Form 3565-2
(Rev. 02-05)

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL HOUSING SERVICE (RHS)

FORM APPROVED
OMB NO. 0575-0174

CONDITIONAL COMMITMENT

(Multifamily Housing)

TO: Lender	Case No.
Lender's Address	State
Borrower	Principal Amount of Loan

From an examination of information supplied by the Lender and other relevant information, it appears that the transaction can properly be completed.

Therefore, the United States of America acting through the United States Department of Agriculture ("Government") hereby agrees that, in accordance with applicable provisions of the regulations, it will execute Form RD 3565-4, "Loan Note Guarantee," subject to the conditions and requirements specified in the regulations and herein.

The Lender will pay the Loan Note Guarantee fee to the Government in the amount specified in the regulations on the date the Loan Note Guarantee is issued. If the loan is to receive interest credit, the interest rate for the Promissory Note is no more than_____1/ basis points above the Long Term Monthly Applicable Federal Rate at loan closing.

A Loan Note Guarantee will not be issued until the Lender certifies that there has been no adverse change in the Borrower's financial or other condition, during the period of time from the Government's issuance of this Agreement to issuance of the Loan Note Guarantee regardless of the cause of the change or whether it was within the Lender's or Borrower's control. If tax credits are being used in conjunction with the guaranteed loan, the Lender certifies that the Borrower is in compliance with the tax credit agreement. The Lender's certification must address all adverse changes and be supported by financial statements of the Borrower and its guarantors executed not more than 60 calendar days before the time of certification. As used in this paragraph only, the term "Borrower" includes any parent, affiliate, or subsidiary of the Borrower.

Permanent loans. The Agency will issue a permanent loan guarantee after a minimum level of acceptable occupancy of 90% for 90 consecutive days is attained or an additional operating reserve equal to 2% of the appraised value of the project or total development costs, whichever is greater, is set aside. This cash contribution is an additional amount, over and above the required initial operating and maintenance reserve contribution. In either case, the permanent guarantee will be issued when the 2% additional reserve amount is set aside prior to closing the construction loan or the minimum level of occupancy is attained prior to the expiration of this Agreement, including any extensions thereto. The maximum guarantee payment for a permanent loan will be 90 percent of the unpaid principal and interest up to default and accrued interest 90 calendar days from the date the liquidation plan is approved by the Agency, as defined in 7 CFR 3565.452. Penalties incurred as a result of default are not covered by the guarantee. The Agency may provide a lesser guarantee percentage based upon its evaluation of the credit quality of the loan. The Agency liability under any guarantee will decrease or increase, in proportion to any increase or decrease in the amount of the unpaid portion of the loan, up to the maximum amount specified in the Loan Note Guarantee.

Combination construction and permanent loans. For combination construction and permanent loans, the Agency will guarantee advances during the construction loan period, which cannot exceed 24 months. The guarantee of construction loan advances will cover a permanent loan once the minimum level of acceptable occupancy of 90% for 90 consecutive days is attained or an additional operating reserve equal to 2% of the appraised value of the project or total development cost, whichever is greater, is set aside prior to closing the construction loan. This cash contribution is an additional amount, over and above the required initial operating and maintenance reserve contribution. The maximum guarantee of construction advances related to a combination construction and permanent loan will not at any time exceed the lesser of 90 percent of the amount of principal and interest up to default advanced for eligible uses of loan proceeds or 90 percent of the original principal amount and interest up to default of the combination loan. Penalties incurred as a result of default are not covered by the guarantee. The Agency may provide a lesser guarantee based upon its evaluation of the credit quality of the loan. Conversion to a permanent loan guarantee will become effective when the Agency provides the lender with written confirmation of the

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0174. The time required to complete this information is estimated to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

conversion date. In addition, the lender shall require credit enhancements to protect the Government's interest. Acceptable credit enhancements include:

(i) Surety bonding or performance and payment bonding (the preferred credit enhancement);
(ii) An irrevocable letter of credit acceptable to the Agency; or
(iii) A pledge by the lender of acceptable collateral.

Use restriction. The Lender will assure that, for the original term of the guaranteed loan, the rental housing remains available for occupancy by low and moderate income households, in accordance with 7 CFR 3565.352. This requirement will be included in a deed restriction. The restriction will apply unless the housing is acquired by foreclosure or an instrument in lieu of foreclosure, or the Government waives the applicability of this requirement for reasons authorized in 7 CFR part 3565, subpart H.

A Regulatory Agreement as provided in 7 CFR part 3565, subpart A, must be executed at the time of closing. As a condition of the guarantee, the Lender must certify annually to the Rural Housing Service or its successor agency (Agency) that the Borrower is in compliance with the Regulatory Agreement and program requirements with respect to all aspects of project management. The Lender certifies it has approved the Borrower's management plan and assures that the Borrower is in compliance with Agency standards regarding property management, including the requirements contained in 7 CFR part 3565, subparts E and F.

In the event of the Government's failure to issue a guarantee and it is found to be in breach, the Lender's remedy is limited to a suit for the guaranteed portion of principal and interest which ultimately remains unpaid.

This Agreement becomes null and void unless the conditions are accepted by the Lender and Borrower within 60 calendar days from the date of issuance by the Government.

As a condition of the guarantee, the Lender must certify that the Borrower constructed and operates the complex in accordance with the applicable civil rights laws and Fair Housing Amendments Act of 1988 (FHAA). The Lender must also certify compliance with Title VI of the Civil Rights Act of 1964 and Section 504 of the Rehabilitation Act of 1973 when interest credit assistance is provided.

Lenders who intend to have the GRRHP loan securitized by Ginnie Mae must certify, in writing, that the guaranteed loan amount shall not be greater than _____ 2/ of total development costs.

Except as set out below, the purposes for which the loan funds will be used and the amounts to be used for such purposes are contained in the Application for Loan and Guarantee. Once this Agreement is executed and returned to the Government, no major change of conditions or approved loan purpose as listed on the application forms will be considered. Additional conditions and requirements including source and use of funds: 3/

If the conditions set forth in this Agreement are not met within _____ calendar days from the date signed by the Government, the Government may discontinue processing the application and terminate its commitment. If the Government decides to terminate this commitment, it will provide the Lender a written notice at least 14 calendar days prior to termination. 4/

UNITED STATES OF AMERICA

By: _____

Date: _____ _____

(Title)

ACCEPTANCE OF CONDITIONS

To: USDA 5/

The conditions of this Conditional Commitment, including attachments, are acceptable and the undersigned intends to proceed with the loan transaction and request issuance of a Loan Note Guarantee within _____ days.

_____

(Name of Lender)

Date: _____ By: _____

(Signature for Lender)

Date: _____ _____

(Signature for Borrower)

1/ Insert basis points for loans with interest credit awards only.

2/ State Office will complete based on guidance in Chapter 4, Paragraph 4.15 C. in HB-1-3565.

3/ Insert any additional conditions or requirements in this space or on an attachment referred to in this space; otherwise, insert "NONE".

4/ USDA will determine and insert the # of days by which conditions should be met. It can be no more than 720 days or 24 months.

5/ Lender returns completed and signed copy of this form to USDA issuing office.