Week 4 Practice Questions (1 -20)

Developer's Institute Funding Sources

1. The Louisiana Housing Corporation was created in 2011 when the Louisiana Legislature merged the Louisiana Housing Finance Authority with housing programs from other state agencies, including Louisiana's Office of Community Development. The Louisiana Housing Corporation strives to ensure that every Louisiana resident is granted an opportunity to obtain safe, affordable, (   ) housing.

A. community-based
B. energy-efficient
C. environment-friendly

2. The Louisiana Housing Corporation administers its programs in order to assist:

A. Hospitals, Schools and Universities
B. Developers who build communities near railroads and airports
C. Renters, homebuyers and owners, developers, nonprofit group, local governments and stakeholders.

3. Which of the following is INCORRECTLY stated regarding the Louisiana Housing Corporation's HOME Rental Housing Program?

A. Provide home purchase or rehabilitation financing assistance to eligible homeowners and new homebuyers
B. Site acquisition or improvement, demolition of dilapidated housing or make way for HOME-assisted development
C. Issued HOME funds to local politicians' constituents as a form of "entitlements."

4. Bradley's tips for becoming a neighborhood developer include:

A. Ride a coattail
B. Study developments
C. Start small and work-up
D. Know who you want to be and be it
E. All of the above

5. Which of the following PROPERLY defines a geographical "Neighborhood?"

A. A geographical area of two miles delineated by major streets encompassing one municipal jurisdiction
B. A geographical area that is larger than a subdivision in a parish
C. A geographical area run by a housing association.

6. Which of the following clearly describe the difference between a housing developer and a builder?

A. A developer orchestrates and manages the team of subcontractors, whereas a builder handles mechanical work such as heating and cooling, electrical or plumbing.
B. A developer takes raw land, obtains the necessary permits, creates building lots, and puts in the sewers, the water and electric lines, the streets and curbs. Then the builder comes in and erects the house

C. A developer handle mechanical work such as heating and cooling, electrical or plumbing, whereas a builder orchestrates and manages the team of subcontractors.

7. The Notice of Funding Availability (NOFA) is a notice published each year in Grants.gov for HUD's Discretionary Funding Programs. Projects under the NOFA must meet eligibility requirement under one of two HUD entitlement grant programs: CDBG and __________.
A. HOPE
B. HOME
C. FDIC

8. For-profit housing developers may apply for
A. HOPE funds
B. Title X funds
C. Home funds

9. Any entity receiving federal funds from Baton Rouge City/East Baton Rouge Parish is excess of (____) must comply with all reporting of Section 3 regulations.
A. $25,000
B. $100,000
C. $250,000

10. Which of the following is NOT a typical criterion of HUD’s discretionary funding program?
A. Leveraging funds
B. Impact
C. Sustainability
D. Applicant’s history
E. Credit scores

11. In everyday conversations, funding and financing are interchangeably used. However, there is a tangible difference between these two terms. Which of the following statements clearly differentiate these two terms?
A. Funding is the gradual infusion of capital into a new or recapitalized enterprise, whereas financing is the money that lenders and equity holders provide to a business.
B. Funding is actually the money provided by companies or by a government sector for a specific purpose. On the other hand, financing is a process of receiving capital or money for business purpose, and it is usually provided by financial institutions, such as, banks or other lending agencies.
C. Funding is the act of providing funds for business activities such as purchasing or investing; financing is a type of investment institutional investors may utilize for its low-risk, fixed-income characteristics.

12. Which of the following INCORRECTLY states the difference between a business loan and a line of credit?
A. A business loan is usually best for long-term debt that gets paid off over 2 to 6 years. A line of credit, however, is best for short-term purposes such as financing receivables, marketing, and making payroll.
B. A business loan involves a monthly payment that doesn't change from month to month and those monthly payments begin right away. Whether or not the borrowers are using all the money, the monthly payment does not change. A line of credit is required to make payments on the amount of money you've borrowed so if your balance is zero your payment is zero.
C. A business loan has lower interest rates but are variable whereas a line of credit has higher interest rates but they are normally fixed rates.

13. Both a business loan and a line of credit involve a lender's approval process. Which of the following properly list three major factors that lenders consider on business funding applications?
A. Tax exempt; sales; the size of a business;
B. Credit score; liquidity (cash flows); revenue-to-expense ratio
C. Duration of a business; a business type; liquidity (cash flows)

14. Based on the presentations on "funding," there are three major types of industries: High risk, restricted, and lower risk industries. Out of these three classifications, real estate development is considered to be (_____)?
A. High risk industry
B. Restricted industry
C. Lower risk industry

15. Which of the following properly list the items that you need when you apply for a business loan?
A. Business loan application; personal financial statement, spouse's personal information, history of the business, business debt schedule
B. Business loan application; personal financial statement, management resume, history of the business, business debt schedule
C. Business loan application; personal financial statement, management resume, history of the business, business physical capital depreciation schedule

16. Which of the following properly list the items that you need when you apply for a business loan?
A. Personal tax returns for the most recent 3 years; aging of accounts receivable and payable; IRS Form 4506 signed for business tax returns of personal schedule C.
B. Personal tax returns for the most recent 10 years; aging of accounts receivable and payable; IRS Form 4506 signed for business tax returns of personal schedule C.
C. Personal tax returns for the most recent 1 year; aging of accounts receivable and payable; IRS Form 4506 signed for business tax returns of personal schedule C.

17. The five C's of credit is a system used by lenders to gauge the creditworthiness of potential borrowers. The system weighs five characteristics of the borrower and conditions of the loan, attempting to estimate the chance of default. The five C's of credit are character, capacity, capital,

collateral and conditions. The credit history of a borrower refers to:
A. Capacity
B. Conditions
C. Character

18. Based on the presentations on "funding," which of the following small business loan applicant is most likely to secure a business loan?
A. An individual FICO score of 825 with no business experience
B. An individual whose business has generated constant positive cash flows with revenue-to-expense ratio being at least 1.5X.
C. An individual whose business has run into liquidity problem, but has just partnered with a wealthy doctor as co-signer.

19. Currently, there are 150 opportunity zones in the State of Louisiana. Most areas of north Baton Rouge are designated as Opportunity Zones. However, a few areas are not designated as such. Which of the following areas is not designated as Opportunity Zones?
A. Exxon Mobile Co.
B. Cortana Mall
C. Southern University and A&M College

20. Investors in Qualified Opportunity Funds (QOFs) participating within the designated Qualified Opportunity Zones (QOZs) can take advantage of federal tax benefits. Which of the following is true about Qualified Opportunity Funds?
A. Must be certified by the U.S. Treasury Department.
B. Must be organized as a corporation or partnership for the purpose of investing in Qualified Opportunity Zone Property.
C. Must hold at least 90% of their assets in Qualified Opportunity Zone Property.
D. Qualified Opportunity Zone property includes newly issued stock, partnership interests, or business property in a Qualified Opportunity Zone business.
E. All of the above