

HB 1362 – Relating to a Housing Development Loan Fund “Suggested Outline” for the program

February 4, 2025

The HB 1362 bill, if approved, is intended to provide a low interest loan to residential builders, through the State Bank of North Dakota to assist in the cash investment requirement of lenders providing a speculative construction loan to a qualified North Dakota licensed residential builder. This Legislative proposal is asking the State Bank of North Dakota to set aside \$10,000,000 to be used as a revolving fund for low-interest short term loans. These loans would assist residential home builders when applying for a speculative construction loan from a lender, in order to build homes in North Dakota.

- This \$10,000,000 revolving short term loan fund would be remitted back to the State Bank of North Dakota within five years of the starting date, with a 2% annual, non-compounding, simple interest rate.
- Interest is only bearing on the amounts borrowed.
- Each project would need the approval of the lender providing the construction funding.
- Builders can use these funds anywhere in North Dakota.
- Each builder may borrow up to \$50,000 per home, up to two homes per builder at any time. If there is a shortage of applications, the Bank of North Dakota may, at its discretion, issue more than two loans to a builder.
- As each home is completed and sold, the borrowed funds are repaid to the Revolving Fund with a payment including the 2% annual simple interest.
- \$5,000,000 of funding is available anywhere within the State of North Dakota.
- \$5,000,000 of additional funding is available within the seventeen oil impacted counties of North Dakota.
- If each \$5,000,000 portion of the entire \$10,000,000 revolving fund has been disbursed, the Bank of North Dakota must wait until a loan repayment is received prior to issuing additional construction project funding.
- Residential is defined as a single-family home and two to four unit residential housing. Apartment complex or more than four units would not qualify for this loan.

Details of the program:

- Each lender may utilize a bid form of their choice, including a suggested 5% contingency amount in the estimated Bid Form
- Utilize a sub-contractor agreement as a minimum, approved by the lender.
- Utilize a provided Pay Draw form as a minimum, approved by the lender.

- The lender would approve the project, draw Schedule and payment amounts.
- The builder would provide a letter of loan approval from their lender, prior to applying to the State Bank of North Dakota.
- Building permits to be obtained (where required).
- The builder or developer may subordinate the project lot as a portion of the cash investment requirement of the construction loan.
- The funding from the revolving fund, along with a lot subordination, would be used to reduce the out of pocket cash needed from the builder, assisting them in acquiring the speculative construction Loan.
- For a typical speculative construction loan, the lender would assume the first lien position. The State Bank of North Dakota would assume the second lien position. Subordination of the assistance loan will not be allowed with a refinance of the first mortgage.
- If a builder borrows up to the \$50,000 and finances the remaining portion of the project themselves without any other construction financing, the State Bank of North Dakota would assume the first lien position.
- All projects must be completed and for sale within 1 year of funding, or a 5% penalty fee per month may be charged on the loan balance, and the builder may be barred from future applications to the program.
- A “Certificate of Occupancy” must be obtained before closing a property.
- Houses must be SOLD and not rented or occupied by a builder, unless both construction loans have been satisfied.

Qualifications of the Builder:

- Minimum 2-years’ experience as a licensed North Dakota General Contractor.
- Completed a minimum of 4-homes as a licensed North Dakota General Contractor (or as approved by lender).
- Carry liability insurance that meets the local municipality requirements.

Mark D. Schneider



City of Williston - Director of Development Services
City of Williston Housing Commission