

Frequently Asked Questions (FAQ):

Residential Construction Lending // 4.15.14

Q1 – Does NORA/NORU have the appraised price for the available properties?

A1 – NORA/NORU will appraise the properties once developers submit their requests through the application process. The type and location of properties that are available will typically fall within a range of value between \$10,000 and \$50,000. Typically properties with structures will appraise higher than vacant properties. In order to maintain affordable home ownership, NORA/NORU encourages developers to accept a 90% discount from the final appraised value in exchange for committing to sell the homes to households up to 120% of area median income, which is currently \$70,560 combined annual income for a household of 4. For budgeting purposes, NORA/NORU recommends that Developers use their expertise to estimate the appraised value and indicate in the sample budget (Exhibit C) the price for acquisition, either 100% of FMV(fair market value) or 10% if the discount will be accepted.

Q2 – Can one request a modification or waiver of a Program Guideline?

A2 – Waivers will not be granted individually but as a whole to all applicants. NORA/NORU will publish any and all changes to the RFP to the public as applicable.

Q3 - can an applicant propose financing on more than 20% of their own properties in the proposal?

A3 – NORA has chosen to restrict the number of privately owned properties per applicant in order to promote the use of NORA’s property inventory first. Developers with their own property are not restricted to develop these separately but NORU will only consider financing for a minimum of 80% of the chosen properties.

Q4 - Does NORA and LHC want to leverage their funds with each other’s sources?

A4 – LIHTC (Low-income housing tax credits) funding is intended for rental housing and rental properties are not considered as part of the current NORA/NORU program. Moreover, while leveraging other public sources is allowed, NORU desires to encourage developers who can also leverage other financial products with the NORU financing in order to build a marketable, affordable product.

Q5 – Is this program only for homeownership, or would low-moderate income rental be an option with these properties and potential financing?

A5 –Rental properties were not considered for this program. NORA or NORU may decide at a later date to support rental properties but at this time the market has proven supportive of scattered site for-sale housing. NORA/NORU wishes to continue as an advocate for individuals who seek to build home equity.

Q6 - If I have my own funding set up to purchase structures/lots and complete construction is there a minimum number of structures or lots I can request in my proposal?

A6 - Yes, 5 properties are the minimum number that you may request from NORA’s inventory on Appendix A if no financing is being requested.

Q7 - If I intend to reserve the sale of the completed properties to low or moderate income households will I still qualify for 90% discount if I use my own funding?

A7 - The 90% discount will require you to sell to low and moderate-middle income (LMMI) Qualified

Households. An LMMI household is defined as a household with a total income not more than 120% of Area Median Income (AMI). The AMI for New Orleans metro area is based on the number of household members. For example, a 120% AMI household of 4 will not make more than \$70,560 when all income earners are accounted for.

Q8 - Since leasing is not allowable, can we sell properties to a Property Management Company?

A8 - No. At this time NORA intends to execute a standard developer agreement that will require the applicant to be the developer and sell at completion to a Qualified Household, not a property manager or 3rd party developer.

Q9 - Does the first look period mean that the developer cannot put the house under contract while it's under construction?

A9 – No. Developers may put a house under contract at any time if the Qualified Household contains at least one member that is employed as a First Responder, as defined in addendum #1 issued on April 11, 2014. After day 30 from the date of the Certificate of Occupancy is issued the Developer may execute a Purchase Agreement with any Qualified Household, regardless of First Responder status.

Q10 - Will NORA have a policy about how the developer will be required to set the sales price?

A10 - No but developers are reminded that only a portion of the loan is forgivable and as their sales price decreases, so does the amount that they'll be reimbursed for the development costs. However, if the house is priced too high, developers will have a difficult time finding eligible buyers if the sales price is not equal to or less than, a 3rd party appraisal.

Q11 - We are trying to better understand the implementation timeline. If selected, when would we be able to begin construction?

A11 - Developers will be required to start construction within 30 days of loan closing. Loans are expected to close within 30-45 days after awards are announced.

Q12 - What type of plan review will be required before beginning construction and what intermittent inspections will be required during construction?

A12 - As with any loan, Developers should expect NORA/NORU to inspect the properties at each draw request to verify that work is completed. Prior to construction, NORA/NORU will also review each house design for neighborhood design appropriateness.

In addition, the building standards for this program require Energy Star V3.0. V3.0 requires that developers use a certified HERS rater while they draft their building plans. The HERS rater along with the other V3.0 requirements will in part control for compliance with the plans during construction.

As discussed at the informational meeting on April 11th, potential applicants are urged to review the Energy Star V3.0 requirements carefully with an experienced professional. More about Energy Star and V3.0 requirements can be found on-line here;

http://www.energystar.gov/index.cfm?c=bldrs_lenders_raters.nh_v3_guidelines