Finding Flexible Financing Solutions for Homebuilders
Finding Flexible Financing Solutions for Homebuilders
About NeighborWorks Capital

Lending to NW network since 2000
Financial solutions throughout development process
360 loans in 43 states and DC
~ $315M, leverage $4.25B
18,000 homes, 15% for-sale
Wide range of Solutions and Places
What kind of car are you?

- ENGINE and DRIVETRAIN
- STEERING
- FUEL
It’s a metaphor!
Financing Solutions

- Acquisition
- Construction
- Predevelopment
- Multifamily Line of Credit
- Enterprise Growth Capital
- Single-family Line of Credit
- Permanent
- Bridge
- GP/LP Interests Purchase
Enterprise Growth Capital

*It is*
- Investment in growing a business
- A term loan with **maximum flexibility**
- On your balance sheet and ready to use NOW
- An expression of great trust between Borrower and Lender

*It is not*
- A stand-by line for emergencies
- Tied to specific projects and repayment sources
- Money you have immediate access to – you have to ASK
Enterprise Growth Capital loans
Strategic Growth Fund

Partnership of NC, NWA, Kresge
$7.5M Fund for innovation & business growth
Kresge PRI allowed 3% interest rate, unsecured
30+ NWO’s applied
7 loans made totaling $8.1M
last loan closed Sept 2018
Deep underwriting of organization and
business plan
Affordable Homes of South Texas, Inc. (AHSTI)
AHSTI found that buyers in 80-120% range were not being served (no subsidy, market priced too high)

Saw significant demand potential through experience as builder, lender, and HOC provider

Needed capital to jumpstart building “semi-custom” homes for the unserved middle
Start-up positioning

Understood the market
40 years as builder
Established brand with Framework Homes
Developed multiple scenario projections
Strong cash position, able to deal with downturns
Has clients already lined up, need low penetration
NC’s Financial Solution

$1,500,000 unsecured term loan
3% interest rate (subsidized by Kresge PRI)
7-year term, structured principal repayments
1.10x debt coverage (interest and principal)
Principal paydown increases as activity increases
AHSTI profit-margin increases over time

SIGNIFICANT FREEDOM OF USE

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal payments (paid quarterly)</th>
<th>DCR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1</td>
<td>$75,000</td>
<td>1.2</td>
</tr>
<tr>
<td>Year 2</td>
<td>$150,000</td>
<td>1.0</td>
</tr>
<tr>
<td>Year 3</td>
<td>$225,000</td>
<td>1.4</td>
</tr>
<tr>
<td>Year 4</td>
<td>$300,000</td>
<td>1.5</td>
</tr>
<tr>
<td>Year 5</td>
<td>$200,000</td>
<td>2.6</td>
</tr>
<tr>
<td>Year 6</td>
<td>$275,000</td>
<td>2.3</td>
</tr>
<tr>
<td>Year 7</td>
<td>$275,000</td>
<td>2.5</td>
</tr>
</tbody>
</table>
How AHSTI has used the funds

Purchase land for 2 subdivisions
  34 lots in McAllen
  18 lots in Rio Grande City (geographic expansion)

Sold 15 new homes in first year (2017)

Built 12 more homes in 2018, selling pace on track, prices higher than low projected scenario

Leverage for bank construction loan for lot development and construction costs

Have made 1st 2 principal paydowns!
What does it cost

High degree of monitoring (foundations require a lot, you know)
   Quarterly reports of how funds were used
   Financial statements, real estate portfolio, development and sales pipelines
Interest payments on undeployed capital
New homeowners in Rio Grande City!
Please contact us!

Western Region – Tamar Sarkisian
New England, Southeast, Midwest – Steve Peelor
Mid-Atlantic, Midwest – Emily Dorfman