

## Entry Description

Probably every state Housing Finance Agency offers a construction loan program that helps nonprofit organizations build affordable single-family housing. And probably every HFA works with its state and local Habitat for Humanity organizations, recognizing the tremendous work they do in support of low-income Americans.

But perhaps only the Iowa Finance Authority (IFA) has formulated an ideal partnership between its single-family construction loan program – called the NewHome Construction Loan program – and Habitat for Humanity of Iowa (HFHIA) so that loan proceeds to the nonprofit organizations stay local and so that hundreds of homes are created for some of the state’s most vulnerable residents.

The NewHome Construction Loan program is unique in and of itself. It receives its funding from IFA’s single-family endowment, meaning it doesn’t share the stringent restrictions of MRB programs or the Low-Income Housing Tax Credit program, for example. Instead, IFA invites affordable housing organizations to contact us about structuring a loan product that best meets their individual needs. Interest rates are as low as 3 percent and repayment terms are negotiable. The NewHome Construction Loan program offers a nonthreatening financing option for small organizations that are new to the affordable housing arena, and it offers great flexibility to any group that takes advantage of it.

In 2003, HFHIA approached IFA about the program, stressing their desire to build capacity and construct new single-family homes around the state. IFA’s NewHome Construction Loan program was a perfect fit for their needs. Working in tandem, IFA and HFHIA negotiated a unique home financing agreement that provided three important benefits.

First, while HFHIA would be the beneficiary of NewHome Construction loans, IFA would allow the organization to re-loan the funds on a very competitive basis to any of its 36 local affiliates in the state. The affiliates would use the money to finance new home construction. Because HFHIA best knows its affiliates and their needs, they can determine to which affiliates the money should be loaned and under what terms. HFHIA has the ability to fulfill its mission more easily than if all 36 affiliates were required to work with IFA on individual loan agreements.

*“Habitat for Humanity of Iowa has a proven record of providing quality affordable housing for hard-working residents in all parts of the state. With IFA’s financial support, the organization will continue its successful program, enabling even more individuals to realize the dream of homeownership.”*

*Bret L. Mills  
Executive Director  
Iowa Finance Authority*

Second, because HFHIA affiliates hold each home’s mortgage, IFA’s loan funds will always stay in the state of Iowa and even remain in the local community. As the loan funds are repaid to the affiliate, and then to HFHIA and then to IFA, each organization can use the interest proceeds to continually fund affordable housing programs.

Third, HFHIA provides housing for Iowans who earn no more than 50 percent of the area median income, people who would otherwise have a hard time achieving homeownership.

Habitat for Humanity is a leader in providing housing for very low-income residents, helping to fulfill IFA's mission to provide safe, decent and affordable housing for all Iowans.

*"The partner families who become homeowners through our program gain a newfound sense of pride and self-esteem that benefits themselves and the entire community. When we can provide safe, decent, affordable housing for our citizens, the entire state wins."*

*Bobbi Bendickson  
Executive Director  
HFHIA*

Since IFA and HFHIA entered into this partnership five years ago, IFA has made loans to the group totaling \$5.65 million. The first bunch of loans – which totaled about \$4.15 million – was committed to affiliates in less than four years and resulted in the construction of a staggering 240 new homes in the state. In early 2008, IFA's Board of Directors approved another \$1.5 million loan to HFHIA that is expected to aid the construction of at least another 100 homes. HFHIA will pay back the loan at 3 percent interest over 20 years.

This construction volume illustrates the success of the program. Assuming HFHIA reaches its goal of constructing 340 new homes in five years, that equals roughly 68 new homes annually or nearly six new homes each month. Few other housing finance programs can boast such impressive numbers. IFA and HFHIA are proud that thousands of Iowans are new homeowners thanks to this unique partnership.