

Construction Loan Guarantee Program Guide and Forms



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SECTION 1 - POLICY

1.01 Eligible Lenders

Any bank or trust company, national banking association, savings and loan association, credit union or other financial institution authorized to transact business within the State of North Dakota which customarily provides service or otherwise aids in the financing of residential real estate construction loans ("Lender").

1.02 Eligible Real Estate

Real Estate located in an eligible location for USDA Rural Development's Direct or Guaranteed loan programs as identified by the property eligible map available at www.USDA.gov (<http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>).

1.03 Guarantee Fee

One-half percent (0.50%) of the Lender's construction loan amount.

1.04 Maximum Guarantee

NDHFA will guarantee the Lender the lesser of; Fifty percent (50%) of the net loss after sale of the property or \$93,500.

NDHFA must be notified of any pending loss on, or prior to, the Expiration Date of the Guarantee.

At no time shall more than \$500,000 be outstanding in any one community or to any one contractor.

1.05 Maximum Lender Construction Loan Amount

The Lender's construction loan may not exceed the lesser of; the housing unit's total construction cost (lot and improvements) or Eighty-five percent (85%) of the appraiser's as-completed Opinion of Value.

1.06 Appraisal

An independent 3rd party appraisal completed by a licensed Real Estate appraiser for the benefit of the Lender is required. The appraiser must be provided, and appraisal must include, a copy of the housing unit's full development costs breakdown (lot and improvements) from the contractor/builder.

1.07 Maximum Anticipated Sale Price

The Lender shall confirm the contractor/builder's anticipated sale price of the as-completed housing unit. This sale price shall be confirmed on the Lender's Checklist and Application for Guarantee Certificate. The confirmed anticipated sale price must not exceed the currently published FHA Mortgage limits. (<https://entp.hud.gov/idapp/html/hicostlook.cfm>)

1.08 Documented Community Need and Support

The Applicant must provide documentation which demonstrates a lack of affordable housing development in the community and the extent of the community's support for this housing unit's development. A formal needs assessment is not required; however, supporting documentation must describe local market conditions, general demographics of the community, economic development efforts and labor trends which prove a need for additional affordable housing in the community.

Evidence of community support must be provided. The support may be shown in the form of letters or comments on behalf of the local governing bodies, economic development corporation and community stakeholders.

SECTION 2 - THE LOAN GUARANTEE

2.01 The Guarantee Certificate

A single Guarantee Certificate will be issued for each guaranteed construction loan. The Guarantee Certificate will evidence the maximum amount to be paid under a claim for loss in the event of default and state the terms of the guarantee's expiration. Under the guarantee, NDHFA will pay the lesser of:

1. The Maximum Guarantee, or
2. Fifty percent (50%) of the total loss sustained by the Lender after sale, including principal and interest as evidenced by the note, escrow advances and liquidation costs.

2.02 Request for Guarantee Certificate

Lenders may request a Guarantee Certificate by submitting the following documents to NDHFA:

1. Fully executed Lender's Checklist and Application for Guarantee Certificate (see **Appendix**)
2. A check for the Guarantee Fee (One-half percent (0.50%) of the Lender's construction loan amount)
3. A copy of the Construction Cost Breakdown (Lot and Improvements)
4. A copy of the appraisal
5. Evidence of Need and Community Support

2.03 Guarantee Term

The Guarantee will terminate automatically Eighteen (18) months after, the earlier of, the construction loan's anticipated closing date per the application or its actual closing date. Requests for extension of the Guarantee term may be approved on a case-by-case basis at NDHFA's sole discretion.

2.04 Insurance Requirement

Lenders are required to retain evidence of Builder's Risk Insurance being in-place at the time of construction loan's closing.

SECTION 3 - LOAN PROCESSING

3.01 Underwriting the Construction Loan

Lenders are responsible for all underwriting relative to the construction loan utilizing lending practices which are prudent in the industry.

3.02 Interest Rate

Interest on advances must be collected no later than Six (6) months after closing the construction loan and monthly thereafter. Lender reserves the right to renegotiate the construction loan interest rate every Six (6) months.

3.03 Funding the Construction Loan

Lenders are responsible for providing One-hundred percent (100%) of the construction loan funds.

3.04 Payouts/Advances

Lenders are responsible for disbursing loan funds as work progresses. Lender shall exercise prudent judgment in determining whether a physical inspection of the property shall be made prior to releasing loan funds.

3.05 Lien Waivers

Lenders are responsible for obtaining all appropriate lien waivers to ensure that clear title can be conveyed to potential homebuyers.

SECTION 4 - DEFAULT BY CONTRACTOR

4.01 Default

A Notice of Default (see **Appendix**) must be received by NDHFA within Forty-five (45) days of any default in the terms of the mortgage. Additionally, a Notice of Default must be submitted if the contractor files bankruptcy.

4.02 Foreclosure

Lenders are responsible for initiating foreclosure actions within Four (4) months of default unless NDHFA advises otherwise. It is the Lender's responsibility to expeditiously complete the foreclosure process.

SECTION 5 - CLAIM FOR LOSS

5.01 Possession of the Property

Once foreclosure is complete and the redemption period has expired, the Lender must take immediate possession of the property.

If construction has not been completed, the Lender must obtain bids for the completion of the property, and forward them to NDHFA for approval.

The Lender must list the property for sale as soon as possible, at the current market value, as determined by a current Broker's Opinion of Value. A copy of the Broker's Opinion must be submitted to NDHFA when obtained.

5.02 Lender Sale of the Property

NDHFA's approval is required for offers received unless it is a full price, no contingency offer. NDHFA will provide written sale approval to the Lender.

5.03 Filing the Claim for Loss

To expedite claim settlement, within 30 days after the sale closing, NDHFA must receive:

1. Completed Claim for Loss (see **Appendix**)
2. Copy of the Note
3. Copy of a fully-executed Settlement Statement from the sale
4. Complete history of all construction loan disbursements and payments
5. Any additional documentation which will assist NDHFA in processing the claim settlement

5.04 Claim Settlement

After NDHFA receives a complete Claim for Loss package, NDHFA will pay the lesser of:

1. The Maximum Guarantee, or
2. Fifty percent (50%) of the total loss sustained by the Lender after sale, including principal and interest as evidenced by the Note, escrow advances, and liquidation costs.

Claim payment will be mailed directly to Lender



**LENDER'S CHECKLIST AND APPLICATION FOR
GUARANTEE CERTIFICATE**
PLANNING AND HOUSING DEVELOPMENT DIVISION
SFN 58774 (06/18)

Lenders may request a Guarantee Certificate by completing this application and submitting the following documents to NDHFA:

1. Guarantee Fee (0.50% of Lender's construction loan amount)
2. Copy of the Construction Cost Breakdown (Lot and Improvements)
3. Copy of the Appraisal
4. Evidence of Need and Community Support

LENDER INFORMATION

| | | | |
|-----------------|------------------|-------|----------|
| Contact Person | Telephone Number | | |
| Lender Name | | | |
| Mailing Address | City | State | ZIP Code |

CONTRACTOR INFORMATION

| | | | |
|-----------------|------|-------|----------|
| Name | | | |
| Mailing Address | City | State | ZIP Code |

PROPERTY INFORMATION

| | | |
|---------------------------------------------------------|-------------------------------------------|--------------------------|
| Lot, Block & Subdivision of Property to be Constructed | | |
| Proposed Physical Address of Property to be Constructed | | |
| Appraised Value | Builder/Contractor Anticipated Sale Price | Construction Loan Amount |

LOAN GUARANTEE INFORMATION

| | |
|---------------------------------------------------------------------------------------------------------|---------------------------------------------|
| Amount of Guarantee Requested (cannot exceed the lesser of 50% of construction loan amount or \$93,500) | |
| Date Construction Loan Scheduled to Close | Anticipated Date of Construction Completion |

Lender hereby represents and warrants that all information provided in this application, as well as any documents supporting, relating to, or providing the basis for such information are true, correct, and complete. Lender understands and agrees that NDHFA may request a copy of its entire loan file at any time, for any reason, upon reasonable notice. Lender submits this application intending to induce NDHFA to issue a Guarantee Certificate covering the construction loan.

| | |
|-----------------------------------|------|
| Authorized Representative (Print) | |
| Signature | Date |



NOTICE OF DEFAULT
PLANNING AND HOUSING DEVELOPMENT DIVISION
SFN 58775 (06/18)

A Notice of Default must be received by NDHFA within 45 days of any default in the terms of the mortgage. A Notice of Default should also be submitted to the NDHFA if the contractor files bankruptcy.

LENDER INFORMATION

| | | | |
|--------------------|------------------|-------|----------|
| Contact Person | Telephone Number | | |
| Lender Name | | | |
| Mailing Address | City | State | ZIP Code |
| Lender Loan Number | Date of Default | | |

LOAN GUARANTEE INFORMATION

| | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------|----------|
| Guarantee Number (from NDHFA Guarantee Certificate) | Interest Rate % | | |
| Total Principal Advances to Date | Unpaid Interest Accrued | | |
| Contractor Name | | | |
| Mailing Address | City | State | ZIP Code |
| Property Legal Address (Lot, Block & Subdivision) | | | |
| Nature of Default <input type="checkbox"/> Bankruptcy – Chapter: _____ Date Filed: _____ <input type="checkbox"/> Delinquent – Reason: _____ <input type="checkbox"/> Other: _____ | | | |
| Describe Lender's Efforts to Resolve Default | | | |
| Describe Lender's Next Action | | | |

| | |
|------------------------------------------|------|
| Authorized Representative (please print) | |
| Signature | Date |

To expedite claim settlement; within 30 days of Lender sale closing complete Claim for Loss and return to the NDHFA with the following items:

1. Copy of Note
2. Copy of the Settlement Statement from the sale closing
3. Complete loan history of all loan disbursements and payments
4. Any additional documentation which will assist NDHFA in processing this claim.

LENDER INFORMATION

| | | | |
|---------------------------------------------------|-----------------------------------------------------|-------|----------|
| Contact Person | Telephone Number | | |
| Lender Name | | | |
| Mailing Address | City | State | ZIP Code |
| Lender Loan Number | Guarantee Number (from NDHFA Guarantee Certificate) | | |
| Contractor Name | | | |
| Mailing Address | City | State | ZIP Code |
| Property Legal Address (Lot, Block & Subdivision) | | | |

LOAN LOSS INFORMATION

| | |
|--------------------------------------------------------------------------------------------------------------|--|
| Total Advances (include taxes, insurance and other expenses) | |
| Interest from date of default to date claim was filed (penalty interests and late charges are not claimable) | |
| Days for Interest at | |
| Total Costs | |
| Less net proceeds from sale of property | |
| Net loss | |
| Amount requested under guarantee (50% of Net Loss not to exceed (\$68,000) | |

I hereby certify that the above is a true and correct statement of all items which may be claimed under the stated Guarantee Number, and I acknowledge that the right to claim any items not included is hereby waived. Paid receipts accompany all expense items included in this claim.

| | |
|------------------------------------------|------|
| Authorized Representative (please print) | |
| Signature | Date |