECTION 8. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE CITY.

The City hereby represents, warrants and covenants to the Bank and HHES as follows:

A) It is duly authorized to perform each and every obligation contained herein.

B) It has duly executed and delivered this Agreement, and assuming due execution and delivery by the other parties hereto, this Agreement represents a valid and binding obligation of the City, enforceable according to its terms, except as the same may be subject to or limited by bankruptcy, insolvency, reorganization, arrangement, moratorium or other similar laws relating to or affecting the rights of creditors or by general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law.

C) The making and performance of this Agreement has been duly authorized by all necessary governmental action, including but not limited to, action of the City Council, and will not constitute a violation of any law, any requirement imposed by a judicial, arbitral body or governmental entity or instrumentality.

D) The City shall perform each and every act or thing necessary or desirable in order to provide the Linked Deposit Funds in the form of a certificate of deposit to the Bank, in each case for the benefit of the applicable Eligible Borrower who is a LMI Homeowner, in accordance with the provisions of, and during the term of, this Agreement.

SECTION 9. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE BANK.

The Bank hereby represents, warrants and covenants to the City and HHES as follows:

A) The Bank is a banking association duly organized and validly existing and in good standing under the laws of Pennsylvania, duly qualified to do business in the State of Ohio, and has the power to perform each and every obligation contained herein.

B) The Bank meets the requirements to be an Eligible Lending Institution as defined herein.

C) The Bank has the requisite power and authority to execute this Agreement and any Heritage Home Loan documents required by this Agreement.

D) The Bank has duly authorized and delivered this Agreement, and assuming due authorization, execution and delivery of the other parties hereto, this Agreement represents a valid and binding obligation of the Bank, enforceable according to its terms, except as the same may be subject to or limited by bankruptcy, insolvency, reorganization, arrangement, moratorium or other similar laws relating to or affecting the rights of creditors of a banking association or by general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing; and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law.

E) The making and performance of this Agreement has been duly authorized by all necessary corporate and other action, and will not constitute a violation of any law, any requirement imposed by a judicial, arbitral body or governmental entity or instrumentality, or the Articles of Association or By-Laws of the Bank.

F) The Bank shall perform each and every act or thing necessary or desirable in order to disburse the proceeds of Heritage Home Loans, in each case for the benefit of the applicable Eligible Borrower, in accordance with the provisions of, and during the term of, this Agreement.

SECTION 10. REPRESENTATIONS, WARRANTIES AND COVENANTS OF HHES.

HHES hereby represents, warrants and covenants to the City and the Bank as follows:

A) HHES is a corporation duly organized and validly existing and in good standing under the laws of Ohio, duly qualified to do business in the State of Ohio, and has the power to perform each and every obligation contained herein.

B) HHES has the requisite power and authority to execute this Agreement and any Heritage Home Loan documents required by this Agreement.

C) HHES has duly authorized and delivered this Agreement, and assuming due authorization, execution and delivery of the other parties, this Agreement represents a valid and binding obligation of HHES, enforceable according to its terms, except as the same may be subject to or limited by bankruptcy, insolvency, reorganization, arrangement, moratorium or other similar laws relating to or affecting the rights of creditors or by general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing; and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law.

D) The making and performance of this Agreement has been duly authorized by all necessary corporate and other action, and will not constitute a violation of any law, any

requirement imposed by a judicial, arbitral body or governmental entity or instrumentality, or the Articles of Incorporation or Code of Regulations of HHES.

E) HHES shall perform each and every act or thing necessary or desirable in order to perform its obligations under this Agreement, in each case for the benefit of the applicable Eligible Borrower, in accordance with the provisions of, and during the term of, this Agreement.

SECTION 11. EVENTS OF DEFAULT.

A) The following shall be events of default under this Agreement:

If a party hereto fails to fulfill any covenant or obligation for which it is liable under this Agreement and such failure is not remedied within ten (10) Business Days of receipt of written notice in respect of such failure from the non-defaulting party; or

(i) If any representation or warranty of a party hereto is false in any material respect; or

(ii) If the Bank fails to apply for designation as an eligible depository under Chapter 135 of the Ohio Revised Code.

B) Upon the occurrence and continuance beyond any permitted cure period of an event of default described in the immediately preceding paragraph A, all further obligations herein of the non-defaulting parties, shall, except as otherwise provided herein, be voidable, or shall be suspended pursuant to the provisions of Section 13 hereof, at the option of the non-defaulting party, and the defaulting party shall be liable to the non-defaulting party, from its own monies, for any and all damages caused thereby, including attorneys' fees; *provided, however, that* any certificates of deposit outstanding at the time of the event of default shall be maintained or renewed, to the extent necessary, to keep the aggregate principal amount of certificates of deposit held by the Bank hereunder at least equal to the aggregate outstanding principal amount of existing Heritage Home Loans to LMI Homeowners. In order to exercise the option under this paragraph B), a non-defaulting party shall give written notice to the other parties of its exercise of such option, and upon receipt of such written notice by the other parties, the obligations hereunder of any such non-defaulting party shall be void and of no further effect.

C) If either (i) the Bank terminates its designation as an eligible depository under Ohio Revised Code Chapter 135 or fails to reapply for such designation upon the expiration of such a designation or (ii) the City is required by law or by an order of a court of competent jurisdiction to terminate such designation, the City reserves the right to refuse to maintain or renew any existing certificates of deposit placed pursuant to Section 2. B) hereof and to redeem all such existing certificates of deposit at a redemption price of par plus accrued interest to the date of redemption.

SECTION 12. NON-LIABILITY OF THE BANK.

The Bank shall have no liability to the City, HHES, their agents, officers and/or employees, Eligible Borrowers and/or any person or persons performing any improvement with respect to an Eligible Property, including each and every one of their respective heirs, legal

representatives, successors and/or assigns, for any losses, expenses, damages and/or costs (including attorneys' fees) beyond the undistributed proceeds, if any, of a Heritage Home Loan remaining in its possession, except for any losses, expenses, damages and/or costs (including attorneys' fees) occasioned by the negligence or willful misconduct of any of its officers, employees, attorneys or agents; *provided, however, that* the Bank, in the absence of bad faith on the part of the Bank, is entitled to conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon reports or other documents required to be delivered to it by this Agreement and believed by it to be genuine and to have been signed or presented by the proper party or parties.

SECTION 13. SUSPENSION AND TERMINATION OF AGREEMENT.

A) Except for the obligations of the City to maintain or renew certificates of deposit under Sections 2. B) and 11. B) hereof with respect to existing Heritage Home Loans to LMI Homeowners and the obligations of the Bank to provide periodic reports thereon, this Agreement, and the obligations hereunder may be suspended upon the occurrence and continuance beyond the applicable cure period, if any, of an event of default hereunder, *provided, however, that* (i) such suspension shall not exceed a period of ninety (90) days and (ii) upon expiration of the period of suspension, this Agreement shall terminate, except for the obligations of the City to (a) maintain or renew certificates of deposit under Sections 2. B) and 11. B) hereof with respect to existing Heritage Home Loans to LMI Homeowners and (b) the obligations of the Bank to provide periodic reports thereon.

B) This Agreement also may be terminated by any one of the parties upon receipt of written notice from the party electing to terminate the Agreement given to the other parties at least sixty (60) days prior to the termination date.

SECTION 14. SURVIVAL AND NON-WAIVER.

All agreements, representations, and warranties contained herein or made in writing by or on behalf of a party in connection with the transactions contemplated hereby shall survive the, execution, delivery and termination of this Agreement and/or the repayment of any Heritage Home Loan granted by the Bank. The failure of any of the parties to enforce at any time any of the provisions of this Agreement, or to exercise any right which is herein provided, or to require at any time performance by another party of any of the provisions hereof, shall in no way be construed to be a waiver of such provisions, nor in any way affect the validity of this Agreement, or any part thereof, or the right of any party to enforce each and every provision.

SECTION 15. ASSIGNABILITY; AMENDMENTS.

This Agreement shall not be assignable in part or in whole by any party to this Agreement without the prior written consent of the other parties. Notwithstanding anything herein to the contrary, the Bank shall not sell or assign a Heritage Home Loan to any third party without the express written consent of the City. This Agreement may not be amended except in a writing duly signed by all of the parties hereto.

SECTION 16. SEVERABILITY.

If any one of Sections 2. B) or 11. B) herein is invalidated, in whole or in part, by an action of the City, by a judgment, court order or regulatory directive, then the obligations of the Bank contained herein shall terminate. The invalidation of any other provision by judgment or court order shall in no way affect any other provisions herein contained, unless determined to be invalid by the Bank's regulators.

SECTION 17. NOTICES.

A) Except as otherwise expressly provided herein, any notice or report to or demand upon the City or the City may be served or presented, and such demand may be made, at the office of the City Manager in the City Hall, at 85 South Main Street, Oberlin, Ohio 44074, Attention: Administrator-Heritage Home Program, telecopier number: (440) 775-7208, or at such other address or number as may have been filed in writing by the City with the other parties.

B) Except as otherwise expressly provided herein, any notice or report to or demand upon the Participating Bank may be served or presented, and such demand may be made, at the office of the Participating Bank at 457 Broadway, Lorain, Ohio 44052, Attention: Kevin Nelson, Ohio Region, Regional President, or at such other address or number as may have been filed in writing by the Participating Bank with the other parties.

C) Except as otherwise expressly provided herein, any notice or report to or demand upon HHES may be served or presented, and such demand may be made, at the office of HHES, at 3751 Prospect Avenue, Cleveland, Ohio 44115, Attention: Ms. Kathleen Crowther, President, telecopier number: (216) 426-1975, or at such other address or number as may have been filed in writing by HHES with the other parties.

D) Any notice or report required to be in writing shall be deemed to be in writing if given by telex, telecopier or other method which produces a written record.

SECTION 18. CAPTIONS.

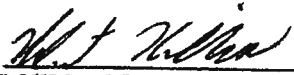
The captions contained herein are inserted for convenience only and shall not be relied upon in construing the effect or meaning of any of the text hereof.

SECTION 19. APPLICABLE LAW.

This Agreement shall be governed by the laws of the State of Ohio and the Rules and Regulations of the Bank's regulators.

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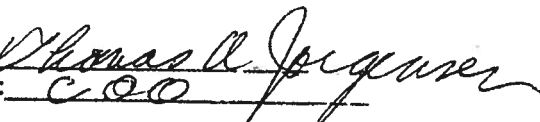
IN WITNESS WHEREOF, and intending to be legally bound hereby, the parties have caused this Agreement to be executed by themselves or their duly authorized and empowered representatives the day and year first written above.


ROB HILLARD, CITY MANAGER
CITY OF OBERLIN, OHIO
("CITY")

NORTHWEST BANK

By: 
Title: SVP COMPLIANCE

HERITAGE HOME EDUCATIONAL
SOCIETY ("HIES")

By: 
Title: CEO

Approved as to form:


City Law Director