
WEEK 3
Saturday
April 1, 2023
9:00AM–1:00 PM

9TH GENERATION CREATING
SUSTAINABLE
NEIGHBORHOOD
DEVELOPERS'
PROGRAM: *Virtual*

- 9:00 AM: ***Welcome!!***
Dr. Donald Andrews- Dean, College of Business,
Southern University and A&M College
- 9:05 AM: ***Path Forward:***
Eric L. Porter
Co-Creator of CSND/ComNet LLC
- 9:10 AM: ***Curriculum Direction:***
Dr. Sung No,
Co-Director, SU EDA University Center
- 9:15 AM: ***“Where are they now”***
Leverage Construction LLC;
Kenneth Tamela Leslie Forest
(2019 CSND Graduates)
- 9:30 AM: ***“Banking: Lending Criteria”***
Matt Sims,
Sr. VP Commercial Lending, Liberty Bank
- 10:20 AM: ***“Community Development Banking”***
Will Campbell,
B1 Foundation
- 11:10 AM: ***“Break”***
- 11:15 AM: ***“Funding”***
Lisa Josua Lee & Levar Anderson,
HomeBank
- 12:00 PM: ***“Insurance: What Developers Should Know”***
Agnes Andrews,
President, Agnes Andrews Insurance.
- 12:50 PM: Eric L. Porter, Dean Andrews & Dr. Sung No
- 1:00 PM: ***Closing***



Banker's Guide to Real Estate Development Borrowing

April 1, 2023

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Banker's Guide to Real Estate Development Borrowing

Purpose:

Provide course participants with a banker's overview of Borrowing for Real Estate Development Projects

Agenda:

- **Selecting your property**
- **Determine your borrowing need**
- **Know the language**
- **Loan Types**
- **Prepare your loan application package**
- **Loan approval and commitment letter**
- **Construction monitoring/funding**
- **Real Estate Trends**
- **Questions/Comments**

Selecting your property

Choose your property

- Find your sweet spot (location, location, location)
- Determine what type of property (Single Family or multi-family)
- Decided on buying and holding or flipping

**Determine your
borrowing need**

Determine your borrowing need

- Complete a detail estimate of the total cost of your project (The bank will want you to inject 20 to 30% of the project hard cost)
- If planning on holding the property, perform a cash flow analysis to forecast cash available for debt service
- If planning on flipping the property, perform market analysis (All in cost should be 70% or less market value)
- Perform personal debt to income analysis

Prepare Your Loan Package

Prepare your loan package

- Complete a full disclosure personal financial statement
- Gather 3 years of personal & business, if available, tax returns
- If you plan on holding the property, prepare a 5-year cash flow projection for property being acquired
- Provide the purchase contract along with a detailed description of property being acquired
- Provide construction contract or detailed construction/renovation budget and drawings (simultaneously, submit required documentation to city/parish for permit)

Loan Approval and Commitment Letter

Loan Approval and Commitment Letter

- Complete package will result in a quicker decision
- Even with a well-prepared package, the lender will likely have additional questions/requests for information
- Depending on size and complexity, approval should take 3 to 4 weeks
- After approval, the lender will issue a commitment letter
- After the deal is consummated, the appraisal will be ordered and closing attorney engaged

Construction monitoring/funding

Construction monitoring/funding

- A construction inspector will be engaged to perform progress inspection with each draw request
- Draws are recommended monthly (bi-weekly at most) to limit cost (inspection will cost \$100 to \$500/visit)
- Owners often inject own cash then reimburse themselves from draw proceeds
- After completion and receipt of occupancy certificate, the permanent loan, if applicable, is closed

Real Estate Trends

- Expect a temporary slow-down in housing starts
 - Higher interest rates
 - Material and labor cost increases
- Good time for buy and hold strategy
- Shop around for the best rate
- New Orleans trends
 - Year over year home prices are down 5.7% to median price of \$329K/\$213 s.f.
 - Homes are selling in 72 days compared to 31 days a year ago
- Baton Rouge trends
 - Year over year home prices are up 11.9% to median price of \$250K/\$127 s.f.
 - Homes are selling in 49 days compared to 25 days a year ago

Questions/Comment

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Governor Roemer Business Center

Breaking the Lending Code

Presented By:

Will M. Campbell, Jr., MA

- Unsecured and Secured
- Lines of Credit
- Owner Occupied Real Estate
- Equipment Loans
- Business Automobile
- Investment Property (Non Owner Occupied)
- Business Credit Cards
- C D Secured Loans
- SBA Secured Loans
- LED Secured Loans

- **Purpose of Loan-** the use of funds is the first indicator of when and how the loan should be
- **Repayment Terms-** length of loan repayment determines payment amount which is essential in evaluating Repayment Ability to Repay.

- Business Loan Application
- Personal Financial Statement
(All owners, principals, and officers signed and dated within last 45 days)
- Management Resume
- History of the Business
- Business Debt Schedule

Items Needed To Apply

- Monthly Performance Income Statement for 12 months
- Business Financial Statements (Income Statement, Balance Sheets, and last 3 years of Tax Return)
- Interim Financial Statement (Signed and dated within the last 45 days)
- Business Performance Financial Statement, Balance Sheet, Cash Flow Projections

Items Needed To Apply

- Personal Tax Returns
(most recent 3 years)
- Aging of Accounts Receivables and Payable
(as of the date of the interim financial statements)
- IRS Form 4506 signed for business tax returns of personal
schedule C.
- Other

- Personal Investment
- Family and Friends
- Credit Union / Banks
- Micro Lenders
- Venture Capital
- Angel Investors
- Factoring
- SBA Secured Loans
- LED Secured Loans
- Leasing Companies
- Commercial Brokers

Thinking Like a Lender: Requirements for a Business Loan

- ✓ **Character**- determination to pay; tested by hard times
- ✓ **Capacity**- The ability to pay the debt obligations
- ✓ **Capital**- enough funds in business so it can operate; Liquidity
- ✓ **Conditions**- state of the economy and environment
- ✓ **Collateral**- assets that can be pledged to secure loan

Credit History

Beacon Score- evaluates Late Payment History, Sources of Credit, Residential Types, Outstanding vs limits, Inquiries, etc.

Scores less than 650 get closer scrutiny. Score above 650 are routinely approved subject to loan terms.

Recent payment history- any past dues within the last 12 months.

Public Records- Tax liens, Judgements, Collection Items and Bankruptcies

Principal Protection

Loan-to-Value-Ratio- Loan-to-Value ratio compares the amount of a loan you're hoping to borrow against the appraised value of the property you want to buy.

LTV's vary depending on type of collateral:

Residential R/E- no more than 90%

Commercial R/E- no more than 80%

Equipment- no more than 70%

- Loan Structure: Purpose and Repayment Terms
- Repayment Ability: Debt Service Coverage
- Principal Protection Ratio: Loan to Value Ratio
- Credit History: Beacon Score
(Minimum Score 640)

Repayment Ability

- Gross Cash Flow: Determines total cash available to repay loan on a monthly or annual basis, For businesses, this is calculated as follows:
- Total Debt Services: Total amount of loan payment for new and existing loans
- $DSCR = \text{Gross Cash Flow} / \text{Total Debt Service}$.
- This ratio should be no less than 1.00; preferably more than 1.25 times (1.00 times=breakeven).
- Personal Debt to Income: is similar to DSCR; but reversed
 $\text{Total Debt Service} / \text{Gross Income (before taxes)}$; preferably no more

Profit and Loss Statement for Business



Page 3

SCHEDULE C
(Form 1040)

Profit or Loss From Business
(Sole Proprietorship)

OMB No. 1545-0074
2020
Attachment
Sequence No. **09**

Department of the Treasury
Internal Revenue Service (99) ▶ Go to www.irs.gov/ScheduleC for instructions and the latest information.
▶ Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.

Name of proprietor _____ Social security number (SSN) _____

A Principal business or profession, including product or service (see instructions) _____ **B** Enter code from Instructions _____

C Business name. If no separate business name, leave blank. _____ **D** Employer ID number (EIN) (see instr.) _____

E Business address (including suite or room no.) ▶ _____
City, town or post office, state, and ZIP code _____

F Accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶ _____ **G** Did you "materially participate" in the operation of this business during 2020? If "No," see instructions for limit on losses ☐ Yes ☐ No

H If you started or acquired this business during 2020, check here ☐ Yes ☐ No

I Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions ☐ Yes ☐ No

J If "Yes," did you or will you file required Form(s) 1099? ☐ Yes ☐ No

Part I Income

1 Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked ☐ 1

2 Returns and allowances 2

3 Subtract line 2 from line 1 3

4 Cost of goods sold (from line 42) 4

5 Gross profit. Subtract line 4 from line 3 5

6 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) 6

7 Gross income. Add lines 5 and 6 7

Part II Expenses. Enter expenses for business use of your home only on line 30.

8 Advertising 8

9 Car and truck expenses (see instructions) 9

10 Commissions and fees 10

11 Contract labor (see instructions) 11

12 Depletion 12

13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions) 13

14 Employee benefit programs (other than on line 19) 14

15 Insurance (other than health) 15

16 Interest (see instructions):
a Mortgage (paid to banks, etc.) 16a
b Other 16b

17 Legal and professional services 17

18 Office expense (see instructions) 18

19 Pension and profit-sharing plans 19

20 Rent or lease (see instructions):
a Vehicles, machinery, and equipment 20a
b Other business property 20b

21 Repairs and maintenance 21

22 Supplies (not included in Part III) 22

23 Taxes and licenses 23

24 Travel and meals:
a Travel 24a
b Deductible meals (see instructions) 24b

25 Utilities 25

26 Wages (less employment credits) 26

27a Other expenses (from line 48) 27a
b Reserved for future use 27b

28 Total expenses before expenses for business use of home. Add lines 8 through 27a 28

29 Tentative profit or (loss). Subtract line 28 from line 7 29

30 Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions.
Simplified method filers only: Enter the total square footage of (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30 30

31 Net profit or (loss). Subtract line 30 from line 29.
• If a profit, enter on both Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3.
• If a loss, you must go to line 32. 31

32 If you have a loss, check the box that describes your investment in this activity. See instructions.
• If you checked 32a, enter the loss on both Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on Form 1041, line 3.
• If you checked 32b, you must attach Form 6198. Your loss may be limited. 32a ☐ All investment is at risk.
32b ☐ Some investment is not at risk.

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P Schedule C (Form 1040) 2020

Schedule 1

SCHEDULE 1
(Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

▶ Attach to Form 1040, 1040-SR, or 1040-NR.
▶ Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074

2020
Attachment
Sequence No. 01

Name(s) shown on Form 1040, 1040-SR, or 1040-NR

Your social security number

Part I Additional Income

1 Taxable refunds, credits, or offsets of state and local income taxes	1	
2a Alimony received	2a	
b Date of original divorce or separation agreement (see instructions) ▶		
3 Business income or (loss). Attach Schedule C	3	
4 Other gains or (losses). Attach Form 4797	4	
5 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	
6 Farm income or (loss). Attach Schedule F	6	
7 Unemployment compensation	7	
8 Other income. List type and amount ▶	8	
9 Combine lines 1 through 8. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8	9	

Part II Adjustments to Income

10 Educator expenses	10	
11 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	11	
12 Health savings account deduction. Attach Form 8889	12	
13 Moving expenses for members of the Armed Forces. Attach Form 3903	13	
14 Deductible part of self-employment tax. Attach Schedule SE	14	
15 Self-employed SEP, SIMPLE, and qualified plans	15	
16 Self-employed health insurance deduction	16	
17 Penalty on early withdrawal of savings	17	
18a Alimony paid	18a	
b Recipient's SSN ▶		
c Date of original divorce or separation agreement (see instructions) ▶		
19 IRA deduction	19	
20 Student loan interest deduction	20	
21 Tuition and fees deduction. Attach Form 8917	21	
22 Add lines 10 through 21. These are your adjustments to income . Enter here and on Form 1040, 1040-SR, or 1040-NR, line 10a	22	

1040 Tax Return

Page 1

Form **1040** Department of the Treasury—Internal Revenue Service (99) **2020** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing Status ☐ Single ☐ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)
Check only one box.
If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶

Your first name and middle initial Last name Your social security number
If joint return, spouse's first name and middle initial Last name Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. Presidential Election Campaign
City, town, or post office. If you have a foreign address, also complete spaces below. State ZIP code Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.
Foreign country name Foreign province/state/country Foreign postal code ☐ You ☐ Spouse

At any time during 2020, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency? ☐ Yes ☐ No

Standard Deduction **Someone can claim:** ☐ You as a dependent ☐ Your spouse as a dependent ☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness You: ☐ Were born before January 2, 1956 ☐ Are blind **Spouse:** ☐ Was born before January 2, 1956 ☐ Is blind

Dependents (see instructions):
(1) First name Last name (2) Social security number (3) Relationship to you (4) ☒ If qualifies for (see instructions): Child tax credit Credit for other dependents
If more than four dependents, see instructions and check here ▶ ☐

1 Wages, salaries, tips, etc. Attach Form(s) W-2 1
2a Tax-exempt interest 2a 2b Taxable interest 2b
3a Qualified dividends 3a 3b Ordinary dividends 3b
4a IRA distributions 4a 4b Taxable amount 4b
5a Pensions and annuities 5a 5b Taxable amount 5b
6a Social security benefits 6a 6b Taxable amount 6b
7 Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐ 7
8 Other income from Schedule 1, line 9 8
9 Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income** 9
10 Adjustments to income: 10a 10b 10c
a From Schedule 1, line 22
b Charitable contributions if you take the standard deduction. See instructions
c Add lines 10a and 10b. These are your **total adjustments to income** ▶ 10c
11 Subtract line 10c from line 9. This is your **adjusted gross income** 11
12 **Standard deduction or itemized deductions** (from Schedule A) 12
13 Qualified business income deduction. Attach Form 8995 or Form 8995-A 13
14 Add lines 12 and 13 14
15 **Taxable income.** Subtract line 14 from line 11. If zero or less, enter -0- 15

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2020)

Page 2

Form 1040 (2020) Page 2

16 Tax (see instructions). Check if any from Form(s): 1 ☐ 8814 2 ☐ 4972 3 ☐ 16
17 Amount from Schedule 2, line 3 17
18 Add lines 16 and 17 18
19 Child tax credit or credit for other dependents 19
20 Amount from Schedule 3, line 7 20
21 Add lines 19 and 20 21
22 Subtract line 21 from line 18. If zero or less, enter -0- 22
23 Other taxes, including self-employment tax, from Schedule 2, line 10 23
24 Add lines 22 and 23. This is your **total tax** 24
25 Federal income tax withheld from:
a Form(s) W-2 25a
b Form(s) 1099 25b
c Other forms (see instructions) 25c
d Add lines 25a through 25c 25d
26 2020 estimated tax payments and amount applied from 2019 return 26
27 Earned income credit (EIC) 27
28 Additional child tax credit. Attach Schedule 8812 28
29 American opportunity credit from Form 8863, line 8 29
30 Recovery rebate credit. See instructions 30
31 Amount from Schedule 3, line 13 31
32 Add lines 27 through 31. These are your **total other payments and refundable credits** ▶ 32
33 Add lines 25d, 26, and 32. These are your **total payments** 33
Refund 34 If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you **overpaid** 34
35a Amount of line 34 you want **refunded to you**. If Form 8888 is attached, check here ☐ ▶ 35a
▶ b Routing number ▶ c Type: ☐ Checking ☐ Savings
▶ d Account number
36 Amount of line 34 you want **applied to your 2021 estimated tax** ▶ 36
Amount You Owe 37 Subtract line 33 from line 24. This is the **amount you owe now** 37
Note: Schedule H and Schedule SE filers, line 37 may not represent all of the taxes you owe for 2020. See Schedule 3, line 12e, and its instructions for details.
38 Estimated tax penalty (see instructions) ▶ 38
Third Party Designee Do you want to allow another person to discuss this return with the IRS? See instructions ☐ Yes. Complete below. ☐ No
Designee's name Phone no. Personal identification number (PIN) ▶
Sign Here Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.
Your signature Date Your occupation If the IRS sent you an Identity Protection PIN, enter it here (see inst.) ▶
Joint return? See instructions. Keep a copy for your records. ▶ Spouse's signature. If a joint return, both must sign. Date Spouse's occupation If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.) ▶
Phone no. Email address
Paid Preparer Use Only Preparer's name Preparer's signature Date PTIN Check if:
Firm's name ▶ Phone no. ☐ Self-employed
Firm's address ▶ Firm's EIN ▶

Go to www.irs.gov/Form1040 for instructions and the latest information. Form **1040** (2020)

Higher Risk Industries - Require Stricter UW



FOUNDATION

- Restaurants/Bars
- Contractors
- Auto, RV, Boat Dealers
- Agriculture/Forest
- Religious Institutions
- Auto Mechanics
- Mobile Home or RV Parks
- Retail
- Taxi Services
- Real Estate Professionals
- Real Estate Developers
- Software Companies
- Hotels
- Pawn Brokers
- Gas Stations
- Convenience Stores
- Trucking Companies
- Dry Cleaners
- Entertainment

Restricted Industries and/or Loan Types FOUNDATION

- Start –up Businesses
- Medical Marijuana
- Adult Entertainment
- Ammunition or Weapons Manufacturing
- Bail Bond Co's
- Loan Brokers
- Companies Involved in Gaming or Gambling Activities
- Money Services
- Loans to Businesses that Promote Discrimination or Have Significant Negative Public Reputation

Lower Risk Industries

- Health Organizations
- Small Manufacturing Companies
- Service Companies
(Plumbing, Air Conditioning, etc)
- Professional
- Doctors
- Dentists
- Chiropractors
- Attorneys
- Veterinarians

Questions?



Will M. Campbell, Jr., MA

Director, b1FOUNDATION

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The background of the slide features a series of thin, light brown lines that intersect to form various geometric shapes, including triangles and polygons. These lines are scattered across the upper left and central portions of the slide, creating a modern, architectural feel.

COMPONENTS OF COMMERCIAL LENDING

LeVar Anderson

Vice President

Senior Commercial Relationship Manager

Home Bank

AGENDA

- Background
- Types of property development loans
- Seeking Out a Lender
- What do banks look for
- Understanding Loan Structure
- Preparation for Submission to Underwriting
- What happens after my loan is approved
- Q&A

ACQUISITION LOANS

Acquisition loans are used solely to finance the acquisition of a piece of land. Many developers purchase land, intending to sit on it for years before developing it. Potentially waiting on specific zoning changes or haven't decided what they will do with the property but don't want to lose it. An acquisition loan helps to pay for the lot and could be paired with an additional loan later down the line.

LAND DEVELOPMENT LOANS

Land development loans are used to finance the improvement of a piece of land. These loans can be used for things like tearing down existing structures, laying pipes, building infrastructure and roads and setting up a construction site.

ACQUISITION DEVELOPMENT LOANS

Acquisition development loans are a combination of acquisition loans and land development loans. You can use an acquisition development loan to finance both steps in terms of purchasing the land and developing it. This allows you to begin the development process as soon as you receive the title.

CONSTRUCTION LOANS

Construction loans finance the creation or renovation of buildings and structures. Construction loans are disbursed as a monthly payment based on a draw schedule rather than a lump sum.

TYPES OF COMMERCIAL LOANS

SEEKING OUT A LENDER

What types of banks typically work with real estate developers and investors?

Traditionally, smaller local community banks and mid-sized banks work with real estate developers and investors.

What to look for as you search for a Lender

Search for a lender who you deem as a potential partner.

What kinds of Questions do you ask your potential banker?

*As you get into larger projects you will want to inquire about the banks legal lending limit.

*How does the banks underwriting process look?

*Who makes the decisions?

*How long does the process take?

*What type of fees do you charge?



UNDERSTANDING LOAN STRUCTURE

Will the loan payments be interest-only, or will the principal outstanding reduce by the way of regular, periodic or recurring payments?

Over how many months (or years) will the loan be repaid?

What is the interest rate of the loan?

What types of reporting will be required in order to maintain good standing with the financial institution that extended credit?

The loan amount is generally a function of the loan-to-value (LTV)

Will the interest rate be fixed or floating?

Will the loan be structured as a line of credit or term loan?

PREPARATION FOR SUBMISSION TO UNDERWRITING

*What type of Documentation is required?

i.e. Tax Returns, Financial Statements, Personal Financial Statements, Debt Schedule, Rent Roll.

*What does the lender deem as a full package?

WHAT HAPPENS AFTER MY LOAN IS APPROVED?

THIRD PARTY ORDERS:

Appraisal

Title Work

Environmental

A series of thin, light-brown lines forming an abstract, overlapping geometric pattern in the top-left corner of the slide.

Q&A

Insurance Presentation Creating Sustainable Neighborhood Developers Program

April 1, 2023

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History of Insurance: How Did We End Up Shipwrecked at Bottom of the Sea



History of Insurance

The main principle of insurance — trading the burden of risk for money — was slowly developing into a global phenomenon as commerce was expanding.

China, 3000 BC: that's the date on insurance's birth certificate. The proud parents were Chinese merchants who, tired of losing valuable goods in shipwrecks, proposed what is now recognized as the oldest predecessor to modern insurance. Merchants divided their goods evenly among the ships, meaning that each boat carried a mix of cargo, not just one merchant's.

Thus, a shipwreck meant a slight loss for all instead of a crippling loss for one — safety in numbers, a time-tested principle that your insurer practices to this day.

Source: esurance History of Insurance

Reasons for Insurance

Why is it important to have insurance? **Risk Management Strategy for Loss Recovery**

- Life and Health
- Property
- Liability Exposure
- Legal and regulatory requirements
- Business continuity – recovery from disasters, systems continuations, maintains cash flow
- Protection from errors



Assuming Risk is Part of Doing Business

Going outside is a risk, but so is staying inside.

Going out may require boots, coat, or an umbrella for protection, but staying in can result in missed opportunities.

Business insurance eases the burden of risks, so owners can “go out” to...



focus on business
development and growth.

INSURANCE



Insurance for a Small Business

Review examples of work-specific insurance which are required by certain licenses.

Here are a few to begin:

- **Construction company – general contractor's liability**
- Auto repair shop – business general liability
- Trucking – Commercial Auto
- Restaurant – food business insurance



Insurance Your Business May Require

State and Local Requirements

- Always check with federal, state, county and local governments
- Workers Compensation with specific coverage may be required for employees
- Automotive insurance coverage for vehicles used in connection with the business



Worker's Compensation Insurance

Protects against illnesses, injuries at work.


- Pays for rehabilitation, retraining
- Addresses payments to beneficiaries and medical payout limits
- Required by most states, check state laws
- Private or state administered



Unemployment Insurance

Benefits those who are unemployed through no fault of their own.

- Willing and able to work and actively searching work to be consider unemployed
- Federally regulated, state administered
- Check with state and Federal Dept. of Labor



Híre me!

General Liability Insurance

- ▶ General liability covers common risks
- ▶ From carpenters to general contractors, construction and contracting professionals face high risks. General liability insurance helps pay expenses related to **third-party injuries and property damage**.
- ▶ Example If a visitor is injured at your jobsite or property damage occurs during a renovation, for instance, general liability insurance can cover medical bills or the cost of repairs.
- ▶ This policy provides liability coverage related to:
 - ▶ Customer injury
 - ▶ Customer property damage
 - ▶ Libel and slander
- ▶ Source: <https://www.insureon.com/construction-contracting-business-insurance/general-liability>

General Liability Insurance

- ▶ If you run a small construction or contracting business, you may be able to bundle general liability insurance with commercial property insurance in a [business owner's policy \(BOP\)](#).
- ▶ A **BOP** offers more complete coverage at a lower cost than purchasing each policy separately. Businesses that are eligible for a **BOP** typically:
 - ▶ Have fewer than 100 employees
 - ▶ Have a small office or workplace
 - ▶ Make less than \$1 million in annual revenue
 - ▶ Operate in a low-risk industry
- ▶ Need less than 12 months of [business interruption insurance](#)
- ▶ [Talk to a licensed Insureon agent](#) to find out if your construction business is eligible.
- ▶

General Liability Insurance

- ▶ What coverage can general liability provide for construction companies?
- ▶ **Customer injury**
- ▶ If a customer trips over a toolbox or a ladder while you're doing electrical or carpentry work, you could be blamed for the injury. If the person sues, you could end up paying for medical and legal expenses. General liability insurance covers:
 - ▶ Attorney fees
 - ▶ Court-ordered judgments
 - ▶ Settlements
 - ▶ Medical bills
 - ▶ Funeral expenses in fatal incidents
- ▶ **This policy does not cover employee injuries.** For that, you'll need to purchase workers' compensation insurance.
- ▶

General Liability Insurance

▶ **Customer property damage**

- ▶ Accidents can be costly for construction professionals and contractors. General liability insurance safeguards small businesses when client property is damaged. For example, if a client's furniture is damaged during remodeling, your general liability policy could help pay for the cost of repair or replacement. This policy can also cover the cost of a lawsuit if a client decides to take you to court over damaged property.

▶ **Libel and slander**

- ▶ While advertising your company and its construction services, it's possible to inadvertently copy a competitor's slogan or mimic another advertising campaign. Accidental advertising injuries are covered by general liability insurance, including:
 - ▶ Copyright infringement
 - ▶ Defamation, both libel (written) and slander (spoken)
 - ▶ Other policies for construction and contracting businesses to consider

General Liability Insurance

Covers basic construction and contracting risks, it does not offer **absolute** protection. Other policies to consider include:

- ▶ **Workers' compensation insurance**: Required in almost every state for construction businesses with employees, workers' comp can cover medical fees for work-related injuries.
- ▶ **Commercial auto insurance**: This policy covers vehicles owned by your construction or contracting business. It typically pays for accidents and damages related to theft, weather, and vandalism.
- ▶ **Contractor's tools and equipment insurance**: This policy helps pay for repair or replacement of a contractor's tools and equipment if they are lost, stolen, or damaged.
- ▶ **Builder's risk insurance**: Builder's risk insurance can pay for damage done to a structure still under construction, such as fire or vandalism at a construction site.
- ▶ **Professional liability insurance**: This policy covers professional mistakes and oversights, such as a contractor missing a deadline for a project.

Other Liability Insurance

- Professional Liability Insurance
 - May be required for
 - Certain professional licenses
 - Certificates of business or professional business registrations
- Directors & officers

Liability laws change—



Stay Informed

Other Types of Insurance to Consider

- Loss of income
- Life
- Disability
- Medical
- **Flood**



Lender or Investor-Required Insurance

When financing, a lender or investor may require you show insurance protecting:

- ← Business assets (building, property)
- ← Cash flow – provision for interruption of business (e.g., reconstruction, repairs)
- ← In the event of owner's disability or death



“Key Person” Policy

Think about and respond to these discussion points.



1. Do you have a list the names who could run your business or that you would trust to do so, if you were ill for an extended period of time?
2. List who would take over your business in the event of your death.
3. Do you have a plan for your business in the event of your death?
4. Is there a family member or trustee named to liquidate the assets?

Surety Bonds

A surety bond is issued by a third party, known as a surety, as a guarantee the second party will fulfill its obligations or meet certain laws. If the second party fails to do this, the bond covers the damages.

- Required for some licenses or permits (e.g., car dealer, construction contractor)
- Protection for consumers and for government
- “Bid bond” may be required to submit a bid to the government



Location-Related Considerations

Business location affects type of policy

- Home-based – Add-on to homeowner's or separate

Warning: Your traditional homeowner's insurance may NOT cover damage caused by your home-based small business!

- Retail – one or more locations, inventory theft, credit card theft, personal vehicle for deliveries
- Flood Insurance

What Is Title Insurance?

Do I Have to Buy It? Do I Want to Buy It?

- ▶ When you buy property (land or land with a building such as a home), the seller transfers the title to the property to you.
- ▶ Title to property means legal ownership of the property. Some problems with the title could prevent the seller from transferring the property title to a buyer or prevent a lender from issuing a mortgage loan.
- ▶ Title insurance helps to make sure the seller can transfer the title to you. It also may help protect you if a problem with the title comes up after you buy or refinance property.
- ▶ Source: Google Search https://www.naic.org › documents › committees_c_cst_wg_related_la_spec...

What Is Title Insurance?

- ▶ Title insurance doesn't guarantee there are no problems with a title. But it does guarantee that there are no problems with the title that would prevent a sale or refinance of the property.
- ▶ If you borrow money to buy a property or if you refinance your mortgage, you have to buy a loan title policy because the lender requires it.
- ▶ You pay the premium once for each new loan title policy (also known as a lender's title policy). This loan policy protects the lender. The loan policy stays in force as long as the mortgage loan exists.
- ▶ You don't have to buy an owner's title policy when you buy a property, but this policy gives you protection above the protection of the loan title policy. You buy (and pay for) an owner's policy once each time you buy a property, and it stays in force—keeps protecting you—for as long as you own the property.

What Is Title Insurance?

- ▶ Premium discounts may be available to lower your premium. The most common discount is a refinance or reissue discount. Ask your title agent or title insurer about discounts.
- ▶ In Louisiana title insurers may charge different premium rates. Shop to find the lowest premium.
- ▶ The premium you pay for title insurance in Louisiana does not cover title search or examination. You will be charged a separate fee for these services in addition to the premium charged for the title insurance.
- ▶ While your lender may require you to buy a loan title policy, you always have the right to choose the title agent and title insurance company. If your real estate agent, attorney, lender, home builder or other real estate professional tells you that you're required to use a particular title agent or title insurer, that's not true, and you should report this to Louisiana Department of Insurance and the U.S. Consumer Financial Protection Bureau.

What Is Title Insurance?

- ▶ The [Louisiana Department of Insurance](#) and the [U.S. Consumer Financial Protection Bureau](#) have more information about title insurance. They also will take your complaint if you feel you haven't been treated fairly.
- ▶ With title insurance, you get a title search, a title commitment and a title insurance policy. In a [title search](#), the title agent or title insurance company searches public records for any problems with the title, such as someone other than the seller having a legal right to the property.
- ▶ The [title commitment](#) is the insurance company's promise to issue a title insurance policy under certain conditions.
- ▶ The [title insurance policy](#) is the title insurance company's promise to try to fix some problems missed during the title search or to promise to pay your lender or you if the title problems can't be fixed.
Remember, a title insurance policy doesn't guarantee there are no problems with a title but the policy serves as a tool to resolve problems with the title that would prevent a sale or refinance of the property.

Selecting a Policy

Weigh the costs to insure the risk

- Does it make sense? Could you cover it without insurance?
- Consider policy costs with deductibles and coverage limits
- Is the coverage sufficient?
- Does the policy provide for growth?
- Are there time constraints on modifying coverage?



A Life Well Planned:

Being prepared can get you and your family through life's most difficult moments: Keeping Records Organized and up to Date is Important

- ▶ Documentation (Contacts, Legal Documents, Loans and Liabilities)
- ▶ Assets
 - ▶ Financial Records
 - ▶ Records of Property
- ▶ Online Access
 - ▶ Personal Account Information
 - ▶ Financial and Insurance Accounts
 - ▶ Credit Card Accounts
 - ▶ Automatic Payment Accounts
 - ▶ Business and Job-Related Accounts
- ▶ For Your Survivors
 - ▶ Final Arrangements
 - ▶ Importance of a Will

Selecting a Company and an Agent



Compare quotes, coverage,
deductibles and other details

- Stable and accessible?
Check consumer and
business reviews,
network with others

Know what's **not** covered!

What to Do After the Purchase

- Keep policies easily accessible
- Keep phone numbers readily available
- Maintain insurance-related procedures in business continuity plan
- Review policies periodically
- Meet with agent from time-to-time



Continued ...

Key Points to Remember

- Insurance
 - Minimizes the impact risks can have on your ability to continue operations
 - Impacts continued financing
 - Helps retain employees
 - Provides protection from liabilities
- Your location, facilities, autos and type of business operations determines your insurance needs

Don't End Up Shipwrecked without the Right Insurance Recovery Plan



Insurance Presentation

Creating Neighborhood Developers Program

Thank You

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