

TO: State Directors  
Rural Development

ATTENTION: Multi-Family Housing Program Directors/Managers  
Rural Development Managers

FROM: Russell T. Davis      *(Signed by Russell T. Davis)*  
Administrator  
Rural Housing Service

SUBJECT: Revitalizing the Multi-Family Housing (MFH) Portfolio  
Using Transfers, Assumptions and Other Servicing Authorities

PURPOSE/INTENDED OUTCOME:

This Administrative Notice (AN) provides guidance on using the Agency's regulatory authorities to revitalize and preserve the existing MFH portfolio through transfers and assumptions. The guidance applies to all borrowers considering relinquishing ownership and all potential purchasers seeking to retain a property within the MFH program. Prolonged reduced program funding, the portfolio's increasing age, and existing owners seeking viable program exit strategies are key reasons why exceptional efforts are now needed to revitalize the portfolio. It will take extensive cooperation by existing owners, potential purchasers, non-Agency housing financiers and the Agency to help preserve this irreplaceable affordable rental housing option in rural America.

COMPARISON WITH PREVIOUS AN:

This AN replaces transfer and assumption guidance provided in expired RD AN No. 3767 (1965-B) dated on June 28, 2002, and expands on guidance on preserving housing using the prepayment process provided under RD AN No. 3905(1965-E) dated October 20, 2003.

IMPLEMENTATION RESPONSIBILITIES:

The Agency will seek to find solutions to extend and enhance the use of each MFH property that continues to serve the affordable housing needs in its community. This AN establishes guidance for revitalizing MFH projects using the transfer authority of RD Instruction 1965-B as well as highlighting revitalization features of the prepayment process of RD Instruction 1965-E.

EXPIRATION DATE: September 30, 2005

FILING INSTRUCTIONS: Preceding  
RD Instruction 1965- B

**Revitalization principles.** The goal of revitalization is to refocus resources on existing properties so they can meet affordable rental housing needs well into the future. Basic revitalization principles are summarized below and clarified further on Attachment A:

1. There is a need for the property in the community.
2. When the transaction is complete the property will be in the hands of eligible owners.
3. The transaction will address the physical needs of the property.
4. Existing tenants will not be displaced because of increased post transaction rents.
5. Post transaction basic rents will not exceed comparable market rents.
6. Any equity loan amount will be supported by a market value appraisal.
7. The Office of Rental Housing Preservation (ORHP) concurs with equity loan amounts or increased return to owner (RTO) and coordinates the approval of exceptions, National Office approvals or revitalization related policy issues.

**Use effective processing strategies.** The Agency must work effectively to help purchasers to meet timeframes and other requirements of third party funding sources. Key methods to foster cooperation and efficiencies within State Office jurisdictions are described on Attachment B and Attachments B-1 through B-6. These methods include:

1. The State MFH Preservation Contact coordinates State revitalization activity.
2. Develop and maintain standard transfer processing guidance and checklists.
3. For each transaction, establish an up-front understanding for assessing capital needs, establishing the scope of rehabilitation and determining the appraised value.
4. Develop a good working relationship with third party funding sources.
5. Understand processing timeframes and requirements for third party funding sources.
6. Process and approve transactions to assist owners to meet timeframes and other requirements of third party funding sources.

**Fully use servicing authorities.** The Agency must creatively consider and use when practicable other servicing authorities to facilitate revitalization. These authorities which are clarified further on Attachment C include:

1. Subordination for third party equity or rehabilitation loans.
2. Accept parity or junior liens for equity or rehabilitation purposes.
3. Accept pre or post transaction consolidations to facilitate efficient management.
4. Reamortization of existing Agency debt to reduce debt service.
5. Reallocate unused rental assistance (RA) units to assure affordability by existing tenants.
6. Allow for a post transaction asset management fee to a nonprofit or public body.
7. Exceptions and National Office approvals as necessary.

**Please contact ORHP with questions regarding this AN.**

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## REVITALIZATION PRINCIPLES

1. **There is a need for the property in the community.** Prior to entering into a revitalization process, the Agency must be satisfied that favorable patterns in housing and population statistics indicate the property will be needed to provide affordable rental housing to eligible tenants in the community.
  - (a) The determination of need will be documented in the case file. More complete documentation will be required if vacancy exceeds 10% during the most recent 12 months.
  - (b) RD Instruction 1965-E, Exhibit E, II C 1 may also be used during the transfer process for guidance in making this determination.
2. **When the transaction is complete the property will be in the hands of eligible owners.** The post transaction owner must be capable and willing to operate the revitalized property in accordance with the purpose and intent of the Rural Rental Housing (RRH) program and be considered eligible within program requirements, including RD Instruction 1944-E, section 1944.211 (a) (15).
  - (a) An applicant will be considered to be ineligible if the applicant or any member of the applicant entity is currently in noncompliance with existing Rural Development regulations including equal opportunity, fair housing and accessibility requirements, has an outstanding finding of non-compliance issued by the Agency, or an unclosed Office of Inspector General (OIG) audit or investigation.
  - (b) The State Director may waive this requirement if the outstanding finding or unclosed OIG audit or investigation is being addressed through a workout or transition plan in effect for at least 6 months, or if the State Director determines that the existing default is due to circumstances beyond the applicant or any member of the applicant entity's control. State Directors are to consult with other State Directors when the default has occurred in another State.
3. **The transaction will address the physical needs of the property.** In accordance with the guidance of RD Instruction 1965-B, section 1965.65 (c) (2), all physical needs of the property must be identified and addressed during a revitalization transfer regardless of the source of funding.
  - (a) Identifying the property's physical needs.
    - If a full physical inspection or a compliance review has not been conducted with in the last 12 months, then the Agency will conduct one. Pictures of any finding of deficiencies or non-compliance will be included in the applicant's file.
    - When repair and rehabilitation issues are anticipated, an independent Capital Needs Assessment (CNA) is to be obtained to determine the immediately needed repairs and any necessary adjustments to the reserve account for long-term project viability. The cost of a CNA may be funded from the project's reserve or operating account if funds are available and the cost and quality of the CNA are deemed acceptable by the Agency prior to execution of any contractual agreement by the borrower. While a CNA may also be referred to as a "physical needs assessment," at a minimum to be considered acceptable, a CNA must include:

- A physical inspection of the site, architectural features, common areas and all electrical and mechanical systems.
  - A unit-by-unit inspection.
  - Identify repair, replacement or improvement needs. Improvements needs should address health and safety, accessibility, code or deterioration prevention issues.
  - Provide a cost estimate of the repair, replacement or improvement expenses.
  - Provide at least a 10-year analysis of the timing and funding for identified needs which includes reasonable assumptions regarding inflation (currently 3% annual).
  - Be consistent with commonly accepted practices in the industry.
- If the cost or availability of qualified independent contractors prevents or delays the completion of a CNA, the Agency may perform this function.
    - A contracted CNA should be financially feasible for any project over 20 units.
    - When the Agency performs the CNA it will be done with the participation of the State Architect or if unavailable a contract Architect or State Architect from a neighboring State.
    - A CNA should generally be completed within 12 months prior to the revitalization transaction.
  - When substantial repair rehabilitation issues are anticipated, the State Architect and Civil Rights Coordinator are to participate in the CNA or other on-site inspection.
  - All necessary repairs to assure that the housing will be decent, safe and sanitary, and other improvements proposed by the applicant to enhance long-term viability of the housing must be identified and agreed to by the Agency. Any needed property improvement to bring the property into conformance with the Fair Housing Act, Americans with Disabilities Act (ADA), or Section 504 of the Rehabilitation Act of 1973 requirements must be included in the rehabilitation plan.
  - Exhibit K to RD Instruction 1924-A may be used as a guide in determining what Rural Development considers maintenance and rehabilitation of MFH project. This is a guide; flexibility should be used to protect the Government's interest to enhance the long-term viability of the housing and accessibility.
  - The requirements of RD Instruction 1940-G, "Environmental Program" must be met.

(b) Addressing identified need.

- The transferee must provide a plan for any repairs or enhancements as part of the application package. The plan must identify each repair or enhancement item, the timeframe for completion, estimate of costs for each item, funding source for each phase of completion, who will do the work, and any Identity of Interest between the transferee and the party doing the work or providing materials and services.
- A preliminary plan may be presented to the Agency prior to the final determination of physical needs as outlined above to help assess the feasibility of the proposal. After a final identification and agreement on needs, Rural Development must concur with the final plan as part of the approval of the transfer. Costs in the final plan will be evaluated by the Agency using a cost data sources recognized by the housing

industry. When Low Income Housing Tax Credits (LIHTC) are a part of the transaction the Agency may accept a sources and uses analysis prepared by the LIHTC issuer or perform a MFH sources and uses spreadsheet analysis (SAUCE) to review the sources and uses of transaction funding. A SAUCE analysis is not required for transfers that do not include LIHTC sources.

- A plan must be developed to address how tenants will be relocated if necessary to rehabilitate the project.

(c) Funding for repair and rehabilitation needs when equity is part of the transaction.

- When equity is paid in cash or on terms in accordance with the provisions of RD Instruction 1965-B, Section 1965.65 (b) (3) (vi) the priority sources for all repairs or enhancements are as follows:
  - Transferor's equity payment, including any syndication proceeds the transferee pays to the transferor.
  - Contributions by the transferee.
  - Reserve account funds being transferred, provided post transaction reserve account levels and funding is adjusted in accordance with a CNA.
  - Agency or third party loan funds.
- When equity is paid via the prepayment incentive provision of RD Instruction 1965-E, or when an equity loan is allowed through an exception to RD Instruction 1965-B, section 1965.65 (b)(3)(vi), funding for deferred maintenance will be from the first two sources identified above. Funding for repair and rehab other than deferred maintenance may be from any of the sources identified above, but may not be required to be from the transferor's equity payment.
  - Deferred maintenance for the purposes of conditioning the receipt of equity loans is limited to specific items identified in previous Agency inspections where the borrower has had the opportunity and resources available to take corrective actions and did not.
  - Deferred maintenance does not include routine repair and replacement that results from normal wear and tear on the physical asset.
  - Any amount of deferred maintenance to be part of an incentive or equity offer will be identified and considered during the ORHP concurrence process.

(d) During all revitalization transfers, post transaction project feasibility must be considered and documented through an Agency approved budget.

- The three basic principles are that basic rents do not exceed comparable market rents, all physical needs must be addressed, and there must be adequate security for all debt secured by the property.

- When rehabilitation and repairs are not immediately needed at the time of the transaction, funding to the reserve account may be increased in accordance with CNA determined requirements to meet those needs. Increases to reserve account funding will be included in the estimation of post transaction rents and may affect the revitalization transaction's feasibility. In accordance with RD Instruction 1930-C, Exhibit B, XIII B 2 c, any change to reserve account requirements will be formalized by an amendment or change to the original loan agreement reserve account requirements.
4. **Existing tenants will not be displaced because of increased post transaction rents.** For any revitalization transfer, if transaction costs cause rents to increase, the Agency will review the transaction's impact on tenants not receiving RA to minimize the possibility of displacement caused by rent overburden.
- (a) If a project is being processed as a prepayment request or a sale to a non-profit or public body within the RD Instruction 1965-E process, the Agency will provide RA to all affected tenants. RA will pay the difference between the tenant contribution and higher post transaction rents. Once incentive RA is provided, RD Instruction 1965-E, Section 1965.217 (f) anticipates that RA will remain available for eligible tenants to meet increased rents. Before transferring incentive RA units under the unused RA authority of RD Instruction 1930-C, Exhibit E, XV 2 b, the State MFH Preservation Contact will obtain concurrence from ORHP.
- (b) If a project is being processed under the transfer authority of RD Instruction 1965-B, the Agency is not obligated to provide RA as under a prepayment incentive. Agency approval of non-prepayment transfers may be provided only when the Agency determines that the potential for tenant displacement is minimal based on a review of the potential impact of post transaction rents on existing tenants.
- If unused RA is available the State Director using the authority of RD Instruction 1930-C, Exhibit E, XV 2 b may provide it.
  - To help protect tenants from rent overburden, borrowers should contact local public housing authorities to determine if Section 8 vouchers from the Department of Housing and Urban Development (HUD) are available to protect tenants who face higher rents.
  - Borrowers also may fund temporary rental incentives from non-project funds under the authority of RD Instruction 1965-B, Exhibit B, III B 3 c to ease the transition to post transaction rents.
5. **Post transaction basic rents will not exceed comparable market rents.** Comparable rents will be established using the results of the Agency approved market value appraisal. All project equity, rehabilitation, Agency or non-Agency debt service, reserve deposits, operating costs and return on investment (ROI) must be reflected in project basic rents which may not exceed comparable market rents. When an equity loan is provided, ORHP concurrence will include a review to assure that comparable rents are not exceeded in accordance with the direction of RD Instruction 1965-E, Exhibit E, IV B.

6. **Any equity loan amount will be identified by a market value appraisal.** By issuing AN 3978 (1922-B), dated May 3, 2004, and AN 3981(1922-B), dated May 21, 2004, the Agency has provided improved guidance on obtaining and using appraisals within MFH programs. When determining the equity loan amount, funds available in the reserve account will be added to the appraised market value of the project.
- For the purposes outlined in this AN, the Agency may accept a third party appraisal if after Agency review it is determined to meet Agency standards.
  - If a repair or rehabilitation loan is contemplated as part of a revitalization transaction, the appraisal should be ordered to also provide an opinion on the property's prospective market value subject to restricted rents plus the value of favorable financing.
- (a) For all equity payments at the time of transfer - RD Instruction 1965-B, 1965.65 (b)(3) (i) through (iv) establishes that an equity payment may not be received as part of a transfer unless:
- All unpaid Agency project debt is assumed.
  - The taxes and insurance account is funded on schedule and all outstanding bills have been paid.
  - All Agency loan payments are current.
  - The reserve account is on schedule, less any authorized withdrawal.
  - When these conditions cannot be met, the State Director may request an Administrator's exception to authorize an equity payment only when all other alternatives, including liquidation, would adversely affect the interest of the Government or the immediate health or safety of the tenants or the community. Requests for an Administrator's exception must contain sufficient documentation to demonstrate that the conditions of section 1965.97 of RD Instruction 1965-B can be met.
- (b) For all equity payments at the time of transfer that meet the conditions of 1965.65 (b)(3)(vi)(A) or (B), the State Director may approve the payment with no further approval from the National Office.
- (c) For all equity **loans** at the time of transfer - To facilitate the revitalization of existing MFH projects, the Agency may consider an exception to sections 1965.65 (b)(3)(vi) and (c) (5) of RD Instruction 1965-B to allow for an equity payment to be in the form of a loan to be funded from project income.
- ORHP will concur with any equity loan amount using the guidance in this AN.
  - The loan may be up to 100 percent of equity for nonprofit entities that agree to restrictive-use provisions for the remaining useful life of the project or limited profit entities that agree to 30 years restrictive-use provisions. The loan may be up to 90% for limited profit entities that agree to 20-year restrictive use provisions.

**7. ORHP will concur with any equity loan amount or increased RTO and coordinate the approval of any exceptions, National Office approvals or policy issues.**

- (a) When submitting information for ORHP approval of a revitalization transfers involving an equity loan, or increased return to owner (RTO) the request must provide a copy of the ORHP incentive calculation worksheet, and other information sufficient to describe the financial terms and impact of the transaction. Updating PRE-TRAC is required only for revitalization transactions that are a result of a prepayment request in accordance with RD Instruction 1965-E.
- (b) In accordance with RD Instruction 1965-B, section 1965.65 (c)(10) the amount of the borrower's initial investment may be adjusted to reflect cash contributions by the new borrower for the "hard costs" of repair and rehabilitation. Cash contributions do not include loan funds, regardless of the source or expectation of repayment. ORHP concurrence will be obtained when the RTO increased as part of a revitalization transaction.



## EFFECTIVE PROCESSING STRATEGIES

1. **The State Multi-Family Housing (MFH) Preservation Contact coordinates State revitalization activity.** Individuals previously identified by their State Director under now expired RD AN No. 3824(1965-E), dated February 21, 2003, as the designated MFH Preservation Contact will also coordinate revitalization efforts. Any change in designation or identification information should be sent to ORHP.
2. **Develop and maintain standard transfer processing guidance and checklists.** State Directors and housing staff should familiarize themselves with transfer and assumption authorities covered by RD Instruction 1965-B and the guidance outlined in this AN.
  - (a) Transfer and Assumption Policies.
    - Section 1965.65 of RD Instruction 1965-B describes the policies for approving all transfers of real estate security and the assumption of loans. The requirements of this section allow borrowers to transfer their project to another separate and distinct entity in which members are participants in both the transferring and the assuming entities. The transferee must be legally organized and meet the requirements of RD Instructions 1965-B and 1944-E and the guidance of this AN.
    - Caution should be used in distinguishing a transfer from a change in membership. Changes involving 100 percent membership changes or changes in the entity, such that the new entity is considered a separate and distinct legal entity from the original borrower, must be treated as a transfer and processed in accordance with section 1965.65. For example, when a borrower entity receives a new Tax ID number from the Internal Revenue Service (IRS), the entity change would be considered a transfer.
    - Changes to membership including substitution of General Partners are to be conducted in accordance with RD Instruction 1965-B, section 1965.63 and may be approved when it can be demonstrated that the change will not adversely affect the operations of the project. The incoming partner should be able to further prove that the transaction will be in the best interest of the Government.
  - (b) Structuring a Transfer Agreement.
    - Form RD 465-5, "Transfer of Real Estate Security," will be used to record the agreements between the transferor and transferee. The purchase contract between the buyer and seller should be attached as an addendum if necessary to fully disclose the transaction.
    - In accordance with RD Instruction 1965-B, section 1965.65. (b) (3) (vi) (B), the agreement will be prepared to show all transactions involved relating to equity. This includes the disposition of syndication proceeds between the transferee and transferor, method and source of payment, payment of recoverable costs items, disposition of future paid payments, assignment of project accounts, leases and disposition of any equipment purchased with loan or project funds. In accordance with section 1965.65 (c) (3), the Agency expects the transfer to result in post transaction balances in the project's operating, reserve, taxes and insurance and tenant security deposit accounts to at least equal pre-transaction levels.

- The agreement must document any necessary actions to bring the project into compliance with regulations and loan instruments, such as delinquent payments, under funded reserves, accessibility issues and deferred maintenance. If there are health and safety deficiencies identified, an action plan for immediate steps to take corrective measures must be included. These agreements must state which party will be responsible and the source of funds. Additional information may be attached to Form RD 465-5 as needed to ensure that all agreements are documented.
  - The proposed debt (existing debt being assumed and any additional debt) shall be counted for determining the security value limitations set out in RD Instruction 1944-E, Section 1944.205. Third party soft second mortgages secured only by proceeds from a future sale of the property may be excluded from the debt ceiling and security value calculations.
  - In all cases, appraisals will be required when new debt is added or when the transfer will be using new rates and terms. The amount of indebtedness to be assumed will be based on an appraisal that complies with the Uniform Standards of Professional Appraisal Practices (USPAP). In no instances will appraisals be inflated to defer loan losses and write-offs, avoid adverse tax consequences, or support a higher tax credit basis.
  - The account will be classified as an “A” project in the Multi-Family Housing Information System (MFIS) or if an acceptable workout plan has been developed, classified as a “B” project. When the provisions of the transfer agreement will correct all outstanding findings, the agreement may be considered to be an acceptable workout plan for MFIS entry and reclassification after the transaction.
- (c) Develop and provide a transfer processing checklist.
- The checklist should be consistent with the requirements of RD Instruction 1965-B but also include any additional requirements in accordance with State Law.
  - Attachment B-1 may be used as a guide for a transfer processing checklist.
- (d) The State MFH Preservation Coordinator is to provide a completed Attachment B-2 for each transfer completed in his or her State.
- 3. For each transaction, establish an up-front understanding for assessing capital needs, establishing the scope of rehabilitation and determining the appraised value.**
- (a) An initial meeting should be held with the borrower, potential purchaser and all interested parties, including third party financiers to determine the most effective means to bring about the conclusion of the revitalization transfer.
  - (b) An agreement should be reached on how all parties will reach a preliminary understanding of the feasibility of the anticipated transaction. This includes how the borrower or purchaser will obtain initial estimates of operating expenses, needed repairs, and market rents. A goal should be to establish a process where only one formal CNA, description of the scope of work and appraisal is necessary.

4. **Develop a good working relationship with third party funding sources.** The State MFH Preservation Coordinator should meet with third party funding sources active within their jurisdiction on a regular basis to exchange ideas and information related to MFH portfolio revitalization efforts. When possible, a memorandum of understanding should be in place with the providers of LIHTC.
  - (a) The National Office is working closely with Government Sponsored Entities (GSE) such as Fannie Mae and Freddie Mac to open up access to the secondary market to obtain funding for equity and rehabilitation for RRH projects. Both GSE's are developing guidance to lenders that can be used when working with the Agency. Borrowers are encouraged to participate with these programs.
  - (b) The State MFH Preservation Coordinator will be the main contact point in each State and should be familiar with GSE processing requirements. They should also be prepared to meet with designated lenders to explain our processing requirements and develop plans to efficiently coordinate actions and resources.
5. **Understand processing timeframes and requirements for third party funding sources.** The State MFH Preservation Coordinator should be assured that they possess the latest rules surrounding the operations of LIHTC and other processing requirements of third party funding sources or GSE's.
6. **Process and approve transactions to assist owners to meet timeframes and other requirements of third party funding sources.** Internal processing by the State and Servicing Offices should be conducted to meet this goal. ORHP should be notified if any exceptions or additional or new authority is needed to help obtain third party housing resources.



**Part 1. Critical items needed**

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**Please submit each of the following immediately once they become available. The buyer/transferee must submit one (1) original to the local AGENCY servicing office and one (1) copy of all of the “critical” documents to the State Office.**

- 1. Form SF 424 “Application for Federal Assistance,” 424C “Budget Information – Construction Programs,” and 424D “Assurances – Construction Programs.”  
These forms can be obtained on line at: <http://gsa.gov/>
- 2. “MFH Transfer & Assumption Application Supplement” including the “Preservation Transfer Development Budget” (See Attachment B-3)
- 3. Copy of executed purchase agreement, including any and all amendments.
- 4. Physical Needs Assessment. See AN ##### regarding the PNA.
- 5. *Optional, but strongly encouraged.* A professional market study, documenting comparable market rents is encouraged when an appraisal is not required
- 6. Appraisal. See AN ##### for appraisal criteria. Please note, a *third* copy of the appraisal should be sent to your State Appraiser.
- 7. Copy of associated applications filed with any other financing source (and, if the financing is committed, a copy of the commitment letter – e.g., a preliminary reservation letter).
- 8. Preliminary title report.
- 9. Project budget. This budget form should set forth the project’s current AGENCY-approved budget in the “Current Budget” columns and the project’s proposed budget after acquisition in the Proposed Budget columns.
  - a)  Form RD 1930-7, “MFH Project Budget”. This form is available upon request from AGENCY in an Excel format or it may be obtained in a pdf format on line at: <http://rdinit.Agency.gov/regs/forms/1930-07.pdf>
  - b)  Narrative justification of changes in budget. *It is important that any and all differences between the current and proposed budget be fully explained and justified.*
- 10. Rehabilitation plan. The rehab work should be developed in light of the Comprehensive Needs Assessment (above). The rehab work should be categorized as follows: (i) all necessary repairs to address any deferred maintenance and assure that the housing will be decent, safe, & sanitary; (ii) any

needed property improvement to bring the property into conformance with Fair Housing, ADA, or Section 504 requirements; (iii) other rehabilitation proposed to enhance long-term viability of the housing; and (iv) any other feasible upgrades that will increase its marketability. The plan must include tenant relocation costs if necessary to rehabilitate the project. The agency must concur with the plan as part of the approval of the transfer.

- a)  A detailed plan and timeline of all rehab work to be accomplished. The plan must identify each repair or enhancement item, the timeframe for completion, estimate of costs for each item, who will do the work, and any Identity of Interest between the transferee and the party doing the work or providing materials and services.
- b)  Form RD 1924-13, “Estimate and Certificate of Actual Cost”. Complete the estimated cost columns. This form can be obtained on line at: <http://rdinit.Agency.gov/regs/forms/1924-13.pdf>

11. Contact list. See Attachment B-4.

## **Part 2. Additional application materials needed as soon as possible**

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These “additional” documents should be submitted to the local AGENCY servicing office only. Copies do not need to be sent to the State Office.

### From the seller:

12. Form RD 465-1, “Application for Partial Release, Subordination, or Consent” – signed by the *seller*. This form can be obtained on line at: <http://rdinit.Agency.gov/regs/forms/0465-01.pdf>

### From the buyer/transferee:

13. Brief narrative or resume of applicant’s experience in multi-family housing.

14. Current financial statements of the applicant and of all general partners and owners with a >10% ownership interest. An example of an appropriate certification is Attachment B-5. The certification should be attached to each financial statement. (Note: If the applicant is an entity that has not yet been formed, financial statements should be a *pro forma* financial statement of the applicant along with financial statements of the proposed principals.)

15. *If the buyer is a nonprofit or has a nonprofit general partner:* Most recent IRS Form 990, “Return of Organization Exempt from Income Tax” (with Schedules A & B).

16. Organizational documents as appropriate for applicant entity type – e.g., partnership agreement, articles of incorporation, by-laws, certificate of good standing, resolution to apply for this loan – along with a letter from the applicant’s attorney certifying their legal sufficiency. (Note: If the applicant is an entity that has not yet been formed, drafts documents may be submitted instead.) If the borrower is a nonprofit, also provide:

- a)  Tax-exempt ruling from the IRS conferring 501(c)(3) or 501(c)(4) status.

b)  List of members on Board of Directors.

17. Form HUD 9832, “Management Entity Profile Form” – signed by the applicant. This form can be obtained online at: [http://www.hudclips.org/sub\\_nonhud/cgi/pdfforms/9832.pdf](http://www.hudclips.org/sub_nonhud/cgi/pdfforms/9832.pdf)

18. Form HUD 2530/RD 1944-37, “Previous Participation Certification” – signed by the applicant. This form can be obtained online at: [http://www.hudclips.org/sub\\_nonhud/html/pdfforms/2530.pdf](http://www.hudclips.org/sub_nonhud/html/pdfforms/2530.pdf) (fillable pdf format)

19. Form RD 1944-30, “Identity of Interest (IOI) Disclosure Certificate” – signed by the applicant. This form can be obtained online at: <http://rdinit.Agency.gov/regs/forms/1944-30.pdf>

20. *If there is any Identity of Interest:* Form RD 1944-31, “Identity of Interest (IOI) Qualification” – signed by the applicant. This form can be obtained online at: <http://rdinit.Agency.gov/regs/forms/1944-31.pdf>

21. Form RD 1910-11, “Applicant Certification Federal Collection Policies for Consumer or Commercial Debts” – signed by the applicant. This form can be obtained online at: <http://rdinit.Agency.gov/regs/forms/1910-11.pdf>

22. Form AD 1047, “Certification Regarding Debarment, Suspension and other Responsibility Matters” – signed by the applicant. This form can be obtained online at <http://ftp.fsa.Agency.gov/public/forms/ad1047.pdf> Matters

23. Form RD 400-1, “Equal Opportunity Agreement”. This form can be obtained on line at: <http://rdinit.Agency.gov/regs/forms/0400-01.pdf> (fillable pdf format)

24. Form RD 400-4, “Assurance Agreement”. This form can be obtained on line at: <http://rdinit.Agency.gov/regs/forms/0400-01.pdf> (fillable pdf format)

25. RD Instruction 1940-Q, Exhibit A-1, “Certification for Contracts, Grants & Loans”. This form is attached as Attachment B-6.

Information on other funding sources:

26. If the project will be receiving funding from other sources besides the requested AGENCY loan, for each source, attach a copy of any draft regulatory/loan agreements associated with the financing.

Project management information:

27. Form HUD 9832, “Affirmative Fair Housing Marketing Plan” – signed by the applicant. This form can be obtained online at: [http://www.hudclips.org/sub\\_nonhud/cgi/pdfforms/935-2.pdf](http://www.hudclips.org/sub_nonhud/cgi/pdfforms/935-2.pdf) (fillable pdf format)

28. Proposed Management Agreement – see RD Instruction 1930-C, Exhibit B-1.

29. Proposed Management Plan – see RD Instruction 1930-C, Exhibit B-3.

30. Proposed lease & occupancy rules to be used at the project (with letter from attorney indicating legal sufficiency).



RURAL DEVELOPMENT

**MFH TRANSFER & ASSUMPTION  
REVIEW & RECOMMENDATION**

**ATTACHMENT B-2**

(6/30/04)

USDA has received an application for a preservation transfer and assumption outlined below:

<u>Name of Project:</u>	_____
<u>Street Address of Project (w/zip code):</u>	_____
<u>Name of Project's Current Owner:</u>	_____
<u>Name of Project's Proposed Transferee:</u>	_____
<u>Name of Project's Management Agent</u>	_____

The following information is verified correct:

**USDA loan information:**

As of : \_\_\_\_\_

Promissory Note dated	Original Loan Amount	Current Balance	Current? (yes/no)
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Is project eligible to prepay? \_\_\_\_\_

Project's restrictive-use agreement expires/expired? \_\_\_\_\_

**Project information:**

[  ] Family      [  ] Elderly      [  ] Congregate

**Rent information:**

Bedroom size	# non-income units	# income units	Current Basic Rent	Post-Transfer Basic Rent	Estimated Market Rent in Area
0 bedroom	_____	_____	_____	_____	_____
1 bedroom	_____	_____	_____	_____	_____
2 bedroom	_____	_____	_____	_____	_____
3 bedroom	_____	_____	_____	_____	_____
4 bedroom	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
Total units	_____	_____	_____	_____	_____

If HUD subsidized, is project under Plan II? \_\_\_\_\_

**Tenant Subsidy at project:**

	Current	Post-Transfer
USDA Rental Assistance (RA)	_____	_____
HUD project-based Section 8	_____	_____
Other: _____	_____	_____
Other: _____	_____	_____
Total subsidized units:	_____	_____

**Reserve account information**

Current annual reserve transfer requirement: \_\_\_\_\_ (= \_\_\_\_\_ per unit)

As of : \_\_\_\_\_

Current reserve account balance	_____
Required reserve account balance	_____
Underfunded reserve	_____

**Project condition & compliance information**

MFIS classification: \_\_\_\_\_

Date of last supervisory visit: \_\_\_\_\_

Date of last walk-about physical inspection: \_\_\_\_\_

Date of last compliance review: \_\_\_\_\_

Note any accessibility issues unresolved at the project.  
\_\_\_\_\_

Estimated cost to correct: \_\_\_\_\_

Note any deferred maintenance issues unresolved at the project.  
\_\_\_\_\_

Estimated cost to correct: \_\_\_\_\_

The loan account is current.

The reserve account is on schedule, less authorized withdrawals.

The taxes and insurance account is on schedule and all outstanding bills paid.

The security deposit account is fully funded.

There are no outstanding maintenance items.

Management is satisfactory.

There are no open OIG audit findings or investigations against the borrower or related entities.

The borrower and members of the borrower entity are in compliance on all other projects or complying with an approved workout plan for a minimum of 6 months.

All necessary repairs to ensure that the housing will be decent, safe and sanitary, and other improvements proposed by the applicant to enhance long-term viability of the housing agreed to by USDA.

Last appraised value of project: \_\_\_\_\_ as of \_\_\_\_\_

1. The proposed transaction:

- WILL  WILL NOT prevent or make more difficult the successful operation of this property.
- WILL  WILL NOT reduce the efficiency of the property.



2. The proposed transaction will affect the value of this property as security of the loan as follows:

\_\_\_\_\_

3. The following [ ] damages [ ] benefits will result to this property from the transaction:

\_\_\_\_\_

Note any special transfer & assumption approval conditions recommended:

\_\_\_\_\_



RURAL DEVELOPMENT

**MFH TRANSFER & ASSUMPTION  
REVIEW & RECOMMENDATION**

**ATTACHMENT B-2**

(6/30/04)

**SOURCES AND USES OF FUNDS**

**Example Apartments transfer to Preservation Associates, LP**

USE OF FUNDS		PERMANENT SOURCES OF FUNDS:					
		Tax Credits	USDA Assumption	Lender Name	Other	Other	Other
Total Acquisition Cost							
Total Rehab Costs							
Total Relocation Expenses							
Total New Construction Costs							
Total Architectural Costs							
Total Survey & Engineering							
Total Construction Interest & Fees							
Total Permanent Financing Costs							
Total Attorney Costs							
Total Reserve Costs							
Total Appraisal Costs							
Total Contingency							
Total Other Costs							
Total Developer Costs							
<b>TOTAL PROJECT COST</b>							

Balanced

**Permanent Financing Detail** (for all sources other than USDA & tax credits)

Funding Source	Loan Amount	Interest Rate	Amortization (yrs)	Term (yrs)	Monthly payment	indicate if residual receipts, deferred, etc.
Lender name						
Other						
Other						
Other						

**Interim Financing Detail** (for all sources other than USDA)

Funding Source	Loan Amount	Interest Rate	Amortization (yrs)	Term (yrs)	Monthly payment	indicate if residual receipts, deferred, etc.
Community Bank						
Other						



RURAL DEVELOPMENT

**MFH TRANSFER & ASSUMPTION  
REVIEW & RECOMMENDATION**

**ATTACHMENT B-2**

(6/30/04)

I hereby recommend that this application be approved.

Date \_\_\_\_\_

Recommended by: \_\_\_\_\_

\_\_\_\_\_  
*(Title)*

Date \_\_\_\_\_

Approved by: \_\_\_\_\_

\_\_\_\_\_  
*(Title)*

**UNITED STATES DEPARTMENT OF AGRICULTURE**



RURAL DEVELOPMENT

MFH TRANSFER & ASSUMPTION APPLICATION SUPPLEMENT

(6/30/04)

Name of Project: \_\_\_\_\_
Street Address of Project (w/zip code): \_\_\_\_\_
Name of Project's Current Owner: \_\_\_\_\_

The following information supplements Form 424, "Application for Federal Assistance". This information is submitted along with an application to assume the USDA debt associated with the above-mentioned security property. A complete application is or will be submitted promptly.

The undersigned in accordance with the terms of the security instruments held by USDA Rural Development (hereafter referred to as "USDA") on their property applies for release or subordination of the liens of said security instruments and consent to the following transaction:

- 1. Transfer of the USDA security property in full as outlined below.
2. Assumption of the full balance of all USDA loans associated with the security property on new rates and terms,
3. Subordination of the USDA security instruments as outlined below.
4. Other (explain). \_\_\_\_\_

1. Applicant/Buyer/Transferee information

The following information is supplied about the applicant (i.e., the legal entity to acquire title to the property, not the developer/sponsor):

Applicant Legal Name: \_\_\_\_\_
Provide exact legal name of the entity that will take title to the real property and be USDA's borrower at the conclusion of the transaction - e.g., "Happy Valley Associates, LP, a Maryland limited partnership".

Type of organization: \_\_\_\_\_
e.g. limited partnership, general partnership, nonprofit, corporation, LLC, tribe, public body, cooperative, individual

Tax ID #: \_\_\_\_\_
Date of formation: \_\_\_\_\_
Official Mailing Address: \_\_\_\_\_

Developer/Sponsor Name: \_\_\_\_\_
(If there is a developer sponsoring the applicant entity.)

Primary contact person for this transaction: \_\_\_\_\_
Capacity: \_\_\_\_\_
Organization: \_\_\_\_\_
Address: \_\_\_\_\_
Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ E-mail: \_\_\_\_\_

Disclose any identity of interest relationship between borrower/seller and transferee/buyer (if none, indicate this):

\_\_\_\_\_

**2. Member/Owner information** (complete one):

a. If applicant is a limited partnership: (Please provide exact legal names)

Role	Exact Legal Name	Tax ID #	Non-profit?	% Share	Mailing Address	Authorized signer & title
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____

b. If applicant is not a limited partnership: (Please provide exact legal names)

Role	Exact Legal Name	Tax ID #	Non-profit?	% Share	Mailing Address	Authorized signer & title
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____

**3. Transaction information**

USDA Rural Development’s approval is requested for the following preservation transfer & assumption:

Negotiated purchase price:                   \$ \_\_\_\_\_                   (Please attach copy of purchase agreement.)  
Purchase agreement expires:               \_\_\_\_\_                   (USDA typically needs 120 days to complete such transactions.)

**Proposed disposition of project & project assets:**

RRH project assets	Transferred to buyer? (yes/no, explain)*
Real property	_____
Furnishing, fixtures & equipment	_____
Replacement reserve account	_____
Tax & insurance escrow account	_____
General operating account	_____
Security deposit account	_____
Other: _____	_____

\* Note: If any project assets are not transferred in their entirety, the buyer will be responsible for funding their full replacement value from equity funds.

**Timetable**

Estimated timetable for acquisition, with key deadlines for funding commitments:

\_\_\_\_\_

This transfer must close by no later than \_\_\_\_\_ because \_\_\_\_\_

**4. Sources & Uses of Funds**

---

<b>Funding Uses *</b>	<b>Amount</b>
Total acquisitions costs	\$ _____
Total rehab costs	\$ _____
Total all other costs	\$ _____
<b>TOTAL PROJECT FUNDING</b>	<b>\$ _____</b>

<b>Permanent Funding Sources *</b>	<b>Amount</b>	<b>Status? Date Committed or Pending</b>	<b>Anticipated rates &amp; terms</b>	<b>Lien position proposed</b>
Assumption of USDA loan	\$ _____	Pending	1%, 50-year amortization, 30-year term	_____
Borrower contribution	_____	_____	_____	n/a
9% Low-Income Housing Tax Credits	_____	_____	_____	n/a
4% Low-Income Housing Tax Credits	_____	_____	_____	n/a
Loan from: _____	_____	_____	_____	_____
Loan from: _____	_____	_____	_____	_____
Other: _____	_____	_____	_____	_____
Other: _____	_____	_____	_____	_____
Other: _____	_____	_____	_____	_____
Other: _____	_____	_____	_____	_____
<b>TOTAL PROJECT FUNDING</b>	<b>\$ _____</b>			

\* See attached "Preservation Transfer Development Budget (Sources & Uses of Funds)" for details.

**5. Effect of transfer on affordability, rents, and tenant subsidy**

---

Applicant/transferee/buyer will enter into a new restrictive use agreement with USDA for:

30 years     20 years     remaining useful life of project     Other: \_\_\_\_\_

Rent information:

Bedroom size	# units	Current Basic Rent	Post-Transfer Basic Rent	Estimated Market Rent in Area
0 bedroom	_____	_____	_____	_____
1 bedroom	_____	_____	_____	_____
2 bedroom	_____	_____	_____	_____
3 bedroom	_____	_____	_____	_____
4 bedroom	_____	_____	_____	_____
_____	_____	_____	_____	_____
Manager unit(s)	_____	_____	_____	_____
<b>Total units:</b>	_____	_____	_____	_____

Tenant Subsidy at project:

	Current	Post-Transfer
USDA Rental Assistance (RA)	_____	_____
HUD project-based Section 8	_____	_____
RHCP	_____	_____
Other: _____	_____	_____
Other: _____	_____	_____
<b>Total subsidized units:</b>	_____	_____

If project currently lacks 100% subsidy coverage on income-producing units, explain plan to maintain affordability, obtain additional subsidy and avoid adverse impact on tenants. \_\_\_\_\_

**6. Planned method of management and operation**

---

Management services to be provided by:

Contract manager (*identify*) \_\_\_\_\_     Borrower     Other: \_\_\_\_\_

General discussion of management plan:

\_\_\_\_\_

## 7. Certifications

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Have you or any member, stockholder, partner or joint operator of the entity borrower been convicted under Federal or State law of planting, cultivating, growing, producing, harvesting, or storing a controlled substance since December 23 ,1985?  
(yes/no) \_\_\_\_\_

If this application is approved, the undersigned applicant(s) agree to comply with such terms as may be prescribed by USDA and to disposition of the proceeds as required by USDA pursuant to its regulations, including the method of applying payment to the applicant(s)' loan accounts. It is expressly understood that unless a separate written instrument of subordination is executed and delivered by USDA pursuant to this application, approval by USDA of this application will merely constitute and evidence its consent, as lienholder, to the proposed transaction without in any way subordinating its lien, releasing any of its security, modifying the payment terms of the loan, or otherwise affecting any rights of USDA.

The applicant(s) agrees that none of the funds obtained as a result of any subordination covered by this application will be used for a purpose that will contribute to excessive erosion of highly erodible land or the conversion of wetlands to produce an agricultural commodities, as explained in Exhibit M of subpart G of part 1940 of title 7 of the Code of Federal Regulations.

### **CERTIFICATION**

I hereby certify that the information given above concerning agreements between us and the transferor/seller is correct and fully understood by us.

I/we certify the information is a true and accurate reflection of proposed transfer & assumption project. This information is given for the purpose of inducing the United States of America to make a loan or to enable the United States of America to make a determination of continued eligibility of the applicant for a loan as requested in the loan application of which this statement is a part.

Neither the applicant nor its principals are delinquent on any Federal debt nor barred from participating in Federal housing programs.

\_\_\_\_\_  
Date

Signed: \_\_\_\_\_  
Applicant/Transferee



**MFH Transfer Development Budget (Sources & Uses of Funds)**

Project: **Sample Apartments preservation transfer to Preservation Associates, LP**

USE OF FUNDS:	TOTAL	PERMANENT SOURCES OF FUNDS:					
		Tax Credits	USDA assumption	Ruraltown Bank	City	Other	Other
Total Acquisition Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Rehab Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Relocation Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total New Construction Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Architectural Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Survey & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Construction Interest & Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Permanent Financing Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Attorney Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Reserve Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Appraisal Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Contingency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Other Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Developer Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL PROJECT COST</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Balanced

**Permanent Financing Detail** (for all sources other than USDA & tax credits)

Funding Source	Loan Amount	Interest Rate	Amortization (yrs)	Term (yrs)	Monthly payment	indicate if residual receipts, deferred, etc.
Ruraltown Bank	\$ -	0.0000%	30	30	\$ -	
City	\$ -	0.0000%	30	30	\$ -	residual receipts only
Other	\$ -	0.0000%	30	30	\$ -	
Other	\$ -	0.0000%	30	30	\$ -	

**Interim Financing Detail** (for all sources other than USDA)

Funding Source	Loan Amount	Interest Rate	Amortization (yrs)	Term (yrs)	Monthly payment	indicate if residual receipts, deferred, etc.
----------------	-------------	---------------	--------------------	------------	-----------------	---



**Applicant's Representatives:**

(Please indicate with "\*" who is to be the applicant's primary contact person for this transaction.)

**Applicant:**

<u>Name:</u>	_____
<u>Organization:</u>	_____
<u>Mailing Address:</u>	_____

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ E-mail: \_\_\_\_\_

**Developer:**

<u>Name:</u>	_____
<u>Organization:</u>	_____
<u>Mailing Address:</u>	_____

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ E-mail: \_\_\_\_\_

**Applicant's Consultant:**

<u>Name:</u>	_____
<u>Organization:</u>	_____
<u>Mailing Address:</u>	_____

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ E-mail: \_\_\_\_\_

**Applicant's Attorney:**

<u>Name:</u>	_____
<u>Organization:</u>	_____
<u>Mailing Address:</u>	_____

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ E-mail: \_\_\_\_\_

**Other:**

<u>Name:</u>	_____
<u>Organization:</u>	_____
<u>Mailing Address:</u>	_____

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ E-mail: \_\_\_\_\_

**Financing & Underwriting:**

**Interim Lender:**

<u>Name:</u>	_____
<u>Organization:</u>	_____
<u>Mailing Address:</u>	_____

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ E-mail: \_\_\_\_\_

**Permanent Lender:**

<u>Name:</u>	_____
<u>Organization:</u>	_____
<u>Mailing Address:</u>	_____

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ E-mail: \_\_\_\_\_

**Lender's Counsel:**

<u>Name:</u>	_____
<u>Organization:</u>	_____
<u>Mailing Address:</u>	_____
<u>Phone:</u>	_____ <u>Fax:</u> _____ <u>E-mail:</u> _____

**Bond Issuer:**

<u>Name:</u>	_____
<u>Organization:</u>	_____
<u>Mailing Address:</u>	_____
<u>Phone:</u>	_____ <u>Fax:</u> _____ <u>E-mail:</u> _____

**Bond Counsel:**

<u>Name:</u>	_____
<u>Organization:</u>	_____
<u>Mailing Address:</u>	_____
<u>Phone:</u>	_____ <u>Fax:</u> _____ <u>E-mail:</u> _____

**Bond Underwriter:**

<u>Name:</u>	_____
<u>Organization:</u>	_____
<u>Mailing Address:</u>	_____
<u>Phone:</u>	_____ <u>Fax:</u> _____ <u>E-mail:</u> _____

**Tax Credit Investor:**

<u>Name:</u>	_____
<u>Organization:</u>	_____
<u>Mailing Address:</u>	_____
<u>Phone:</u>	_____ <u>Fax:</u> _____ <u>E-mail:</u> _____

**Tax Credit Investor's Counsel:**

<u>Name:</u>	_____
<u>Organization:</u>	_____
<u>Mailing Address:</u>	_____
<u>Phone:</u>	_____ <u>Fax:</u> _____ <u>E-mail:</u> _____

**Other:**

<u>Name:</u>	_____
<u>Organization:</u>	_____
<u>Mailing Address:</u>	_____
<u>Phone:</u>	_____ <u>Fax:</u> _____ <u>E-mail:</u> _____

**Other:**

<u>Name:</u>	_____
<u>Organization:</u>	_____
<u>Mailing Address:</u>	_____
<u>Phone:</u>	_____ <u>Fax:</u> _____ <u>E-mail:</u> _____

**Professional Services:****Comprehensive Needs Assessment analyst:**

Name:	_____
Organization:	_____
Mailing Address:	_____
Phone:	_____ Fax: _____ E-mail: _____

**Appraiser:**

Name:	_____
Organization:	_____
Mailing Address:	_____
Phone:	_____ Fax: _____ E-mail: _____

**Market Study analyst:**

Name:	_____
Organization:	_____
Mailing Address:	_____
Phone:	_____ Fax: _____ E-mail: _____

**Escrow:****Title Company to handle the transfer:**

Escrow #:	_____
Name:	_____
Organization:	_____
Mailing Address:	_____
Phone:	_____ Fax: _____ E-mail: _____

**Other:**

Escrow #:	_____
Name:	_____
Organization:	_____
Mailing Address:	_____
Phone:	_____ Fax: _____ E-mail: _____

**Construction:****Architect:**

Name:	_____
Organization:	_____
Mailing Address:	_____
Phone:	_____ Fax: _____ E-mail: _____

**General Contractor:**

Name:	_____
Organization:	_____
Mailing Address:	_____

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ E-mail: \_\_\_\_\_

**Other:**

<u>Name:</u>	_____
<u>Organization:</u>	_____
<u>Mailing Address:</u>	_____

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ E-mail: \_\_\_\_\_

**Operation & Management:****Current Property Manager:**

<u>Name:</u>	_____
<u>Organization:</u>	_____
<u>Mailing Address:</u>	_____

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ E-mail: \_\_\_\_\_

**Proposed New Property Manager:**

<u>Name:</u>	_____
<u>Organization:</u>	_____
<u>Mailing Address:</u>	_____

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ E-mail: \_\_\_\_\_



RURAL DEVELOPMENT

MFH TRANSFER & ASSUMPTION  
FINANCIAL STATEMENT CERTIFICATION

ATTACHMENT B-5

(6/30/04)

**Financial Statement Certification**

(This certification is to be attached to all financial statements submitted to the Agency.)

Financial Statement of: \_\_\_\_\_

Date of Financial Statement: \_\_\_\_\_

I/we certify the attached is a true and accurate reflection of my/our financial condition as of the date stated herein. This statement is given for the purpose of inducing the United States of America to make a loan or to enable the United States of America to make a determination of continued eligibility of the applicant for a loan as requested in the loan application of which this statement is a part.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Name of Certifying Entity



**CERTIFICATION FOR CONTRACTS, GRANTS AND LOANS**

The undersigned certifies, to the best of his or her knowledge and belief, that:

1. No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant or Federal loan, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant or loan.

2. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant or loan, the undersigned shall complete and submit Standard Form - LLL, "Disclosure of Lobbying Activities," in accordance with its instructions.

3. The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including contracts, subcontracts, and subgrants under grants and loans) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

\_\_\_\_\_  
(signed)

\_\_\_\_\_  
(date)

\_\_\_\_\_  
(name)

\_\_\_\_\_  
(title)

\_\_\_\_\_  
(name of certifying entity)

## FULLY USE SERVICING AUTHORITIES

- 1. Subordination to third party equity or rehabilitation loans.** In accordance with RD Instruction 1965-B, section 1965.79 (a), State Directors may accept a subordination for rehabilitation loans, provided the total debt against the property does not exceed the State Director's approval authority. With current funding requests exceeding funding levels for rehabilitation loans, beyond ORHP approval of any equity loan amount, no further National Office authorization is required to accept subordination of a rehabilitation loan in connection with a revitalization transaction. The Rural Rental Housing loan approval authority limitations of RD Instruction 1902-A were raised to \$3 million on February 2, 2004, to help reduce the number of National Office subordination authorizations required. The State MFH Preservation Coordinator should contact ORHP to obtain an acceptable draft subordination agreement that may be used in these transactions. All final subordination agreements must be cleared by OGC. National Office approval must be obtained for subordination to equity loans.
- 2. Acceptance of parity or junior liens for equity or rehabilitation purposes.** Junior liens may be accepted for equity or rehabilitation loans by the State Director as part of a revitalization transaction. State Director requests for National Office authorization required by RD Instruction 1965-B, section 1965.83 (b)(8) will be included with ORHP approval of the transaction. The State Director must determine that the transaction is in the best interest of the tenants and meets all other criteria of section 1965.83 (b), except for (5) and (6).
- 3. Acceptance of post transaction consolidations to facilitate more efficient management.** RD Instruction 1965-B, Section 1965.68 provides State Directors the authority to allow consolidation of project loan or loan agreements as part of a revitalization transfer. Consolidation of multiple properties offers opportunities to increase administrative efficiencies for both the purchaser and the agency. It will allow all RA units in the consolidated project to meet the needs of any tenant within the consolidated property. The State Director has the authority to determine the area to be considered viable when approving consolidated properties using the authority of RD Instruction 1944-E, Section 1944.215 (r) (5).
- 4. Reamortization of existing Agency debt to reduce debt service.** Reamortization allows for the post transaction original debt service to be reduced. A reamortization should typically be performed with the original debt in each revitalization transactions using the authorities of RD Instruction 1965-B, Section 1965.70. State Directors may approve revitalization transfers with no further authorization using the precedent for such approvals under Section 1965.70 (b) (4).
- 5. Reallocation of unused RA units to assure affordability by existing tenants.** In accordance with the State Director authorities outlined in RD Instruction 1930-C, Exhibit E, XV A 2 b State Directors may direct that unused RA within their jurisdiction to projects being revitalized through a transfer meeting the condition of this AN. The Revitalization Coordinator should notify ORHP when a State is assembling unused RA to facilitate a specific revitalization transaction.



6. **Allow for a post transaction asset management fee to a Nonprofit or Public Body.** Nonprofit organizations and public housing authorities are increasingly becoming RRH borrowers through revitalization transactions. While these organizations are not eligible for a return to owner under Agency regulations and loan documents, RD Instruction 1930-C, Exhibit B, XII A 6 allows the use of project funds for nonprofit organizational expenses. An asset management fee may be allowed to recognize that all borrowers will incur expenses to perform basic asset management responsibilities. Rather than compensating nonprofit organizations and public housing authorities on an item-by-item basis, an annual asset management fee may be approved on an annual operating budget. Allowable expenses include those expenses that are directly attributable to housing ownership expenses and may not duplicate expenses included in any management fee. States may establish reasonable guidelines for use and approval within their jurisdiction.
  
7. **Exceptions and National Office approvals as necessary.** Other State Director requests for exceptions may include allowing for nonprofit organizations organized on a National or regional basis under the requirements of RD Instruction 1965-E, may be permitted to be considered an eligible borrower entity to complete a revitalization transaction under this AN.