

Owning  
your own  
home  
can be a  
reality.

South Dakota Housing  
Development Authority  
provides *low interest rate*  
loans to low-income  
South Dakotans through the  
First-time Homebuyer  
Program.



### What is SDHDA?

The South Dakota Housing Development Authority (SDHDA) was created by the South Dakota Legislature in 1973 with a stated mission to provide decent, safe, and affordable housing to low and moderate income South Dakotans. SDHDA, which oversees the First-time Homebuyer Program, is a self supporting, nonprofit entity that uses no State tax dollars to fund its programs.

For more information  
please visit our website  
[www.sdhda.org](http://www.sdhda.org)



PO Box 1237 • Pierre, SD 57501  
p. 605.773.3181 • 800.540.4241  
tty. 605.773.6107  
[www.sdhda.org](http://www.sdhda.org)



THE  
**FIRST-TIME  
HOMEBUYER  
PROGRAM**

*LOW  
INTEREST RATE  
MORTGAGE  
LOANS*



*Building a Better Quality of Life*





# What is the First-time Homebuyer Program?

## The First-time Homebuyer Program is...

A program that makes the dream of homeownership a reality for South Dakota First-time Homebuyers by providing low interest rate mortgage loans. SDHDA partners with participating lending institutions throughout the state to help borrowers build or purchase an existing home.

## Do I Qualify for a First-time Homebuyer Loan?

Be a First-Time Homebuyer or have not owned a home in three years. If a homebuyer owned and lived in a dwelling unit that was not permanently affixed to a permanent foundation (ie; mobile home) it doesn't count as previous homeownership. Veteran's waiver may apply for qualified applicants.

Qualifications are:

- ✓ Meet income limits
- ✓ Home will be your principle residence and in S.D.
- ✓ Meet purchase price requirements
- ✓ You have sufficient income and are credit worthy

## How Do I Apply for a First-time Homebuyer Loan?

You may contact a Participating Lender in your area for an appointment to confirm the current interest rates, purchase price limits, income limits, and other SDHDA requirements, and begin the application process.

## What are the Terms of a Homeownership Loan?

The borrower may choose one of the following:

- ✓ **Fixed Rate Option**-offers the most competitive fixed interest rate.
- ✓ **Fixed Rate Plus Option**-provides downpayment and closing cost assistance (gift) to the borrower. The rate will be slightly above the Fixed Rate option.

SDHDA does not generally have an origination fee or discount point associated with most First-time Homebuyer Loans. By not having these fees, the homebuyer benefits with reduced up-front fees associated with the loan application process.

Unless the borrower makes a 20% downpayment, all loans must be insured or guaranteed by:

- ✓ Federal Housing Administration
- ✓ Department of Veterans Affairs
- ✓ USDA Rural Development
- ✓ Private Mortgage Insurance Company

Loans will be amortized over a term of 30 years. Some programs may allow a shorter term when requested by the borrower and approved by SDHDA.

## What Does My Lender Need From Me When I Apply?

Whether you are being pre-qualified or actually applying for a Homeownership Loan, it is important to be prepared for the loan interview. The lender may require such things as:

- ✓ purchase agreement (if applicable)
- ✓ bank statements
- ✓ paystubs
- ✓ tax returns
- ✓ creditor names and addresses

The exact requirements may vary from lender to lender, so you may want to ask what documentation is needed when you call for an appointment.

*If your SDHDA financed mortgage loan was closed on or after August 15, 2006, SDHDA stipulates that if you are required to pay to the Internal Revenue Service a Recapture Tax, SDHDA will reimburse you for the actual amount of the Recapture Tax.*

**Visit [www.sdhda.org](http://www.sdhda.org) for a complete listing of Participating Lenders.**

**HOMEBUYER EDUCATORS**

**Consumer Credit Counseling Service**

**of the Black Hills**

2310 North Maple  
Rapid City, SD 57701  
Phone: 605-348-4550

**Northeast South Dakota Community**

**Action Program**

104 Ash Street East  
Sisseton, SD 57262  
Phone: 605-698-7654

**Consumer Credit Counseling Service**

**Lutheran Social Services**

705 East 41<sup>st</sup> Street, Suite 100  
Sioux Falls, SD 57105-6025  
Phone: 605-330-2700

**NeighborWorks®**

**Dakota Home Resources**  
795 Main St.

Deadwood, SD 57732  
Phone: 605-578-1401

**Homes Are Possible, Inc.**

318 South Main Street  
Aberdeen, SD 57401  
Phone: 605-225-4274/Fax: 605-226-4274

**Sioux Empire  
Housing Partnership**  
200 North Phillips Ave., Suite 303  
Sioux Falls, SD 57104  
Phone: 605-339-0942

**Inter-Lakes  
Community Action, Inc.**  
111 North Van Eps Avenue  
Madison, SD 57042  
Phone: 605-256-6518

**James Valley Housing, Inc.**  
145 3rd Street SW  
P.O. Box 1387  
Huron, SD 57350  
Phone: 605-554-0181

**2012 TOP LOAN OFFICERS**

**Area 1**

**JULIE TIBKE**

Sioux Falls Federal Credit Union  
700 East 14th Street  
Sioux Falls, SD 57104  
Phone: 977-8317  
[juliet@siouxfallsfcu.org](mailto:juliet@siouxfallsfcu.org)

**Area 2**

**TOM LESSIN**

First National Bank  
632 Main Street  
Rapid City, SD 57701  
Phone: 399-0990  
[tom.lessin@firstnationalbanks.com](mailto:tom.lessin@firstnationalbanks.com)

**Area 3**

**RYAN MEYER**

Home Federal  
4800 South Cliff Avenue  
Sioux Falls, SD 57103  
Phone: 231-4610  
[rmeyer@homefederal.com](mailto:rmeyer@homefederal.com)

**Area 4 & 5**

**LORI NORBY**

CU Mortgage Direct, LLC  
220 South Harth Avenue  
Madison, SD 57042  
Phone: 256-8285  
[lnorby@cummortgagedirect.com](mailto:lnorby@cummortgagedirect.com)

**Area 6**

**ALONA BURTZ**

First Fidelity Bank  
246 West Second Street  
Winnier, SD 57580  
Phone: 842-3811  
[alonalaburtz@ffb-sd.com](mailto:alonalaburtz@ffb-sd.com)

**Area 7**

**BETSY HEYDEN**

First Fidelity Bank  
745 Main Street  
Burke, SD 57523  
Phone: 775-2641  
[betsyheyden@ffb-sd.com](mailto:betsyheyden@ffb-sd.com)

## INCOME LIMITS:

*Effective January 15, 2013*

County of Residence	Maximum Family Income By Family Size
	2 or less 3 or more
Brookings	77,395
Hughes	86,020
Lincoln	80,270
McCook	80,270
Minnehaha	80,270
Moody	75,210
Turner	80,270
Yankton	73,600
All Other Counties	73,370
Targeted Areas *	89,320

## PARTICIPATING LENDERS:

Aberdeen Federal Credit Union  
 Advana Mortgage/Premier/Rushmore  
 American Bank & Trust  
 American State Bank of Pierre  
 BankWest, Inc.  
 Black Hills Community Bank  
 Black Hills Federal Credit Union  
 Citywide Home Loans  
 CoTrust Bank/CoTrust Mortgage, Inc.  
 CU Mortgage Direct, LLC  
 Dacotah Bank  
 Dakotaland Federal Credit Union  
 First Bank and Trust  
 First Bank and Trust - Brookings  
 First Dakota National Bank  
 First Fidelity Bank  
 First Interstate Bank  
 First National Bank  
 First National Bank South Dakota  
 First Premier Bank  
 Great Western Bank  
 Highmark Federal Credit Union  
 Home Federal Bank  
 Minnwest Mortgage Corporation  
 Northern Hills Federal Credit Union  
 Pioneer Bank & Trust  
 Plains Commerce Bank  
 Premier Home/Rushmore/Advana Mortgage  
 Primary Residential Mortgage dba Frost Mortgage  
 Reliabank Dakota  
 Service First Federal Credit Union  
 Sioux Falls Federal Credit Union  
 The First National Bank in Sioux Falls  
 U.S. Bank Home Mortgage  
 Wells Fargo Home Mortgage

## PURCHASE LIMITS:

*Effective July 25, 2013*

County of Residence	Existing	New Construction
All Counties	\$250,200	\$250,200
Targeted Areas *	\$305,800	\$305,800

\* Parts of Bennett, Buffalo, Corson, Dewey, Jackson, Lyman, Shannon, Todd and Ziebach Counties are considered targeted areas

## What is the Cost?

There is a \$750 fee to acquire an SDHDA Tax Credit. This fee is reduced to \$250 if the SDHDA Tax Credit (MCC) is used with SDHDA's First-time Homebuyer Program. Participating Lenders may also charge a fee up to \$250.

## How to Apply

Applications are accepted on a first-come, first-served basis by a statewide network of Participating Lenders.

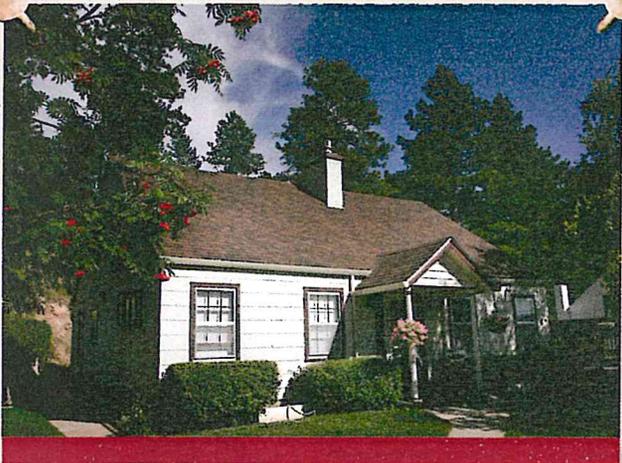
## What if I sell my home?

The federal Recapture Tax is an Internal Revenue Service (IRS) tax that may increase the amount of the tax the homeowner pays when selling the home.

The amount of the Recapture Tax will depend on the year in which the homeowner sells, the homeowner's income that year, and the amount of gain, if any, received from the sale.

If the home is sold more than nine years after the closing date, there will not be a Recapture Tax.

SDHDA and its staff are not tax advisors. If there are questions concerning how taxes will be affected, contact an accountant or the Internal Revenue Service (IRS).



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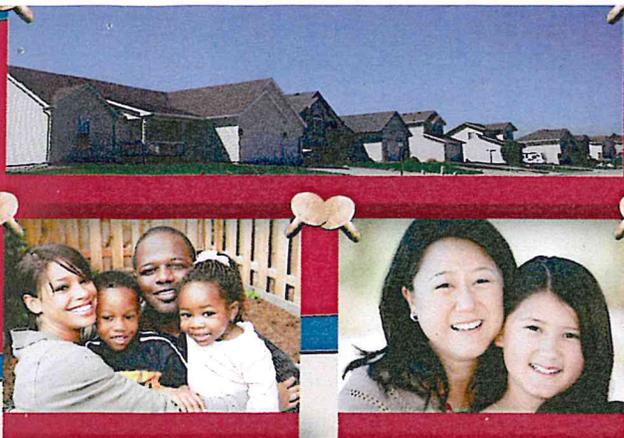
THE  
**SDHDA  
TAX CREDIT  
(MCC)**

*PAY LESS  
TAXES WHILE  
OWNING YOUR  
HOME*



*Building a Better Quality of Life*





# What is SDHDA's Tax Credit?

SDHDA's Tax Credit is available through a Mortgage Credit Certificate (MCC), which reduces the amount of federal income tax you pay, giving you more disposable income. **THAT IS CASH IN YOUR POCKET!**

You may remember the federal First-time Home Buyer Tax Credit from 2010, the one-time tax credit that sparked a dramatic increase in homes sales. That program has ended but SDHDA has something in its place. The SDHDA Tax Credit (MCC) will help you save money EACH YEAR that you live in your home.

With SDHDA's Tax Credit, a percentage of your mortgage interest can be used as a dollar-for-dollar reduction in your tax bill and the remaining interest paid is still eligible for the home mortgage interest deduction.

## Here's How it Works:

You obtain a mortgage loan of \$150,000 at 3.25% for 30-years with monthly principal and interest payments of \$652.81 and a Tax Credit (MCC) from SDHDA of 30%.

In the first year, you pay a total of \$4,831 in interest on your mortgage loan. Because you are entitled, you could receive a federal income tax credit in the amount of \$1,449 (30% of \$4,831). If your income tax liability is \$1,449 or greater, you will receive the full benefit of the SDHDA Tax Credit. If the amount of your SDHDA Tax Credit exceeds the amount of your tax liability, the unused portion can be carried forward (up to three years) to offset future income tax liability.

The remaining 70% of mortgage interest, or \$3,382, qualifies as an itemized income tax deduction.

To receive the immediate benefit of your SDHDA Tax Credit, you would file a revised W-4 withholding form with your employer to reduce the amount of federal income tax withheld from your wages and increase your take home pay by \$120 per month (\$1,449 divided by 12).

\*By applying the increase in hour take home pay of \$120 towards your monthly mortgage payment of \$652.81; your effective monthly payment would be \$532.81 (\$652.81 minus \$120). See Example:

	No Tax Credit	With Tax Credit	
Income *	\$42,730	\$42,730	
Mortgage Interest	-4,831	-3,382	(70% of \$4,831)
Taxable Income	\$37,899	\$39,348	
Taxes Owed **	\$5,499	\$5,861	
Tax Credit (30%)		-1,449	(30% of \$4,831)
Actual Taxes Owed		\$4,412	
Tax Savings		\$1,087	

\*Income after Exemptions and other Itemized Deductions excluding Mortgage Interest

\*\*Based on the 2012 IRS Tax Table for a single individual

The SDHDA Tax Credit (MCC) varies by your loan amount. The lower the loan amount, the higher Tax Credit percentage.

\$120,000 or less	40% of your mortgage interest
\$120,001 to \$150,000	30% of your mortgage interest
\$150,001 or over	20% of your mortgage interest

## Who Can Apply?

You may qualify for the program if:

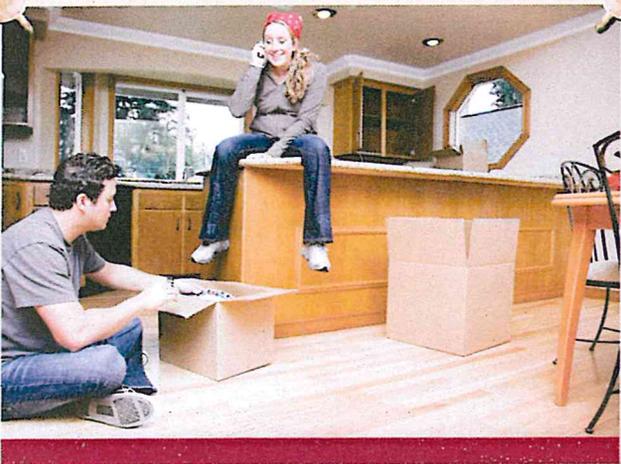
- ✓ You are purchasing your first home which means you have not owned and lived in a home in the last three years.
- ✓ The Maximum home sales price does not exceed the current Purchase Price Limit of \$204,432 or if the home is located in a federally designated targeted area, \$249,862.
- ✓ Your income does not exceed the Income Limits in effect for SDHDA's First-time Homebuyer program limits which vary by family size and by county.

## Other Requirements

- ✓ You must occupy the property
- ✓ The SDHDA Tax Credit can be used in conjunction with a fixed interest rate loan insured by FHA, guaranteed by the VA or USDA Rural Development or conventional loans insured by approved private mortgage insurance companies or conventional uninsured loans.
- ✓ Additional restrictions may apply. To find out if you qualify for the SDHDA Tax Credit, please contact an SDHDA Tax Credit approved Participating Lender. A list of lenders and purchase price and income limits are available on SDHDA's website at [www.sdhda.org](http://www.sdhda.org).

Buying  
your own  
home is  
attainable.

HERO an affiliate of South  
Dakota Housing  
Development Authority  
provides *homebuyer education*  
and *counseling* to  
South Dakotans  
through its partners.



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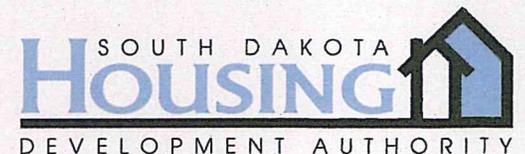
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504 Coordinator, Steve Hughes at 1.800.540.4241.

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# HOME BUYER EDUCATION

HOMEOWNERSHIP  
EDUCATION  
RESOURCE  
ORGANIZATION



*Building a Better Quality of Life*





# What is the Homeownership Education Resource Organization?

*Buying a home is one of the most important purchases that one may make. However, some only dream of owning a home because they perceive the homebuying process as intimidating and financially challenging.*

## *The Homeownership Education Resource Organization (HERO) is...*

An affiliate of SDHDA that was created in 2001 to provide homeownership education professionals with standards of learning objectives to advance homeownership through high quality, consistent education giving South Dakotans a better opportunity to achieve and maintain homeownership.

HERO also coordinates homeownership counseling efforts through a network of HUD approved counseling agencies statewide.

## *How do I Learn about the Class Schedule or Meet with a Counselor?*

Over 200 homeownership education classes are held throughout South Dakota during the year. To learn about a class near you, contact a HERO provider listed in this brochure or visit [www.sdhomebuyer.org](http://www.sdhomebuyer.org) for a class schedule.

## *What Class Topics are Covered?*

HERO affiliates provide classes one-on-one, in a group setting or online to potential homeowners. Class topics include:

- ✓ Personal Money Management
  - Developing a Household Budget
- ✓ Credit History Review
  - Understanding Credit Reports
- ✓ Financing and the Loan Process
  - Sorting through the Paperwork
- ✓ Predator Lending
  - Spotting Fraudulent or Deceptive Behavior
- ✓ Shopping for a Home
  - Finding a Home that Fits your Needs
- ✓ Now that I am a Homeowner
  - Learning the responsibilities of Homeownership

*Visit [www.sdhomebuyer.org](http://www.sdhomebuyer.org) for a complete listing of HERO Education classes.*

*James Valley Housing, Inc.*  
145 3<sup>rd</sup> Street SW  
Huron, SD 57350  
Phone: 605.554.0181  
[jamesvalleyhousing@midco.net](mailto:jamesvalleyhousing@midco.net)

## *Who are the HERO Education Providers?*

*Consumer Credit Counseling Service of the Black Hills*  
2310 North Maple  
Rapid City, SD 57701  
Phone: 605.348.4550 or 800.568.6615  
[www.cccsbh.com](http://www.cccsbh.com)

*Consumer Credit Counseling Service Lutheran Social Services*  
705 East 41st Street, Suite 100  
Sioux Falls, SD 57105-6025  
Phone: 605.330.2700 or 888.258.2227  
[www.lsssd.org](http://www.lsssd.org)

*Homes are Possible, Inc*  
318 South Main Street  
Aberdeen, SD 57401-4332  
Phone: 605.225.4274  
[www.homesarepossible.org](http://www.homesarepossible.org)

*Inter-Lakes Community Action Partnership, Inc*  
111 North Van Eps Avenue  
Madison, SD 57042  
Phone: 605.256.6518  
[www.interlakescap.com](http://www.interlakescap.com)

*NeighborWorks® Dakota Home Resources*  
795 Main Street  
Deadwood, SD 57732  
Phone: 605.578.1401  
[www.nhsblackhills.org](http://www.nhsblackhills.org)

*Northeast SD Community Action Program*  
104 Ash Street East  
Sisseton, SD 57262  
Phone: 605.698.7654 or 888.202.4855  
[www.nesdcap-nesdec.org](http://www.nesdcap-nesdec.org)

*Sioux Empire Housing Partnership*  
200 North Phillips Avenue, Suite 303  
Sioux Falls, SD 57104  
Phone: 605.339.0942  
[www.siouxempirehousing.org](http://www.siouxempirehousing.org)

Are you having trouble  
finding a *quality home* at  
an *affordable price*?

Currently *renting* an  
apartment that  
doesn't *fit* your  
family's *needs*?

Would you like  
to *live* in your *hometown*  
and be able to  
purchase a *new house*?

Tired of commuting and  
want to *live*  
in the *same town* as your  
*work*?

The  
*Governor's House*  
may be the  
answer!

### *What is SDHDA?*

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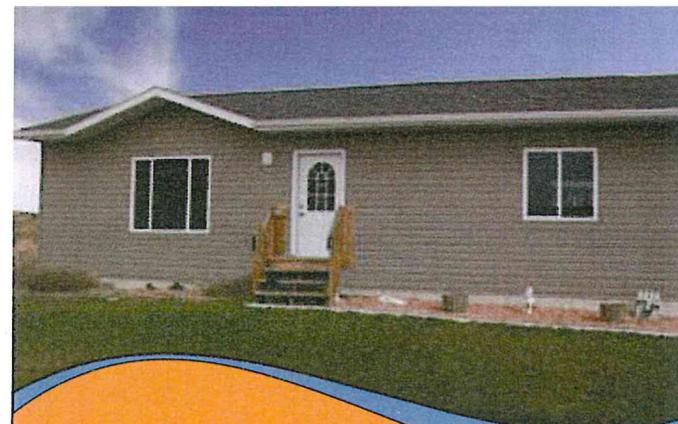
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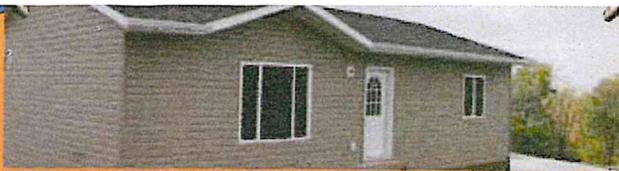
## THE GOVERNOR'S HOUSE PROGRAM

AN  
AFFORDABLE  
HOMEOWNERSHIP  
OPPORTUNITY



*Building a Better Quality of Life*

# Why buy a Governor's House?



## *The Governor's House is...*

- ✓ A great starter home for a young family
- ✓ An easy to maintain retirement home
- ✓ Reasonably sized
- ✓ Affordable
- ✓ Energy efficient
- ✓ Low maintenance
- ✓ Constructed with quality materials
- ✓ Wheelchair accessible

In 1996, the Governor's House Program was created as a way to provide reasonably sized, affordable homes to income-qualified individuals and families without using state tax dollars.

The Program puts prison inmates to work learning marketable skills for life outside of prison, while providing affordable, energy efficient, low maintenance homes to those who may otherwise not be able to afford one. The simplified home design, in conjunction with the Governor's Inmate Training Program, keeps the cost of these homes affordable.

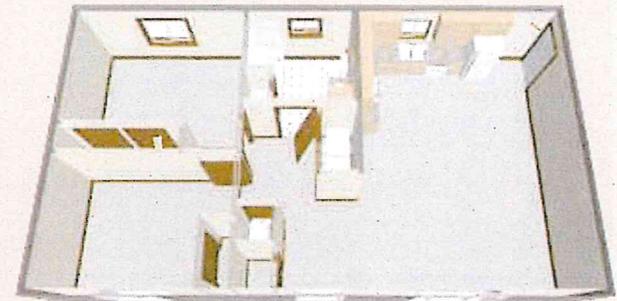
## *Features include...*

- ✓ Two bedrooms
- ✓ One bath
- ✓ 1008 Sq. Ft., dimensions 24' x 42'
- ✓ Electric or gas forced air heat
- ✓ Oak kitchen and bath cabinets
- ✓ Vinyl lap siding
- ✓ Vinyl windows with insulated glass
- ✓ 2 X 6 exterior wall construction with R-24 insulation
- ✓ Trusses framed for stairway (optional)

## *Advantages of buying...*

These new homes account for jobs and dollars in the local economy through the sale of lots, foundation and concrete work, sale of appliances, and sale and installation of floor coverings.

Communities also benefit. The Governor's House Program has helped increase the tax base and has given many South Dakota communities new homes from which to build better neighborhoods and increase the quality of life.



Standard 3-D Cutout (not to scale)  
Appliances and floor coverings not  
included in home price. A reverse  
plan is also available.

## *Tell me more...*

Contact your local lender to find out more about financing options.

To view a model home when available nearest you, to find out more, or to purchase a Governor's House, contact the South Dakota Housing Development Authority (SDHDA) at

**1.800.540.4241**

*Homebuyer's Worksheet...*

House Price (Includes Moving Costs)	<u>\$35,500</u>
Upgrade Options	_____
Sales/Excise Tax	_____
Building Lot	_____
Foundation (Crawl space or basement)	_____
Sewer/Water	_____
Utility Hookups	_____
Survey	_____
Building Permit	_____
Sidewalks and Driveway	_____
Curb and Gutter	_____
Appliances	_____
Floor Coverings	_____
Garage	_____
Other Additions to House	_____
Air Conditioning System	_____
Deck/Patio	_____
Estimated Total	_____

Some items may not be needed or required. Check with your local officials for more information.

***Building a Better Quality of Life***

*Price and Qualifications...*

Effective January 15, 2013

- ✓ The price of the Governor's House is **\$35,500.\*** This includes the price of the house, transportation to your lot, and placement on the foundation or basement. Additional placement charges may apply, depending upon lot location.
- ✓ For households with two or less individuals, combined income cannot exceed **\$44,660.**
- ✓ For households with three or more individuals, combined income cannot exceed **\$51,040.**
- ✓ For families and individuals under the age of 62, net worth must be less than \$90,000 and less than \$70,000 in liquid assets.
- ✓ For families and individuals age 62 and older, net worth must be less than \$175,000 and less than \$100,000 in liquid assets.
- ✓ The house must be used as the homebuyer's only residence.
- ✓ The house must be placed within South Dakota and be owned by the individual(s) living in the home.

\*Price subject to change.

***Building a Better Quality of Life***

# What is the HOME Investment Partnership Program?

HOME was first authorized in the National Affordable Housing Act of 1990 to expand the supply of long-term affordable housing for low income families. SDHDA was designated by the Governor and approved by the U.S. Department of Housing and Urban Development (HUD) as the agency to administer federal HOME funds in South Dakota. The primary purpose of the HOME program is to expand the supply of decent, safe, sanitary, and affordable housing for very low-income and low-income households. The HOME program provides funds to developers and/or owners for acquisition, new construction, and rehabilitation of affordable housing.

## What is SDHDA?

The South Dakota Housing Development Authority (SDHDA) was created by the South Dakota Legislature in 1973 with a mission to provide decent, safe, and affordable housing to low and moderate income South Dakotans. SDHDA is a self supporting, non-profit entity which uses no state tax dollars.

### Periods of Affordability

The HOME-assisted housing must meet the affordability requirements for not less than the applicable period specified in the following table, beginning after project completion.

Rental Housing Activity	Minimum period of Affordability in years
Rehabilitation or acquisition of existing housing per unit amount of HOME funds: Under \$15,000	5
\$15,000 to \$40,000	10
Over \$40,000 or rehabilitation involving refinancing	15
New construction or acquisition of newly constructed housing	20

### HOME Program Set Asides

SDHDA distributes HOME funds geographically throughout eligible areas of the state, taking into consideration a number of set-asides as detailed in the HOME Allocation Plan.

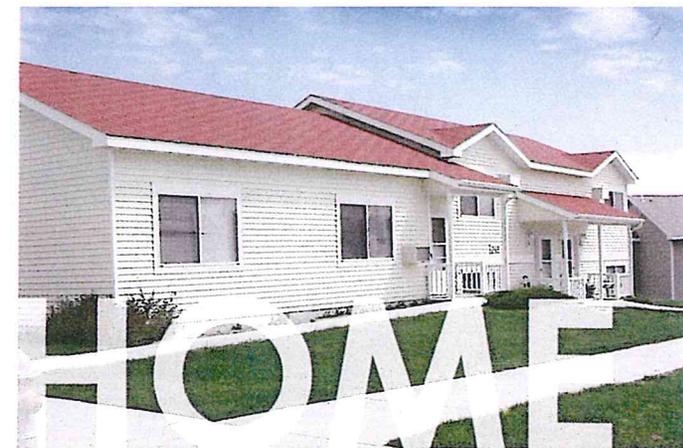


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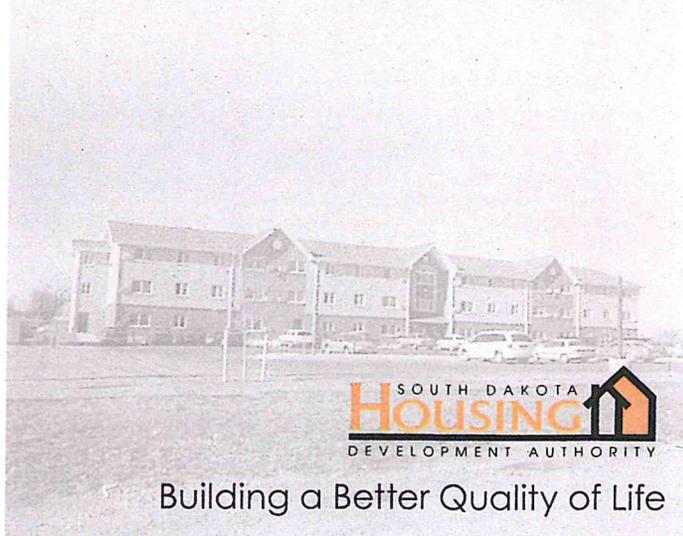
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#051104



## HOME Investment Partnerships Program

AFFORDABLE  
RENTAL  
HOUSING  
OPPORTUNITIES



Building a Better Quality of Life

## Rental Housing Occupancy Requirements

Rental housing will qualify as affordable only if, INITIALLY, the project:

Has at least 20% of the HOME assisted rental units occupied by families who have annual incomes that are 50% or less of Area Median Income (AMI).

Has at least an additional 70% of the HOME assisted rental units occupied by families who have annual incomes that are 60% or less of AMI.

Has the remainder of the HOME assisted rental units occupied by families who have annual incomes that are 80% or less of AMI.

NOTE: A project which includes less than five HOME assisted units is exempt from the 20% occupancy requirements.

Refer to the current HOME Allocation Plan for additional information on Occupancy Requirements.

## HOME Rents

Every HOME assisted rental unit is subject to rent limitations designed to ensure that rents are affordable to low and very low-income tenants.

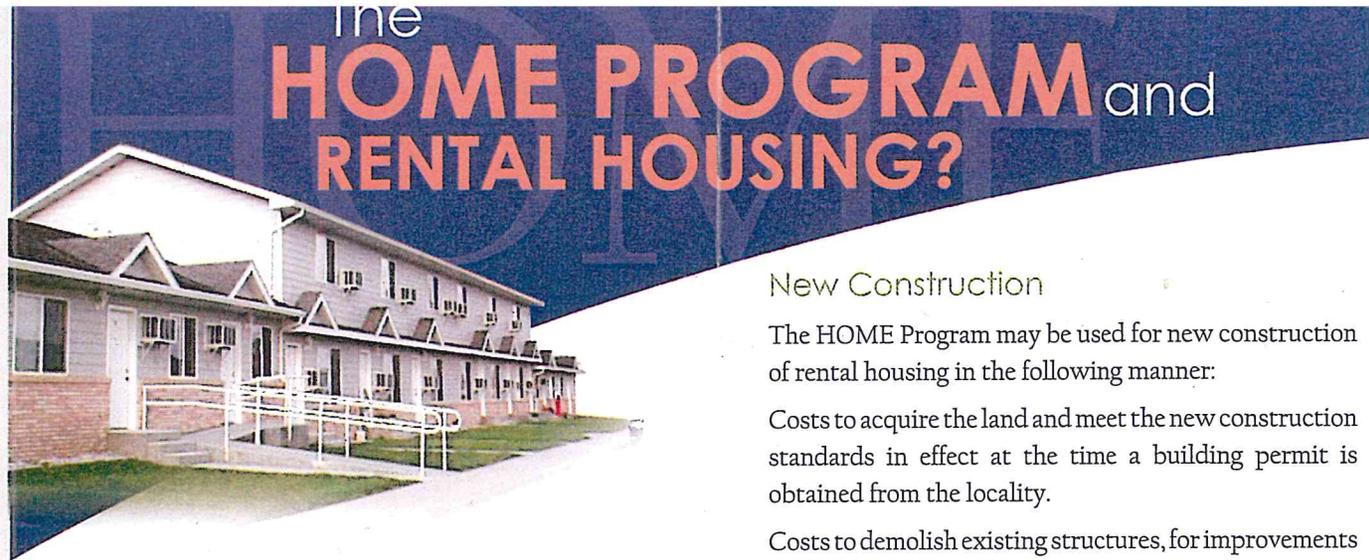
High HOME Rent is defined as rents which do not exceed the lesser of:

The fair market rents (FMRs) for existing housing for comparable units in the area established by HUD or a rent that does not exceed 30% of the adjusted income of a family whose annual income equals 65% of AMI.

Low HOME Rent is defined as rents which do not exceed the lesser of:

The FMRs for existing housing for comparable units in the area established by HUD or a rent that does not exceed 30% of the annual income of a family whose income equals 50% of AMI.

Refer to the current HOME Allocation Plan for additional information on HOME Rents.



## Rental Rehabilitation

The HOME Program may be used for rental rehabilitation or the preservation of rental housing in the following manner:

Costs to meet the applicable rehabilitation standards in effect at the time a building permit is obtained from the locality.

Costs to make essential improvements and to increase marketability of the property including:

Energy-related repairs or improvements;

Modifications necessary to permit use by persons with disabilities;

The abatement of lead-based paint hazards; and

To repair or replace major housing systems in danger of failure.

The application must describe in detail the level of rehabilitation and the cost necessary for the exterior and interior of the building, by apartment unit, if applicable.

## New Construction

The HOME Program may be used for new construction of rental housing in the following manner:

Costs to acquire the land and meet the new construction standards in effect at the time a building permit is obtained from the locality.

Costs to demolish existing structures, for improvements to the project site that are comparable with the surrounding standard developments.

Costs to make utility connections, including off-site connections, from the property line to the adjacent street.

Site improvements, which may include on-site roads and sewer and water lines necessary to the development of the project.

## Rental Conversion

Costs to acquire and convert a non-residential structure to residential housing are also eligible. Conversion of an existing non-residential structure to affordable housing is considered rehabilitation, unless the conversion entails adding one or more units beyond the existing walls, in which case the project is then considered new construction.



## How are Tax Credits Calculated?

The annual Tax Credit amount is intended to provide the owner or investor a return which provides a "present value" of either 30 or 70 percent of the qualified costs of the low income units in the development over a ten year period.

Costs eligible for a 30 percent present value (4%) credit include:

Qualified acquisition costs of properties which will be substantially rehabilitated.

Qualified costs of new construction and substantial rehabilitation developments which will be financed with tax-exempt bonds or subsidized federal loans.

Costs eligible for a 70 percent present value (9%) credit include qualified costs of new construction and substantial rehabilitation which have no federal financing subsidies.

The maximum allowable credit amount is determined by multiplying the applicable annual percentage rate (published monthly by the IRS) by the eligible development, acquisition, and rehabilitation costs attributable to the designated low income units in the project. The actual amount of credit awarded may be less than the maximum allowable if it is determined that the development would still be feasible with fewer Tax credits.



PO Box 1237 ■ Pierre, SD 57501  
p. 605.773.3181 ■ tty. 605.773.6107  
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The  
**Housing  
Tax Credit  
Program**  
can help provide  
your community  
with an  
**affordable  
rental  
opportunity.**

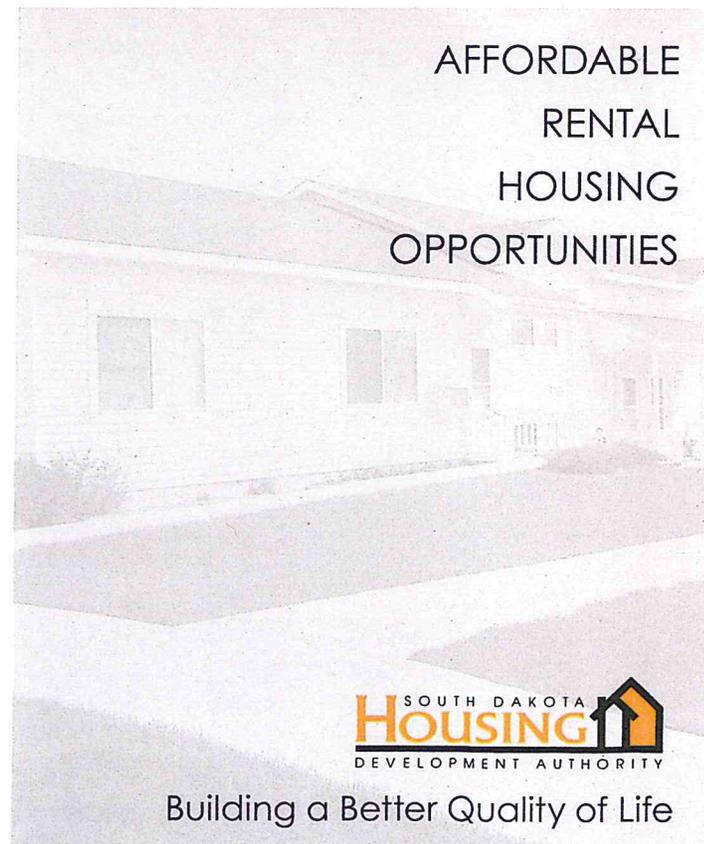
## What is **SDHDA?**

The South Dakota Housing Development Authority (SDHDA) was created by the South Dakota Legislature in 1973 with a mission to provide decent, safe, and affordable housing to low and moderate income South Dakotans. SDHDA is a self supporting, nonprofit entity which uses no state tax dollars.



**Housing  
Tax  
Credits**

**AFFORDABLE  
RENTAL  
HOUSING  
OPPORTUNITIES**



**Building a Better Quality of Life**



# What are HOUSING TAX CREDITS?



## How Does the Housing Tax Credit Program Work?

Owners and investors of rental housing properties who are willing to set aside a minimum portion of the development units for low income households may apply for the Housing Tax Credit. Tax Credit Developers typically raise equity capital by syndicating the Tax Credits to investors who are willing to invest in the property. The investor's return is the annual Tax Credit and other economic benefits generated by the development. SDHDA will determine the amount of Tax Credit based on several factors including depreciable development costs, type of project, percentage of housing units designated for low income use, the projected income and expenses of the project, and all sources and uses of funding.

## How are Tax Credits Allocated?

Tax Credits are awarded on a competitive basis to ensure the State's low income housing needs are being met. A Qualified Allocation Plan describes the general program requirements, the state's policies and procedures, development standards, development selection criteria, and submission requirements. Under federal law, at least 10 percent of the allocation must be set aside for qualified nonprofit IRS tax exempt organizations. The nonprofit must have ownership of and materially participate in the development and management of the project throughout the affordability period.

## How do I Apply for Tax Credits?

Interested developers can contact SDHDA for additional information and an application. Visit SDHDA online at [www.sdhda.org](http://www.sdhda.org) or call 605-773-3181.

## What is an Eligible Development?

New construction, substantial rehabilitation, or acquisition with substantial rehabilitation (\$10,000 per unit) are eligible under the Housing Tax Credit Program. Developments range in size from a detached, single-family rental property to a large apartment complex. The development must:

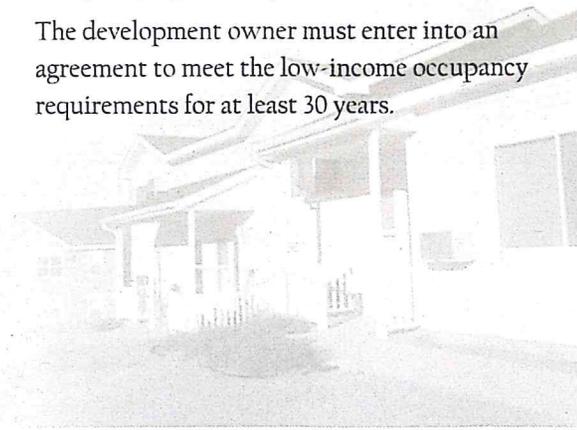
- Be in compliance with applicable federal, state, and local building and health codes, including Fair Housing and Section 504.
- Be advertised to the public as required by federal, state, and local fair housing laws and statutes.

## Rent and Occupancy Requirements

- The development must retain a minimum of 20 percent of the units affordable and available to tenants whose incomes do not exceed 50 percent of the area median gross income, OR

A minimum of 40 percent of the units affordable and available to tenants whose income do not exceed 60 percent of the area median gross income.

- Gross rents for the low-income units, including tenant-paid utilities, cannot exceed 30 percent of the qualifying monthly median income.
- The development owner must enter into an agreement to meet the low-income occupancy requirements for at least 30 years.



Affordable  
homeownership  
development  
is possible  
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**HOME**  
Investment  
Partnership  
Program!

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**SDHDA?**

The South Dakota Housing Development Authority (SDHDA) was created by the South Dakota Legislature in 1973 with a mission to provide decent, safe, and affordable housing to low and moderate income South Dakotans. SDHDA is a self supporting, nonprofit entity which uses no state tax dollars.

Developers, community leaders, lenders and contractors interested in expanding the availability of single family homes in their communities are encouraged to consider the HOME Program to develop an affordable alternative.

For more information please  
visit our website  
[www.sdhda.org](http://www.sdhda.org).



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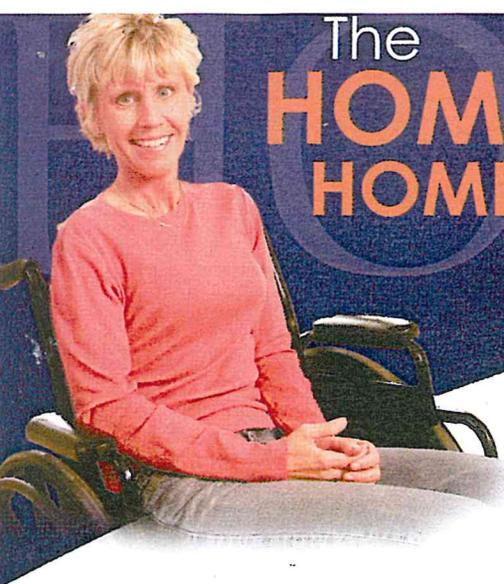
**HOME Investment  
Partnerships  
Program**

AFFORDABLE  
HOMEOWNERSHIP  
OPPORTUNITIES



Building a Better Quality of Life





# The HOME PROGRAM and HOMEOWNERSHIP

The HOME Program provides funds to developers and/or owners for acquisition, new construction, and rehabilitation of affordable housing. The primary purpose of the HOME Program is to expand the supply of decent, safe, affordable and sanitary housing for very low and low-income households.

## Lease-Purchase Option

A lease-purchase housing option is designed to bring homeownership within reach of low and very low-income households while assisting communities in addressing their need for more affordable single family housing.

- The homebuyer must income qualify at the time the lease-purchase agreement is signed.
- The homebuyer must purchase the housing within 36 months of signing the lease-purchase agreement.
- Eligible structures include houses, townhouses, and condominiums.
- The homebuyer must participate in homeownership and credit counseling while living in the units or before purchasing.
- Qualifying homebuyers may choose to purchase the units immediately or may lease the unit for up to three years while preparing for homeownership.
- A portion of the rent is set aside to assist with down payment and closing costs.

## How do I Apply for HOME funds?

Interested developers can contact SDHDA for additional information and an application. Visit SDHDA online at [www.sdhda.org](http://www.sdhda.org) or call 605-773-3181.

## Eligible Activities for Single Family Site Development.

Funds may be used for the acquisition and development of affordable lots in new housing subdivisions if construction will begin on the homes within 12 months of purchase. Land banking is prohibited. The purchase price of all homes in the development are limited—refer to the current HOME Allocation Plan which is available at [www.sdhda.org](http://www.sdhda.org).

- Funds may be used for utility connections including off-site connections from the property line to the adjacent street and to make improvements to the project site that are in keeping with improvements of surrounding, standard projects.
- Site improvements may include on-site roads and sewer and water lines necessary for the development of the project.
- The developed lots must be sold to persons who income qualify and the purchase price of the completed homes are limited - refer to the current HOME Allocation Plan.
- The owner/developer will have up to six months from the time the loan commitment is executed to begin construction on the proposed development.

## Eligible Activities for Single Family Developments

Funds may be used for the acquisition and/or rehabilitation of existing single family homes or the development of new single family homes for re-sale to qualified low-income homebuyers at a pre-determined purchase price. The home must be sold to persons who income qualify and the purchase price of the homes are limited - refer to the current HOME Allocation Plan.

Developers and contractors are encouraged to seek a market study to determine the need for larger projects, although anecdotal information may be sufficient for smaller one to five unit projects. Both profit motivated and non-profit entities are encouraged to participate.

## Recapture/Resale Restrictions

Homebuyers assisted under HOME will be required to adhere to recapture or resale guidelines as specified by 24 CFR 92.254.

Refer to the current HOME Allocation Plan for specific Recapture/Resale restrictions.



The objective of the South Dakota Housing Opportunity Fund (HOF) is to provide a financial resource to help address the housing needs of South Dakota communities. Based on identified housing needs, HOF can be utilized to assist with providing a variety of housing opportunities. For additional information please review the Housing Opportunity Fund Allocation Plan.

**Financing Source:**

HOF can be provided as a guarantee, loan (0% to 4%), loan subsidy, or grant.

**Eligible Applicant:**

Public or private nonprofit or profit-oriented corporation, partnership, limited partnership or organization, including tribal and local government, political subdivisions, and agencies of the state.

**Eligible Activities:**

New construction, acquisition and/or rehabilitation of single family and multifamily housing for homeownership and rental.

**Eligible Programs:**

Homebuyer assistance, Homeowner Rehabilitation, and Homelessness Prevention.

**Property Location:**

Property must be fee simple title or long-term leased land located in South Dakota. Demand for the proposed housing units or program must be documented.

**Income Limit:**

Low to moderate income households with maximum income at or below 115 percent of the county's Area Median Income (AMI).

**Owner Equity:**

Minimum 10 percent equity requirement for profit-oriented owners.

**Financing Amount:**

No minimum financing amount with maximum financing not to exceed 25 percent of the available HOF funds or 50 percent of the proposed development's or the program's total costs.

**Funding Procedure:**

Applications will be received during the application cycle as defined in the HOF Allocation Plan. Upon review of complete applications, SDHDA Board of Commissioners will determine acceptance or denial.

# *Housing Opportunity Fund*

**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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For information regarding Section 504 Accessibility, contact the South Dakota Housing Development Authority 504 Coordinator, Mike Harsma, at 1-800-540-4241.