

AFFORDABLE HOUSING SYMPOSIUM

FINANCING

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FACILITATOR

FINANCING

○ PANEL:

- **USDA RURAL DEVELOPMENT**
- **DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**
- **GUAM HOUSING AND URBAN RENEWAL AUTHORITY**
- **GUAM HOUSING CORPORATION**
- **US DEPARTMENT OF VETERAN'S AFFAIRS**



FINANCING ISSUES

EXISTING CONDITIONS, IMPEDIMENTS, BARRIERS, CONSTRAINTS

- Arriving at a price that is affordable to the target group.
 - Price is a function of
 - Development costs
 - Land
 - Construction
 - Financing costs
 - Inadequate Supply of Affordable Homes
 - Credit Issues – Below 680



FACTORS AFFECTING AFFORDABILITY

INTERNAL FACTORS				EXTERNAL FACTORS			
Land	Land is a finite factor for Guam - 1/3 Federal; 1/3 Government-owned; and 1/3 Private			Market conditions	Military build-up	Tourism	Isolation
Infrastructure	System Development Fee	Power generation based on fossil fuels	Public Transit System	Availability of private credit	Sub-prime lending market crisis has "compelled" lenders to be more conservative		
Construction costs	The ebbs and tide of the construction industry on Guam have a direct impact on construction costs and labor			Financing costs	Cost of funds are market driven and determined by the lender		
Available labor				Federal policy	Federal programs subject to annual appropriations	Compact of Free Association	
Demographics	Immigrants increasing	Lure of blue collar jobs					
Available supply of affordable housing units	Available units on private land is going to the highest bidder		Rental vs. Ownership				
Availability of public housing	Demand exceeds supply						
Affordability	Fixed incomes	Credit scores	Homeless population increasing				
Public policy	Zoning and Permitting	Availability of subsidized credit					



PROGRAMS AVAILABLE FOR DEVELOPERS



USDA RURAL DEVELOPMENT

**“USDA Rural Development is an Equal Opportunity Provider, Employer
and Lender”**

**Complaints of discrimination should be sent to USDA, Director, OCR,
Washington, D.C. 20250-9410**



USDA RURAL DEVELOPMENT

- **Over 50 grant, direct loan, and guaranteed loan programs to finance housing, businesses, and infrastructure in rural areas.**
 - **Rural Housing Service (RHS)**
 - **Rural Utility Service (RUS)**
 - **Rural Business and Cooperative Service (RBS)**



Rural Utilities Service

Through the Utilities programs, Rural Development provides loan guarantees, direct loans, and grants for:

- drinking water systems
- sanitary sewer systems
- solid waste and storm drainage facilities
- broadband services
- technical assistance and training to assist rural communities with their water, wastewater, and solid waste problems



Programs Under RUS

- **Rural Electrification** Loans and Guaranteed Loans, including High Cost Energy Grants
- **Water & Waste Disposal** Loans, Guaranteed Loans and Grants
- **Telecommunications Infrastructure** Loans & Guaranteed Loans
- **Distance Learning and Telemedicine** Loans & Grants
- **Broadband** Loans and Guaranteed Loans



Rural Business-Cooperative Service

- Rural Development makes Business and Cooperative loans and grants and provides technical assistance for cooperative development.
- Promoting a dynamic business environment in rural America is the goal of the Business and Cooperative program. RBS works in partnership with the private sector and community-based organizations to provide financial assistance and business planning. It also provides technical assistance to rural businesses and cooperatives, conducts research into rural economic issues, and provides cooperative education material to the public.
- **Business and Cooperative programs help fund projects that create or preserve quality jobs and/or promote a clean rural environment. The financial resources of RBS programs are often leveraged with those of other public and private credit source lenders to meet business and credit needs in under-served areas.** Recipients of these programs may include individuals, corporations, partnerships, cooperatives, public bodies, nonprofit corporations and private companies.



Business and Industry Guaranteed Loan Program (B&I)

- To improve, develop, or finance business, industry, and employment and improve the economic and environmental climate in rural communities.
- Achieved by bolstering the existing private credit structure through the guarantee of quality loans which will provide lasting community benefits.



The Guarantee

- 80% on loans up to \$5 million
- 70% on loans up to \$10 million
- 60% on loans up to \$25 million



Who May Borrow?

- **Individuals – sole proprietors, partnerships**
- **Public and private organizations – corporations, LLCs, etc.**
- **Federally recognized Indian Tribal groups**



Who May Not Borrow

- Charitable institutions
- Businesses not owned or controlled by U.S. citizens (less than 51% ownership)
- Churches or church-sponsored organizations
- Fraternal organizations
- Lending and investment institutions and insurance companies



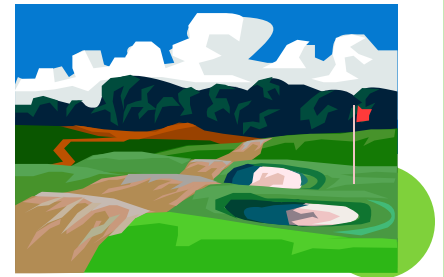
How may loan funds be used?

- Business and industrial acquisitions when the loan will keep business from closing and preserve and/or create job opportunities
- Purchase and development of land, easements, rights-of-way, buildings, or facilities.
- Purchase of equipment, leasehold improvements, machinery, supplies, or inventory
- Startup costs and working capital
- Tourist and recreation facilities, hotels, motels, bed and breakfast
- Commercial fishing
- Certain debt refinancing
- Construction and Construction Take-outs



How may loan funds not be used?

- Distribution or payment to owners of a business when they will retain any portion of the ownership of the borrower
- Charitable institutions, churches
- Lending and investing institutions and insurance companies
- Lines of credit
- Golf courses
- Racetracks
- Any business that derives more than 10 percent of annual gross revenue from gambling activity.



Use of Loan Funds for Housing Development

The B&I Guaranteed Loan program can fund infrastructure development by private interests:

- Land acquisition
- Site work
- Infrastructure costs

*** The B&I Program cannot finance housing construction**



Contact Information

**USDA Rural Development
Western Pacific Area Office
FHB Building, Suite 303
400 Route 8
Hagatna, GU 96910
Phone: 472-7361**

**Joseph M. Diego, Area Director
Bernie Balajadia, Community Programs
Tony Barcinas, Business Programs**

Web Site: <http://www.rurdev.usda.gov/hi/>



GUAM HOUSING & URBAN RENEWAL AUTHORITY ADMINISTERING HUD PROGRAMS

➤ PROGRAMS:

- CDBG
- HOME
- Project-Basing Housing Choice Voucher
- Public Housing Mixed Financing
- Choice Neighborhoods Initiative/HOPE VI



**LOAN
PROGRAMS
FOR
FIRST TIME
HOMEOWNERS**



USDA RURAL DEVELOPMENT

- **SECTION 502 DIRECT LOAN PROGRAM**

- 100% FINANCING
- SUBSIDIZED LOAN PROGRAM AS LOW AS 1%
- TERM OF 33YRS UP TO 38 YRS FOR VERY LOW INCOME
- **DEDEDO VILLAGE INELIGIBLE AREA**

- MAXIMUM LOAN AMOUNT
 - \$256,157 subject to change
 - Max purchase price / Market value

- **LEVERAGE LOAN PROGRAM**

- 100% Financing

- PARTNERSHIP WITH GHC AND COMMUNITY 1ST FOR 100% FINANCING



○ SECTION 502 GUARANTEED LOAN PROGRAM

- **PURPOSE:**

Section 502 loans guarantees are primarily used to help moderate income households purchase homes in rural area. Funds can be used to build or purchase a home, closing costs fees.

- **ELIGIBILITY:**

Income of up to 115% of median income for the area/State. Adj. Income Limits (6/2/10)

1-4 pers \$74,450

5-8 pers \$97,750

- The lender determines repayment feasibility, using repayment ratios.
- Applicants must be without adequate housing, but be able to afford the mortgage payments, including taxes and insurance. In addition, applicants must be unable to obtain credit elsewhere, yet have reasonable credit histories.

- **APPROVED LENDERS:**

- Bank of Guam
- Bank of Hawaii
- BankPacific
- Citibank N.A. Guam
- ANZ Bank
- First Hawaiian Bank
- Community First Federal Credit Union

- **TERMS:**

- Loans are for 30 years.
- Interest rate is set by the lender.
- No required down payment.
- No loan limit

- **STANDARDS:**

- Housing must be modest in size, design, and cost.
- Houses must meet the voluntary national model building code adopted by the state and RHS thermal and site standards



○ **SECTION 504 HOUSING REPAIR LOAN AND GRANT PROGRAM**

● **ELIGIBILITY:**

- Homeowner-occupants must be unable to obtain affordable credit elsewhere and must have very low incomes, (below 50 percent of the area median income).
- Repairs and improvements must make the dwelling more safe and sanitary or remove health and safety hazards.
- Grants are only available to homeowners who are 62 years old or older and cannot repay a Section 504 loan.

● **TERMS:**

- Loans of up to \$20,000 and grants of up to \$7,500 are available.
- Loans are for up to 20 years at 1 percent interest.
- Grants must be repaid if the property is sold in less than three years.
- Repairs financed with grant funds must result in the removal of health and safety hazards.
- A grant/loan combination is made if the applicant can repay part of the cost.
- Loans and grants can be combined for up to \$27,500 in Section 504 assistance.

● **STANDARDS:**

- Major health and safety hazards must be corrected.
- All work performed must meet local codes and standards.

○ **SELF HELP HOUSING**



GUAM HOUSING CORPORATION

➤ DIRECT LOAN PROGRAM

- UNABLE TO OBTAIN CONVENTIONAL FINANCING
- PERVERAILING RATE (Term 15 yrs. up to 30 yrs.)

➤ SIX PERCENT LOAN PROGRAM

- UNABLE TO OBTAIN CONVENTIONAL FINANCING
- INTEREST RATE 6%

➤ LEVERAGE LOAN PROGRAM

- 100% FINANCING (20% GHC 80% USDA)

➤ CAHAT LOAN PROGRAM

- INTEREST FREE SECOND MORTGAGE (Down payment assistance program for first time homeowners)

➤ FIRST TIME HOMEOWNER'S RELIEF ACT

- GRANT UP TO \$5,000.00

➤ MORTGAGE CREDIT CERTIFICATE

- INCREASES BUYING POWER OF HOMEOWNER THRU TAX CREDIT
- REQUIRES AMENDMENT TO PUBLIC LAW TO INCLUDE DEPT. OF REV & TAX



Introduction

- Raymond Chang –
 - SR Appraiser/SAH Agent
- www.homeloans.va.gov
- Contact lgy.vbahon@va.gov if you have questions.



US DEPARTMENT OF VETERANS AFFAIRS

- What is the VA Home Loan Guaranty Program
- Who is eligible
- Benefits of a VA Home Loan
- How does the guaranty work
- Native American Direct Loan Program
- SAH/SHA Grant



Who is eligible

- Veterans
- Active duty personnel
- Reservists and National Guard Personnel
- Surviving spouses



Benefits of a VA Home Loan

- No down payment
- No monthly MIP
- No prepayment penalty
- Assumable mortgage
- Loan servicing



How Does the Guaranty Work

- Maximum Guaranty
- $25\% \times \$625,500 = \$156,375.00$
- No maximum loan



Native American Direct Loan Program

- Eligible land
- Eligible loan purposes
- Eligible borrower



SAH/SHA Grant

Specially Adapted Housing Grant

- Grant amount up to \$63,780.00
- Who is eligible?
- How many uses?

Special Housing Adaptations

- Grant amount up to \$12,756
- Who is eligible?
- How many uses?

Temporary Residence Adaptation

- Grant amount \$14,000



Summary

- What is the VA Home Loan Guaranty Program
- Who is eligible
- Benefits of a VA Home Loan
- How does the guaranty work
- Native American Direct Loan Program
- SAH/SHA



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **Single Family Mortgage Insurance (FHA)**
- **Multifamily Mortgage Insurance Programs**
- **Supportive Housing Programs for Elderly – Section 202**
- **Supportive Housing Program for Persons with Disabilities – Section 811**

