



# Construction Loan Guarantee Program

The objective of the Construction Loan Guarantee Program is to provide construction loan guarantees to Lenders for contractors who build affordable single family housing in communities with a documented need for additional affordable housing in their area.

**Guarantee Amount:** SDHDA will guarantee up to 50% of the total construction loans made to an individual contractor.

**Maximum Guarantees per Contractor:** No more than 5 single family, owner-occupied units under construction, or completed and pending sale, at one time.

**Maximum Guarantees per Community:** No more than 25 guarantees may be active in a community at one time.

**Maximum Loan Amount:** Construction loans provided by the Lender may not exceed 85% of the total value of the housing unit (including lot and improvements), not to exceed costs.

**Fees:** SDHDA will charge 0.5% of the loan amount.

**Appraisal:** Required before construction. Maximum sales price cannot exceed \$200,000. If the contractor intends to sell the property to a buyer who will insure their mortgage through FHA, VA or USDA Rural Development, the property must meet HUD/VA minimum property standards, including Model Energy Standards. If the intended buyer will obtain conventional financing, the property must meet HUD/VA minimum property standards, except those relative to energy.

**Administration:** SDHDA will request that the Lender do all underwriting relative to the construction loan, provide 100% of the funds, and perform all payouts, inspections, and other required administrative functions relative to mortgage insurer requirements.

**Repayment:** Interest on advances must be collected no later than 6 months after closing the construction loan, and monthly thereafter.

**Construction Loan**

**Interest Rate:**

The Lender reserves the right to renegotiate the construction loan interest rate every six months.

**Guarantee Payment:**

Payment to the Lender under the Guarantee will be made at 50% of the net loss after sale of the property by the Lender, in an amount not to exceed the original amount of the Guarantee. SDHDA must be notified of pending loss within 12 months of the date of the first draw under the construction loan.

**For further information:** Contact SDHDA at (605) 773-3181 or visit our web site at [www.sdhda.org](http://www.sdhda.org).

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