

UNNUMBERED LETTERS ISSUED FOR THE MAY OF 2011

Dated	Subject	Distribution
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05-13-11	Upcoming Changes to Access to “The Work Number” Verification System	S/D
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05-18-11	Dynamic Servicing Strategies for the Multi-Family Housing Direct Loan Portfolio	S/D
05-19-11	Interest Rate Changes for Housing Programs and Credit Sales (Nonprogram)	S/D, AD & RDM
05-31-11	Closing Multifamily Portfolio Revitalization Transactions	S/D

May 13, 2011

TO: State Directors, Rural Development
ATTN: Business Programs Directors
SUBJECT: Rural Economic Development Loan and Grant Program
Projects Funded for Second Quarter, Fiscal Year 2011

Business Programs has announced loan selections for the second quarter of fiscal year (FY) 2011 under the Rural Economic Development Loan and Grant program. A listing of loan awards is attached for your information.

During the second quarter of FY 2011, five zero-interest loan applications, totaling \$1,846,472, were considered by Business Programs. Based on the availability of funds, all applications submitted were selected for funding. These funds will be leveraged by \$3,044,824 of private and public financing, directly create 178 jobs in rural areas.

If you have any questions, please contact Melvin Padgett, Loan Specialist, at (202) 720-1495 or Cindy Mason, Loan Specialist, at (202) 690-1433, Specialty Programs Division, Processing Branch.

(Signed by PANDOR H. HADJY)

PANDOR H. HADJY
Deputy Administrator
Business Programs

Attachment

EXPIRATION DATE:
September 30, 2011

FILING INSTRUCTIONS:
Community/Business Programs

**RURAL ECONOMIC DEVELOPMENT LOAN AND GRANT PROGRAM
REQUEST FOR LOAN FUNDS – Second Quarter FY 2011**

Total Carryover Available for 1 st Quarter	\$23,308,584.81
Allocated Funds Received for FY 2011	\$ 3,797,063.09
Less 1 st Quarter	\$ 7,132,000.00
Less 2 nd Quarter	<u>\$ 1,846,472.00</u>
Balance Remaining	\$18,127,175.90

Loan

REDL

	State	Project	
Amount	__	Number	
SC 40	Palmetto Electric Cooperative, Inc.		\$ 500,000
1286			
MT 516	Triangle Telephone Cooperative Association, Inc.		\$ 266,472
1287			
MS 28	Coast Electric Power Association		\$ 740,000
1288			
KS 56	Lyon-Coffey Electric Cooperative, Inc.		\$ 180,000
1289			
OK 02	Kay Electric Cooperative, Inc.		\$ 160,000
1290			

5 Loans
Total \$

1,846,472

Balance of Loan Funds After Above Request:
\$18,127,175.90

May 13, 2011

TO: State Directors
Rural Development

ATTN: Program Directors
Single Family Housing

FROM: Chad Parker *(Signed by Chad Parker)*
Acting Deputy Administrator
Single Family Housing

SUBJECT: Upcoming Changes to Access to “The Work Number” Verification System

The purpose of this unnumbered letter is to provide preliminary guidance regarding “The Work Number” impending registration deadline and the requirement that users first obtain a username and password to have access to their system.

“The Work Number” is a service that provides automated employment and income verifications for people who currently work, or have previously worked, for any of the large employers on “The Work Number” database. Employers who report to this service typically will not provide other employment verifications (such as completing Form RD 1910-5, “Request for Verification of Employment.”) Mortgage lenders, including Rural Development (Agency) employees have used this service to verify employment and income information for their applicants. Currently, the standard employment verification service is free of charge to social service providers and responses are sent by fax within five business days after the request.

Requirements to access to “The Work Number” database have been minimal in the past, allowing government agencies to have multiple staff members verify employment information for program applicants. Recent changes to consumer protection laws now affect those who provide information about consumers, such as “The Work Number”, as well as those who receive the information, such as the Agency. Consumer information providers must confirm the identity of the user and the users must declare the reason for receiving the information.

EXPIRATION DATE:
May 31, 2012

FILING INSTRUCTIONS:
Housing Programs

Effective May 31, 2011, “The Work Number” will require users to have a username and password to access their employment and income verification system.

To obtain a username and password, individuals have to complete an online registration and sign a seven-page Standard Membership Agreement. Language in this agreement includes, among other things, authority to grant audit privileges and accept potential service fee structures in the future. To protect the government’s interest, “The Work Number’s” Membership Agreement must be reviewed and approved by pertinent Agency personnel prior to completing registration with “The Work Number”. We ask that field staff refrain from registering with this company until further detailed guidance is provided.

If additional guidance is not published by the time “The Work Number” registration becomes mandatory, field staff should refer to Chapter 4, Section 4.3 of the HB-1-3550 to find guidance regarding preferred and acceptable alternative sources for income verifications.

Questions about this unnumbered letter may be directed to Migdaliz Bernier of the Single Family Housing Direct Loan Division at (202) 690-3833 or migdaliz.bernier@wdc.usda.gov.

Sent by Electronic Mail on 05-18-11 at 1:30 pm by Single Family Housing Direct Loan Division.

May 16, 2011

TO: State Directors, Rural Development

ATTN: Business Programs Directors

SUBJECT: Intermediary Relending Program
Unemployment Rate

RD Instruction 4274-D, section 4274.344(c)(2)(iii), provides for priority points for Intermediary Relending Program applications based on unemployment rates. The overall National unemployment rate for February 2011 was 9.5 percent. This unemployment rate will be used to compute the unemployment rate points until updated by the National Office. This supersedes the figure announced in an unnumbered letter issued on April 5, 2010.

(Signed by Judith A. Canales)

JUDITH A. CANALES
Administrator
Business and Cooperative Programs

EXPIRATION DATE:
April 30, 2012

FILING INSTRUCTIONS:
Community/Business Programs

May 17, 2011

TO: All State Directors
Rural Development

ATTN: Single Family Housing Program Directors

FROM: Chad Parker (Signed by *Susanne Wilson*) for
Acting Deputy Administrator
Single Family Housing

SUBJECT: Transferring an Application to Another Servicing Area

When an applicant requests that their application be transferred (preferably in writing) to another servicing area be it in the same state or a different state, the original office will ship the active application docket to the receiving office; the original office **will not** withdraw the application in UniFi.

Upon receipt of the active application docket, the receiving office will call the Field Assistance Desk at (314) 457-5200 to request that they update the "Field Office Number" field on the Registration screen in UniFi to reflect the receiving office's Field Office Number. The receiving office will then verify and (where needed) update the data fields (such as the "Median Income Plan Number") completed by the original office in UniFi to reflect changes resulting from the transfer. The receiving office will then process and print the Eligibility Summary using the updated fields.

If entered by the original office, the following dates in the Stage Updating screen will be left unchanged by the receiving office: Date Registered, Application Date, Application Received Date, Application Completed Date, and Credit Report Fee Received. These dates will be left unchanged to reflect the fact that the application was made to a single organization unit. The other dates are subject to change by the receiving office as application processing continues.

An eligibility decision made by the original office is not transferred. The applicant will need to qualify for the program based on the county where they now wish to reside and considering any changes related to the transfer (new employment, different property taxes/insurance, etc.).

EXPIRATION DATE:
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Housing Programs

If the original office ordered and received an infile credit report within 90 days of receiving the transferred application, do not order another. If the original office ordered and received a residential mortgage credit report (RMCR), do not order another unless that RMCR is over six months old at the time of the underwriting decision. If the applicant claims that their credit situation has changed since the report, obtain supplemental credit information such as an updated billing statement directly from the applicant and/or creditor.

If the original office issued a Good Faith Estimate (GFE) because all the required items were provided (including the identification of a property), a changed circumstance will occur with the transfer since a different property should come into play. Once a property is identified in the receiving office's territory, the receiving office will revise the GFE accordingly.

If you have any questions regarding this memorandum, please contact Brooke Baumann of the Single Family Housing Direct Loan Division at (202) 690-4250.

Sent by Electronic Mail on May 17, 2011 at 2:00 p.m. by Single Family Housing Direct Loan Division.

May 18, 2011

TO: State Directors
Rural Development

ATTN: Community Programs Directors

FROM: Tammye Treviño (Signed by *Tammye Treviño*)
Administrator
Rural Housing Service

SUBJECT: Coordination of Servicing Activity on Community Facilities
Direct and Guaranteed Combination Loans

Community Programs has combined financing on excellent projects throughout the country utilizing the Community Facilities (CF) guaranteed and direct loan programs. Our CF borrowers and lenders will be facing challenges during our country's current economic climate. Community Programs field staff should be prepared to work with our guaranteed lenders efficiently and effectively in servicing combination loans.

Community Programs places the services provided by CF projects to the community of paramount importance. While we continue to hold to this philosophy, we must be sensitive to the fact, that on combination loans, our lenders may not have the ability to enter into long term workout arrangements in problem loan situations. Our guaranteed lender is subject to strict lending regulations and operational requirements that may not allow that flexibility.

The policy established by the National Office on direct loans, pursuant to RD Instruction 1951-E, Section 1951.225, is to allow the borrower 120 days to voluntarily liquidate the loan by sale or transfer, prior to the Agency foreclosing on the property. The lender, however, may not be able to offer 120 days prior to foreclosing due to their operational requirements. Therefore, in problem loan situations on combination loans, the lender and the Agency need to concur with the manner in which the direct and guaranteed loan is serviced and in any workout arrangements.

EXPIRATION DATE:
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FILING INSTRUCTION:
Community/Business Programs

It is crucial on combination loans that the borrower's problem loan situation is addressed early by the Agency, the borrower and the lender. Current real and personal property appraisals should be performed promptly if foreclosure is anticipated. A well thought out approach between the borrower, CF staff and the lender will result in effective workout agreements and liquidation plans.

Should you have any questions please contact Kendra Doedderlein at (202)720-1503.

May 18, 2011

TO: State Directors
Rural Development

ATTN: Community Programs Directors

FROM: Tammye Treviño (Signed by Tammye Treviño)
Administrator
Rural Housing Service

SUBJECT: Guidance on Extension of Conditional Commitment for Guarantee

Recent experience on extending Conditional Commitments for Guarantee (Conditional Commitment) has revealed that additional guidance on this subject is needed by Rural Development staff. RD Instruction 3575-A, §3575.63, generally describes the requirements that must be met to extend the Conditional Commitment in §3575.63(f) as follows:

“If the Loan Note Guarantee cannot be issued before the Conditional Commitment expires, the lender must submit a written request for an extension of the expiration date. The lender must document and certify to paragraph (a)(1) and (a)(11) of this section specifically identifying any modifications.”

The guidance provided under RD Instruction 3575-A, §3575.63(f) refers the reader to the beginning of this section, wherein it states in (a)(1) and (11),

“The Loan Note Guarantee will not be issued until:
(a) The lender certifies that:
(1) No changes have been made in the lender's loan conditions and requirements since the issuance of the Conditional Commitment for Guarantee except those approved in the interim by the Agency in writing.”

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Community/Business Program

“(11) There has been no substantive adverse change in the borrower’s financial condition nor any other adverse change in the borrower during the period of time from the Agency’s issuance of the Conditional Commitment for Guarantee to issuance of the Loan Note Guarantee. The lender’s certification must address all adverse changes of the borrower and the guarantors. For purposes of this paragraph, the term borrower includes any parent, affiliate, or subsidiary of the borrower.”

Community Programs has established a policy that the extension of a Conditional Commitment must be requested prior to expiration of the Conditional Commitment. Accordingly, Rural Development staff shall calendar the expiration dates on Conditional Commitments that have been issued to lenders to maintain this policy. If a circumstance arises where the Agency is close to the expiration date on the Conditional Commitment and does not have adequate time to perform the due diligence necessary to grant an extension, then the Agency may simply extend the Conditional Commitment for the additional 2 to 4 weeks time it may require to determine the project’s continuing viability, required under RD Instruction 3575-A, §3575.63. This short extension will relieve the pressure on local Agency staff, allow for a quality review of the lender’s certifications and assist the lender in complying with Community Programs policy. The Agency may request additional documentation from the lender that will assist them in determining that there has been no adverse change in the borrower’s financial condition, such as current financial statements with the lender’s analysis. The Conditional Commitment, if the Agency concurs with the lender’s request for extension, may then be extended by the Rural Development State Office for the additional time necessary to complete construction on the project.

If you have any questions concerning this issue, please contact Kendra Doedderlein at (202) 720-1503.

May 18, 2011

TO: State Directors
Rural Development

ATTN: Program Directors
Multi-Family Housing

FROM: Tammye Treviño *(Signed by Tammye Treviño)*
Administrator
Housing and Community Facilities Programs

SUBJECT: Dynamic Servicing Strategies for the Multi-Family Housing
Direct Loan Portfolio

This Unnumbered Letter (UL) is being issued to highlight steps to be taken in evaluating and resolving servicing actions related to defaulted properties in the Multi-Family Housing (MFH) Programs' Direct Loan portfolio.

MFH has become increasingly concerned about its affordable housing properties, particularly those properties in default due to physical, financial or management issues. The objective of MFH's dynamic servicing efforts is to intensify actions on defaulted properties in order to bring resolution in a timely manner. To ensure that our tenants continue to be provided decent, safe and affordable housing, MFH is renewing its efforts to assess its portfolio and focus on its troubled properties.

There are two important components in this process:

- a) Evaluate your State's MFH portfolio for continued resource investment, and
- b) Take appropriate servicing actions promptly on defaulted loans.

EXPIRATION DATE:
May 31, 2012

FILING INSTRUCTIONS
Housing Programs

The two general components in this process are broken down into Action Summary steps. In order to meet the goals of the dynamic servicing efforts, each State should go through the steps listed below. Each step in the Action summary table is explained in detail following the table.

Step	Action	Guidance
1	Determine appropriate classification of projects in the portfolio	Correct the Multi-Family Information System database (MFIS) information if needed.
2	Complete an assessment of your State's portfolio and categorize within 60-90 days of this UL.	Use guidance in this UL.
3	Focus on "D" properties with no Rural Housing Service (RHS) servicing action in last 3 months	Determine servicing action(s) to be taken immediately; after implementing the servicing actions for these "D" properties, review remaining "D" properties for appropriate action and implement those servicing actions.
4	Send series of servicing letters in accordance with handbook requirements	Servicing letters must be sent within the timeframes provided in the handbook; provide proper notice to borrower; ensure all citations are correct
5	Complete required Suitability Analysis	Use HB-3-3560 Chapter 6 to determine whether property should remain in the program.
6	Meet with borrower	Establish a workout agreement, if possible.
7	Develop acceptable, comprehensive workout plan within 60 days of meeting with the borrower.	A workout plan that addresses all open findings changes the property classification to a "B".
8	If no action, prepare Problem Case Report in accordance with handbook requirements	Note 7 CFR §3560.453(b) and HB-3-3560 Chapter 10, Section 10.23, which state that approval of a workout plan is not guaranteed to a borrower.
9	Accelerate account	Follow guidance in Rural Development Voucher Guidebook to order a Rent Comparability Study (RCS). If accepting a deed-in-lieu or payoff of accelerated account, order RCS immediately. Otherwise, follow foreclosure guidance.

Step 1: Determine that all properties have been appropriately classified

A recent National Office review of the MFIS database revealed that some properties are not

appropriately classified because MFIS has not been updated to reflect recent activity related to the project. In addition, projects are miscoded or improperly set-up. In order to properly service MFH loans, it is important to have accurate information. There are also some projects now classified as “D” because borrowers are unable to make the last payment, as doing so would result in paying off their loan ahead of the maturity date. This would be a prepayment and borrowers would need to follow the prepayment requirements in 7 CFR 3560, subpart N and HB-3-3560, Chapter 15. These borrowers should be offered a re-amortization at same or new rates and terms, and then properly classified. These efforts should be completed within 30 days of this UL.

Step 2: Complete an assessment of your State’s portfolio for continued investment

The next step requires a thoughtful evaluation of your State portfolio. In order for MFH to target and prioritize the use of limited resources, this assessment will lay the foundation for dealing with serious servicing issues, including development of a workout plan, and completion of the Suitability Analysis pursuant to HB-3-3560, Chapter 6. In addition, budgetary constraints require the Loan Servicer to be realistic in his assessment of the viability of a property.

This initiative began with the Rural Rental Housing Comprehensive Property Assessment and Portfolio Analysis (CPA) completed in 2004, which was an effort to identify the physical condition and market viability of the Section 515 portfolio. The CPA found that MFH properties are generally in good shape but aging, and that reserves are underfunded. A copy of the report can be viewed at:

<http://www.rurdev.usda.gov/rhs/mfh/Property%20Assessment/Property%20Assessment.htm>

Over the past several years, MFH has been working towards a comprehensive strategy to deal with the Section 515 and Section 514 loan portfolios: 1) regulations were consolidated which resulted in 7 CFR part 3560; 2) Capital Needs Assessments (CNA) became an integral part of assuring the long-term viability of a property by capturing and reporting the long-range capital needs of a property; 3) management of Rental Assistance (RA) was improved through the monitoring of use and re-use of RA, and the number of rent overburdened tenants was substantially reduced; 4) a variety of loan account management tools was designed to boost the reserve account through implementation of the Multi-Family Preservation and Revitalization (MPR) Program; and 5) the Rural Development Voucher program was instituted to protect tenants in Section 515 properties where the mortgage is paid off prior to the original loan maturity date, either through traditional prepayment or foreclosure.

A follow-up report to the CPA, titled Developing a Strategy for Prioritizing Multifamily Revitalization (October 28, 2008) identified three categories of properties in MFH’s portfolio:

- Category 1: property is needed but is in a strong market; very expensive to Rural Development to preserve;

- Category 2: property is needed and suitable for revitalization because it is in a good market, is well-performing or remains viable despite limited chronic vacancies;
- Category 3: property is no longer needed in the program or is too expensive for the owner to maintain.

Category 1	Category 2	Category 3
<p><u>Needed, but Too Expensive to Preserve</u></p> <p>Properties that meet one of the four conditions below: a) Cost to Rural Development to revitalize (rehabilitation loan + MPR tools) exceeds 50% of estimated replacement cost; b) Preservation funding is not available; c) Property is in a strong market with market rents that are affordable to moderate-income households; or d) RA is not needed to keep property viable.</p>	<p><u>Needed and Preservable</u></p> <p>Good market, good property; modest cost to revitalize (less than 50% of replacement cost estimate) or recent rehabilitation; rents remain at or below Conventional Rents for Comparable Units (CRCU). Moderate market, only housing available, project cash flows but chronic moderate vacancy.</p>	<p><u>Not Needed or Revitalization is not Financially Feasible</u></p> <p>Weak market; weak property; weak financials; rents cannot be held at CRCU; has chronic high vacancy; other affordable housing available to meet needs or use of Rural Development Voucher Program</p>
<p><u>Solution:</u> If property meets the prepayment requirements at 7 CFR 2560, subpart N and leaves the portfolio: a) Rural Development Vouchers can be used to protect tenants, or b) If property remains in the portfolio, remove RA as assisted tenants vacate.</p>	<p><u>Solution:</u> Institute a suitable workout plan, or revitalize using an appropriate mix of MPR tools, or facilitate an efficient transfer.</p>	<p><u>Solution:</u> Use necessary servicing actions, including compromise offers, debt settlement, and foreclosure, and make vouchers available to tenants.</p>

Each State should classify its portfolio using these categories and have a different stratification of these types of properties in their portfolio. For example, some will have more or less of Category 2 than other States. Determining the appropriate category for each property will better equip Rural Development staff in making resource decisions. The analysis is a starting point to identify the appropriate use of resources. This analysis should be an on-going exercise to be sure property changes are captured and considered. Consistency regarding application of the factors

below is an important objective of this strategy. The data collection tool will help ensure this consistency. It is important to stress that MFH does not and cannot advocate methods to move properties to prepayment. Requesting mortgage prepayment is solely a decision by the borrower and prepayment requests must continue to follow the process outlined in Chapter 15 of HB-3-3560. In order to determine how properties should be categorized, use the following tools:

A. Evaluation Tools and Asset Data Collection

The U.S. Department of Agriculture Economic Research Service has developed extensive mapping on a state- and county-basis, which include indicators for population, employment, and income. States can access population shift and growth information for 2000-2009 at the following URL: <http://www.ers.usda.gov/Data/Population/>. Other State facts to consider when evaluating properties such as income, education, employment, Federal funds, are found at <http://www.ers.usda.gov/StateFacts/>.

B. Property and Marketing Factors

Listed below are some property and market factors that, taken together, can assist you in evaluating the properties in your portfolio. These parameters are not comprehensive but are based on the CPA findings, HB-3-3560, Chapter 6, and discussions with program directors. There may be others particular to your state that should also be considered.

Factor 1: Transition Events

Identify if the property is eligible to prepay the Rural Development mortgage, is reaching the expiration of tax credit eligibility, or is coming up on the natural maturity of the Rural Development mortgage.

Factor 2: Revitalization Cost vs. New Construction/Replacement Cost

Consider the cost to rehabilitate the property compared to building a new, comparable property. Rural Development's share, including a rehabilitation loan and the cost of MPR loan tools (if available), should not exceed 50 percent of the cost of new construction. The property may still be needed in the market, but it is too expensive for Rural Development to fund. Conversely, preservation funding may not be available, even for a property where Rural Development's portion of the cost is less than 50 percent. An alternative to consider is subordinating Rural Development's position to enable the borrower to obtain rehabilitation financing from a third-party. Low-Income Housing Tax Credits are one form of financing. Subordinations can only occur if the requirements of 7 CFR §3560.409 are met.

Factor 3: Management Problems

Consider if the property is experiencing current and/or ongoing problems with property management (either on-site or off-site) in responding to property compliance issues, aggressive marketing of the property to broad income-eligible groups, resolution of health and safety needs, and cooperation with Rural Development MFH staff instructions; also look at whether management routinely fails to follow-through with required actions in relation to work out plans, transition plans and property maintenance needs.

Factor 4: Physical Standards

Determine if there is physical deterioration and extensive deferred maintenance. Other signs of physical stress are unresolved physical condition problems from annual inspections or supervisory visits, also known as “open physical findings”, media reports of the property’s poor conditions, and tenant complaints.

Factor 5: Ownership Problems

Consider if ownership has been uncooperative and non-compliant with Rural Development requirements. Uncooperative ownership can result in deferred maintenance, low occupancy, high accounts payable, and financial viability problems.

Factor 6: Ongoing Health and Safety Issues

Consider if the property is experiencing problems that are of a health and safety nature that the owner/management has been unsuccessful in resolving. This may involve a re-occurring condition and/or a situation that has failed to be adequately addressed at all by the owner/management. Some health and safety issues (e.g., structural problems, extensive mold) may be so pervasive that there is no financially-feasible remediation, at which point the account may need to be accelerated.

Factor 7: Properties in High Growth Areas

Consider if the property was located in an eligible rural area when construction but, due to population growth, is now located in an ineligible area for Rural Development programs. Determine if there is still a market need for this property, now likely in a high rent area. If the property has a vacancy problem, that may be an indication of a lack of market need for the project or it could indicate a management problem. If MFH determines that subsidy is no longer needed for the benefit of tenants, MFH may, upon written notice, suspend, modify or terminate form RD-3560-9 “Multiple Family Housing Interest Credit Agreement”.

Factor 8: Market Demand/Vacancy Rates/Need

Consider if the market demand for the property has decreased significantly creating a high vacancy rate (in excess of 15 percent over the last two years). The high vacancy may have resulted in a lack of adequate cash flow and drained the property of financial resources. Also, determine if there are other Rural Development properties within the market area (e.g., the county) or a reasonable distance and, whether those properties are experiencing high vacancy rates.

If other Rural Development properties are experiencing high vacancies, the State should consider which of the properties in that county should be considered for Category 3 so that the remaining portfolio will have sufficient demand. Also evaluate the status of waiting lists and unit turnover frequency and downtime.

Factor 9: Population Growth/Projections

Consider if the property is located in an area that is in the process or has experienced a significant population change that has a negative effect on the continued successful operation.

Examples include: i) the population in the area has declined, which likely will reduce the demand for housing; ii) the population will decline in the future, likely reducing housing demand in the coming years; and iii) there is a local factor that will reduce population or housing demand such as a plant closing that causes families to move out of the area, the effects of a natural disaster, and/or an economic crisis impacting the area. Population change could also be an increase. Also, to the extent that this information is available, consider the population age groups that have increased/decreased as this may affect the market for the project. In some areas, the overall population is stable but the portion of the population that is most likely to use Rural Development properties is declining and this will negatively affect housing demand.

Factor 10: Availability of other Affordable Housing Nearby

Consider if the property is located in close proximity to other subsidized/affordable housing units (Tax Credit, Section 538 Guaranteed Rural Rental Housing, Section 8, or even market rate properties) that, in effect, reduce the demand for Rural Development property units, i.e., the need for the property is no longer there. This condition may be ongoing or the property is just beginning to experience vacancies as a result of new development within the immediate vicinity. Consider, for this specific property, what is the true market area: i.e., where would existing tenants go for new housing? Include consideration of the Rural Development Voucher Program, which is available to low-income tenants of Section 515 properties that prepay or are foreclosed by the Agency.

Factor 11: Economic Viability

Consider if the property is economically viable. Does it have a difficult time generating sufficient income to pay essential expenses, fund the reserve account and make loan payments? Evaluate financial stresses on the property and their cause: are they resolvable?

Factor 12: Environmental Factors

Consider if there are businesses or facilities located nearby that would be undesirable as neighbors, and may affect marketability of the property to prospective tenants. Are any such plants, facilities or industrial parks planned that may negatively impact the property? Are there sufficient and adequate services located nearby? Are there stable, growing or declining employment opportunities? Is there social deterioration in the neighborhood and/or an increase in crime?

Create a List of Your Properties

Using as a guide the three broad categories and the assessment measures above, discuss with your servicing staff your State's MFH portfolio. Identify the appropriate category for each property. Proactively service those projects that are viable and needed in the program. For those properties with monetary and nonmonetary compliance problems, initiate the series of servicing letters. Varying factors may affect the category of the State's properties over time. It will be

necessary to determine an appropriate schedule to re-assess the portfolio. This initial assessment should be completed within 60-90 days.

Step 3: Focus on “D” properties with no RHS servicing action in last 3 months

Once properties are appropriately classified and you have completed an assessment of the portfolio, focus your efforts on the “D” classified properties. The assessment would have provided you with a priority order of properties demanding attention. Concentrate first on properties classified “D” where no servicing action has occurred in the last 3 months. This includes a significant number of properties that have been delinquent for over 180 days without evidence of forceful action despite their default status. Loan Servicers must take the steps outlined and summarized here to show action with regard to these languishing properties. Your next priority should be the remaining “D” properties, then “C” properties that you believe are on the verge of either monetary or non-monetary default.

Servicing Strategies

The portfolio assessment should have provided a good base for identifying project problems. The evaluation should be considered in conjunction with HB-3-3560 Chapter 10, which provides guidance to ascertain the source of the project problem and if it can be resolved to the satisfaction of all. If it cannot be resolved, you must determine what the next step will be. While the Agency would prefer to recover all of its funds, the two primary concerns MFH has are 1) protection of the tenants (from irresponsible owners or managers, from harmful living conditions, from the loss of affordable housing) and 2) ensuring that Government funds (as financing and subsidy) are used effectively and efficiently.

Summarized below are Chapter 10 highlights and specific points to remember. Loan Servicers should review the entire chapter.

HIGHLIGHTS OF HB-3-3560, CHAPTER 10

When routine monitoring of projects reveals noncompliance with program requirements, the Field Office must take immediate steps to notify the borrower and state the need for timely corrective actions.

Loan Servicers should be firm in dealing with the borrower or the borrower’s representative in matters of compliance violations. Because the management agent is not the party ultimately responsible for the loan, it is imperative that the borrower be directly apprised of and fully understands the consequences of default. A noncompliance situation is often resolved or deterred through a workout agreement.

1. Types of Default

- Monetary Default – when an account is delinquent more than 30 days (7 CFR §3560.452(b)).
- Nonmonetary Default – when borrower fails to correct a compliance violation, other than monetary amount, within the time period specified in the compliance violation notice (7 CFR §3560.452(c)).

2. Notification to Borrower of Servicing Problems

- Preliminary Notification : a) (Monetary) when a borrower becomes delinquent on a payment, an automatically generated Delinquency Billing Statement is mailed to the borrower. b) (Nonmonetary) during an on-site monitoring visit the monitors should meet with the borrower to review the initial results of the visit, including a discussion of compliance violations. A letter documenting this review should also be sent immediately after the visit.
- Servicing Letter #1 - (Monetary) sent no later than when payment is 35 days past due. (Nonmonetary) sent upon evidence of violation and no later than 30 days after monitoring visit.
- Servicing Letter #2 - Sent sometime after 15 days of sending Servicing Letter #1 if borrower fails to respond to Letter #1.
- Servicing Letter #3 - Sent at least 60 days after date of first letter and at least 15 days after Letter #2.
- Be sure to address ALL items of compliance in all of the servicing letters. Also make certain all servicing letters are tracked in servicing efforts in MFIS.

3. Evaluating the Borrower and the Project -

- Evaluate whether it is in the Agency's best interest to attempt to work with the borrower to preserve the subject project.
- Use procedures outlined in HB-3-3560 Chapter 6, Determination of Project Suitability.
- Evaluation should come before any meeting with the borrower so Loan Servicer is familiar with the project and its status.

4. Meet with the Borrower - Establish a workout agreement according to Section 3 of HB-3-3560 and 7 CFR section 3560.453. The Agency is under no obligation to offer or agree to any special servicing action under 7 CFR section 3560.454. Special servicing actions may be implemented either as part of a workout agreement, or as an action approved by the Agency separate from a workout agreement unless indicated otherwise in 7 CFR part 3560.

5. Selecting Servicing Options (Tools)

- Poor Management and Noncompliance with Program Requirements, see 7 CFR section 3560.102.
 - Borrower training
 - New management
 - Improving maintenance

- Improving budget and record keeping, and using monthly reports
 - Improving outreach and marketing
- Acceptable Management, but Marketability and Cash Flow Problems
 - Upgrading project desirability
 - Reducing expenditures
 - Temporarily reducing or deferring reserve contribution levels
 - Increasing revenues
 - If the agency determines that a housing project with high vacancies could be kept operational and financially viable by increasing the amount of RA, the agency may do so, subject to the availability of funds to prevent or correct a compliance violation.
- Acceptable Management, but Lack of Project Demand
 - Granting occupancy waivers, see 7 CFR section 3560.454(b).
 - Changing the project designation (from elderly to family housing), see Section 4 of HB-3-3560, Chapter 10.
 - Implementing Special Note Rents, see 7 CFR section 3560.454(d).

6. Problem Case report

- Use Form RD 3560-56, “*Report on Real Estate Problem Case*” (Use RD Instruction 1955-2, until the 3560 form is released)
- This form describes the situation to the State Director and recommends enforcement action
- State Director will review and respond within 30 days
 - Agreement with proposal for enforcement or
 - Directive for alternative servicing

7. Enforcement Actions - If the borrower fails to provide an acceptable workout agreement or fails to comply with the workout agreement, the Agency will initiate appropriate enforcement actions when liquidation is not in the Government’s or tenant’s best interest. Actions could include:

- Termination of the management agreement, see 7 CFR section 3560.454(e)
- Receivership; consult with OGC
- Suing for performance under the loan document, see 7 CFR section 3560.456(a)
- Collection of unauthorized assistance, see 7 CFR part 3560, subpart O
- Referral to the Office of the Inspector General

8. Liquidation

- Voluntary Liquidation, see 7 CFR section 3560.456(c)
- Foreclosure, see 7 CFR section 3560.456(d)

Step 4: Send series of servicing letters in accordance with handbook requirements

HB-3-3560 includes the required series of Servicing Letters. It is important to adhere to the timeframes and process identified in the handbook at paragraph 10.10 and Exhibit 10-2 to ensure that proper notice is provided to the borrower. The Servicing Letters should be comprehensive and address all open findings so that the borrower knows with certainty the items that must be resolved.

IMPORTANT POINTS TO REMEMBER

- Provide preliminary notification to the borrower before starting servicing letters
- Be sure servicing letters are comprehensive
- Adhere to timing of servicing letters
- The National Appeals Division has found the Agency in error if notices are not in accordance with handbook
- After Servicing Letter #2, evaluate suitability of the project
- Meet with the borrower to develop a workout plan that addresses ALL issues
- Consider any creative servicing actions that may not appear in the handbook; discuss these with the National Office

Step 5: Conduct the Suitability Analysis (HB-3-3560, Chapter 6)

Loan Servicers will need to complete a suitability analysis as detailed in HB-3-3560, Chapter 6 to determine whether the property should remain in the program or be designated a non-program property. This analysis can be done at any time; the state's portfolio assessment in Step 1 may have provided a preliminary indication whether the property should remain or be designated non-program. The ultimate finding of the analysis; however, is: if a project is suitable, it is in the best interest of the Government to proceed with the servicing action. However, if the Agency determines that a project is no longer suitable, the Agency may designate it as non-program rather than spend limited Agency resources on a project that does not fulfill the goals of the program. Once a project is determined to be non-program, ownership may need to be transferred, management changed, the use of housing changed or the account liquidated.

Chapter 6 provides information on next appropriate actions if the project is considered suitable to remain in the program.

Step 6: Meet with Borrower

It is important to maintain clear communication with the borrower throughout this process as he tries to address project problems. Meet with the borrower and work with him to develop a workout plan to resolve all open issues. If an acceptable workout plan is developed, be sure to update MFIS, which will change the project classification to a "B".

Step 7: Develop acceptable, comprehensive workout plan in 60 days of meeting with the Borrower

Remember that it is not the Servicing Official's responsibility to develop the workout plan; borrowers who are not able to suggest appropriate resolution to project problems should be advised of the Agency's intended action. Note that 3560.453(b) states: The Agency is under no obligation to approve a workout agreement as submitted by a borrower or to act with forbearance when a housing project is in monetary or non-monetary default. In addition, HB-3-3560, Chapter 10, Section 10.23 says: Approval of a workout agreement is not guaranteed to a borrower. Failure to approve a workout agreement is not an adverse action by the Agency because the Agency is not required to grant approval of modifications to the terms of the loan for borrowers in default; thus, the Agency is not taking away any borrower rights by not approving the workout agreement. Therefore, failure to approve a workout agreement is not appealable by a borrower, although the Agency's decision may be reviewed.

The Agency has several options to offer a borrower in developing resolutions to project problems and these are outlined in HB-3-3560 and 7 CFR part 3560. A borrower's failure to utilize the assistance offered by the Agency should not result in a property remaining indefinitely in the "D" classification. Prompt action is necessary to enforce compliance.

Step 8: If no action, prepare Problem Case Report in accordance with handbook requirements

The Loan Servicer must use Form RD 3560-56 and follow the procedures set forth at HB-3-3560, Chapter 10, paragraph 10-14. If the borrower cannot present an acceptable, comprehensive workout plan in 60 days, immediately begin preparation of the Problem Case Report.

Step 9: Accelerate account

In conjunction with your regional Office of General Counsel, issue the acceleration letter. Follow the guidance in HB-3-3560, Chapter 12 on Account Liquidation. As a note, compromise offers should only be offered after acceleration of the account.

Follow the guidance in the Rural Development Voucher Guidebook to order the Rent Comparability Study (RCS) in order to determine the amount of any vouchers that may be needed. If accepting a deed-in-lieu or payoff of accelerated account, order RCS immediately. Otherwise, follow foreclosure guidance.

Transfer of Rental Assistance from Certain Properties Not Permitted

As a result of these servicing efforts, MFH expects to recover RA from these "D" properties that result in acceleration. Recapturing RA will reduce the budgetary expense of the program.

The transfer of RA from all properties classified as “D” and the transfer of RA from all properties where the mortgage is paid off before the natural maturity date will not be permitted without the approval of the National Office. Both of these are subject to 7 CFR Section 3560.259(c), which gives the tenant the ability to move to another Rural Development property and take their RA with them for up to 4 months in prepayment, disaster, and foreclosure situations. It is the intent of the National Office to retire recaptured RA units.

The Rural Development Voucher Program is available to assist all low-income residents of Section 515 properties that are ultimately removed from the portfolio through foreclosure or prepayment, whether or not the tenants were receiving RA.

If you have any questions about this matter, please contact Stephanie White, Director of the MFH Portfolio Management Division, at 202-720-1615.

May 19, 2011

TO: State Directors
Area Directors
Rural Development Managers

ATTN: Rural Housing Program Directors

FROM: Tammye Treviño (Signed by Tammye Treviño)
Administrator
Housing and Community Facilities Programs

SUBJECT: Interest Rate Changes for Housing Programs
and Credit Sales (Nonprogram)

The following interest rates, effective June 1, 2011, are changed as follows:

<u>Loan Type</u>	<u>Existing Rate</u>	<u>New Rate</u>
ALL LOAN TYPES		
Treasury Judgment Rate	0.260%	0.220%

The new rate shown above is as of the week ending April 29, 2011. The actual judgment rate that will be used will be the rate for the calendar week preceding the date the defendant becomes liable for interest. This rate may be found by going to the Federal Reserve website for the weekly average 1-year Constant Maturity Treasury Yield (http://www.federalreserve.gov/releases/h15/data/Weekly_Friday_H15_TCMNOM_Y1.txt).

RURAL HOUSING LOANS

Rural Housing (RH) 502 Very-Low or Low	4.625	4.625
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EXPIRATION DATE:
June 30, 2011

FILING INSTRUCTIONS:
Administrative/Other Programs

Single Family Housing (SFH) Nonprogram	5.125	5.125
Rural Housing Site (RH-524), Non-Self-Help	4.625	4.625
Rural Rental Housing and Rural Cooperative Housing	4.625	4.625

Please notify appropriate personnel of these rates.

Sent by Electronic Mail on 05-19-11 at 11:30 a.m. by Program Analysis Division. State Directors should advise other personnel as appropriate.

May 31, 2011

TO: State Directors
Rural Development

ATTN: Program Directors and Coordinators
Multi-Family Housing

FROM: Tammye Treviño *(Signed by Tammye Treviño)*
Administrator
Housing and Community Facilities Programs

SUBJECT: Closing Multifamily Portfolio Revitalization Transactions

The purpose of this Unnumbered Letter (UL) is to provide guidance and information to State Offices on closing approved Multifamily Portfolio Revitalization Demonstration Program (MPR) transactions after they have been approved by the MPR Loan Review Committee.

The Multi-Family Housing (MFH) loan closing process is described in detail in HB-1-3560, Chapter 8, but this chapter does not address the specific requirements for closing MPR transactions because historically, the MPR program has been a demonstration program. This UL is intended to address this deficiency, pending revisions to Chapter 8 of HB-1-3560. However, the process and procedures for loan closings that are described in Chapter 8 of HB-1-3560 will generally apply, unless otherwise indicated, to MPR transactions.

MPR transactions can take different forms (for example some involve debt deferral only, some have no debt deferral but provide for a new MPR Section 515 loan, etc.) and the applicable closing documents and forms will depend on the specific terms of the approved MPR transaction. It should be noted, however; that many of the closing documents for non-MPR Multifamily transactions will be required for MPR transactions, regardless of the terms of the MPR transaction. Additionally, closing documents that have been developed specifically for the MPR program and addressed in the respective Notice of Funds Availability (NOFA)/Notice of Solicitation Availability (NOSA), which are not currently referenced in Chapter 8 of HB-1-3560, will also apply.

EXPIRATION DATE:
May 31, 2012

FILING INSTRUCTIONS:
Housing Programs

Attachment A to this UL is a matrix showing the non-MPR and MPR-specific closing documents that will be required for each type of MPR transaction.

MPR Closing Documents

In addition to the documents listed in Chapter 8, Attachment 8-A, of HB-1-3560 the following documents which were developed specifically for the MPR program may also be required for closing MPR transactions. Templates for these documents can be found on the MPR website at: <https://mfhdemoteam.sc.egov.usda.gov>. (Click on the link for the appropriate MPR year.) They must be prepared prior to closing and will be executed/submitted at closing.

MPR Conditional Commitment. This is required for all MPR transactions for approval and closing. It is issued after the Loan Committee's approval of the MPR restructure. The Sources and Uses of funds from the approved underwriting template and the list of repairs that will be included in the property's upfront rehabilitation (this may be shown as a Repair Escrow in the approved underwriting template or may come from the approved Capital Needs Assessment (CNA) or Form RD 1924-13 "Estimate and Certificate of Actual Cost" that will be funded from the property's construction account are attached to the MPR Conditional Commitment as exhibits. The Borrower must return a signed copy of the MPR Conditional Commitment within 15 calendar days of the date of the Agency's signature and it expires after 90 days from the date of execution by the Borrower. If the MPR transaction has not closed within 90 days of the Borrower's execution of the MPR Conditional Commitment, the Conditional Commitment must be re-issued by the Agency and re-executed by the Borrower.

MPR Debt Deferral Agreement. This is required for MPR transactions in which deferral of a property's U.S. Department of Agriculture (USDA) loan(s) is/are approved as part of the restructure. If more than one loan is being deferred, a separate MPR Debt Deferral Agreement must be executed for each loan. The deferral period can be found in the approved underwriting template and is usually twenty (20) years.

MPR Restrictive-Use Covenant (RUC). The RUC is required for all MPR transactions and binds the property to being used for the purpose of housing eligible very low, low, or moderate-income tenants. The RUC is a separate legal document from the other loan documents referenced herein and the term is for a period of 20 years, the remaining term of any existing loans on the property, on the remaining term of any existing Restrictive-Use Provisions (RUP), whichever ends later. As the term of the RUC may vary by NOFA/NOSA, staff should review the NOFA/NOSA to insure the correct term of RUC is used. Third-party loan security instruments (mortgage, deed of trust security agreement, etc.) may not supersede the MPR RUC except for the land use restriction agreement (LURA) required for properties also receiving Low-Income Housing Tax Credits (LIHTC) thru the respective State Agency unless previously authorized by Multi-Family Housing Preservation and Direct Loan Division (MFHPLD).

MPR Restrictive-Use Subordination Agreement. This is required for all MPR transactions. It subordinates the Agency existing loan (deferred or not) to the MPR RUC.

MPR Loan and Grant Resolution. This is required for properties owned by non-profit Borrowers who receive a MPR Revitalization Grant and/or MPR Revitalization Loan, and/or Section 515 loan, and/or soft second loan as part of an MPR transaction.

MPR Grant Agreement. This is required for properties owned by non-profit Borrowers who receive an MPR Revitalization Grant as part of the MPR transaction.

Form of Legal Opinion for MPR. This is executed by the attorney for the owners of all MPR properties and provides the Attorney's Opinion that the owner is legally able to enter into the MPR transaction with the Agency and that all organizational and closing documents have been validly entered into and executed. This document is prepared and executed after the MPR closing and returned to the Agency.

Amendment to Loan Resolution/Agreement. This is required for all MPR transactions. It amends the Loan Resolution/Agreement that was executed at the time the Agency's loans (deferred or not deferred) were originally obtained, by changing the required annual Reserve Account deposit to the deposit that was established as part of the MPR restructure.

Types of MPR Tools

Debt Deferral. For MPR transactions that include deferral of one or more of the property's existing Section 515 loans, a MPR Debt Deferral Agreement will need to be executed by the owner. A separate agreement is required for each loan that is being deferred. In addition, because the MPR Debt Deferral Agreement has the effect of modifying the terms of the original Loan Agreement(s) covering the loan(s) being deferred, the owner must also execute an Amendment to Loan Resolution/Agreement.

MPR Loans and Grants. Currently there are four loan types that can be used for MPR transactions: (a) a Section 515 loan; (b) a 0 percent Revitalization loan, (c) a Soft-Second loan; and (d) a Section 514 loan and/or Section 516 grant for eligible off-farm Farm Labor Housing transactions (for the Fiscal Year (FY) 2011 MPR program). For each of these loan types the owner must execute a Promissory Note or applicable grant agreement, as well as a new Loan Resolution or Loan Agreement, the type of which will depend on the legal structure of the borrower (whether non-profit or for-profit). The owner must also execute a Real Estate Mortgage/Deed of Trust.

Non-profits are eligible for a MPR Revitalization Grant to cover the cost of correcting health and safety issues that were identified in the CNA. Borrowers that receive this grant must execute an MPR Loan and Grant Resolution, as well as an MPR Grant Agreement.

If the loan or grant amount requested in the Borrower's initial SF 424.2, "Application for Federal Assistance," is different from the loan or grant amount approved by the Loan Committee, the Borrower must execute a new SF 424.2 showing the approved loan or grant amount.

For all approved MPR transactions, regardless of the specific MPR tool that is used, the following documents must be obtained for closing:

- Preliminary Title Report *or* Commitment for Title Insurance
- Final Title Report or Title Policy
- Signed MPR Restrictive Use Covenant
- Signed MPR Restrictive Use Subordination Agreement
- Signed Legal Opinion from Owner's Attorney (on attorney's letterhead)

Because the terms of the restructure will change the project's existing income and expense budget, rents or other aspects of the property's financial operations, it should be noted that virtually all approved MPR transactions will require the preparation and submission of Form RD 3560-7, "*MFH Project Budget/Utility Allowance*". This may require multiple budgets over a period of years to reflect the terms of the approved MPR for appropriate timing and implementation of rent changes, increases in Return to Owner (RTO), and the benefits that will accrue when the repairs/rehabilitations are completed. The Borrower should be provided a copy of the Under Writing Template (UWT) (.pdf version) as the UWT includes the approved post MPR income and expenses the borrower should use when preparing Form RD 3560-7.

Other Non-MPR Specific Tools

In addition to the MPR-specific tools described above, there are other servicing actions and resources that can be used as part of an MPR transaction. These include:

Reamortization of Existing Loans. This is commonly done to reduce payments on loans that are not being deferred in order to avoid or minimize a rent increase that may otherwise be required to cover debt service on those loans. In addition, if the loan being deferred will mature prior to the expiration of the 20-year deferral period, the deferred loan may be re-amortized to extend the maturity date so that the property will receive the full benefit of the 20-year deferral. If one or more of a property's loans will be re-amortized as part of the MPR transaction, the Borrower must execute a Reamortization Request and a MFH Reamortization Agreement. If a new MPR loan is offered as part of the MPR restructure, and the property has an existing Section 515 loan that is a Daily Interest Accrual System (DIAS) loan, a MFH Conversion Agreement is not needed as the reamortization will automatically convert the loan from DIAS to Predetermined Amortization Schedule System (PASS).

Project Consolidations. Projects can be consolidated as part of a MPR transaction. If a project consolidation is approved as part of a MPR restructure, the Borrower must execute Form RD 3560-17A "MFH Consolidation of Projects/Loan Agreements/Resolutions" as well as a Consolidated Loan Agreement/Resolution, as appropriate and follow the MFIS Tips for processing Project Consolidations. If the projects' loans are being consolidated as part of a transfer of ownership the Borrower will need to execute a "MFH Promissory Note" (Form RD 3560-52) completed in accordance with the Form Manual Insert (FMI). *Reminder:* loans can only be consolidated in conjunction with a transfer, new rates and terms.

New Third-Party Loans. If a MPR transaction includes a loan from a third-party lender, and if Rural Development's lien is proposed to be subordinated to the lien of the third-party lender, the Borrower will be required to execute an "Application for Partial Release, Subordination or Consent", Form RD 3560-1, and a Subordination Agreement.

Project Rehabilitation. If the owner of a MPR property submitted a Form RD 1924-13 showing the scope and cost of the proposed rehabilitation of the property and the terms of the Loan Review Committee's approval of the transaction changes either the scope or the cost, the owner must execute and submit a revised Form RD 1924-13 showing the approved scope and/or cost. Also, if the nature of the proposed rehabilitation will require that tenants at the property be relocated temporarily to another location while the rehabilitation is in progress, prior to closing the property owner should submit a Relocation Plan for approval.

Other Conditions for MPR Approval

The Loan Review Committee (LRC) may impose other conditions for approval of the MPR restructure. Any conditions of the LRC will be recorded on the "Record of Loan Committee Meeting" and posted to the MPR website. The most common condition is a requirement that a new appraisal for the property be obtained, so that Rural Development staff can update a security value determination. This is required when the transaction includes an existing Section 515 loan that will not be restructured, if the new MPR loan exceeds the unpaid principal balance of the deferred loan(s), by \$100,000 or more, or if otherwise required by the approving official. If an appraisal is required and this is provided by a third-party appraiser, this appraisal should be reviewed and accepted by the Rural Development staff appraiser and the findings documented in Reviewer's Appraisal Analysis.

Underwriters should ensure that all conditions of approval have been satisfied prior to closing. In particular, if the owner; as part of its MPR application, had committed to contributing funds towards the transaction, underwriters should obtain evidence that the owner has deposited those funds with the Closing Agent.

Post-Closing

The Post-Closing section of the attached matrix shows the documents that should be returned to the State Office, by the Closing Agent, after the closing of the MPR transaction. These documents should be retained in the State Office (Servicing Office); however, a copy of the MPR Debt Deferral Agreement should be faxed to Deputy Chief Financial Officer (DCFO) within 5 days of the MPR closing. The DCFO fax number is (314) 457-4283. Additionally, information from the following documents needs to be entered into the appropriate Automated Multi-Family Housing Accounting System (AMAS)/Multi-Family Information System (MFIS) screens and disseminated to DCFO and the Centralized Servicing Center (CSC).

1. Form RD 3560-51, "*MFH Obligation Fund Analysis*"
2. Form RD 3560-7, "*MFH Project Budget/Utility Allowance*"
3. Form RD 3560-50, "*MFH Conversion Agreement, if applicable*"
4. Form RD 3560-52, "Promissory Note"

States should consult with their Team Leaders for guidance on whether a particular form or document is required and for directions on completing the above or any other closing documents or forms.

If you have any questions regarding this UL, please contact Bonnie Edwards-Jackson, Loan Analyst, Preservation and Direct Loan Division at (202) 720-0759 or e-mail at bonnie.edwards@wdc.usda.gov.

Attachment

Attachment A: MPR Closing/Post-Closing Document Matrix

MPR Transaction Types									
Document Name	Restructure includes Deferred Debt that is \$100k less than amount of new MPR Loan	Restructure includes change in IC or NR Interest Rate	Restructure includes Project Consolidation	Restructure includes Re-amortization of Existing Loan(s)	MPR tools include Debt Deferral	MPR tools include New MPR Loan(s)	MPR tools include New MPR Grant	Restructure includes New Third-Party Debt	Restructure includes Rehab of Project
Documents Required Post Loan Committee Approval									
1. Form RD 1922-7, Appraisal Report for Multi-Unit Housing	√								
2. Conditional Commitment					√	√	√		
3. Form RD 1922-13, Reviewer's Appraisal Analysis	√ ¹								
4. Form RD 1927-09, Preliminary Title Opinion ²					√	√	√		
5. Relocation Plan									√ ³
6. Revised Form SF 424.2, Application for Federal Assistance ⁴					√	√	√		
7. Revised Form RD 1924-13, Estimate & Certificate of Actual Cost ⁵									√

¹ Required only if Appraisal is provided by third-party appraiser.

² A Commitment for Title Insurance can be substituted for the Preliminary Title Report.

³ Required only if rehabilitation work requires relocation of tenants from the property for a period of time.

⁴ Required only if funding and costs for the project have changed since submission of the original SF 424.2.

⁵ Required only if costs for the project have change since the submission of the original Form RD 1924-13 or if a cost certification has been required for closing.

MPR Transaction Types									
Document Name	Restructure includes Deferred Debt that is \$100k less than amount of new MPR loan	Restructure includes Change in IC or NR Interest Rate	Restructure includes Project Consolidation	Restructure includes Re-amortization of Existing loan(s)	MPR Tools include Debt Deferral	MPR tools include New MPR Loan(s)	MPR tools include New MPR Grant	Restructure includes New Third Party Debt	Restructure includes Rehab of Project
Documents Required for Closing									
8. Form RD 1927-5 Affidavit Regarding Work of Improvement ⁶						√			
9. Form RD 1927-10 Final Title Opinion					√	√	√		
10. Form RD 3550-25 Loan Closing Instructions					√	√	√		
11. Form RD 3560-51 MFH Obligation Fund Analysis						√	√		
12. Form RD 3560-1 Application for Partial Release, Subordination or Consent								√	
13. Ch. 15 Attachment 15-1 to HB-3-3560 ⁷								√	
14. Form RD 3560-7 MFH Project Budget/Utility Allowance ⁸		√	√	√	√	√	√		

⁶ Required if the MPR Borrower is the current owner of the real estate.

⁷ Required if RD loan(s) will be subordinated to 3rd party loan.

⁸ Required also where project is receiving additional RA or existing RA rents will change as a result of restructure.

MPR Transaction Types									
Document Name	Restructure includes Deferred Debt that is \$100k less than amount of new MPR Loan	Restructure includes Change in IC or NR Interest Rate	Restructure includes Project Consolidation	Restructure includes Re-amortization of Existing loan(s)	MPR tools include Debt Deferral	MPR tools include New MPR Loan(s)	MPR tools include New MPR Grant	Restructure includes New Third-Party Debt	Restructure includes Rehabilitation of Project
Documents Required for Closing									
15. Form RD 3560-9, MFH Interest Credit & Rental Assistance Agreement		√	√ ⁹	√ ¹⁰		√ ¹¹			
16. MPR Debt Deferral Agreement					√				
17. MPR Restrictive-Use Covenant					√	√	√		
18. MPR Restrictive-Use Subordination Agreement					√	√	√		
19. Form RD 3560-15, Re-amortization Request				√					
20. Form RD 3560-16, MFH Re-Am Agreement				√					
21. Form RD 3560-17A, MFH Consolidation of Projects /Loan Agreements Resolutions			√						

⁹ Required only if new interest credit benefits are being provided.

¹⁰ Required only if new interest credit benefits are being provided.

¹¹ Required only if the new loan is a Section 515 loan.

MPR Transaction Types									
Document Name	Restructure includes Deferred Deb that is \$100k less than amount of new MPR Loan	Restructure includes change in IC or NR Interest Rate	Restructure includes Project Consolidation	Restructure includes Re-amortization of Existing loan(s)	MPR Tools include Debt Deferral	MPR Tools include New MPR Loan(s)	MPR Tools include New MPR Grant	Restructure includes New Third-Party Debt	Restructure includes Rehabilitation of Project
Documents Required for Closing									
22. Loan Agreements & Resolutions (See Items 22.a. through 22.j.) (Choose based on individual loan vs. consolidated loan and borrower type.) ¹²									
22.a. Form RD 3560-33, Loan Agreement (Individual Owner/LLC) ¹³					√	√			
22.b. Form RD 3560-33A, Consolidated Loan Agreement (Individual Owner/LLC)			√		√	√			
22.c. Form RD 3560-34, Loan Agreement (RRH Loan to Partnership, Ltd. Partnership/LLC.						√			
22.d. Form RD3560-34A, Consolidated RRH Loan Agreement (Partnership/Ltd. Partnership/LLC)			√			√			
22.e. Form RD 3560-35, Loan Resolution (RRH Loan: Non-Profit/Profit Corp./LLC or RCH Loan to Non-Profit Cooperative/LLC						√			

¹² Regional OGCs may have State specific Loan Agreements and Resolutions as well as forms for other types of ownership entities.

¹³ Limited Liability Corporation.

MPR Transaction Types									
Document Name	Restructure includes Deferred Deb that is \$100k less than amount of new MPR Loan	Restructure includes change in IC or NR Interest Rate	Restructure includes Project Consolidation	Restructure includes Re-amortization of Existing loan(s)	MPR Tools include Debt Deferral	MPR Tools include New MPR Loan(s)	MPR Tools include New MPR Grant	Restructure includes New Third-Party Debt	Restructure includes Rehabilitation of Project
Documents Required for Closing									
22.f. Form RD 3560-35A, Consolidated Loan Resolution (RRH Loan to Non-Profit/ Profit Corp./LLC			√						
22.g. Form RD 3560-39, Loan Resolution (Labor Housing Loan to Non-Profit Corp)						√			
22.h. Form RD 3560-40, Loan Agreement - Labor Housing Loan to Individual									
22.i. Form RD 3560-41, Labor Housing Loan & Grant to a Non-Profit Corp.						√	√		
22.j. Form RD 3560-42, Labor Housing Grant Agreement							√		
23. Form RD 3560-50, MFH Conversion Agreement						√ ¹⁴			
24. MPR Loan & Grant Resolution (NP Corporation)							√		
25. MPR Grant Agreement							√		

¹⁴ Required only if new loan funds are provided to a property with an existing DIAS loan.

MPR Transaction Types									
Document Name	Restructure includes Deferred Deb that is \$100k less than amount of new MPR Loan	Restructure includes change in IC or NR Interest Rate	Restructure includes Project Consolidation	Restructure includes Re-amortization of Existing loan(s)	MPR Tools include Debt Deferral	MPR Tools include New MPR Loan(s)	MPR Tools include New MPR Grant	Restructure includes New Third-Party Debt	Restructure includes Rehabilitation of Project
Documents Required for Closing									
26. OMB 0575-0190, Form of Legal Opinion					√	√	√		
27. Amendment to Loan Resolution /Agreement					√	√	√		
28. Real Estate Mortgage or Deed of Trust						√			
29. Form RD 3560-52, Promissory Note						√			
30. Evidence of Deposit of Owner's required Contribution ¹⁵						√			
31. Commitment for Title Insurance ¹⁶					√	√	√		
32. Legal Opinion from Closing Agent ¹⁷					√	√	√		
33. Signed HUD-1 Settlement Statement					√	√	√		

¹⁵ Required only if the owner's MPR application indicated that a contribution of funds would be made.

¹⁶ A Preliminary Title Report can be substituted for the Commitment for Title Insurance.

¹⁷ The requirement for complying with this requirement will vary from state to State.

MPR Transaction Types									
Document Name	Restructure includes Deferred Deb that is \$100k less than amount of new MPR Loan	Restructure includes change in IC or NR Interest Rate	Restructure includes Project Consolidation	Restructure includes Re-amortization of Existing loan(s)	MPR Tools include Debt Deferral	MPR Tools include New MPR Loan(s)	MPR Tools include New MPR Grant	Restructure includes New Third-Party Debt	Restructure includes Rehabilitation of Project
Documents Required Post-Closing									
34. Signed Real Estate Mortgage/Deed of Trust - unrecorded					√	√	√		
35. Signed copies of all closing documents					√	√	√		
36. Title Insurance Policy ¹⁸					√	√	√		
37. Form RD 3550-25, Loan Closing Instructions and Loan Closing Statement signed by Closing Agent & Loan Approval Official					√	√	√		
38. Recorded Real Estate Mortgage/Deed of Trust (when available) ¹⁹					√	√	√		

¹⁸ This must be provided to the Agency within 14 days of closing.

¹⁹ The recorded copy should be provided to the Agency as soon as it is available. If the original is retained by the filing official, a confirmed copy showing the date and place of record must be provided.