

# Understanding HAC Loan Products



Welcome to HAC's webcast!

**The webcast, sound, and recording will begin at 2:00 pm EST.**

To submit a question during the webinar please use the chat box on the lower right-hand side of the screen. If you would like to verbally ask a question, please click the "Raise Hand" button at the top of the screen.

# Understanding HAC Loan Products:

*An Overview on Uses, Eligibility Requirements and Restrictions*



Presented by:

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**HOUSING ASSISTANCE COUNCIL**

August 27, 2014



# Housing Assistance Council

*Building Rural Communities*



- Established in 1971
- National nonprofit organization
- Created to increase the availability of decent and affordable housing for low-income people in rural areas throughout the U.S.
- Provide services to local, state, and national organizations

# Housing Assistance Council

*Building Rural Communities*



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# Upcoming Webinars/Trainings



## **Making it Work: Creative Ways to Utilize HAC Loan Products in Your Affordable Housing Project**

Date: Wednesday, September 24, 2014

[http://ruralhome.adobeconnect.com/e4tqikl3etl/event/event\\_info.html](http://ruralhome.adobeconnect.com/e4tqikl3etl/event/event_info.html)

## **SAVE THE DATE!!!**

## **2014 National Rural Housing Conference: Retool...Rebuild...Renew!**

Date: December 3-5, 2014

<http://www.ruralhome.org/calendar/upcoming-event>

Register online @ [http://www.ruralhome.org/hacloanfund/event/event\\_info.html](http://www.ruralhome.org/hacloanfund/event/event_info.html)

Shonterria Charleston, 404-892-4824 ext. 27 or shonterria@ruralhome.org

# HAC Loan Funds



## Goals/Objectives

- Provide short term capital for single and multifamily projects
- Assist in leveraging other funding sources
- Develop a network of partnership through the layering of loan structures

## Track Record

- \$52 million in lending capital
- Loan Commitments
  - 2,278 = \$307 million
  - 49 states
  - 69,000 housing units and water/sewer system

# HAC Loan Fund Poll #1



What type of organization do you represent?

- a) non- profit organizations
- b) for profit organizations
- c) others

What role do you represent within your organization?

- a) grant/loan writers,
- b) housing project staff members,
- c) developers/builders,
- d) others?

# HAC Loan Funds



## Eligible Projects/Locations

- Single family
  - Self-help housing
  - Manufactured housing
- Multifamily
  - Rental
  - USDA Section 514, 515, 516
- Rural communities
  - Less than 25,000

## Eligible Organizations

- Community-based nonprofits
- Self-help housing sponsors
- Native American tribes
- Public agencies
- Units of local governments
- Cooperatives
- For-profit entities



## HAC Loan Fund Poll #2



What type of projects are you interested in seeking HAC loan funds for?

- a) single family
- b) multi-family
- c) other ?

# HAC Loan Products Available



Predevelopment\*

Site Acquisition\*

- *Land Banking*

Site Development\*

Construction\*



Preservation

Self-Help Housing

*\* May be in the form of a line of credit (project-based), letter of credit, guarantee, compensating deposits; loan limits may apply*

# HAC Loan Product Terms & Rates



- Loan term - up to five years
- Interest rates (*5% nonprofits; 8% for-profits*)
- HAC service fee (*1% of loan amount*)
- Quarterly interest payments (until take out)
- Loan closing costs paid by borrower (except SHOP)
- Quarterly reporting

# HAC Loan Products



Predevelopment	Site Acquisition	Site Development
<ul style="list-style-type: none"><li>• Architectural and engineering fees</li><li>• Site surveys</li><li>• Soil test borings</li><li>• Market studies</li><li>• Appraisals</li><li>• Environmental studies</li></ul>	<ul style="list-style-type: none"><li>• Land options</li><li>• Escrow payments</li><li>• Land purchase</li><li>• Legal expenses associated with land purchase</li><li>• Reasonable closing costs</li></ul>	<ul style="list-style-type: none"><li>• Engineering surveys/fees</li><li>• Clearing and grading</li><li>• Wells, septic/water</li><li>• Sewer installation</li><li>• Utility hook ups</li><li>• Streets, curbs, sidewalks</li><li>• Impact and permit fees</li></ul>

# HAC Loan Requirements



Predevelopment

Site Acquisition

Site Development

- Max. LTV  $\leq$  100%
- Security/Collateral on real property
- First lien position (preferred)
- Repayment typically upon sale of real property or closing of construction/permanent financing
- Take-out financing must be identified or committed at time of application.

# HAC Loan Product



## Land Banking

- Land purchase
- Legal expenses associated with land purchase
- Reasonable closing costs

## Term Information

- Per loan/borrower
  - \$750,000 – site identified
  - \$50,000 – site not identified
- 5 year term
- Max. LTV  $\leq$  100% (“as-is” value)
- Secured lien on subject property
- Repayment upon sale of developed lots/real property or closing on permanent financing

# HAC Loan Product



## Construction

- Materials and labor
- Bonds
- Inspection fees
- Legal costs
- Title and recording fees

## Term Information

- \$750,000 cap per loan/borrower
- 2 year term (option to extend for 1 year)
- Max. LTV  $\leq$  100%
- Secured lien on subject property
- Repayment upon sale of developed lots/real property or closing on permanent financing
- Take out financing committed prior to loan disbursement

# HAC Loan Product



## Preservation

- USDA Section 514, 515, 516 properties
- Costs covered
  - Predevelopment
  - Acquisition
  - Rehabilitation
  - Equity by USDA approval only

## Term Information

- Amortized loan (up to 30 years) with scheduled payments
- Capital Needs Assessment (CNA) required
- Max. LTV  $\leq$  100%
- Adequate security/collateral
- Repayment source – project's operating income/cash flow



# HAC Loan Product



## SHOP

- Self-Help Homeownership Opportunity Program (SHOP)
- Organizations apply for funds through a SHOP grantee
- Eligible activities
  - Land acquisition, infrastructure improvements, administration

## (HUD Requirements)

- Public or private nonprofits
- \$15,000 per unit limit
- Minimum of 100 sweat equity hours by family and volunteer labor
- Units must meet ENERGY STAR guidelines
- Meet other requirements as established by HUD

# HAC Loan Product



## SHOP

- Competitive program
  - SHOP 2014 applications due by September 23
- No administrative funds offered

## (HAC Requirements)

- 0% interest rate
- Loan term up to four years
- Collateral/security required
- Up to 90% recoverable grant portion *(if unit completed and loan terms/conditions satisfied)*

# HAC Loan Products Recap



Loan Product	Loan Limits	Max. Term (years)	Interest Rate NP   FP	HAC Service Fee	Max. LTV
<b>Predevelopment</b>	≤ 10% of loan fund assets	5	5%   8%	1%	≤100%
<b>Site acquisition</b> • <i>Land Banking</i>	≤ 10% of loan fund assets <i>\$750,000 – Identified site</i> <i>\$50,000 – unidentified site</i>	5	5%   8%	1%	≤100%
<b>Site development</b>	≤ 10% of loan fund assets	5	5%   8%	1%	≤100%
<b>Construction</b>	\$750,000	3	5%   8%	1%	≤100%
<b>Preservation</b>	Determined by CNA	30	5%   8%	1%	≤100%
<b>Self-help housing</b>	\$15,000/unit	4	0%   N/A	N/A	≤100%

NP – Nonprofit; FP – For-profit

# Application Process



## LOAN INQUIRY

- Discuss proposed project with HAC Loan Officer to determine eligibility
- Loan application sent to organization

## APPLICATION SUBMISSION

- Complete and submit *all* required documents
- Loan Officer assigned

## UNDERWRITING PROCESS

- Third party verification
- Communications with applicant
- Criteria
  - Organizational capacity/experience
  - Financial capacity
  - Quality of program design
  - Leveraging of private/public resources
  - Underserved areas/populations
- Internal review by management

## LOAN COMMITTEE ACTION

- Application presented/reviewed by HAC Loan Committee
- Actions (approve, reject, or defer)
- If approved, commitment letter issued that outlines terms/condition

# Questions



# Contact



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# Wrap Up



Materials from today's webinar  
and the recording will be available  
on HAC's website.

[www.ruralhome.org](http://www.ruralhome.org)

