



Louisiana Loan Fund (The Fund) Frequently Asked Questions (FAQs)

General Questions	1	Process/Timeline	4
Uses of Funds	2	Project Types	4-5
Underwriting and Terms	2-3	Environmentals and Appraisals	6-7
Eligible Applicants	3	Uniform Relocation Act	7-8

General Questions

Does the Fund have a predetermined percentage for how much of the loan pool will be targeted in the eight parishes?

Seventy-five percent of the funds will be targeted in the eight most impacted parishes. Up to 25 percent of the funds are available for the other areas of the GO-Zone.

Do Enterprise and LISC each have a \$47 million fund? Or does the fund total \$47 million?

LISC and Enterprise each administer a \$22.5 million Acquisition/Predevelopment Fund, plus a \$1 million Early Predevelopment pool for a total of \$47 million.

Does the Fund have a set-aside for Rita-affected parishes?

There are three Rita GO-Zone parishes that are among the eight most impacted parishes targeted by the Fund. At least 75 percent of the Fund will be directed to the eight most impacted parishes.

What documentation will I need to provide as evidence of zoning?

The borrower will need to provide a letter from the local government entity indicating that the property is properly zoned to allow for the proposed use or that no zoning code governs the use of the property.

Is it acceptable to say that the zoning is appropriate for residential uses, but a variance would be required to achieve the density proposed for the project?

We would need to know if the project can be restructured in some way that would still make it viable as affordable housing if the variance is denied. We also would need to know the likelihood of the project receiving approval for the needed variance.

The Fund's application requires three years of audited financial statements. What if I don't have audited financial statements?

The Fund does not require audited financial statements from for-profit borrowers, as small businesses typically do not complete audits. For these borrowers, we require financial statements for the last three years disclosing assets, liabilities, income and expenses. You must provide the business' three most recent income tax returns and complete a credit application.

Uses of Funds

May I use the Fund during construction to help lower the cost of my construction financing?

Construction or construction-related activities are not an eligible use of the Fund. Further, Acquisition/Predevelopment loans obtained through the Fund must be repaid before any construction-related activities occur on the project. This includes demolition, environmental remediation, site work, infrastructure installation, excavation and vertical construction.

May I use the Fund to repair/rebuild my home or rental property destroyed in the hurricanes?

Construction and renovation work are not eligible activities of the Fund – see above.

Is a property that never had any housing on it eligible for the Fund?

This type of project would be eligible for financing by the Fund, provided that the proposed project meets current zoning requirements.

Can the Fund be used for pre-application costs such as market studies, option fees and appraisals?

Yes, the funds can be used for such activities. The borrower should have site control of the property. Additionally, for Acquisition/Predevelopment loans, no more than 15 percent of the total loan request can be used for predevelopment activities.

May I use the Fund for a property I already own that I want to develop as mixed-income or affordable housing?

The Fund is designed to help developers determine if a property is suitable to acquire and then to acquire that property. Therefore, the Fund is not designed to finance predevelopment-only requests. However, LISC and Enterprise both administer national loan programs that may be able to assist you with this type of financing request.

May I use the Early Predevelopment loan to do studies on a property that appears abandoned?

The borrower must have a purchase option or some form of site control of the property in order to secure an Early Predevelopment loan.

Underwriting and Terms

What is the term for the Early Predevelopment loans?

Early Predevelopment loans have a maximum term of 12 months.

If the property I want to purchase costs \$1 million and I need help financing another \$100,000 in predevelopment costs, but the property's as-is appraised value is \$1 million, is there any way to still borrow the full \$1.1 million I need from the Fund?

You may borrow the \$1.1 million you require if you can provide additional collateral to conform to the loan-to-value requirements of the Fund. Such collateral could include off-site land or buildings you own, a pledge of CDs or other investment holdings, etc.



How does the Fund underwrite the deals where the nonprofit has limited financial capacity?

For Early Predevelopment loans, the Fund underwrites the nonprofit's capacity to get the tax credit award or other financing required to construct the project, including evaluating the financial feasibility of the proposed project. We also evaluate the development team's experience. We would expect that equity dollars or construction financing would take out the Early Predevelopment loan. Acquisition/Predevelopment loans entail a more extensive credit underwriting that includes looking at the proposed project's feasibility, status of approvals for take-out financing, the borrower's financial viability, and the project team's experience. Sponsors with limited financial capacity may be eligible if they demonstrate commitments of take-out financing; a strong, viable project, and an experienced development team.

Under what circumstances would the Fund consider forgiving a loan?

Acquisition/Predevelopment loans are not eligible for forgiveness consideration and are fully collateralized with repayment guarantees. Should a project be unable to move forward, the developer could sell the land/buildings acquired with a loan from the Fund.

For Early Predevelopment loans, the Fund expects borrowers to make every effort to explore all possible options to ensure the project's success. The Fund does not intend to forgive Early Predevelopment loans except under extreme circumstances.

Eligible Applicants

May I borrow from the Fund if I have no experience developing affordable housing?

An inexperienced affordable housing developer must assemble a development team that evidences the experience needed to move a project through predevelopment into closing on construction financing. This includes real estate development experience and demonstrated success with assembling the complex financing necessary to complete the project. For nonprofits, you will also have to demonstrate that building affordable and/or mixed-income housing is a part of your organization's mission.

Does the applicant to the Fund need to be a legal partnership or can it be a joint venture?

The borrower needs to be a legally formed entity – either a corporation, limited partnership, LLC, etc., that is authorized to conduct business in the state of Louisiana. The sponsors can be joint ventures that do not involve the legal formation of an LP or LLC, but the borrower must be a legally formed entity. If the project is sponsored by a joint venture, the Fund must review a copy of the joint venture agreement.

What if a project is a partnership between a for-profit and nonprofit organization? Is the loan-to-value ratio 95 percent or 100 percent?

The Fund will use the controlling interest of the Limited Partnership, LLC or joint venture to determine which loan-to-value ratio applies. For example, if the nonprofit owns the majority of the general partnership of a limited partnership, the loan-to-value would be 100 percent. If a for-profit is the managing member of an LLC, the loan-to-value on that project would be 95 percent.



Process/Timeline

How long should my option to purchase extend?

When you option a property for purchase, you should attempt to secure a purchase option that extends six to nine months. You may also wish to build in option extensions that allow you to pay some additional funds to the owner to extend the option agreement, allowing you time to close on acquisition or construction sources.

Is funding based on a first-come, first-served basis?

Yes. We process applications as we receive them.

If I submit an application that is rejected, may I resubmit the same project later?

If the application is restructured to address the issues identified in the applicant's rejection letter, the applicant may re-apply to the Fund for consideration.

How long will it take to close a loan through the Fund?

In general, we expect to be able to close most loans in 60 to 90 days.

The Fund application timeline will vary from applicant to applicant based on a number of factors, including: 1) the completeness of the application, including provision of all required attachments, 2) the applicant's ability to respond quickly to follow-up questions and documentation required by the Fund to fully evaluate the application, and 3) the developer's timely submission of the project's Phase I Environmental Study to the state.

How long will it take before I can get funds through the Early Predevelopment loan?

With a complete application that evidences a viable chance to obtain funding and the borrower's ability to meet closing conditions, we expect to process and close Early Predevelopment loan requests within 30 days.

Project Types

If I want to develop a project whereby 100 percent of the units are first occupied by families or individuals at 60 percent of area median income, would this project be eligible for funding?

Yes, projects that are 100 percent affordable are fine. Projects can also include up to 49 percent of the units at market rate, but a market-rate component is not required.

I am planning a five-unit scattered site rehab project. Would this type of project be suitable for the Fund?

The Fund requires borrowers to borrow at least \$250,000 to make a project feasible for the Fund. Enterprise and LISC have national loan programs that could be suitable for smaller loans.

Potential borrowers should consider a number of factors that may not make the Fund a cost-effective choice with small-scale projects and/or with projects located on scattered sites.



One factor to consider is the cost of the Phase I Environmental Site Assessment and the length of time it takes to follow the Environmental Review clearance process. If sites are far enough apart, the developer may need to do multiple Phase I Environmental Site Assessments. The developer may also find that other lenders would not require as extensive a Phase I Environmental Site Assessment as required by the Fund. Contacting a Phase I Environmental consultant on scattered site proposals is highly advisable.

Developers will also want to consider the amount of funding needed for acquisition and predevelopment, and the length of time the funds would be needed, when determining if the Fund is a good choice. With small-scale projects, typically there is a short turn-around time between the acquisition of property and start of construction. As a result, the benefits of the lower interest available through the Fund may not be worth the trade-off of paying closing fees with the Fund and then paying another set of closing fees at the time of refinancing with a construction line or loan through a commercial lender.

I have a project that involves the development of housing and commercial real estate. How does the Fund handle mixed-use projects?

The Fund does not exclude considering financing for projects with a commercial component. However, the Fund is only able to assist developers with activities related to the development of the residential portion of the project.

Developers can propose to use the Fund for acquisition and predevelopment activities such as option agreements on land, market studies and environmental studies.

If the project involves a commercial component, the developer/applicant must be prepared to cover the cost of all activities related to the commercial component using resources other than the Fund. If a due diligence study covers the entire site, including both residential and commercial components of the project, the Fund can finance the pro-rata cost of that study. For example, if the developer does a Phase I Environmental Site Assessment on a project that has 5,000 square feet of commercial space and 95,000 square feet of residential space, the residential portion of the proposed project equals 95 percent of the project. Therefore, the Fund can finance up to 95 percent of the cost of the Phase I Environmental Site Assessment.

There may be other legal and structural implications for projects with a commercial component. Therefore, you should consult with your loan officer early and often for such projects.

Six Rita-only GO-Zone parishes are not included in the list of parishes eligible for the Fund: Beauregard, Allen, Evangeline, St. Landry, Vernon and Sabine. Are these parishes eligible for the Fund?

These parishes are not part of the GO-Zone for purposes of participation in housing credit and other affordable housing GO-Zone programs, including the Fund.



Environmentals and Appraisals

Do I need to complete a Phase I assessment before I can close a deal with the Fund?

Yes, for Acquisition/Predevelopment loans, you must have a completed study. But it does not need to be completed for Early Predevelopment loans.

Please be sure to refer to the list of approved environmental consultants and the scope of work the consultant must follow to gain approval from the Fund. All Early Predevelopment loans require that the applicant use the protocol and approved environmental consultants eligible to provide studies for the Fund. For Acquisition/Predevelopment loans, the borrower must supply a completed Phase I Environmental Site Assessment that meets the Fund's requirements (including completion by a Fund-qualified consultant) to the state of Louisiana's Office of Community Development for review and approval. The Fund will be unable to close on any Acquisition/Predevelopment loan until the Office of Community Development issues a letter of clearance indicating that the state has reviewed Phase I and cleared the project to continue.

What if I have scattered site homes that I want to acquire? Is the Environmental Review process practical for scattered site projects?

The developers of scattered site projects should evaluate the practicality of using the Fund by talking to an environmental consultant from the Fund's approved consultant list, and exploring the practicality and cost of obtaining one or several Phase I assessments that meet the Fund's requirements. The Fund is designed to help finance projects whose sites are identified and under site control at the time of application.

What if I am doing a rehab project and there is asbestos, mold or lead-based paint?

You must have your environmental consultant advise you on testing potential hazards, identifying the extent of the hazard and developing a plan to remediate the environmental hazards during construction, including identifying remediation costs in the project budget. Your project financing also must include sufficient sources to pay for the cost of remediation.

If I did a Phase I Environmental Site Assessment before Katrina, do I need a new one?

Environmental Site Assessment studies are good for six months (180 days), so you may need an update or new report depending on when the study was completed. Studies also need to meet the Fund's requirements, which include ASTM 1527-05, All Appropriate Inquiries and 24 CFR Part 58. The comment letters the state obtains as part of the environmental review process such as those from the Department of Wildlife and Fisheries and the State Historic Preservation Office are good for five years.

If there is a central Orleans Parish site on high ground in a historic district where I am trying to preserve most of the site, in addition to a new development of more than 100 units, what is a prudent time frame for the environmental review?

A full environmental review must be done, and you should allow at least 90 to 100 days (three to four months) from the time you order the Phase I Environmental Site Assessment to the time you receive full environmental clearances from the state of Louisiana. In the meantime, the Fund can



work with you on underwriting and loan approvals but cannot close on the loan until the environmental review process is complete.

What does proper procurement mean for third-party vendors hired to perform services?

Proper procurement means that the borrower followed a process to determine if the third-party services costs were reasonable for the marketplace. This typically involves obtaining three verbal or written quotes for services as well as documenting the costs and the reasons for selecting the vendor. This does not mean that you must use the vendor with the lowest bid. However, you must document the reasons for choosing the vendor you selected.

Is there a distinction between vacant land and an existing structure in terms of the required environmental assessment that is required?

Yes, there are different levels of environmental due diligence that will be required for properties that involve renovation vs. those that are new construction. For example, if you are renovating an existing building, the state of Louisiana's environmental review process is generally quicker (unless it's a historic building) because it is clear that the construction will not impact endangered species. However, the Fund will look very closely at Phase I studies for renovation projects to ensure that contaminants such as lead-based paint, asbestos, lead in water and mold are identified and can be remediated within your project budget.

What type of appraisal is required?

The Fund requires a standard appraisal of the *as-is* value of the property to be acquired using USPAP standards and in compliance with FIRREA. The Fund has an approved list of appraisers. We will work with the borrowers to identify an appraiser. The Fund must order the appraisal, and the cost can be charged back to the predevelopment loan.

If the borrower obtains environmental clearance from HUD, will the state accept it?

The state of Louisiana's Office of Community Development is working on a response.

Uniform Relocation Act (URA)*

*Responses are based on current URA and Stafford Act interpretations and are subject to change.

If the property was demolished as a result of the storm and there was no structure left after Aug. 8, 2005, does URA apply?

Yes. If the property was occupied just before the storm, those occupants would have relocation eligibility even if the property was subsequently demolished.

If a former resident received FEMA rental assistance after moving, does URA apply?

If FEMA provided emergency temporary assistance (not long-term relocation benefits), those FEMA payments would have no impact on URA eligibility or benefits. IF FEMA gave funds for a permanent relocation, then the law indicates that payments cannot be eligible – so residents may not be eligible for URA or may only be eligible for the difference between the FEMA benefit and what they would have received under URA. This should be evaluated on a case-by-case basis.

How would a multi-unit apartment complex, where the owner had to go through an eviction process following the hurricane, factor in interpreting URA?

If residents were not in legal occupancy when they were forced out by the storm, then they are not entitled to relocation benefits. Issues such as this should be examined on an individual basis so the facts are correctly ascertained. If eviction was subsequent to the date of the storm, we would need to evaluate this on a case-by-case basis.

If there is unlawful occupation of a property by squatters, what are the squatters' rights?

In most cases, "squatters" have no eligibility for relocation benefits if they are not in legal occupancy of the property. However, the specific circumstance must be documented.

How will the developer know that the resident has not already received relocation benefits? What is the developer's responsibility to check with FEMA to see if the resident/owner has already received benefits and how would this affect URA calculations?

LISC/Enterprise will provide additional information on the types of benefits that FEMA provided. However, in general, the FEMA assistance was temporary housing; therefore it does not reduce URA benefits.

If the borrower locates the resident, what type of documentation does the borrower need from the resident indicating that the resident isn't already receiving any type of relocation benefits?

A statement will be included in the claim form to be executed by the resident stating that the benefits they are claiming have not been previously paid and that they are otherwise entitled to these benefits. The claim will advise the resident that deliberate misstatements are fraudulent.