

Borrower's Worksheet
Calculating Debt Capacity
WORKSHEET

STABLE MONTHLY INCOME \$ _____

TOTAL DEBT PAYMENTS \$ _____

Payments Divided by Income Equals:
CURRENT total DEBT RATIO _____%

LENDER'S total DEBT RATIO _____%

Lender's Debt Ratio minus Current Debt Ratio Equals:
AVAILABLE total DEBT RATIO* _____%

AVAILABLE DEBT RATIO X INCOME Equals:
ALLOWABLE MONTHLY PAYMENT \$ _____

Divide by:
MONTHLY LOAN CONSTANT
(From Calculator or Constant
Table) \$0. _____

Equals:
ALLOWABLE LOAN AMOUNT** = \$ _____

* Not to exceed lender's Housing Debt Ratio (PITI).

** Limited also by LTV and value of subject property

Ohio CDC Association 2008 Basic Skills
CASE STUDIES

Homebuyer 1

Darleen W. is 24 and has children ages three, five and six. She is a single parent and works as a hairdresser. Ms.W earns \$900 a month and receives an additional \$554 a month from SSEI benefits. She and her children live in a three-bedroom trailer with two adults and three other children. It is important for Ms. K. to stay close to her children's relatives and to the school district her oldest child currently attends. She is able to afford \$230.00 a month in a mortgage payment (P&I). OCHDO Corp. holds a warranty deed to a three bedroom house located at 5 W. Second St. in Plantain. The house will cost \$46,500. The home is within walking distance of school and other community services including the Athens City bus line.

Term	Interest Rate	<u>%</u>
Mortgage Amount		\$
GAP		\$

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Mortgage Amount		\$
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Term	Interest Rate	<u>%</u>
Mortgage Amount		\$
GAP		\$

Ohio CDC Association 2008 Basic Skills
CASE STUDIES

Homebuyer 2

Stan and Lois T. are married and have three children ages 13, 12 and 10. The T's are 34 and both work low paying jobs. Mrs. T. is a day care worker and Mr. T. is a summer youth counselor and attends college during the other months. Their combined annual income is \$19,100. The family can afford a mortgage payment (P&I) of \$280.00 each month. A four bedroom house at 54 Cemetery St. in Colson, Ohio, at a cost of \$57,000, is available to the family. The couple wants to remain in the School District where their children all attend school.

Term	Interest Rate	<u>%</u>
Mortgage Amount		\$
GAP		\$

Term	Interest Rate	<u>%</u>
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Term	Interest Rate	<u>%</u>
Mortgage Amount		\$
GAP		\$

Value Engineering

Value engineering is many times confused with cost cutting. Many people incorrectly call “trimming down the project” Value engineering. The true definition is based on the term value which means one must consider the overall factors involving a system or product, not just the initial price. The factors to be considered in doing a value engineering analysis are as follows:

- (1) **Initial Price**
- (2) **Maintenance Cost** - over the lifetime of the product or system
- (3) **Operational Cost** - over a set period of time
- (4) **Anticipated life span** of the building or how long one plans to own a building
- (5) **Time value of Money**
- (6) **Replacement cost**
- (7) **Frequency of replacement**
- (8) **Salvage value** at end of service period

Example:

Many times a product that has a lower initial cost, but has a higher frequency of replacement is not always the best “value” if you are planning to own the building for a long period of time. While if you are planning on just building and selling the building then the lower initial cost will be the better value for the builder, but will probably be a lesser value to the buyer. In other words the “value” of a product depends on who is looking at it and what their needs are at a particular time. Value Engineers try to calculate what is usually referred to as “Life Cycle Costs”.

Value therefore is a function of much more than initial cost. The irony is that when developers ask for Value Engineering to be applied to a project, they almost universally expect a lower construction cost. In fact, if the analysis is truly after the best “Life Cycle Cost”, the construction cost may increase. In reality there is usually waste in a design, and a competent Value Engineer will find it, and reduce the construction cost.

In residential construction, the Value engineering team generally consists of the Architect, Contractor and Owner/Developer working together to control costs and quality of construction.

PLANNING AND HOUSING DEVELOPMENT CONSULTANTS for HOME OWNERSHIP

NEIGHBORHOOD PLANNER

TASKS

SKILLS

CONTRACT

Conduct Surveys and Analyze Data

Coordinate community/tribal meetings

Evaluate and map physical and financial assets

Assess feasibility of new economic development initiatives (w/tribal authorities)

Develop/assemble the comprehensive plans

Degree in Planning/Architecture

Experience in developing comprehensive plans

Knowledge of housing programs and procedures;

Knowledge of construction/building housing and infrastructure

Familiarity with zoning , building, health and safety codes

Understanding of economic development principles and strategies

Knowledge of traditional and non-traditional funding sources

Prepare agreement and contract with specific tasks and performance measures with atty

Use in-house staff to evaluate existing data and conduct survey

Costs vary by region and level of information needed

MARKET ASSESSOR

TASKS

SKILLS

CONTRACT

Market analysis to determine demand, profile of population to consume housing, affordable prices/rent ranges, comparables, present/projected competition

Experience in doing market analysis and particularly market/demand of housing for lower income households

Knowledge of cost, market, analysis types

Prepare agreement with performance measures

Use existing available research as feasible

FINANCIAL PACKAGER

TASKS

SKILLS

CONTRACT

Develop a workable package of private/public funding along with needed subsidy

Financial Feasibility Analysis

Development costs

Operating costs

Revenues

Proformas Prepare project for initial closing

Negotiate terms w/ lenders (w/owner)

Assemble required financial, organizational, and construction documents obtain final lender commitments

OPTIONAL: Assemble remaining closing document and work with lawyers and assist the Owner in meeting obligations for closing

Experience in packaging proposal to public sources and private lenders

Knowledge of real estate finance

Knowledge of the costs of developing and operating housing for lower income persons in the respective market; experience in ascertaining pertinent data and making accurate cost projections and assumptions

Working knowledge of federal, state, local, and private funding, especially options for long-term subsidies

Knowledge of conventional financing sources and the ramifications and legalities of meshing public and private dollars

Knowledge of construction and permanent financing;

Ability to create development proformas, with equity, gap, sources and uses

Prepare agreement and contract with specific tasks and performance measures with atty.

Costs vary by location, project type, size and complexity of loan source.

Typical costs: 3% of total funding sources for packaging through lender commitments

Add 1% fee to bring to closing

ENVIRONMENTAL ASSESSOR

TASKS

SKILLS

CONTRACT

Conducts preliminary review for acquisition

Environmental review of site and building, including site visits, review of federal, state, local and tribal records, interviews; analysis, recommendations and reports in accordance laws, regulations and lender's guidelines.

Certification/ Accreditation as environmental assessor

Knowledge of funding sources environmental underwriting guidelines

Experience in conducting HUD and

RFP for ASTM Phase I, II

Contract to provide report and recommendations

Keep separate assessors and remediation firms

Costs for Phase I \$1,700- \$2,300

APPRAISER

TASKS

SKILLS

CONTRACT

Determine fair market value of site/property

License/Accreditation

Knowledge of local real estate market

Experience in appraising similar projects

Use standardized agreement

Costs vary by region, size, and type; from \$225 each SFH to \$400 for 1-4 unit to \$2,500 for multi-family large

Certified by State (optional) member of _____

ATTORNEY

TASKS

SKILLS

CONTRACT

Review legal and regulatory documents

Site control negotiating and closing

Preparation of property closing documents, loan closing documents;

Act as General Counsel

Degree and license in Law

Knowledge of affordable housing real estate development process and experience in legal and financial aspects of producing affordable potentially subsidized housing
Knowledge of affordable housing development, organizational, contract, and real estate law
Skill in negotiating for publicly and privately held properties; knowledge of local real estate market; understanding of legalities and requirements of various site control options

Negotiate hourly fee and agreement for project related work
Avoid retainer-type arrangements

ARCHITECT/ENGINEER

TASKS

SKILLS

CONTRACT

Work with Owner on Conceptual Plan and prepare schematics,

Develop site plans, specifications, construction documents

Estimate costs,

Monitoring compliance with plans during construction and payments to contractors

Degree and License

Experience with designing similar projects and working with tribal entities and/or nonprofit developers

Knowledge of traditional tribal designs and innovative (cost saving, energy efficient) building practices and other issues related to project location

Knowledge and experience in appropriate engineering field; geotechnical, structural, civil, mechanical, electrical

Use RFP for bids

Use atty. Modified AIA contract

avoid % of construction costs contracts

if Arch, subcontracts get approval for and breakdown of engineers

Costs vary by region, size, and type of project from 5%-16% of construction costs

10+ units new construction no/engineer \$250/unit

10+ units 1600 sq. ft. rehab w/structural \$850/unit

Structural engineer 1%-2.5%

CONSTRUCTION MANAGER

TASKS

SKILLS

CONTRACT

Prepare construction budgets and obtains estimates and bids and subcontracts contracts for construction or rehabilitation

Manages and monitors construction schedule, costs, and quality in accordance with the plans and specifications

Oversees quality, schedule of subcontractors for the Owner

Experience in managing similar projects and working with tribal entities and/or nonprofit developers

Knowledge of construction techniques, methods, and materials.

Knowledge of design and innovative (cost saving, energy efficient) building practices and other issues related to project location

Ability to track project and negotiate contracts with subcontractors
RFP for bids

Use AIA Contracts modified by Atty.

Fees are percentage of construction costs and vary by project size, region. \$500K-1 mil 4%-5% ;Under\$500 averages 8%.

GENERAL CONTRACTOR

TASKS

SKILLS

CONTRACT

Prepare cost estimates for construction or rehabilitation

Performs construction work in accordance with the contract for construction, plans and specifications

Ensures quality, schedule of subcontractors

Experience with constructing similar projects and working with nonprofit developers

Knowledge of construction techniques, methods, and materials

Knowledge of design and innovative (cost saving, energy efficient) building practices and other issues related to project location

RFP for bids

Use AIA Contract Documents or equal modified by atty. Avoid Cost Plus Fee Contracts

Costs based on location, type materials , and number of units

Get cost breakdown by trade for new and substantial rehab

PROPERTY EVALUATOR

TASKS

SKILLS

CONTRACT

Identify and research potential sites

Evaluate sites

Local regulatory review and approval process

Environmental review

Development review

Architectural review

Other local and federal requirements

Knowledge and experience in local real estate activity i.e. ownership, values, prices, regulatory issues, etc.

Ability to research properties (legal, land uses, environmental, taxes, neighborhood issues, infrastructure); assess pros and cons of sites and make recommendations

Prepare agreement and contract with specific tasks and performance measures with atty

Costs vary by region and number of evaluation factors

Range from \$2,000 to \$5,000.per project

PROJECT MANAGER

TASKS

SKILLS

CONTRACT

Set development agenda

Develop and manages work plan

Site control negotiating and closing

Negotiate, hires, and coordinates work of team members

Manage budget, schedule, compliance with loan/grant requirements

Take project from concept to lease-up or sales Site control negotiating and closing.

Extensive understanding of housing development process and ability to review and assess work of team members

Ability to: 1) take charge and make decisions; 2) solve problems; 3) negotiate; 4) engage team members and remove team members, when necessary

Knowledge of the federal, state local and private loan source regulations and requirements

Experience in managing projects of similar scope and scale.

Prepare agreement and contract with specific tasks and performance measures with atty

Costs vary by region and project type, size.

HOME BUYER TRAINER/COUNSELOR

TASKS

SKILLS

CONTRACT

Recruit and train first time home buyers

Provide additional credit and budget counseling to families needing additional credit

Track home owners for future services

Ability to market and assemble pool

Ability to develop and transition renters to home buyers

Knowledge of mortgage loan process and underwriting and Fair Housing Laws.

Knowledge of local banking environment

Ability to access professional trainers. Real Estate Agent, Insurer, etc.,

Familiarity with development process and construction

Based on a per home buyer fee, from \$125 to \$300