



HOUSING ENTERPRISE OF CENTRAL ALABAMA

## FACT SHEET

The Housing Enterprise of Central Alabama (HECA) is a for-profit lender that opened in 2003 to increase the production of moderately priced housing by providing financing to private and non-profit developers. Projects eligible for financing must serve families/persons whose incomes range from 60% to 80% of the Area Median Income.

**HECA highlights:** \$56.5 million loan funding availability

Joint venture owned by investor banks: Regions Bank, Compass Bank,  
New South Federal Savings Bank, First American Bank,  
Aliant Bank, Superior Bank

**Affiliates:** HECA has a non-profit affiliate, the Housing Fund of Central Alabama (the Fund). The Fund has a \$1.6 million initial grant pool. Investors are the financial institutions involved with HECA and area foundations: The Community Foundation of Greater Birmingham, the Stringfellow Health Fund of the Community Foundation of Calhoun County, and The Walker Area Community Foundation.

**What we do:** HECA and the Fund lend money to qualified private and non-profit developers to help build and renovate safe, decent, entry-level housing for low- and moderate-income families. Jointly, HECA and the Fund provide gap financing and/or more aggressive construction and acquisition loans or investments to qualified projects. Loans can be structured to provide up to 100% project financing with limited recourse. In addition, the Fund provides grants to non-profits for core operating support on a limited basis, technical assistance and programs related to capacity building in the affordable housing community.

**What we strive to accomplish:** HECA and the Fund are catalysts for neighborhood revitalization, economic development and the creation of housing opportunities in areas not typically accessible to families of moderate means.

HECA understands that neighborhood building is not just about building houses, but about building communities. HECA supports ancillary services such as home-buyer training and credit counseling that guarantee the success and sustainability of communities. HECA is an advocate for home ownership as a vital means of transforming distressed neighborhoods into healthy communities.

### **Goals for HECA/Fund-financed projects**

- Relieve Housing Cost Burden that is Greater than 30% Income
- Provide Housing in Areas of Opportunity
- Innovative, Community-Oriented Design
- Mixed-Income Properties (50% to 100% AMI)
- Serve Single-Wage-Earner Families and their Children

**Eligible Projects:** Single-family housing or multi-family; acquisition and rehabilitation; new construction; and subdivision development.

### **Loan products:**

#### **1. Short Term / Floating Rate Loan**

<i>Term:</i>	36-month maximum
<i>Rate:</i>	Floating, utilizes a LIBOR index and priced according to risk
<i>Size:</i>	\$500,000 minimum
<i>Amortization:</i>	Interest only; balloon payment at maturity
<i>Guaranty:</i>	Completion Guaranty Only
<i>Loan to Value/Cost:</i>	Up to 100%

## **2. Long Term / Fixed Rate Loan**

<i>Term:</i>	5, 7 or 10 years
<i>Rate:</i>	Fixed
<i>Size:</i>	\$500,000 minimum
<i>Amortization:</i>	20 – 30 years
<i>Loan to Value/Cost:</i>	Up to 100%
<i>DSC:</i>	1.2x

To facilitate the acquisition and rehabilitation of multifamily assets, HECA and the Fund also provide a mini-permanent facility by combining attributes of the two loan products outlined above.

## **3. Mezzanine Debt for Bond / Tax Credit Transactions**

HECA offers subordinate or “mezzanine” debt for projects developed or renovated with private activity bonds and the 4% housing tax credit. This gap-filling debt makes many more projects feasible with higher per-unit renovation and cash to pay developer fees.

The HECA advance is structured as a taxable loan with flexible payment terms, depending on the situation. The tax-exempt debt is backed by credit enhancement and must equal or exceed 50% of total development costs. The product is priced similarly to first mortgage debt with fee participation. There are no income or rent requirements beyond those applicable to the tax credits.

**Geographic Areas Served:** HECA works in a 12-county area surrounding Birmingham: Bibb, Blount, Calhoun, Chilton, Cullman, Etowah, Jefferson, St. Clair, Shelby, Talladega, Tuscaloosa and Walker Counties.

**History:** HECA grew out of an affordable housing initiative launched in 2002 by Region 2020 and funded by major financial institutions and community foundations. Region 2020 is a citizen-driven non-profit that advocates regional cooperation to improve quality of life in 12 Central Alabama counties. Grassroots work identified a strong need for a central organization to which others could turn for assistance in identifying resources and addressing a variety of affordable housing issues.

**Who qualifies for moderately priced housing?** Moderately priced (or affordable) housing is for-sale or for-rent units that can be reasonably accessed by individuals and families whose incomes range from 60% to 100% of the Area Median Income. The following chart illustrates some of the home prices and costs to families in the region:

<b>Target Homebuyer in Selected Counties</b>	<b>Calhoun</b>	<b>Tuscaloosa</b>	<b>Blount, Jefferson, Shelby, St. Clair</b>
<b>Homebuyer's Income 60-80% Area Median*</b>	\$29,700- \$49,500	\$31,080- \$52,300	\$34,440- \$45,920
What home price can the target buyer afford?	\$112,254- \$149,673	\$117,470- \$160,255	\$130,170- \$173,560

*\*Source: 2006 HUD Estimated Median Family Incomes, Family of 4*

**HECA's loan underwriter:** Censeo, Inc., Doug Turner, Two North 20<sup>th</sup> St., Suite 1030, Birmingham, AL 35203  
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