



PRESERVE SOUTH DAKOTA

PO Box 267 | PIERRE SD 57501

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Revolving Loan Program Information Sheet

WHO ARE WE?

Preserve South Dakota is a private, non-profit 501c3 corporation dedicated to the preservation of structures and sites of importance to South Dakotans. We are primarily funded with donations and membership fees.

The Revolving Loan Program provides property owners with intermediate-term, low-interest loans to purchase, restore, and rehabilitate historically significant properties.

HOW DO I QUALIFY FOR A REVOLVING LOAN?

First, the building that you expect to improve with the funds must be “historically significant.” (See explanation below.) Second, the borrower(s) must demonstrate the financial ability to make regular monthly loan payments. Funds are made available to individuals regardless of race, handicap, age, religion, gender, national origin, or ancestral status.

HOW DO I KNOW IF MY PROPERTY IS HISTORICALLY SIGNIFICANT?

A property is considered historically significant if 1) it is listed on the National Register of Historic Places, 2) it is listed on a local register of historic or cultural resources, or 3) it is eligible for listing in the National Register of Historic Places or a local register after renovations. In general terms, this means that a structure, building or site must be at least 50 years old and retain its original architectural integrity.

WHAT IMPROVEMENTS CAN I MAKE USING THE LOAN FUNDS?

Loan funds can be used for restoration, rehabilitation and repair, acquisition, and project-related costs. The highest priority for funding is placed on exterior improvements, including windows, doors, foundations, porches, roofs, chimneys, brick, masonry, siding repair, seismic retrofitting, and reconstructing existing additions. Secondary priority is placed on interior systems, including the heating, plumbing, and electrical finishes. For example, a revolving loan application will not be approved for a kitchen or bathroom-remodeling project if the roof and foundation need to be repaired, unless they are part of a more comprehensive renovation plan.

WHAT TYPE OF EXPENSES CAN THE FUNDS BE USED FOR?

All construction materials and labor costs on renovating existing building aspects are eligible, including costs such as engineering services, architect's fees and permits. Loan funds may not be used for landscaping, new construction, fences, non-historic retaining walls, and concrete pads (patios, parking, etc.) In addition, the funds may not be used for incompatible materials, inappropriate rehabilitation techniques, refinancing existing mortgages or for projects that have already been completed. Funding requests for work in progress will be reviewed in a case-by-case basis.

WHAT ARE THE TERMS OF THE LOAN?

Loan amounts are limited to \$15,000 per project at a 6% interest rate. All loans are amortized for a maximum of seven (7) years. Security is required for collateral, usually in the form of a mortgage on the property or other tangible property. Arrangements are made for automatic payments from your bank account into the PSD bank account.

HOW MUCH CAN I BORROW?

In determining how much an applicant can borrow, the Revolving Loan committee considers three areas:

- Applicant's current housing-related debt, overall debt and income. The committee may not approve a loan if the applicant is paying more than 31% of income in overall debt.
- The existing debt that is owed against the property. The committee may not approve a loan if the existing and proposed debt against the property exceeds 95% of the property's value.
- The amount of money available in the loan fund at the time the application is presented.

WHAT INFORMATION IS REQUIRED FOR THE APPLICATION?

The first step is to complete the Project Description Application form for review by the proper committees, which requires the following information:

- A. Project Description Application:
 1. Historical Information: If available, you must submit information to verify the historic significance of the property being renovated with the loan funds.
 2. Statement of Property Value: You must submit a copy of an appraisal, purchase agreement, or property tax assessment record issued within the previous 12 months.
 3. Description of Work: A written description of work must accompany the application. In addition, construction drawings detailing the proposed improvements may be required.
 4. Photographs of the Property: Photographs showing all sides of the structure as well as details of problem areas must be submitted.

5. Bids from Licensed Contractors: Copies of bids from currently licensed contractors for all proposed improvements must be submitted.

If your project qualifies for funding and you decide to apply for a loan, you must provide the following:

B. Loan Application:

1. Personal and Financial Information: You must provide detail information regarding your current employment and income, assets, and liabilities.
2. Credit Report: You must sign an approval giving permission to have a credit report printed on you.

HOW MUCH ARE THE CLOSING COSTS?

An application fee of \$50 is payable when the Project Description application is presented to the Preserve South Dakota office. The fee will be applied towards closing costs at final closing.

If your loan is approved, you will receive a letter from the Preserve South Dakota's Executive Director outlining the applicable closing costs. Though closing costs vary from loan to loan, estimates are as follows:

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| 1% of loan amount | Loan Origination Fee |
| \$ 40.00 | Recording Fee |
| \$125.00 | Title Insurance |
| \$200.00 | Cancellation Fee – applicable only if the loan does not go to closing after title work has been prepared. |

Fees are subject to change without notice and may vary in accordance with the current schedule of the title company and county recorder's office fees.

HOW LONG DOES THE LOAN APPROVAL PROCESS TAKE?

Statewide Funds: Applications are accepted throughout the year. Once a completed Project Description application is received, copies are distributed to the Preserve South Dakota Loan Approval Committee for approval.

Lead and Sioux Falls Funds: Applications are accepted throughout the year. Once a completed Project Description application is received, copies are distributed to the appropriate committee for approval – Sioux Falls Board of Preservation or the Lead Historic Preservation Commission.

The committee will either meet in person or discuss the application via conference call. The process usually takes thirty (30) days unless additional information is necessary.

Once the project has been approved, you will receive a notice and a loan application to complete. Once a complete loan application is returned to the office, copies are

distributed to the Loan Approval Committee and a credit report is ordered. The committee will either meet in person or discuss the application via conference call. The process usually takes thirty (30) days unless additional information is necessary.

ARE THERE OTHER REQUIREMENTS EXPECTED OF ME?

Yes, all construction work must meet the Secretary of the Interior's Standards for Rehabilitation. Information and on-site visits are provided to help property owners meet these Standards. Projects will be inspected before and after construction to ensure the Standards are met.

Borrowers must also be members of Preserve South Dakota for the term of their loans.

ARE THERE OTHER FINANCIAL INCENTIVE PROGRAMS AVAILABLE?

Yes. The South Dakota State Historic Preservation Office administers two financial incentive programs for historic property owners. Please contact the State Historic Preservation Office at (605) 773-6005 for more information about these programs:

- **Property Tax Moratorium** - Historic buildings in South Dakota may be eligible for an eight-year property tax moratorium on improvements that meet the Secretary of the Interior's Standards. These improvements can include most anything that would be considered a capital improvement, including, but not limited to: mechanical systems; interior repairs to walls, floors, and ceilings; insulation and weatherization; exterior repairs to siding or roofing; or replacement of a removed feature, such as a porch.
- **Income Tax Credit** – Owners of commercial historic buildings may be eligible for a 20% federal income tax credit on their rehabilitation projects when they meet certain criteria. This program is only available for income-producing properties, not for owner-occupied residences.