

AFFORDABLE HOUSING & FHA FINANCING



KARL EDMONSON

Vice President

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BIO

Karl has worked with HUD and USDA finance products since 2002, becoming a full MAP (Multifamily Accelerated Processing) approved underwriter for FHA multifamily programs in 2007, and LEAN approved underwriter for FHA healthcare programs in 2010.

Since joining Bellwether Enterprise in 2009, Karl has focused on the underwriting of multifamily loans through HUD's 221(d)(4) and 223(f) programs, as well as the USDA 538 program. He currently serves as chief underwriter for Bellwether's USDA loan program.

EDUCATION

Indiana University Bloomington, Bachelor of Science

University of Notre Dame, Master of Business Administration, Magna Cum Laude

AFFILIATIONS

Council for Affordable Rural Housing, Member

South Bend Heritage Foundation, Board Member

CAPITAL ON A MISSION

Bellwether Enterprise is a national, full-service commercial and multifamily mortgage banking company that puts people and communities first. With our commitment to regional expertise, long-standing relationships, and a multi-dimensional diverse origination platform, we provide the most competitive and creative capital solutions in the industry. **That's Capital on a Mission.**

RECENTLY CLOSED TRANSACTIONS



\$750,335
Cross Creek Meadows
Affordable Multifamily
Chillicothe, Ohio
USDA Rural Housing / FHA



\$2,470,000.00
Jackson Manor Apartments
Affordable Multifamily
Red Bluff, California
USDA Rural Housing / FHA



\$4,999,999
Mullica West Apartments
Affordable Multifamily
Mullica Hills, New Jersey
USDA Rural Housing / FHA



\$665,000
Winters Senior Apartments
Affordable Age Restricted
Winters, California
USDA Rural Housing / FHA



BOB MORTON
Senior Vice President
219.879.3118
bmorton@bwecap.com

Bellwether Enterprise
217 Garden Trail
Michigan City, IN 46360

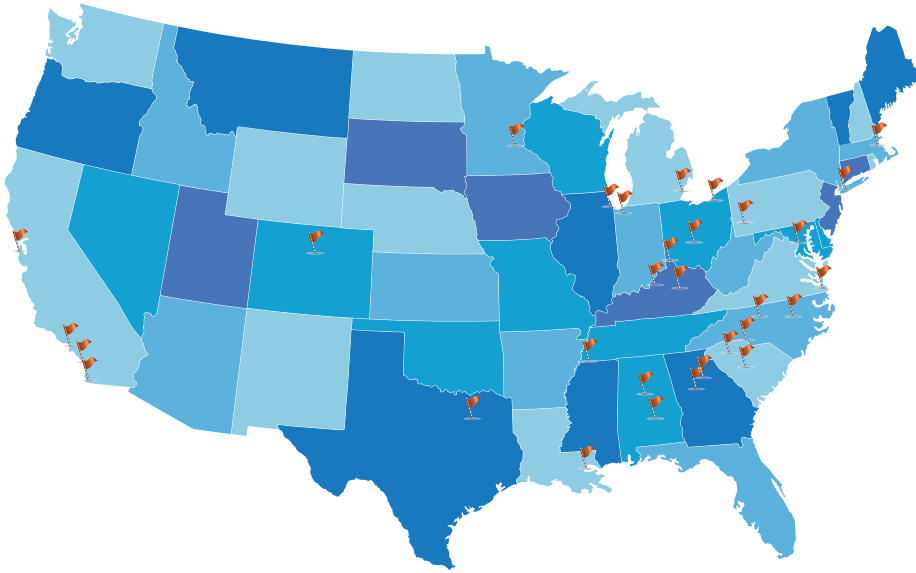
REGIONAL EXPERTISE.

With more than 17 years of experience in commercial lending and real estate finance, Bob serves as the Director of Rural Housing Services for Bellwether Enterprise. Bob specializes in Rural Housing Services (RHS) and Federal Home Administration (FHA), Fannie Mae and Freddie Mac multifamily and healthcare guaranteed loan programs since 2004.



BELLWETHER ENTERPRISE REAL ESTATE CAPITAL, LLC

Bellwether Enterprise is a national, full-service, commercial and multifamily mortgage banking company that puts people and communities first. With 30 production offices across the country, we are national in scope yet regional in approach. Our teams are among the most experienced and knowledgeable commercial mortgage bankers and loan servicing agents in the industry.



Through our diverse lending platform and longstanding relationships with a variety of lenders, we provide flexible, competitive market rate and affordable finance solutions that are customized to the needs of our clients.

OUR MISSION

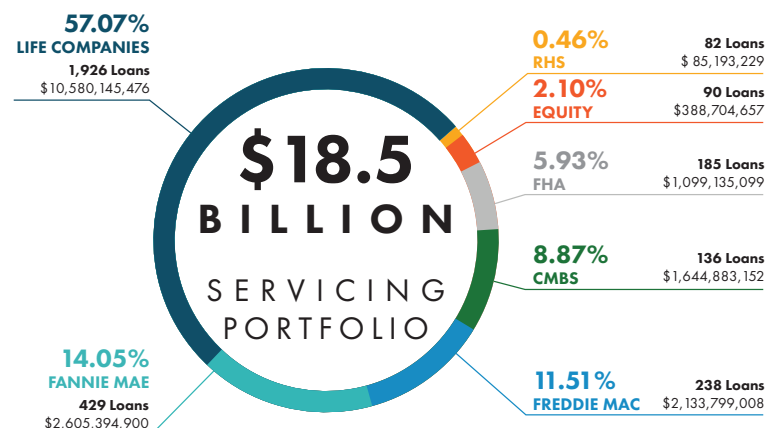
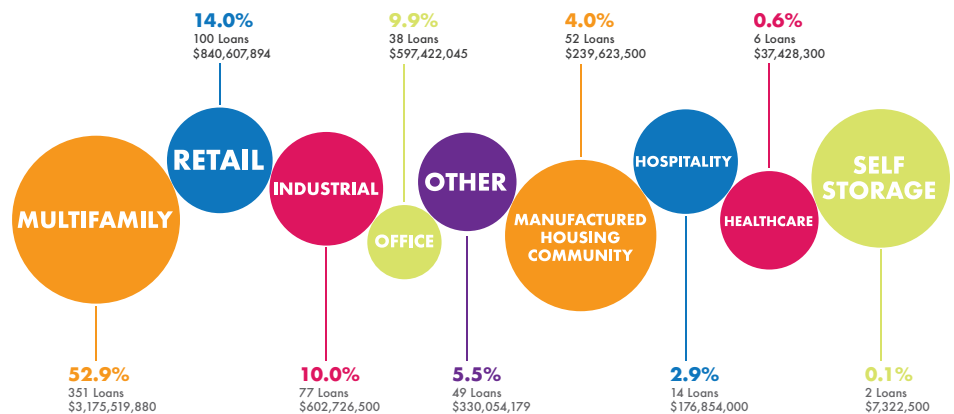
Bellwether Enterprise is proud to be one of the only mission-driven mortgage banking companies in the country. As part of the Enterprise family of companies, a large portion of our revenue supports its mission of advocating for and creating affordable and workforce housing in thriving communities. We are Capital on a Mission.

OUR PRODUCTION

In **2017** Bellwether Enterprise closed **689** transactions, totaling over **\$6 billion** in loan volume.

Most of our loan producers have 25 plus years of experience and were born and raised in the areas they do business.

Local expertise, a wide variety of lenders, competitive products and unmatched customer service, Bellwether Enterprise is one source for all your commercial mortgage banking needs.



OUR SERVICING

When you partner with Bellwether Enterprise, you get to focus on your business, not your loan servicing. Fact is, we service most of the loans we originate, well beyond the closing of the transaction. With Bellwether Enterprise's integrated servicing platform, our customer service promise begins with our time and attention and ends with your complete satisfaction.

You can feel good knowing our technological expertise improves your productivity, competitiveness and bottom line.

LENDING CAPABILITIES

With 30 production offices across the country, we integrate our local market expertise, national lending relationships and financing structure experience to provide our clients with the most competitive, creative solutions for their financing needs. We provide full-service financing alternatives for Multifamily and Commercial Properties.

OUR PRODUCTS AND FEATURES INCLUDE:

- Fixed/variable rate mortgages
- Bridge and construction loans
- Equity and joint venture structures
- Mezzanine debt
- Forward commitments
- Credit tenant lease transactions
- Sale/Leasebacks
- Taxable and Tax-Exempt Bond Financing
- Loan Sale Advisory
- Advisory services for troubled loans

COMMERCIAL PROPERTIES WE FINANCE INCLUDE:

- Multifamily
- Independent Living
- Assisted Living
- Student Housing
- Manufactured housing (MHP)
- Single Tenant and Multi-Tenant Industrial (Warehouse Distribution and Manufacturing)
- Anchored and Unanchored Retail
- Office
- Hospitality
- Medical facilities
- Parking garages
- Self-storage facilities

SAMPLE LOAN TERMS:

- Loan sizes up to \$200 million+
- Loan terms of 3 years to 25 years in length (multifamily up to 40 years through FHA and RHS)
- Fixed interest rate for length of term
- Amortization schedules up to 30 years (interest only period may be available for lower leveraged loans and new product; up to 40 years for multifamily through FHA and RHS)
- Non-recourse
- Loans are assumable
- Interim Loans

LENDING SOURCES

Bellwether Enterprise has quality lender relationships with:

LIFE COMPANIES:

- AEGON
- AIG Global Investment Corp.
- Allstate Investments
- American Equity
- American Family Insurance
- American Fidelity
- American Mortgage & Realty Corp
- American National
- American Real Estate Capital
- Ameritas
- Assurity Life Insurance
- Cigna Realty Investors
- Columbian Mutual
- CorAmerica
- Cornerstone
- Cuna Mutual Group
- Eagle Realty Group (Western & Southern)
- Equitrust
- EverBank
- Farm Bureau Life Insurance
- Company of Michigan
- FBL Financial Group (Farm Bureau of Iowa)
- First Fidelity Bank
- Genworth Financial
- Great-West Life & Annuity
- Guardian Life
- The Hartford Company
- ICA
- John Hancock
- Kansas City Life
- Lincoln Financial Group
- MetLife
- Modern Woodmen of America
- Mutual of Omaha
- Nationwide
- New York Life Insurance
- Northwestern Mutual
- Ohio National
- OneAmerica
- Pacific Life
- PPM America
- Principal Financial Group
- Prosperity Life
- Protective Life Insurance
- Prudential
- Quadrant Real Estate Advisors
- RGA (Reinsurance Group of America)
- RiverSource
- Royal Neighbors of America
- Security Mutual
- Sentinel Investments
- Southern Farm Bureau
- State Farm Insurance
- StanCorp
- Sun Life Financial
- Symetra Financial
- Thrivent Financial for Lutherans
- TIAA-CREF
- Ullico
- Unum
- USAA
- Voya Financial

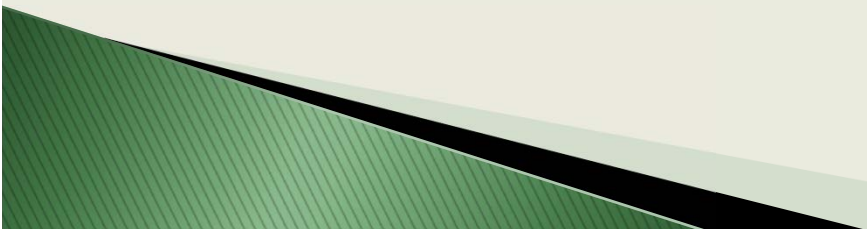
ALL AGENCY PRODUCTS:

- Freddie Mac Multifamily Approved Seller/Service for Conventional Loans
- Freddie Mac Multifamily Approved Seller/Service for Targeted Affordable Housing Loans
- Freddie Mac Multifamily Approved Seller/Service for Manufactured Housing Loans
- Fannie Mae DUS Lender
- Fannie Mae Affordable Housing Lender
- Fannie Mae Small Balance Lender
- FHA/GNMA (HUD) Multifamily & Healthcare
- USDA Section 538 Rural Development Lender

CMBS:

- Bank of America Merrill Lynch
- Barclays
- Benefit Street Partners (Providence Equity Partners)
- CCRE
- CIBC
- C-III Capital Partners
- Citigroup World Markets Group
- Credit-Suisse
- Deutsche Bank
- Goldman Sachs
- Guggenheim Real Estate
- Jefferies LoanCore
- JP Morgan
- Ladder Capital
- Morgan Stanley
- Natixis
- Rialto Capital Management
- Silverpeak
- Societe Generale
- Starwood Mortgage Capital
- UBS
- Wells Fargo

Rural Housing Service 538 Guaranteed Rural Rental Housing Program (“RHS 538 GRRHP”)

- ▶ Enacted in 1996
 - ▶ Administered by USDA’s Rural Housing Services (“RHS”)
 - ▶ Can be used to provide a Federal Guarantee on a loan or bonds that are used for authorized purposes
 - ▶ The Guarantee provided by the RHS 538 GRRHP program is backed by the full faith and credit of the Federal Government.
 - ▶ The Guarantee can be wrapped with a GNMA Enhancement
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USDA RHS 538 GUARANTEED RURAL RENTAL HOUSING

NEW CONSTRUCTION OR SUBSTANTIAL REHABILITATION OF MULTIFAMILY OR SENIOR HOUSING

PROGRAM DESCRIPTION

Provides mortgage insurance to facilitate the new construction or substantial rehabilitation of multifamily or independent senior rental housing units, or the acquisition, revitalization, repair and transfer costs of existing direct Section 515 housing. This program provides for both construction and permanent financing or permanent financing only. The permanent financing must take out the construction loan.

The program allows for existing RHS 538 GRRHP loans to be modified and lower the interest rate only when market conditions are favorable and the existing prepayment penalties have expired or are reasonable to be paid.

As of May 3rd, 2017 the program now allows for existing RHS 538 GRRHP loans to be refinanced utilizing the RHS 538 GRRHP program. Please see the attached Rural Development Unnumbered Letter for guidance and refinance requirements.

REQUIREMENTS

Project must be in a designated “Rural Area,” as defined by USDA-population must be less than 25,000. (See USDA RHS Eligibility Map at <http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>)

Tenant income restrictions of 115 percent of area median income upon initial occupancy. Rents plus tenant paid utilities may not exceed 30 percent of 115 percent of area median income, and average rent for project including utilities may not exceed 30 percent of 100 percent of area median income.

The property must comply with all RHS 538 GRRHP requirements until the loan maturity date, even if the loan is paid in full prior to such maturity date. A waiver may be obtained if affordable housing needs are met in the market.

SUBSTANTIAL REHAB

A minimum of \$6,500 per unit in repairs.

BORROWER

Borrowers may be for-profit, nonprofit, individuals, partnerships, state or local public agencies, LLCs, trusts or Indian tribes. Can be a single asset and single purpose entity, or a multiple purpose entity (i.e. portfolio purchase and sub-substantial rehabilitation of multifamily housing) as acceptable to RHS.

RECOURSE

This is a non-recourse loan. Mortgagor assumes no personal liability.

LOAN SIZE

There is no minimum or maximum loan size.

MAXIMUM MORTGAGE

In general, the maximum loan amount is limited to the lesser of (less the amount of grant/loan funds attributable to replacement cost items):

- Up to the lesser of 90 percent loan-to-cost or loan-to-value ratio for a for-profit enterprise, and up to the lesser of 97 percent loan-to-cost or loan-to-value ratio for nonprofit enterprise.
- A mortgage amount supported by debt service coverage of 115 percent.
- Statutory per-unit limitations.

- Permanent only loans securing GNMA mortgage-backed securities are limited to 70 percent or less loan-to-total development cost unless the project is an existing Rural Development 515 and then the program maximum loan-to-cost and loan-to-value criterion are applicable.
- Construction and Permanent loans are currently limited by Rural Development to a 50 percent or less loan-to-total development cost unless the project is an existing Rural Development 515 and then the program maximum loan-to-cost and loan-to-value criterion are applicable.

RATE

The construction and permanent loan interest rate is fixed at initial closing for the life of the loan. The permanent loan only will be fixed for the life of the loan.

PREPAYMENT

Variations are possible based upon market conditions and borrower preferences. Typically a 10-year term. Years one and two are locked out then declining 1 percent per year starting in year three at 8%-7%-6%-5%-4%-3%-2%-1%-0%.

ASSUMABILITY

The loan can be fully assumable.

AMORTIZATION & TERM

The maximum mortgage term is the lesser of 40 years (a minimum of 25 years), or the remaining economic life of the project, fully amortizing, 30/360 interest calculation. Amortization begins at the conversion to the permanent loan/final endorsement. The term limit applies to the construction/renovation and permanent phase.

The maximum amortization is 40 years and the program does allow for a balloon payment if the term and amortization is different.

CONSTRUCTION INTEREST

During construction, the loan is interest only. Funds for the interest-only payments are built into the mortgage proceeds so no out-of-pocket expense occurs to the developer/owner.

ASSURANCE OF COMPLETION

A payment and performance bond is required. As an option, RHS and Lender may accept a completion assurance agreement secured by a cash deposit or Letter of Credit in the amount of 25% of the cost of construction or rehabilitation.

LABOR STANDARDS

This program is not subject to Davis-Bacon wage rates and reporting requirements.

REPLACEMENT RESERVES

Required upon amortization. A minimum of \$333 per unit per annum for new construction is required. The PCNA report will dictate for substantial rehabilitation.

ESCROWS

Escrows for taxes, insurance, replacement reserves, and the RHS Annual Guarantee Fee (if applicable) are required. Escrow payments will begin upon amortization.

SECONDARY FINANCING

A loan can be combined with other financing sources such as: Low Income Housing Tax Credits, ARRA funds, HOME grant or loan, state or local assistance (including tax-exempt bond financing) or secondary financing.

RHS CONDITIONAL COMMITMENT TERM

The conditional commitment will have a term of up to 24 months.

FORWARD RATE LOCK FOR A PERMANENT ONLY LOAN

The ability to provide a forward Permanent Only Loan with an interest rate lock of up to 24-months once the RHS Conditional Commitment is received. Please discuss with Bellwether Enterprise in more detail.

OCCUPANCY REQUIREMENT

Prior to closing of the RHS 538 GRRHP Permanent Loan the project must reach sustaining occupancy of 90% Occupancy for 90-Consecutive Days, unless the 2% Conversion/Lease Up Reserve is posted on or prior to closing (see reserves below for more details), and any other requirements conditioned by Rural Development in its Conditional Commitment.

DEVELOPER FEE

A developer fee is allowable under this loan program.

RHS INITIAL FEE

1.0 percent of the RHS guarantee amount, due at the closing of the loan transaction to RHS (subject to FY NOFA).
 $(\text{Loan amount}) \times (.90 \text{ RHS Guarantee}) \times (.01 \text{ RHS}) = \text{RHS Initial Fee}$

RHS Annual Fee 0.5 percent of the outstanding principal amount of the loan as of December 31 of each year and due January 1 of each year to RHS (subject to FY NOFA). $(\text{Loan Balance}) \times (.90 \text{ RHS Guarantee}) \times (.005 \text{ RHS}) = \text{RHS Annual Fee}$

LENDER FINANCING

To be determined and discussed as the Lender fees and costs are determined by the size of the loan, the loan type and complexity of the transaction.

LENDER PROCESSING FEE

Between \$3,500 to \$5,000 paid to the lender upon execution of the engagement letter.

THIRD PARTY EXPENSE DEPOSITS

Market Study, Appraisal, Phase I, and a Cost Estimate and Plan and Spec Review Report (if determined to be required) are estimated at \$33,000.00 and collected at application.

CONSTRUCTION FEE

Can be up to \$500 per construction draw.

INSPECTION FEES

The third-party construction inspection fee is approximately \$1,500 per inspection and typically will occur once a month (if required).

GOOD FAITH DEPOSIT

Typically, 0.50 percent of mortgage amount for a construction and permanent loan or immediate permanent loan, and between 2.00 percent to 3.00 percent for a permanent forward rate lock. Good Faith Deposits are due upon acceptance of the RHS conditional commitment and refunded at closing.

RESERVES

OPERATING & MAINTENANCE RESERVE (O&M)

The borrower must contribute initial operating capital equal to at least 2 % of the loan amount and must be funded by the mortgagor with cash or a letter of credit at the closing of the transaction.

CONSTRUCTION CONTINGENCY RESERVE

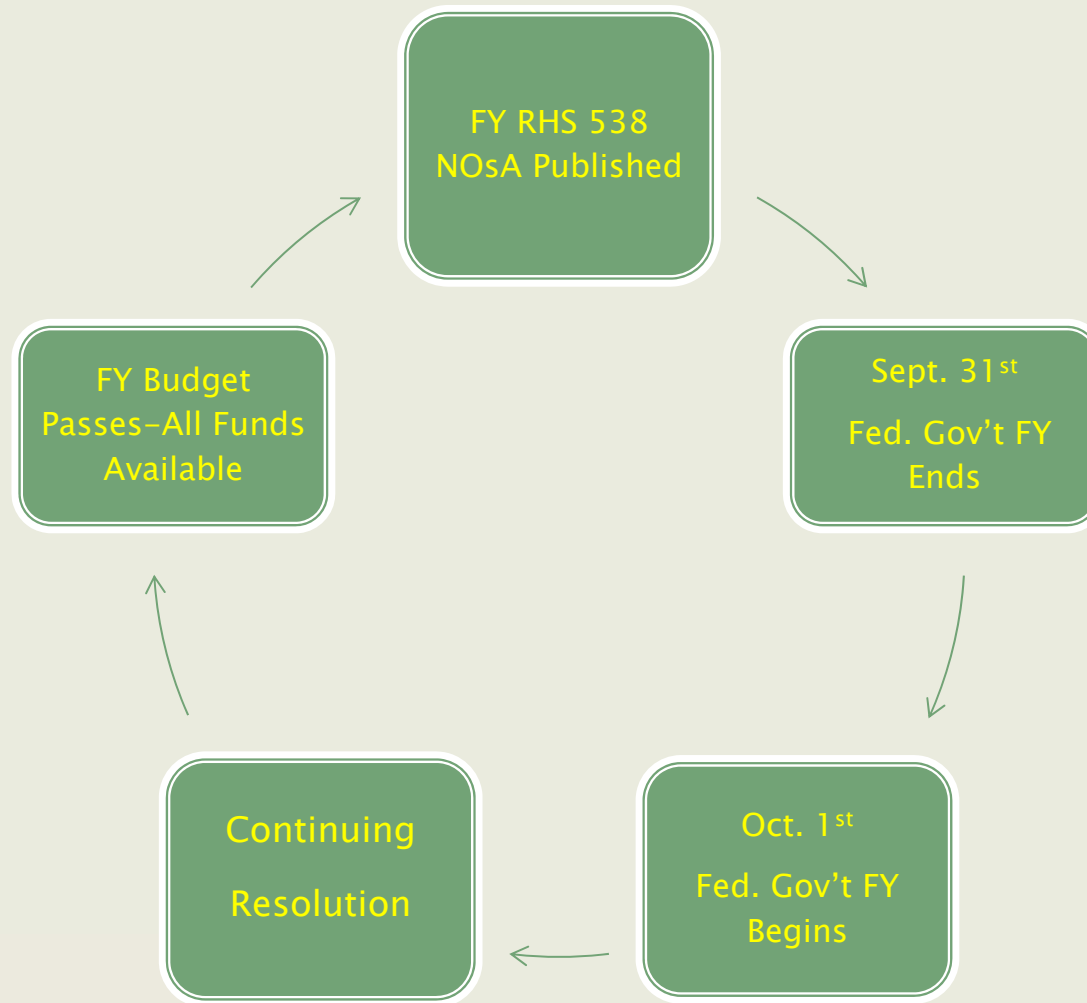
A Construction Contingency Reserve in the amount of 2% of the construction contract is required to cover additional costs during construction and must be funded by the mortgagor with cash at the closing of the construction transaction.

CONVERSION/LEASE-UP RESERVE

An Operating Escrow Reserve in the amount of at least 2% of the total development cost or appraised value (whichever is greater) may be required to cover operating losses until sustaining occupancy is reached (90% occupancy for 90 days), will then allow conversion to the permanent loan, and must be funded by mortgagor with cash approximately 30-days prior to the issuance of the first Certificate of Occupancy.

Please contact Bob Morton (Senior Vice President & Director, RHS Program) for more detailed information regarding the RHS 538 GRRHP program. You can reach Bob Morton at 219/380-5956 and at bmorton@bwecap.com.

RHS 538 GRRHP Annual funding process by RD




RHS 538 Funding Process – NOSA to LNG



Lender Wraps the RHS Guarantee with a GNMA Enhancement

Ginnie Mae Enhancement is a guarantee from the Lender to the investors the timely payment of principal and interest on MBS backed by federally insured or guaranteed loans — mainly loans insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA). Other guarantors or issuers of loans eligible as collateral for Ginnie Mae MBS include the Department of Agriculture's Rural Development (RD) and the Department of Housing and Urban Development's Office of Public and Indian Housing (PIH).

Ginnie Mae securities are the only MBS to carry the full faith and credit guaranty of the United States government, which means that even in difficult times, an investment in Ginnie Mae MBS is one of the safest an investor can make.



Lender Delivers Security to the Investor

\$ \$ \$ \$



objection. The Forest Service will communicate to all parties to an objection through the lead objector. Verification of the identity of the lead objector must also be provided if requested;

(4) The name of the forest plan amendment being objected to, and the name and title of the Responsible Official;

(5) A statement of the issues and/or parts of the forest plan amendment to which the objection applies;

(6) A concise statement explaining the objection and suggesting how the proposed plan decision may be improved. If the objector believes that the forest plan amendment is inconsistent with law, regulation, or policy, an explanation should be included;

(7) A statement that demonstrates the link between the objector's prior substantive formal comments and the content of the objection, unless the objection concerns an issue that arose after the opportunities for formal comment; and

(8) All documents referenced in the objection (a bibliography is not sufficient), except that the following need not be provided:

- a. All or any part of a Federal law or regulation,
- b. Forest Service Directive System documents and land management plans or other published Forest Service documents,
- c. Documents referenced by the Forest Service in the planning documentation related to the proposal subject to objection, and
- d. Formal comments previously provided to the Forest Service by the objector during the plan amendment comment period.

Responsible Official

The responsible official for the Santa Fe's Forest Plan Amendment for Invasive Plant Control on Santa Fe National Forest is James Melonas, Forest Supervisor, Santa Fe National Forest, 11 Forest Lane, Santa Fe, NM 87508.

Dated: November 7, 2017.

Glenn P. Casamassa,

Acting Associate Deputy Chief, National Forest System.

[FR Doc. 2017-27490 Filed 12-20-17; 8:45 am]

BILLING CODE 3411-15-P

DEPARTMENT OF AGRICULTURE

Rural Housing Service

Notice of Solicitation of Applications for Loan Guarantees Under the Section 538 Guaranteed Rural Rental Housing Program for Fiscal Year 2018

AGENCY: Rural Housing Service, USDA.

ACTION: Notice.

SUMMARY: The Rural Housing Service (RHS or Agency), an agency within Rural Development, announces that it is soliciting competitive lender submissions (responses) regarding proposed projects for the Section 538 Guaranteed Rural Rental Housing Program (GRRHP). The amount of program dollars available for the GRRHP will be determined by the Appropriations Act for each fiscal year that this Notice is open.

DATES: Eligible responses to this Notice will be accepted until December 31, 2021, 12:00 p.m. Eastern Time. Funding for selected responses that develop into complete applications and meet all Federal eligibility requirements will be based on the Appropriations Act for each individual fiscal year that this NOSA is open. Selected responses to this Notice that are deemed eligible for further processing after each fiscal year ends, will be funded to the extent an Appropriations Act provides sufficient funding in the fiscal year the response is selected. Approved applications are subject to the fee structure in effect when the response was selected for further processing. For example, a response that was selected under the 2016 NOSA will be subject to all fees stated in the 2016 NOSA.

ADDRESSES: Responses to this Notice may be submitted either electronically using the Section 538 electronic response form found at: <http://www.rd.usda.gov/programs-services/multi-family-housing-loan-guarantees> under the Forms and Resources tab or in hard copy to the appropriate Rural Development State Office where the project will be located. USDA Rural Development State Offices, their addresses, and telephone numbers may be found at: <http://www.rd.usda.gov/contact-us/state-offices>. Note: Telephone numbers listed are not toll-free. Applicants are strongly encouraged, but not required, to submit the response electronically.

Eligible lenders mailing a response or application must provide sufficient time to permit delivery to the appropriate submission address below on or before the closing deadline and time. Acceptance by a U.S. Post Office or

private mailer does not constitute delivery. Postage due responses and applications will not be accepted.

FOR FURTHER INFORMATION CONTACT:

Monica Cole, Financial and Loan Analyst, U.S. Department of Agriculture Rural Development, Guaranteed Rural Rental Housing Program, Multi-Family Housing Guaranteed Loan Division, 1400 Independence Avenue SW, Room 1263S-STOP 0781, Washington, DC 20250-0781 or email: monica.cole@wdc.usda.gov. Telephone: (202) 720-1251. This number is not toll-free. Hearing or speech-impaired persons may access that number by calling the Federal Information Relay Service toll-free at (800) 877-8339.

SUPPLEMENTARY INFORMATION: The obligation of available funds, via the issuance of Conditional Commitments for loan guarantees, will be made in the following order: (1) To outstanding approved applications from prior years for which Conditional Commitments have not been issued; then (2) to applications approved under this Notice in the order by which the request for funding obligation is received by the USDA Rural Development National Office (National Office) from the State Offices. When funding is insufficient to serve all applications approved under this Notice, they will be funded according to the priority scoring set forth in Section V of this Notice.

Expenses incurred in developing applications will be at the applicant's risk. The following paragraphs outline the timeframes, eligibility requirements, lender responsibilities, and the overall response and application processes.

Any modifications to this Notice, including cancellation, will be published in the **Federal Register**.

Eligible lenders are invited to submit responses for new construction and acquisition with rehabilitation of affordable rural rental housing. The Agency will review responses submitted by eligible lenders, on the lender's letterhead, and signed by both the prospective borrower and lender. Although a complete application is not required in response to this Notice, eligible lenders may submit a complete application concurrently with the response. Submitting a complete application will not have any effect on the respondent's response score.

Overview

Federal Agency: Rural Housing Service.

Solicitation Opportunity Title: Guaranteed Multi-Family Housing Loans.

Announcement Type: Initial Solicitation Announcement.

*Catalog of Federal Domestic**Assistance: 10.438.**Dates:* Response Deadline: December 31, 2021, 12:00 p.m. Eastern Time.**I. Funding Opportunity Description**

The GRRHP is authorized by Section 538 of the Housing Act of 1949, as amended (42 U.S.C. 1490p-2) and operates under 7 CFR part 3565. The purpose of the GRRHP is to increase the supply of affordable rural rental housing through the use of loan guarantees that encourage partnerships between the Agency, private lenders, and public agencies.

Eligibility of Prior Year Selected Responses: Prior fiscal year response selections that did not develop into complete applications within the time constraints stipulated by the corresponding State Office have been cancelled. Lenders and applicants have been notified of the cancellation by the State Office. A new response for the project may be submitted subject to the conditions of this Notice.

Prior years' responses that were selected by the Agency, with a complete application submitted by the lender within 90 days from the date of notification of response selection (unless an extension was granted by the Agency), will be eligible for review, approval and FY 2018 program dollars without having to complete a FY 2018 response. A complete application includes all Federal environmental documents required by 7 CFR part 1970, subpart G, and a Form RD 3565-1, "*Application for Loan and Guarantee*".

If approved, applications that accompanied a response submitted under a prior year's notice (outstanding prior years approved applications) will be obligated in the order by which the Agency's National Office received the request for obligation from the State Offices, to the extent of available funding.

Once the outstanding prior years approved applications have been funded, the Agency will fund applications approved pursuant to this Notice in the order by which the Agency's National Office received the request for obligation from the State Offices. If funding is insufficient to serve applications pursuant to this Notice, they will be funded according to the priority scoring set forth in Section V of this Notice.

The obligation of program funds is discussed further in Section VI of this Notice.

II. Award Information

Anyone interested in submitting a response and application for funding

under this program is encouraged to consult the Rural Development website <http://www.rd.usda.gov/programs-services/multi-family-housing-loan-guarantees> periodically for updated information regarding the status of funding authorized for this program.

Qualifying Properties: Qualifying properties include new construction for multi-family housing units and the acquisition of existing structures with a minimum per unit rehabilitation expenditure requirement in accordance with 7 CFR 3565.252. The Agency does not finance acquisition only deals.

Also eligible is the revitalization, repair, and transfer (as stipulated in 7 CFR 3560.406) of existing direct Section 515 housing and Section 514/516 Farm Labor Housing (FLH) (transfer costs are subject to Agency approval and must be an eligible use of loan proceeds as listed in 7 CFR 3565.205), and properties involved in the Agency's Multifamily Preservation and Revitalization (MPR) Demonstration program. Equity payment, as stipulated in 7 CFR 3560.406, in the transfer of existing direct Section 515 and Section 514/516 FLH, is an eligible use of guaranteed loan proceeds. In order to be considered, the transfer of Section 515 and Section 514/516 FLH and MPR projects must need repairs and undergo revitalization of a minimum of \$6,500 per unit.

Eligible Financing Sources: Any form of Federal, State, and conventional sources of financing can be used in conjunction with the loan guarantee, including Home Investment Partnerships Program (HOME) grant funds, tax exempt bonds, and Low Income Housing Tax Credits (LIHTC).

Types of Guarantees: The Agency offers three types of guarantees which are set forth at 7 CFR 3565.52(c). The Agency's liability under any guarantee will decrease or increase, in proportion to any decrease or increase in the amount of the unpaid portion of the loan, up to the maximum amount specified in the Loan Note Guarantee. Penalties incurred as a result of default are not covered by any of the program's guarantees. The Agency may provide a lesser guarantee based upon its evaluation of the credit quality of the loan.

Energy Conservation: All new multi-family housing projects financed in whole or in part by USDA are encouraged to engage in sustainable building development that emphasizes energy-efficiency and conservation. In order to assist in the achievement of this goal, any GRRHP project that participates in one or all of the programs included in priority 7 under the

"*Scoring of Priority Criteria for Selection of Projects*" section of this Notice may receive a maximum of 25 additional points added to their project score. Participation in these nationwide initiatives is voluntary, but strongly encouraged.

Interest Credit: There will be no interest credit.

Program Fees: The following fees have been determined necessary to cover the projected cost of loan guarantees. These fees may be adjusted based on the 2018 Appropriation requirements and in future years to cover the projected costs of loan guarantees in those future years, or additional fees may be charged. The fees are as follows:

1. Initial guarantee fee. The Agency will charge an initial guarantee fee equal to one percent of the guarantee principal amount. For purposes of calculating this fee, the guarantee amount is the product of the percentage of the guarantee times the initial principal amount of the guaranteed loan.

2. Annual guarantee fee. An annual guarantee fee of 50 basis points (1/2 percent) of the outstanding principal amount of the loan as of December 31 will be charged each year or portion of a year that the guarantee is outstanding.

3. As permitted under 7 CFR 3565.302(b)(5), there is a non-refundable service fee of \$1,500 for the review of a lender's first request to extend the term of a guarantee commitment beyond its original expiration (the request must be received by the Agency prior to the commitment's expiration). For any subsequent extension request, the fee will be \$2,500.

4. As permitted under 7 CFR 3565.302(b)(5), there is a non-refundable service fee of \$3,500 for the review of a lender's first request to reopen an application when a commitment has expired. For any subsequent extension request to reopen an application after the commitment has expired, the fee will be \$3,500.

5. As permitted under 7 CFR 3565.302(b)(4), there is a non-refundable service fee of \$1,500 in connection with a lender's request to approve the transfer of property or a change in composition of the ownership entity.

6. There is no application fee.

7. There is no lender application fee for lender approval.

8. There is no surcharge for the guarantee of construction advances.

III. Lender Eligibility Information

Eligible Lenders: An eligible lender for the Section 538 GRRHP as required by 7 CFR 3565.102 must be a licensed business entity or Housing Finance

Agency (HFA) in good standing in the State or States where it conducts business. Lender eligibility requirements are contained in 7 CFR 3565.102. Please review that section for a complete list of all of the criteria. The Agency will only consider responses from GRRHP eligible or approved lenders as described in 7 CFR 3565.102 and 3565.103 respectively.

Lenders who do not have GRRHP approved lender status and whose responses are selected will be notified by the Agency to submit a request for GRRHP lender approval within 30 days of notification. Alternately, lenders may submit a request for GRRHP approved lender status with the response. Lenders who request GRRHP approval must meet the standards in 7 CFR 3565.103.

Lenders that have received GRRHP lender approval that remain in good standing in accordance with 7 CFR 3565.105, do not need to reapply for GRRHP lender approval.

Submission of Documentation for GRRHP Lender Approval: All lenders that have not yet received GRRHP lender approval must submit a complete lender application to: Director, Multi-Family Housing Guaranteed Loan Division, U.S. Department of Agriculture Rural Development, 1400 Independence Avenue SW, Room 1263S–STOP 0781, Washington, DC 20250–0781. Lender applications must be identified as “Lender Application—Section 538 Guaranteed Rural Rental Housing Program” on the envelope.

IV. Response Submission Information

Responses to this Notice may be submitted either electronically using the Section 538 electronic response form found at: <http://www.rd.usda.gov/programs-services/multi-family-housing-loan-guarantees> under the Forms and Resources tab or in hard copy to the appropriate Rural Development State Office where the project will be located. USDA Rural Development State Offices, their addresses, and telephone numbers may be found at: <http://www.rd.usda.gov/contact-us/state-offices>. **Note:** Telephone numbers listed are not toll-free. Lenders are strongly encouraged, but not required, to submit their responses electronically.

The electronic form contains a button labeled “Send Form.” By clicking on the button, the applicant will see an email message window with an attachment that includes the electronic form the applicant filled out as a data file with an .fdf extension. In addition, an auto-reply acknowledgement will be sent to the applicant when the electronic response form is received by the Agency unless the sender has software that will block the receipt of the auto-reply email. The State Office will record responses received electronically by the actual date and time when all attachments are received at the State Office.

Submission of the response to this Notice does not constitute submission of the entire loan guarantee application

package, which requires additional forms and supporting documentation.

Content of Responses: All responses require lender information and project specific data as set out in this Notice. Incomplete responses will not be considered for funding. Lenders will be notified of incomplete responses no later than 30 calendar days from the date of receipt of the response by the Agency. Complete responses are to include a signed cover letter from the lender, on the lender’s letterhead. The lender must provide the requested information concerning the project, to establish the purpose of the proposed project, its location, and how it meets the established priorities for funding. In the case of insufficient funding for applications approved under this Notice, the Agency will fund those applications by highest ranked responses based on priority criteria.

(1) Lender Certification: The lender must certify that the lender will make a loan to the prospective borrower for the proposed project, under specified terms and conditions subject to the issuance of the GRRHP guarantee. Lender certification must be on the lender’s letterhead and signed by both the lender and the prospective borrower.

(2) Project Specific Data: The lender must submit the project specific data below on the lender’s letterhead, signed by both the lender and the prospective borrower:

Data element	Information that must be included
Lender Name	Insert the lender’s name.
Lender Tax ID #	Insert lender’s tax ID number.
Lender Contact Name	Name of the lender contact for loan.
Mailing Address	Lender’s complete mailing address.
Phone #	Phone number for lender contact.
Fax #	Insert lender’s fax number.
EEmail Address	Insert lender contact email address.
Borrower Name and Organization Type	State whether borrower is a Limited Partnership, Corporation, Indian Tribe, etc.
Equal Opportunity Survey	Optional Completion.
Tax Classification Type	State whether borrower is for profit, not for profit, etc.
Borrower Tax ID #	Insert borrower’s tax ID number.
Borrower DUNS #	Insert DUNS number.
Borrower Address, including County	Borrower’s complete address and county.
Borrower Phone #, Fax # and EEmail Address	Insert borrower’s phone number, fax number and email address.
Principal or Key Member for the Borrower	Insert name and title. List the general partners if a limited partnership, officers if a corporation or members of a Limited Liability Corporation.
Borrower Information and Statement of Housing Development Experience.	Attach relevant information.
New Construction, Acquisition With Rehabilitation	State whether the project is new construction or acquisition with rehabilitation.
Revitalization, Repair, and Transfer (as stipulated in 7 CFR 3560.406) of Existing Direct Section 515 and Section 514/516 FLH or MPR.	Yes or No (Transfer costs, including equity payments, are subject to Agency approval and must be an eligible use of loan proceeds in 7 CFR 3565.205).
Project Location Town or City	Town or city in which the project is located.
Project County	County in which the project is located.
Project State	State in which the project is located.
Project Zip Code	Insert zip code where the project is located.
Project Congressional District	Congressional District for project location.

Data element	Information that must be included
Project Name	Insert project name.
Project Type	Family, senior (all residents 55 years or older), or mixed.
Property Description and Proposed Development Schedule	Provide as an attachment.
Total Project Development Cost	Enter amount for total project.
# of Units	Insert the number of units in the project.
Ratio of 3–5 Bedroom Units to Total Units	Insert percentage of 3–5 bedroom units to total units.
Cost Per Unit	Total development cost divided by number of units.
Rent	Proposed rent structure.
Median Income for Community	Provide median income for the community.
Evidence of Site Control	Attach relevant information.
Description of Any Environmental Issues	Attach relevant information.
Loan Amount	Insert the loan amount.
Borrower's Proposed Equity	Insert amount and source.
Low Income Housing Tax Credits	Have tax credits been awarded? If tax credits were awarded, submit a copy of the award/evidence of award with your response. If not, when do you anticipate an award will be made (announced)? What is the [estimated] value of the tax credits? Letters of application and commitment letters should be included, if available.
Other Sources of Funds	List all funding sources other than tax credits and amounts for each source, type, rates and terms of loans or grant funds.
Loan to Total Development Cost	Guaranteed loan divided by the total development costs of project.
Debt Coverage Ratio	Net Operating Income divided by debt service payments.
Percentage of Guarantee	Percentage guarantee requested.
Collateral	Attach relevant information.
Colonia, Tribal Lands, or State's Consolidated Plan or State Needs Assessment	Colonia, on an Indian Reservation, or in a place identified in the State's Consolidated Plan or State Needs Assessment as a high need community for multi-family housing.
Is the Property Located in a Federally Declared Disaster Area?	If yes, please provide documentation (i.e., Presidential Declaration document).
Population	Provide the population of the county, city, or town where the project is or will be located.
What Type of Guarantee is Being Requested, Permanent Only (Option 1), Construction and Permanent (Option 2), or Continuous (Option 3)	Enter the type of guarantee.
Loan Term	Minimum 25-year term. Maximum 40-year term (includes construction period). May amortize up to 40 years. Balloon mortgages permitted after the 25th year.
Participation in Energy Efficient Programs	Initial checklist indicating prerequisites to register for participation in a particular energy efficient program. All checklists must be accompanied by a signed affidavit by the project architect stating that the goals are achievable. If property management is certified for green property management, the certification must be provided.

(3) The Proposed Borrower Information:

(a) Lender certification that the borrower and principals are not barred or suspended from participating in State or Federal loan programs and are not delinquent on any Federal debt.

(b) Borrower's unaudited or audited financial statements.

(c) Statement of borrower's housing development experience.

(4) Lender Eligibility and Approval Status: Evidence that the lender is either an approved lender for the purposes of the GRRHP or that the lender is eligible to apply for approved lender status. The lender's application package requesting approved lender status can be submitted with the response. If a lender has not yet been approved by the Agency submits a response and receives a Notice to Proceed from the State Office, the lender approval application must be submitted to the National Office within 30 calendar days of the lender's receipt of the Notice to Proceed letter. The Agency will not issue a loan note guarantee

until the lender is approved by the Agency.

(5) Competitive Criteria: Information that shows how the proposal is responsive to the priority scoring criteria specified in this Notice.

V. Application Review Information

Scoring of Priority Criteria for Selection: All responses received under this Notice will be scored based on the criteria set forth below to establish priority in the event there is insufficient funding. Per 7 CFR 3565.5(b), priority will be given to projects: in smaller rural communities, in the most needy communities having the highest percentage of leveraging, having the lowest interest rate, or having the highest ratio of 3–5 bedroom units to total units. In addition, as permitted in 7 CFR 3565.5(b), in order to meet important program goals, priority points will be given for projects that include LIHTC funding and projects that are participating in specified energy efficient programs.

The eight priority scoring criteria for projects are listed below.

Priority 1—Projects located in eligible rural communities with the lowest populations will receive the highest points.

Population size (people)	Points
0–5,000	30
5,001–10,000	15
10,001–15,000	10
15,001–20,000	5
20,001–35,000	0

Priority 2—The neediest communities as determined by the median income from the most recent census data published by the United States Department of Housing and Urban Development, will receive points. The Agency will allocate points to projects located in communities having the lowest median income. Points for median income will be awarded as follows:

Median income (dollars)	Points
Less than \$45,000	20
\$45,000–less than \$55,000	15
\$55,000–less than \$65,000	10
\$65,000–less than \$75,000	5
\$75,000 or more	0

Priority 3—Projects that demonstrate partnering and leveraging in order to develop the maximum number of units and promote partnerships with State and local communities will also receive points. Points will be awarded as follows:

Loan to total development cost ratio (%)	Points
Less than 25	60
Less than 50 to 25	30
Less than 70 to 50	10
70 or more	0

Priority 4—Responses that include equity from low income housing tax credits will receive an additional 50 points.

Priority 5—The USDA Rural Development will award points to projects with the highest ratio of 3–5 bedroom units to total units as follows:

Ratio of 3–5 bedroom units to total units	Points
More than 50%	10
21%–50%	5
Less than 21%–more than 0%	1

Priority 6—Responses for the revitalization, repair, and transfer (as stipulated in 7 CFR 3560.406) of existing direct Section 515 and Section 514/516 FLH and properties involved in the Agency's MPR Demonstration program (transfer costs, including equity payments, are subject to Agency approval and must be an eligible use of loan proceeds listed in 7 CFR 3565.205) will receive an additional 10 points. If the transfer of existing Section 515 and Section 514/516 FLH properties includes equity payments, 0 points will be awarded.

Priority 7—Energy Efficiency:

(A) Projects that are energy-efficient and registered for participation in the following programs will receive points as indicated up to a maximum of 25 points. Each program has an initial checklist indicating prerequisites for participation. Each applicant must provide a checklist establishing that the prerequisites for each program's participation will be met. Additional points will be awarded for checklists that achieve higher levels of energy efficiency certification as set forth

below. All checklists must be accompanied by a signed affidavit by the project architect stating that the goals are achievable. Points will be awarded for the listed programs as follows. Because Energy Star for Homes is a requirement within other programs such as LEED and Green Communities, points will only be awarded separately for Energy Star for Homes if it is the only program in which the project is enrolled, excluding local programs that do not require participation in Energy Star for Homes:

- *Energy Star for Homes*—5 points;
- *Green Communities* by the Enterprise Community Partners (www.enterprisefoundation.org)—10 points;
- *LEED for Homes* program by the U.S. Green Building Council (www.usgbc.org)—Certified (10 points), Silver (12 points), Gold (15 points), or Platinum (25 points);
- *Home Innovation's National Green Building Standard™* certification program (www.homeinnovation.com/green)—Bronze (10 points), Silver (12 points), Gold (15 points), or Emerald (25 points); or
- A State or local green building program—2 points.

(B) Projects that will be managed by a property management company that are certified green property management companies will receive 5 points. Applicants must provide proof of certification. Certification may be achieved through one of the following programs:

- National Apartment Association, Credential for Green Property Management; www.naahq.org/EDUCATION/DESIGNATION/PROGRAMS/OTHER/Pages/default.aspx;
- National Affordable Housing Management Association, Credential for Green Property Management; www.nahma.org/content/greencred.html; or
- U.S. Green Building Council, Green Building Certification Institute LEED AP (any discipline) or LEED Green Associate; www.gbci.org.

(C) *Energy Generation* (maximum 5 points). Responses for new construction or purchase and rehabilitation of non-program multi-family projects which participate in the Energy Star for Homes V3 Program, Green Communities, LEED for Homes, or *Home Innovation's National Green Building Standard™* are eligible to earn additional points for installation of on-site renewable energy sources. In order to receive more than 1 point for this energy generation section, an accurate energy analysis prepared by an engineer will need to be submitted

with the response. Energy analysis of preliminary building plans using industry-recognized simulation software must document the projected total energy consumption of the building, the portion of the building consumption which will be satisfied through on-site generation and the building's Home Energy Rating System (HERS) score.

Projects with an energy analysis of the preliminary or rehabilitation building plans that propose a 10 percent to 100 percent energy generation commitment (where generation is considered to be the total amount of energy needed to be generated on-site to make the building a net-zero consumer of energy) will be awarded points as follows:

- (a) 0 to 9 percent commitment to energy generation receives 0 points;
- (b) 10 to 29 percent commitment to energy generation receives 1 point;
- (c) 30 to 49 percent commitment to energy generation receives 2 points;
- (d) 50 to 69 percent commitment to energy generation receives 3 points;
- (e) 70 to 89 percent commitment to energy generation receives 4 points;
- (f) 90 percent or more commitment to energy generation receives 5 points.

Priority 8—Promise Zones/Persistent Poverty Areas:

Additional 10 points will be awarded to projects located in Promise Zones and/or Persistent Poverty Counties. A county is considered persistently poor if 20 percent or more of its population was living in poverty over the last 30 years (measured by the 1990, 2000, and 2010 decennial censuses and 2007–2011 American Community Survey 5-year estimates), as determined by the Agency.

Notifications: Responses will be reviewed for completeness and eligibility. The Agency will notify those lenders whose responses are selected via a "Notice to Proceed with Application Processing" letter. The Agency will request lenders without GRRHP lender approval to apply for GRRHP lender approval within 30 days upon receipt of notification of selection.

Lenders will also be invited to submit a complete application to the USDA Rural Development State Office where the project is located.

Submission of GRRHP Applications:

The Agency will issue a "Notice to Proceed with Application Processing" (Notice to Proceed) to lenders whose responses have been selected. The Notice to Proceed instruct lenders to contact the USDA Rural Development State Office immediately following notification of selection to schedule required Agency reviews.

USDA Rural Development State Office staff will work with lenders in the

development of an application package. The deadline for the submission of a complete application is 90 calendar days from the date of notification of response selection. If the application is not received by the appropriate State Office within 90 calendar days from the date of notification, the selection is subject to cancellation, thereby allowing another response that is ready to proceed with processing to be selected. The Agency may extend this 90 day deadline for receipt of an application at its own discretion.

VI. Award Administration Information

Obligation of Program Funds: The Agency will only obligate funds to projects that meet the requirements under 7 CFR part 3565 and this Notice, including having undergone a satisfactory environmental review in accordance with the National Environmental Protection Act (NEPA) and completed Form RD 3565-1, "Application for Loan and Guarantee".

The Agency will select the responses that meet eligibility criteria and invite lenders, via a Notice to Proceed, to submit complete applications to the Agency, as well as a request for GRRHP approved lender status if necessary. Once a complete application is received and approved (and any request for GRRHP approved lender status is granted), the Agency's State Office will submit a request to obligate funds to the Agency's National Office. Obligation requests submitted to the National Office will be accumulated and placed in a queue for funding based on the order by which the obligation request was received by the National Office. In the event that multiple obligation requests are received at the same time, first priority will be given to the request for the project that has the highest percentage of leveraging (lowest Loan to Cost). If there is still a tie, priority will be given to the project in the smaller rural community.

In the event there is insufficient funding for applications approved under this Notice, the Agency will fund applications based on priority score ranking described in Section V.

Conditional Commitment: Once the required documents for obligation are received and all applicable requirements have been met, including NEPA requirements, and to the extent funding is available, the USDA Rural Development State Office will issue a Conditional Commitment. The Conditional Commitment will stipulate the conditions that must be fulfilled before the issuance of a guarantee, in accordance with 7 CFR 3565.303.

Issuance of Guarantee: The USDA Rural Development State Office will issue a guarantee to the lender for a project in accordance with 7 CFR 3565.303. No guarantee can be issued without a complete application, review of appropriate certifications, satisfactory assessment of the appropriate level of environmental review, and the completion of any conditional requirements.

Tracking of Average Rents: After the loan closes, the lender will track the initial affordable rent at each property funded under this Notice and the average market rent in the area. The difference between these two rents will provide the lender with a measure of the impact the GRRHP has on affordable rents.

Non-Discrimination Statement

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, familial/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotope, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at http://www.ascr.usda.gov/complaint_filing_cust.html and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992, submit your completed form or letter to USDA by:

Mail: U.S. Department of Agriculture, Director, Office of Adjudication, 1400

Independence Avenue SW, Washington, DC 20250-9410;

Fax: (202) 690-7442; or

Email: program.intake@usda.gov.

USDA is an equal opportunity provider, employer, and lender.

Dated: December 14, 2017.

Richard A. Davis,

Acting Administrator, Rural Housing Service,

[FR Doc. 2017-27527 Filed 12-20-17; 8:45 am]

BILLING CODE 3410-XV-P

ARCHITECTURAL AND TRANSPORTATION BARRIERS COMPLIANCE BOARD

Meetings

AGENCY: Architectural and Transportation Barriers Compliance Board.

ACTION: Notice of meetings.

SUMMARY: The Architectural and Transportation Barriers Compliance Board (Access Board) plans to hold its regular committee and Board meetings in Washington, DC, Monday, January 8, and Wednesday, January 10, 2018 at the times and location listed below.

DATES: The schedule of events is as follows:

Monday, January 8, 2018

10:00 a.m.–11:00 a.m. Ad Hoc

Committee on Design Guidance

11:00 a.m.–Noon Technical Programs

1:30 p.m.–2:30 p.m. Ad Hoc

Committee on Frontier Issues

Wednesday, January 10, 2018

9:30 a.m.–10:00 a.m. Budget

10:00 a.m.–11:00 a.m. Planning and Evaluation

11:00 a.m.–Noon Update on Access Board Rulemaking (Closed to Public)

1:30 p.m.–3:00 p.m. Board Meeting

ADDRESSES: Meetings will be held at the Access Board Conference Room, 1331 F Street NW, Suite 800, Washington, DC 20004.

FOR FURTHER INFORMATION CONTACT: For further information regarding the meetings, please contact David Capozzi, Executive Director, (202) 272-0010 (voice); (202) 272-0054 (TTY).

SUPPLEMENTARY INFORMATION: At the Board meeting scheduled on the afternoon of Wednesday, January 10, 2018, the Access Board will consider the following agenda items:

- Approval of draft meeting minutes (vote): March 15, 2017; July 12, 2017; September 13, 2017; November 15, 2017
- Ad Hoc Committee Reports: Design Guidance; Frontier Issues

Bob Morton

Subject: Project Name - RHS NOSA and Bellwether Engagement
Attachments: GRRHP_Application_FY2018-2021-NOSA Electronic Form -.pdf; AD1047-F-01-92.pdf

Good morning/afternoon,

As indicated on last week's call, attached and below are the items we need in order to complete the NOSA submission (RD's form of pre-app) and our official engagement approval process.

Once we get the NOSA completed and submitted and the Engagement Letter circulated and executed, we will then have a formal Guarantee Application kick off call to review everything that will be needed for the application and our underwriting. Karl Edmonson, our RHS Chief Underwriter, will circulate a Guarantee Application email that will contain the needed items (**Karl sent this last week**).

Please find attached the 2018-2021 Electronic NOSA Form that needs to be completed for the project. Complete the form as best you can and send it to us and we will finalize it and make any edits or changes that may be needed.

The following are the additional items we will need to further support the submission of the NOSA for each project. **Please label each submission item as indicated below:**

- DUNS Number of the Borrowing Entity (this is needed for the submission and there is a section on the first page of the form to insert this number)
- EIN Certificate of the Borrowing Entity
- Signature block of the Borrowing Entity
- Org Chart (**Please label the document when you submit it to us as "II.k. Org Chart"**)
- Resumes/Brochures/multifamily project list of experience/etc. of the Principals and Entities of the Borrowing Entity (**Please label the document when you submit it to us as "II.l. Borrower Information"**)
- Project Narrative and proposed development schedule (**Please label the document when you submit it to us as "III.e. Project Description"**)
- Evidence of Site Control (**Please label the document when you submit it to us as "V.a. Evidence of Site Control"**)
- LIHTC Award Letter, or if not yet obtained then letters/support of the submitted LIHTC Application or letter from the Borrower discussing the status or the plan for applying and timing for obtaining the LIHTC's. (**Please label the document when you submit it to us as "VI.c. LIHTC Award"**)
- LOI from LIHTC Investor (**Please label the document when you submit it to us as "II.k. LIHTC Equity"**)
- If the project is an Acquisition and Rehabilitation of an Existing RD 515 project with no equity payment to the Seller, then please supply a letter indicating as such and some correspondence with the State RD Office (**Please label the document when you submit it to us as "XIII. RD 515 Acquisition-Transfer"**). **Disregard if not applicable.**
- If you indicate XIV. Priority 7A: Energy Efficient Program, and/or XV. Priority 7B: Credentials for Green Property Management, and/or XVI. Priority 7C: Energy Generation on the NOSA form we will need the supporting documents as indicated on the form and **please label the document(s) accordingly when you submit them to us**. If you plan to have some of these items but don't have the documentation as of yet, then just don't indicate it on the form. You won't affect the filing of the NOSA and you will have plenty of points in the other areas to score more than adequately when LIHTC's are part of the transaction and development.
- Please see "VII. Other Background Information" on page 5 of 12 of the form, and "XVII. Priority 8" on page 9 of 12 of the form. If the project has any of these items and you have indicated as such on the electronic NOSA Form, then please send the indicated required supporting information (**Please label the document(s) when you submit it to us as "VII. Other Background Information" and/or "XVII. Priority 8"**).

- Execute and send us the attached AD1047 for the Borrowing Entity, and please further confirm that no principals or other entities of the Borrowing Entity are not barred or suspended from participating in State or Federal loan programs and are not delinquent on any Federal Debt.

Once we are ready to submit the NOSA we will send a certification for the Borrowing Entity to be executed and our official Engagement Letter. Please let us know if you have any questions. Stacey with Bellwether will be processing the NOSA and she is copied on this email.

Please let us know if you have any questions regarding the NOSA form and items needed as requested above. I am available to have a call with who ever is processing the NOSA on behalf of the Borrower if that will help you better understand what is needed to complete and submit the above requested items for the NOSA and our Engagement process.

In addition, please send us your latest financial model for the project and all existing 3rd party reports or let us know what 3rd party reports you have in process and with whom. We will review the 3rd party reports on our Guarantee Application kick off call.

Thanks so much and we look forward to working with you on this project.

Bob Morton - Senior Vice President | **Bellwether Enterprise Real Estate Capital, LLC**
4555 W. Burgundy Trail | LaPorte, IN 46350 | DIRECT: 219-380-5956
Mobile: 216-870-9935 | FAX: 216-820-4501



2018 to 2021 NOSA Response Form for Section 538 Guaranteed Rural Rental Housing Program (GRRHP)

Instructions

Applicants may submit this *NOSA Response Form* electronically by accessing the website: <http://www.rd.usda.gov/programs-services/multi-family-housing-loan-guarantees>. Then click on the Forms & Resources tab to access the link to this **NOSA Response Form**. **Please note:** electronic submittals are not on a secured web site. If you do not wish to submit the form electronically by clicking on the **Send Form** button, you may still fill out the form, print it and submit it with your application package to the State Office. All NOSA responses will be scored using the priority scoring criteria on this form. The closing date for this NOSA is **December 31, 2021**.

Supporting documentation required with your application may be sent via email to a special address that you will receive upon receipt of your electronic form. If using this option, please enter the Submission Email Address on the form below (l.g). Under item **XVIII. Documents Submitted**, check all supporting documents that you are submitting and indicate whether you are submitting each item to the State Office or via email.

I. Lender/Applicant Information

Total Score: 0

a. Lender's Name: Bellwether Enterprise Real Estate Capital,LLC

b. Lender's Mailing Address:

Address, Line 1: 1360 E. 9th st., Ste. 300

Address, Line 2:

City: Cleveland

State: OH

Zip: 44114

c. Name of Lender's Contact Person: Robert Morton

d. Contact Person's Telephone Number: (219) 380-5956

e. Contact Person's Fax Number: (219) 820-4501

f. Contact Person's Email Address: bmorton@bwecap.com

g. Submission Email Address: smorton@bwecap.com

Specify the Sender's email address that will be used to email all supporting documents. When you submit this form electronically, you will receive an email address for submitting all documents checked under item XVII. Documents Submitted.

II. Borrower Information

a. Borrower's Name:

b. Tax Classification: ☐ For Profit ☐ Not for Profit

c. Borrower's DUNs Number:

d. Organization Type:

- | | |
|---|--|
| <input type="checkbox"/> General or Limited Partnership | <input type="checkbox"/> Public Agency |
| <input type="checkbox"/> For Profit Corporation | <input type="checkbox"/> Indian Tribe |
| <input type="checkbox"/> Non-Profit Corporation | <input type="checkbox"/> Trust |
| <input type="checkbox"/> Limited Liability Corporation | <input type="checkbox"/> Individual |
| <input type="checkbox"/> Other | Specify: <input type="text"/> |

e. Borrower's Address:

Address, Line 1:
Address, Line 2:
City: State: Zip:
County:

f. Name of Borrower's Contact Person:

g. Contact Person's Telephone Number:

h. Contact Person's Fax Number:

i. Contact Person's Email Address:

The following supporting documents are required for submission, unless otherwise noted. Check the documents you are submitting under item XVII. *Documents Submitted:*

j. Equal Opportunity Survey (optional)

k. Principal or Key Members of Borrower Organization

l. Borrower Information and Statement of Housing Development Experience

III. Project Information

a. Project Name:

b. Project Type:

☐ Family ☐ Senior (all residents 55 years or older) ☐ Mixed

c. Project Address:

Address, Line 1:
Address, Line 2:
City: State: Zip:
County:
Congressional District:

d. Construction Type:

☐ New Construction ☐ Acquisition with Rehabilitation

e. Supporting documents required:

Property Description and Proposed Development Schedule

IV. Project Cost and Rent

a. Total Project Development Cost:

b. Total Number of Units:

c. Total Number of 3-5 bedroom units:

d. Ratio of 3-5 bedroom units to total units:

e. Cost per Unit (Total Development Cost ÷ Total Units):

f. Proposed Rent Structure

<u>Unit Type</u>	<u>Monthly Rent</u>
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>

g. Median Income for Community (from the most recent census data published by the United States Department of Housing and Urban Development (HUD)):

V. Project Site Information

Supporting documents required:

a. Evidence of Site Control

b. Description of any Environmental Issues:

VI. Project Funding

a. Loan Amount:

b. Borrower's Proposed Equity

<u>Source</u>	<u>Amount</u>
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>

Total Equity:

c. Low Income Housing Tax Credits (LIHTC)

Have tax credits been awarded? Yes ☐ No ☐

If not, when do you anticipate an award will be made (announced) (mm/dd/yyyy)?

What is the [estimated] value of the tax credits?

Include one of the following supporting documents:

- If awarded, a copy of the award or evidence of award
- If not awarded, letters of application and commitment, if available

d. Other Sources of Funds

List all Loan funding sources other than tax credits:

Source	Amount	Rate	Term
Total:	\$0.00		

List all Grant funding sources other than tax credits:

Source	Amount
Total:	\$0.00

e. Loan to Total Development Cost (Guaranteed Loan ÷ Total Project Development Cost):

0.00%

f. Debt Coverage Ratio (Net operating income divided by debt service payments):

Note: Debt Coverage Ratio must be at least 1.15 or greater to qualify for this program.

g. Percentage of Guarantee requested:

h. Provide Collateral for Guarantee as a supporting document

i. Type of Guarantee being requested?

- ☐ Permanent Only (Option 1)
- ☐ Construction and Permanent (Option 2)
- ☐ Continuous (Option 3)

j. Loan Term (minimum 25-year term; maximum 40-year term including construction period; may amortize up to 40 years; balloon mortgages permitted after the 25th year):

VII. Other Background Information

a. The project is located in one of the following areas:

- ☐ In a Colonia
- ☐ On Tribal Lands
- ☐ In a place identified in the State's Consolidated Plan
- ☐ In a high-need community for multi-family housing based on the State's Needs Assessment
- ☐ None of the above

b. Is the property located in a Federally Declared Disaster Area? Yes ☐ No ☐
If "Yes," provide the Presidential Declaration as a supporting document.

c. What is the population of the county, city or town where the project is or will be located?

Name of County, City or Town: Population:

VIII. Priority 1

Projects located in eligible rural communities with the lowest population will receive the highest points.

What is the population of the county, city or town where the project is located or will be located upon construction?

- ☐ 0 to 5,000 people (30 points)
- ☐ 5,001 to 10,000 people (15 points)
- ☐ 10,001 to 15,000 people (10 points)
- ☐ 15,001 to 20,000 people (5 points)
- ☐ 20,001 to 35,000 people (0 points)

Points:

IX. Priority 2

The neediest communities, as determined by the median income from the most recent census data published by the United States Department of Housing and Urban Development (HUD) will receive points. The Agency will allocate points to projects located in communities having the lowest median income.

What is the median income of the community where the project is located?

- ☐ Less than \$45,000 (20 points)
- ☐ \$45,000 to less than \$55,000 (15 points)
- ☐ \$55,000 to less than \$65,000 (10 points)
- ☐ \$65,000 to less than \$75,000 (5 points)
- ☐ \$75,000 or more (0 points)

Points:

X. Priority 3

Points will be awarded to projects that demonstrate partnering and leveraging in order to develop the maximum number of units and promote partnerships with State and local communities.

What is the loan to total development cost ratio (percentage %)? Check one:

- ☐ **Less than 25% (60 points)**
- ☐ **25% to less than 50% (30 points)**
- ☐ **50% to less than 70% (10 points)**
- ☐ **70% or more (0 points)**

Points: 0

XI. Priority 4

Responses that include equity from low income housing tax credits will receive an additional 50 points. You must have a commitment in place in order to receive points.

This project will include equity from low income housing tax credits. (50 points)

Yes (50 points) ☐ **No (0 points)** ☐

Points: 0

XII. Priority 5

Points will be awarded to projects with the highest ratio of 3-5 bedroom units to total units.

What is the ratio of 3-5 bedroom units to total units?

- ☐ **More than 50% (10 points)**
- ☐ **21% to 50% (5 points)**
- ☐ **Less than 21%, but more than 0% (1 point)**
- ☐ **Not applicable (0 points)**

Points: 0

XIII. Priority 6

Responses for the revitalization, repair, and transfer (as stipulated in 7 CFR 3560.406) of existing direct section 515 and Section 514/516 FLH and properties involved in the Agency's MPR program (transfer costs, including equity payments, are subject to Agency approval and must be an eligible use of loan proceeds listed in 7 CFR 3565.205) will receive an additional 10 points. No points will be awarded for transfers that include equity payments.

- ☐ **This project includes the revitalization, repair and transfer of existing direct Section 515 or Section 514/516 FLH properties AND did not receive any equity payments as part of a transfer (10 points)**
- ☐ **This project is part of the Agency's MPR program AND did not receive any equity payments as part of a transfer (10 points)**
- ☐ **Not applicable (0 points)**

Points: 0

XIV. Priority 7A – Energy Efficiency

Projects that are energy-efficient and registered for participation in any of the following programs will receive points, up to a maximum of 25 points. Each program has an initial checklist indicating prerequisites for participation. Applicants must provide a checklist establishing that the prerequisites for each program, that the project will be participating in, will be met. All checklists must be accompanied by a signed affidavit by the project architect stating that the goals are achievable.

Check all the energy-efficient programs that you will be participating in. NOTE: You can receive a maximum of 25 points for participation in one or more programs. If you earn points for LEED or NGBS you may not earn additional points for Energy Star for Homes.

Energy Star for Homes (5 points): Yes ☐ No ☐ Points: 0

Green Communities by the Enterprise Community Partners, www.enterprisefoundation.org (10 points): Yes ☐ No ☐ Points: 0

LEED for Homes program by the U.S. Green Building Council (USGBC), www.usgbc.org

Check one of the five levels of certification:

- ☐ LEED Certified (10 points)
☐ LEED Silver (12 points)
☐ LEED Gold (15 points)
☐ LEED Platinum (25 points)
☐ No LEED certification (0 points) Points: 0

Home Innovation's National Green Building Standard™ (NGBS) certification program, www.homeinnovation.com/green

Check one of the five levels of certification:

- ☐ NGBS Bronze (10 points)
☐ NGBS Silver (12 points)
☐ NGBS Gold (15 points)
☐ NGBS Emerald (25 points)
☐ No NGBS certification (0 points) Points: 0

This project will participate in a State or local building program (2 points):

Yes ☐ No ☐ Points: 0

Total Points for 7A Energy-efficiency: 0 (Points earned for 7A cannot exceed 25)

XV. Priority 7B – Energy Management

Projects that will be managed by a certified green property management company will receive 5 points. Applicants must provide proof of certification in one of the programs listed below.

This project will be managed by a green property management company that is certified by one of the following programs:

- ☐ **National Apartment Association, Credential for Green Property Management (CGPM)**
<http://www.naahq.org/Education/DesignationPrograms/Other/Pages/default.aspx>
(5 points) **OR**
- ☐ **National Affordable Housing Management Association (NAHMA), Credential for Green Property Management (CGPM),** www.nahma.org/content/greencred.html (5 points)
OR
- ☐ **U.S. Green Building Council (USGBC), Green Building Certificate Institute (GBCI) LEED AP**
(any discipline) or LEED Green Associate, www.gbci.org (5 points) **OR**
- ☐ **None of the above (0 points)** **Points: 0**

XVI. Priority 7C – Energy Generation

Responses for new construction or purchase and rehabilitation of non-program multi-family projects which participate in the Energy Star for Homes V3 Program, Green Communities, LEED for Homes, of Home Innovation's National Green Building Standard are eligible to earn additional points for installation of on-site renewable energy sources. In order to receive **more than one point** for this energy generation section, an accurate energy analysis prepared by an engineer will need to be submitted with the response. Energy analysis of preliminary building plans using industry-recognized simulation software must document the projected total energy consumption of the building, the portion of building consumption which will be satisfied through on-site generation, and the building's Home Energy Rating System (HERS) score.

Projects with an energy analysis of the preliminary or rehabilitation building plans that propose a 10 percent to 100 percent energy generation commitment (where generation is considered to be the total amount of energy needed to be generated on-site to make the building a net-zero consumer of energy) will be awarded points as follows:

- ☐ **0 to 9 percent commitment to energy generation (0 points)**
☐ **10 to 29 percent commitment to energy generation (1 point)**
☐ **30 to 49 percent commitment to energy generation (2 points)**

- ☐ 50 to 69 percent commitment to energy generation (3 points)
- ☐ 70 to 89 percent commitment to energy generation (4 points)
- ☐ 90 percent or more commitment to energy generation (5 points)

Points: 0

XVII. Priority 8

An additional 10 points will be awarded to projects located in a Promise Zone and/or persistent poverty county. A county is considered persistently poor if 20 percent or more of its population was living in poverty over the last 30 years as measured by the 1990, 2000 and 2010 decennial censuses and 2007-2011 American Community Survey 5-year estimates as determined by the Agency. <http://www.rd.usda.gov/about-rd/initiatives/promise-zones>

This project is located in a Promise Zone and/or Persistent Poverty County (10 points):

Yes ☐ No ☐

Points: 0

Name of Promise Zone: And/Or

Name of Persistent Poverty County:

XVIII. Documents Submitted

Below, please check all documents that you will be submitting to substantiate your responses on this Form. Hard copy submissions should be mailed to the State Office with your application package. If you check the email option, you will be notified of the email address to use upon electronic receipt of this form. Points will be assigned for the items that you checked based on a review of the supporting documents.

Below are some ground rules for documents submitted via email, so that they may be correctly identified upon receipt:

1. In the Email Subject line include the **Project Name** and **State**
2. For each document submitted, include the **Project Name, Project State, Form Reference** and **Item name** shown below, as in "*Il j. Equal Opportunity Survey for Hopewell Apartments, WI.*"
3. You may submit each document listed below as a separate file or combine several documents into one large file – so long as all documents in the file pertain to the **same project**. Remember to identify each document with its Form Reference.
4. When sending attachments via email, you may bump up against the limit on the size of an attachment or the total number of attachments that you can include in one email. If the submission is not successful, you may need to limit the size or number of files sent in one email. You may use multiple emails to submit all of your documents.

Reference in Form	Item	Submission Mode		
II. Borrower Information		Via Email	State Office	N/A
j.	Equal Opportunity Survey (optional)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
k.	Principal or Key Members of Borrower Organization	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
l.	Borrower Information and Statement of Housing Development Experience	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
III. Project Information		Via Email	State Office	N/A
e.	Property Description and Proposed Development Schedule	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
V. Project Site Information		Via Email	State Office	N/A
a.	Evidence of Site Control	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b.	Description of any Environmental Issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
VI. Project Funding		Via Email	State Office	N/A
c.	If Tax Credits have been awarded, a copy of the award or evidence of award, OR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c.	If Tax Credits have not yet been awarded, letters of application and commitment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h.	Collateral for Guarantee requested	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
VII. Other Background Information		Via Email	State Office	N/A
b.	Presidential Declaration document if property is located in a Federally declared disaster area	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
VIII. to XIV. Priority 1 through 6		Via Email	State Office	N/A
VIII.	Priority 1: Population Size	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
IX.	Priority 2: Median Income	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
X.	Priority 3: Loan to Total Development Cost Ratio	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
XI.	Priority 4: Equity from low income housing tax credits	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
XII.	Priority 5: Ratio of 3-5 bedroom units to total units	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Reference in Form	Item	Submission Mode		
XIII.	Priority 6: Revitalization, repair and transfer of existing 515 properties or MPR properties -- with no equity payments	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
XIV. Priority 7A: Energy-Efficient Program		Via Email	State Office	N/A
	Energy Star for Homes checklist and signed affidavit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Green Communities by the Enterprise Community Partners checklist and signed affidavit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	LEED for Homes Program checklist and signed affidavit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Home Innovation's National Green Building Standard checklist and signed affidavit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	State or local green building program checklist and signed affidavit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
XV. Priority 7B: Credentials for Green Property Management		Via Email	State Office	N/A
	National Apartment Association, Credential for Green Property Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
OR	National Affordable Housing Management Association, Credential for Green Property Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
OR	U.S. Green Building Council, Green Building Certification Institute LEED AP (any discipline) or LEED Green Associate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
XVI. Priority 7C: Energy Generation		Via Email	State Office	N/A
	An energy analysis of the preliminary or rehabilitation building plans.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

XIX. Scoring

PLEASE NOTE: The scoring below is based on the responses that you have provided on this form and may not accord with the final score that the Agency assigns upon evaluating the supporting documentation that you submit. Your score may change from what you see here if the supporting documentation is incomplete or missing.

Priority	Description	Points Earned
1.	Population Size (30, 15, 10, 5)	0
2.	Median Income (20, 15, 10, 5)	0
3.	Loan to Total Development Cost ratio (60, 30, 10)	0

Priority	Description	Points Earned
4.	Equity from Low Income Housing Tax Credits (50)	0
5.	Ratio of 3-5 bedroom units to total units (10, 5, 1)	0
6.	Revitalization, repair and transfer of existing Section 515 properties, Section 514/516 FLH properties or MPR properties -- with no equity payments for transfers (10)	0
7A.	Participation in energy-efficient programs (25 or less)	0
7B.	Credential for Green Property Management (5)	0
7C.	Energy Generation (1, 2, 3, 4, 5)	0
8.	In a Promise Zone or Persistent Poverty County (10)	0
	Total Score:	0

Please Save the Form with the Project Name and State before you Send it.

Save Form

Print Form

Send Form

Clear Form

Bob Morton

Subject: Project Name - RHS 538 Guarantee Application Items - Borrower - Kickoff Call
Attachments: 538 Checklist.docx; Architect Signature Package.pdf; General Contractor Signature Package.pdf; Management Signature Package.pdf; Mortgagor Signature Package.pdf; Individual - Authorization to Disclose.pdf; Financial Certification for Principal.pdf; Management Plan and Agreement Requirements Checklist.docx; 1924c-RD Standard for Site Development.pdf; 1924a - RD Construction and Repair Requirements.pdf; Appraisal Review Checklist - Bellwether - RHS 538 GRRHP.XLSX; Bellwether Market Study Review Checklist USDA 538 GRRHP.XLSX

Hi everyone:

I'm attaching the bulk of the materials (checklist and forms) for the guarantee application. The checklist is a generic one at this point until I get a little more information about the loan, but I will customize and update as I receive things. Please let me know if anything listed is not applicable.

There are signature packages for each participant (architect, GC, management, mortgagor). The forms included in those packages should match up to the items listed in my checklist. I tried to link signature lines so that you only have to input some information in each PDF once (like mortgagor name). If there are any individuals with more than a .001% ownership interest, I'll need to run personal credit reports. I've included the personal credit authorization if that is the case. Any people or entities providing financial statements that are not audited need to sign the attached financial certification as well.

RD has a few required items of the management plan, which are not necessarily standard in non-RD deals. A checklist of their requirements is attached. Please ensure that all of these items are addressed in the management plan. If they are not currently, an addendum can be provided to address.

I'm also attaching the construction requirements and site standards of the 538 program. These are really just for reference purposes, but your contractor and architect should review to make sure they are in compliance.

We will need an appraisal and a market study for the project. We can discuss on our kickoff call, but if you already have these reports, we'll need reliance letters, and USDA has a few requirements of those reports. I'm attaching the checklists that we use to review the reports. If you don't have these reports, we can order from qualified third party providers directly.

Finally, USDA's environmental requirements can be found in RD Instruction 1970 at the following website: <https://www.rd.usda.gov/publications/regulations-guidelines/instructions>. Basically, it's USDA's NEPA review, which requires a Phase I report and coordination with several other governmental agencies. Again, we have qualified third party providers that we can engage with directly on this report.

If there are any questions along the way, please feel free to e-mail or call me. I'll make sure to review documents as they are sent and provide relatively immediate feedback for anything that needs revision. I look forward to working with you and getting the application submitted. Thanks.

Karl Edmonson, Vice President | Bellwether Enterprise Real Estate Capital, LLC

Please note new address:

4555 W. Burgundy Trail | LaPorte, IN 46350 | DIRECT: 216-970-0087 | FAX: 216-820-4501

Project Name

USDA 538 Guarantee Application

Last updated: date

From the Borrower and Principals:

- Signature Document Package—please fill out and sign the following forms (attached):
 - Form 3565-1, Part A
 - RD Instruction 1940-Q, Exhibit A-2
 - Attachment 4-D, Housing Allowances for Utilities and Other Public Services
 - Form HUD 2530 (or RD 1944-37). This should list the Mortgagor Entity and all Principals
 - Form 3560-30 if no identity of interest
 - Form 3560-31 for each identity of interest that exists with the Mortgagor Entity
 - Form 1910-11
 - Form 1047
 - Form 400-1
 - Form 400-3
 - Form 400-4
 - Financial Statement Certification (please provide for each principal providing unaudited financial statements)
- A brief project description (such as one used in a tax credit application)
- DUNS Number—the mortgagor entity must have a DUNS number in order to be entered into RD's system.
- CAGE Number and Expiration—the mortgagor entity must be registered in the System for Award Management (www.sam.gov) and be assigned a CAGE number and expiration date.
- Financial Statements—If there are financial statements for the Mortgagor Entity, please provide.
- Organizational Documents
 - For an LP, proposed Limited Partnership Agreement and Certificate of Limited Partnership
 - For an LLC, Articles of Organization, Operating Agreement
 - For a non-profit, Tax Exempt Ruling from IRS, Evidence of Organization under State Law, List of Board Members
 - If a public body, enabling statute or State Law of Organization
- Organizational Chart
- A listing of all the entities involved in the project, including Management Company, General Contractor, Architect, Attorney, etc.
- Resumes for Borrower and Principals (any entity or individual with more than .001% ownership in the mortgagor entity), including a listing of multifamily experience
- Principal Financial Statements—for any entity or individual with more than .001% ownership in the mortgagor entity. The attached consent to release information for any individual must also be provided, with a copy of a photo ID.
- Proforma Budget (RD approved budget, if applicable)
- HAP Rent Schedule, if applicable

- Description of any related facilities (community space, recreation, storage or maintenance structures, etc.), if applicable
- Comments regarding relevant off-site conditions, if applicable
- Land Survey
- Tax Credit Reservation Letter
- Rent rolls—Year end for the last three years, and the last three months, if possible.
- Purchase and Sales Agreement
- HAP Contract, if applicable
- HOME Loan documentation, if applicable
- Existing 515 Loan Documentation, if applicable
- Commitment Letters indicating terms and schedules for any additional financing (including construction loan)
- Title Commitment, if available
- Third Party Reports:
 - Environmental Report—USDA requires a full NEPA environmental report or environmental assessment (dependent on several factors), based on RD Instruction 1970. This can be ordered by Bellwether.
 - Capital Needs Assessment (if rehab)—need both As-Is and As-Complete
 - Market Study—RD has very specific requirements of items to be included—these requirements will be sent separately or directly to the provider.
 - Appraisal—RD has very specific requirements of items to be included—these requirements will be sent separately or directly to the provider.

From the Management Company

- Signature Document Package—please fill out and sign the following forms (attached):
 - Form 9832
 - Form 935.2A, Affirmative Fair Housing Marketing Plan. Please also include all applicable backup documentation including the following:
 - Copies of the specific page(s) from the census report on which the plan was based
 - Photograph or drawing of the project sign
 - Copies of the newspaper advertisement or a sample of proposed advertisement
 - Sample community contact letters
 - Brochures, leaflets, or handouts used
 - Written instructions provided to staff concerning Federal, State, and local fair housing laws and regulations as well as concerning the AFHMP
 - Form AD1048
 - Form HUD 2530
- Management Resume
- Management Plan (must include all 538 requirements attached)
- Management Agreement
- Sample Lease

From the General Contractor

- Signature Document Package—please fill out and sign the following forms (attached):
 - Form AD1048
 - Form 1924-13
 - Form 400-6
- Resume and List of Multifamily projects
- Construction Contract (Form AIA A-101 or other)

From the Architect

- Signature Document Package—please fill out and sign the following forms (attached):
 - Form AD 1048
 - Form 1924-25
 - Design Architect Certification
- Scope of Work
- Architect Resume
- Plans and Specifications—Please see attached RD Instruction 1924-A for construction requirements.
- Architect Contract

From the Tax Credit Investor/Syndicator

- Letter of Intent to provide tax credit equity (including pay-in schedule)
- Name and contact information for the limited partner (including signature line for signing documents).
- Updated Organizational chart showing the new limited partner.
- A brief narrative or that can serve as evidence of experience with similar transactions.
- A recent financial statement for the syndicator.
- EIN for limited partner.
- Form AD 1047 showing they haven't been debarred from federal programs
- HUD LLCI (Limited Liability Corporate Investor) Certification. Please be aware that Rural Development does not countersign this certification.

Transaction Types

- ▶ Construction and Permanent Loan Guarantees
- ▶ Permanent Only Loan Guarantees
 - Unfunded forward
 - Unfunded Forward Rate Lock (18 & 24 Months)
- ▶ New Construction
- ▶ Substantial Rehab/Repair
 - w/RD-515
 - w/o RD-515
 - Portfolio of RD-515
- ▶ Primarily 9% or 4% LIHTC Projects or other heavily subsidized projects (HOME, CDBG, State, Local)
- ▶ Existing RHS 538 GRRHP Rate Modifications and Refinancing
- ▶ Refinancing of Existing RHS Loan

RHS 538 & RD 515

- ▶ Stand alone individual RD 515 property.
- ▶ Portfolio of RD 515 properties (no minimum or maximum number of projects).
- ▶ RHS 538 in 1st position and the RD 515 in 2nd position via the agreed upon RD 538/515 Subordination Agreement.
- ▶ RHS 538 is the preferred primary loan over other types of executions when combined with RD 515 projects.

RHS 538 & RD 515 Typical Common Factors

- ▶ Most are in conjuncture with LIHTC (9% or 4%)
- ▶ Portfolio's typically have one Borrowing Entity even when multiple RHS 538/RD 515 loans are involved.
- ▶ Portfolio's typically have one LIHTC Application.
- ▶ If a 4% LIHTC Bond execution, then currently it is one bond issuance and with the short term cash collateralized structure.
- ▶ Review RHS 538 Construction Perm vs. Perm Forward Rate Lock.

RHS 538 & RD 515 – Other Mentionable's

- ▶ A stay in place owner is allowed. It does not have to be an acquisition and transfer of the RD 515 project.
- ▶ We are currently doing a number of stay in place owner without LIHTC's and just moderate renovations/improvements to a single project.
- ▶ Attached is the RD Unnumbered Letter that gives further guidance when combining an RHS 538 guaranteed loan with an RD 515 direct loan.

July 29, 2016

TO: State Directors
Rural Development

ATTN: Program Directors
Multi-Family Housing

FROM: Tony Hernandez */s/ David Lipsetz* *for*
Administrator
Housing and Community Facilities Programs

SUBJECT: Guidance on the Use of Section 538 Guaranteed Rural Rental Housing
Program with Section 515 Properties

The intent of this Unnumbered Letter (UL) is to clarify issues concerning the use of Section 538 loan guarantees in transactions involving the revitalization and preservation efforts of existing affordable housing properties financed with Section 515 direct loans. It is written for the sole use of the Rural Development State Office staff and area offices involved in processing Section 538 guaranteed loan applications received in conjunction with existing Section 515 property transfers and MPR.

The use of the Section 538 program enhances Rural Development's capacity to attract private capital to support the revitalization of the Section 515 portfolio. The Section 515 Rural Rental Housing program and the Section 538 Guaranteed Rural Rental Housing program have different regulatory frameworks. This UL intends to reconcile the procedural differences between the two programs.

The attachment to this UL is titled "SECTION 538/515 PROGRAM REQUIREMENTS MATRIX". Column A contains several program requirements that are addressed in this UL. Column B contains an overview of the program requirement from the Section 538 perspective. Column C contains an overview of the program requirement from the Section 515 perspective. It should be noted that both Column B and Column C are only summary statements. Reviewers should rely on the respective regulations and handbooks for each program for detailed program

EXPIRATION DATE:
July 31, 2017

FILING INSTRUCTIONS:
Housing Programs

guidance. Column D outlines the program requirements Rural Development staff should utilize for each program requirement contained in Column A. The guidance provided generally directs the user to utilize the most restrictive guidance from either the Section 538 or the Section 515 program.

If you have any questions regarding this UL, please contact Tammy S. Daniels of the Multi-Family Housing Guaranteed Loan Division at (202) 720-0021 or tammy.daniels@wdc.usda.gov.

Attachment

COLUMN A Program Requirements	COLUMN B Section 538 Requirements	COLUMN C Section 515 Requirements	COLUMN D Sections 538/515 Projects Recommended Approach
1. Equity Contribution	<p>For-profit – the greatest of 10% of the Total Development Cost (TDC) or of the appraised value.</p> <p>Non-Profit – the greatest of 3% of the TDC or of the appraised value.</p> <p>Cash or/and land value meet the equity requirement (other Agency approved sources may be considered).</p>	<p>For-profit – 3% of the Agency loan not receiving LIHTC For-profit – 5% of the Agency loan if receiving LIHTC</p> <p>Non-Profit - 0%; can loan 100% plus 2% operating expenses.</p> <p>Not required for properties in the MPR using MPR tools, however still required for MPR properties using Section 515 loan funds.</p> <p>Any additional funds advanced under the MPR program may only be used for MPR authorized purposes.</p>	<p>Prior to the issuance of the Agency’s Conditional Commitment, the lender certifies in its application that Section 538 program’s equity requirements were met and Agency personnel verify lender’s calculations. Prior to the issuance of a permanent guarantee, an appraisal (unless waived) of the project once construction is completed must confirm the borrower’s equity contribution certification.</p> <p>Existing Section 515 Reserve Account Balances will not be used to meet Section 538 equity contribution requirements.</p>

COLUMN A Program Requirements	COLUMN B Section 538 Requirements	COLUMN C Section 515 Requirements	COLUMN D Sections 538/515 Projects Recommended Approach
2. Lease-Up Reserve	<p>Lease-up reserve in lieu of 90/90</p> <ul style="list-style-type: none"> • Required only if the permanent guarantee is to be issued prior to achievement of 90% occupancy for 90 continuous days in the 120-day period immediately prior to the issuance of the permanent guarantee. • Lender and/or developer must elect to use a lease-up reserve prior to the start of construction. • Borrower funded with a non-mortgageable cash contribution. • Reserve must be fully funded prior to issuance of permanent guarantee. • For Option 3 Continuous Guarantees, the lease-up reserve is fully funded on or before the issuance of the guarantee. • Reserve must be at least 2% of the greater of appraised value or TDC. <p>Unused funds are transferred to the Section 538 O&M reserve account and may be returned to the borrower as a cash distribution at the end of the year and if the requirements of HB-1-3565, Paragraph 7.7 E have been met.</p>	<p>No published standard: Discuss individual transactions with a National Office Review Underwriter.</p>	<p>When the lender and/or developer opt to use the lease-up reserve in lieu of the 90/90 requirement, the lease up reserve will be managed pursuant to Section 538 requirements. The lender will control the account and its distributions.</p> <p>If the lender, borrower and Agency choose not to fund a lease-up reserve during the construction period, documentation for the basis of the decision must be in the Agency file. There must be documented evidence that the project will not expect to lose tenants due to displacement or due to increased rents.</p> <p>If a Section 538 lease up reserve is not used, the project must meet the 90/90 test in the 120-day period immediately prior to the issuance of the permanent guarantee.</p> <p>Unused funds are transferred to the Section 538 O&M reserve account and may be returned to the borrower as a cash distribution at the end of the year if the requirements of HB-1-3565, Paragraph 7.7 E have been met.</p>
3. Construction Contingency Reserve	<ul style="list-style-type: none"> • At least 2% of total construction costs. • Borrower funds reserve with a non-mortgageable cash contribution. The lender may release unused construction contingency reserves to the borrower anytime after completion of construction and achievement of the 90/90 test. All other reserve accounts must be fully funded prior to the release of any unused construction contingency funds. • May accept letter of credit (LOC) in lieu of cash. 	<ul style="list-style-type: none"> • 7% -10% and may be funded with Section 515/MPR funds or other third-party financing as authorized in the transfer approval. • Upon final inspection and acceptance by Rural Development any remaining unused funds will be deposited into project's Rural Development capital reserve account. 	<p>For projects using the Section 538 construction guarantee, Section 538 requirements apply.</p> <p>State Offices must approve all change orders for Sections 515/538 construction contracts.</p>

COLUMN A Program Requirements	COLUMN B Section 538 Requirements	COLUMN C Section 515 Requirements	COLUMN D Sections 538/515 Projects Recommended Approach
4. Occupancy & Rent Restrictions	<ul style="list-style-type: none"> At initial occupancy, tenancy restricted to individuals and families whose incomes do not exceed 115% of area median income. 	<ul style="list-style-type: none"> At initial occupancy, and prior to annual or other re-certifications, must qualify as a very low- low or moderate income household meeting Rural Development definitions. Rural Development Section 515 rent levels must reflect realistic operating and maintenance expenses and expectations in accordance with Section 515 program policy. Overly optimistic or unjustifiable expenses will be rejected under Section 515 underwriting principles. 	<p>The most restrictive occupancy and rent restrictions (typically Section 515) will be used.</p> <p>In the event that Section 515 income requirements and/or rent levels exceed the Section 538 levels, the State Office will refer the matter to the National Office for resolution.</p>
5. Operating Costs and Rent Levels	<ul style="list-style-type: none"> Operating costs and rent levels must be adequate to meet program and NOFA requirements on a sustainable basis in the budget analysis. At rent up and on a continuing basis, rents including tenant utility allowances may not exceed 30 percent of 115 percent of area median income adjusted for family size. Average rent for all units in a project cannot exceed 30% of 100% of area median income adjusted for family size. 	<ul style="list-style-type: none"> Rural Development Section 515 rent levels must reflect operating and maintenance expenses that are reasonable, typical, necessary and show a clear benefit to the residents of the property and expectations in accordance with Section 515 program policy. Overly optimistic or unjustifiable expenses will be rejected under Section 515 underwriting principles. Projects must be sustainable and will be underwritten with expenses, costs and incomes that can typically be supported in the market area. At approval of new loans and MPR Tools, transfers, prepayments, etc., rents cannot exceed the Conventional Rents for Comparable Units (CRCU) standard, unless waived by the National Office On an ongoing basis, rents remain budget-based. CRCU standards do not apply to annual budget submissions. 	<p>Underwriters will review both Section 538 and Section 515 anticipated income and expense projects to reconcile the operating projections. If LIHTCs are also included, such projections will also be considered in determining feasibility projections and sustainability determinations.</p>

COLUMN A Program Requirements	COLUMN B Section 538 Requirements	COLUMN C Section 515 Requirements	COLUMN D Sections 538/515 Projects Recommended Approach
6. Construction Monitoring, Inspections, Payouts	<ul style="list-style-type: none"> • New construction, rehabilitation, modular and manufactured structures must meet RD Instruction 1924-A. • Actual work inspected by, or on behalf of, the lender. • Minimum three inspections. • In addition to the three inspections; lender inspections must be done prior to each payment to the contractor. • Lender must coordinate final inspection. • Agency must approve all change orders. 	<ul style="list-style-type: none"> • Agency to inspect all work completed and materials suitably stored on site. • Minimum three inspections at key times • In addition to the three required inspections; Agency encouraged to make monthly inspections if time and resources permit. • Prior Agency concurrence in each pay request and proposed change order. • MPR projects are subject to project-specific requirements under the terms of the MPR Conditional Commitment and only released for the MPR authorized purposes as required under the MPR Conditional Commitment. • Follow RD Instruction 1924-A requirements. 	For Sections 515/538 projects financed with a Section 538 construction guarantee, follow the applicable provisions of HB-1-3565 for construction monitoring. If time and resources permit, State Offices are encouraged to monitor the construction through on-site reviews/inspections. State Office staff should review, but not sign, the contractor's payment requests.
7. Mortgage Terms	Term of not less than 25 years and not more than 40 years.	Third-party loans must: <ul style="list-style-type: none"> • be fully amortized; or • have a maturity date that is after the Rural Development/Section 515 debt matures; or • include a written agreement with third-party lender to extend scheduled maturity through re-amortization or whatever means available to them on terms that do not require rents to exceed CRCU. 	In Section 515 transactions the Section 538 loan term must exceed the term of the Section 515 subordinate financing. The minimum term of the Section 538 loan will be 25 years or the term of the Section 515 subordinate debt whichever is greater. The maximum term of the Section 538 loan is 40 years.
8. Debt Service Coverage Ratio (DSCR)	Requires DSC of at least 1.15 unless Agency approves lower DSCR.	No published standard: Discuss individual transactions with a National Office Review Underwriter.	All transactions will be underwritten with a minimum DSCR of 1.15 or the Agency approved DSCR, whichever is higher. The combined DSCR for the 538 and the 515 debt will be at least 1.0 every year. Rents that exceed CRCU to achieve the 1.15 DSCR, must have a National Office waiver.
9. Interest Credit	If available, generally limited as to basis points and loan amount.	Reduction in the effective interest rate for the Agency's entire loan down as low as 1% with RD Interest Credit Agreement.	Interest credit eligibility, availability and limitations for Sections 515/538 transactions will be published in the annual NOFA.

COLUMN A Program Requirements	COLUMN B Section 538 Requirements	COLUMN C Section 515 Requirements	COLUMN D Sections 538/515 Projects Recommended Approach
10. O&M Reserve/ Initial Operating Capital (IOC)	<p>O&M Reserve</p> <ul style="list-style-type: none"> • All borrowers must contribute from their own resources at least 2% of the loan amount. • Funds may be provided in cash or LOC. • For Options 1 and 2 Guarantees, the O&M Reserve is funded on or before the closing of the permanent loan. For Option 3 Continuous Guarantee, the O&M Reserve is funded no later than 30 days before the issuance of the first certificate of occupancy is anticipated. 	<p>Initial Operating Capital</p> <p>To provide a source of capital for start-up costs, such as the purchase of equipment, and paying operating, maintenance, and debt service expenses. Borrowers are required to make an initial operating capital contribution to the general operating account as described in §3560.64.</p>	<p>O&M Reserve for a Guaranteed Loan is not required when State Office MFH staff concurs that the Section 515 General Operating Account (GOA) is sufficient to cover projected expenses.</p> <p>When Section 538 O&M Reserve is required (i.e. when the Section 515 GOA is not sufficient to cover projected expenses) the O&M will be managed in accordance with Section 538 requirements. The Section 538 lender will control the account and its distributions.</p>
11. Credit Enhancements During Construction	<p>Per 3565.303 (c) (2) acceptable credit enhancements include:</p> <ul style="list-style-type: none"> • Surety bonding or performance and payment bonding acceptable to the Agency; • An irrevocable letter of credit acceptable to the Agency; or • A pledge to the lender of collateral that is acceptable to the Agency. 	<p>Acceptable credit enhancements include:</p> <ul style="list-style-type: none"> • Surety bonding or a P&P Bond (preferred). • An irrevocable LOC, Rural Development is named as Beneficiary – 100% of contract. • Cash deposit in amount of contract. • All construction must adhere to RD Instruction 1924-A. MPR projects must also comply with the terms of the MPR Conditional Commitment. 	<p>For projects financed with a Section 538 construction guarantee, follow the applicable provisions of 3565.303 (c) (2) to the extent that it does not conflict with Section 515 conditions, including surety, bonding and final acceptance.</p>
12. Developer Fee	<ul style="list-style-type: none"> • Developer fee is an eligible use of Section 538 loan proceeds. • Deferred developer fee can be repaid from surplus cash at year end. 	<ul style="list-style-type: none"> • Allow reasonable developer fee when the only other funding source is a Section 538 loan that is being used with existing Section 515 property transfers and MPRs. • Deferred developer fees cannot be repaid except as part of the approved annual Return on Investment. 	<p>Developer fee will be an allowed cost with Section 538 loan proceeds. The developer fee will be disbursed at closing.</p> <p>The disbursement of a deferred developer fee will be subject to Section 515 limitations on annual distributions.</p>

COLUMN A Program Requirements	COLUMN B Section 538 Requirements	COLUMN C Section 515 Requirements	COLUMN D Sections 538/515 Projects Recommended Approach
13. Reserve Accounts including CNA requirements	<ul style="list-style-type: none"> • Lender holds funds. • Lender approves all release of funds. • Deposits based on Capital Needs Assessment (CNA). CNAs on Section 538 properties should follow 538 Program Requirements. • At least every five years- but no later than each seventh year, the lender must review the CNA as part of adjusting the replacement reserve deposit. The reserve account must be adjusted accordingly. If the reserve deposits as determined by the CNA are not adjusted, the lender must provide a justification to the Agency. The lender must continue to do an evaluation of the property during the annual physical inspection to ensure that the reserve account has acceptable funding levels. • Lenders should require borrowers to obtain bids on major repairs, construction projects, or purchases. A recommended standard is three written bids for any single purchase or project that exceeds \$10,000. Borrowers should be required to justify any bid accepted that is higher than the lowest bid. 	<ul style="list-style-type: none"> • Section 515 reserve account funds required to be held in a supervised account. • Requires prior Rural Development concurrence to release funds. • Emergency situation may request post approval. • Minimum two bids required when costs are more than \$5,000 or when IOI-involved bid is submitted directly to State Office prior to requesting bids from other firms. • Reserve account sized to meet the 20-year inflated needs of the property as determined by an approved CNA. • Rural Development may require frontend loading in MPRs. • A new CNA may be required five years or later. • Reserve accounts established under an approved CNA may only be used for approved capital needs or purposes specifically authorized in the Section 515 transfer authorization or MPR Conditional Commitment. <p>MPR uses are restricted to those items shown on the approved CNA but withdrawals for transfers must follow HB 2-3560.</p>	<p>Requirements of the Reserve Account will be handled in accordance with 7 CFR 3560, section 3560.306 (e).</p> <p>The Section 538 guaranteed lender will hold the funds. Release of funds will require approval of Agency, lender and borrower. Request for release of reserve funds should be processed using RD Form 3560-12.</p> <p>The project will maintain initial and ongoing reserve levels at the greater of the Section 515 or Section 538 requirements.</p> <p>**The Section 515 Requirements will be followed in regards for CNA.</p> <p>Reserve account funds will not be used to pay fees associated with the Section 538 guarantee.</p> <p>Follow 7 CFR 3560, for minimum two bids required when costs are more than \$3,500 or when IOI-involved bid is submitted directly to State Office prior to requesting bids from other firms.</p>

COLUMN A Program Requirements	COLUMN B Section 538 Requirements	COLUMN C Section 515 Requirements	COLUMN D Sections 538/515 Projects Recommended Approach
14. Surplus Cash Distribution/ Return to Owner	Lender may release surplus cash to borrowers annually with no restrictions on the amount. All requirements (HB 3565-1, 7.7 E) must be met prior to release of surplus cash.	<p>There is no statutory authority in the Section 515 program to allow for a distribution of surplus cash.</p> <p>Borrowers may earn a return on their investment (ROI), or in transfer situations, a new Return to Owner (RTO) as authorized in the transfer approval, in accordance with the terms of their RD loan agreement or resolution if there is a positive net cash flow in housing project operations. The authorized return may be taken by the borrower after the housing project's fiscal year, provided that the balance of the reserve account is equal to or greater than required deposits minus authorized withdrawals.</p>	<p>Use Section 515 program requirements to define amount of the annual distributions. Lender will maintain any surplus funds from owner funded reserves (construction contingency, lease up and O&M reserve) in a Section 538 Surplus Reserve Account separate from the Section 515 GOA.</p> <p>Lender may release unused funds in this Surplus Reserve Account only if the requirements of HB-1-3565 Paragraph 7.7 E. have been met.</p> <p>Appraisals are required in ALL cases prior to approval to determine allowable equity payments and RTO.</p>
15. Definition of Total Development Cost	Total cost of project construction cost, financing fees, professional fees and profit.	The cost of construction, purchasing, improving, altering or repairing MFH and related facilities, and purchasing or improving the necessary land, including architectural, engineering, or legal fees and charges and other technical and professional fees and charges, but excluding fees, charges or commissions such as payments to brokers, negotiators or other persons for the referral of prospective applicants or solicitations of loans.	Use the Section 515 definition.
16. Use-Restrictions	The property must remain as affordable rental housing for the original loan term. The restrictive use covenants must be recorded.	Mandated Section 515 extended use restrictions apply to all program loans and may be extended for the full term of the loan for transfers and MPRs on project-by-project basis. Use restrictions are not liens and cannot be subordinated except to the applicable State Agency LIHTC LURAs when necessary.	<p>Both the Section 515 and Section 538 use restrictions will be recorded. In general, Section 515 use restrictions are more restrictive than the Section 538 restrictions and will control during the term of the Section 515 loan.</p> <p>When the term of the Section 538 use restrictions are greater than the term of the Section 515 restrictions, they will survive the Section 515 restrictions.</p> <p>The period of the Restrictive Use Covenant (RUC) in Section 515 transfers utilizing Section 538 funds to pay equity pursuant to 7 CFR 3560.406 will be for a term of 30-years from the closing date of the Rural Development transfer.</p>

COLUMN A Program Requirements	COLUMN B Section 538 Requirements	COLUMN C Section 515 Requirements	COLUMN D Sections 538/515 Projects Recommended Approach
17. Subordination of Section 515 Loan		Section 515 properties selected into the MPR Program must use the Restrictive Use Subordination Agreement approved by OMB No. 0575-0190 which is posted to the MPR Website. Subordinations of existing Section 515 loans in transfer authorization must comply with the Section 515 program transfer conditions currently published in HB-3-3560, Chapter 7.	For Sections 515/538 properties participating in the MPR program, both the Subordination Agreement in HB-3-3560 dated December 17, 2008 PN 425 and any updates will be used along with the Restrictive Use Subordination Agreement approved by OMB No. 0575-0190. A 515 loan may only subordinate to a 538 loan used for eligible 515 purposes.
18. Appraisal	Appraisal must be completed within the 12 months prior to the issuance of the loan guarantee. Refer to 3565.303 (d) (4) for appraisal exemption guidance.	In Section 515 transfers and MPR Program transactions, any required appraisal must be completed as required by the transaction approval conditions. Acceptable appraisals for Section 515 property transactions must comply with HB-1-3560, Chapter 7 and 7CFR 3560 Subpart P.	Appraisals will be completed in accordance with Section 538's 3565.303 for Section 538 loan approval and 7CFR 3560 Subpart P for Section 515. Tax Abatements cannot be used to determine value in an appraisal. Tax Credit Equity cannot be used to determine value in an appraisal.
19. Market Study	A market study is required to support the appraisal.	Either a market study or a market survey, as appropriate is required to establish feasibility for any Section 515 transaction as required by the respective Section 515 HB or NOFA.	For Section 515 projects that have been 90% or more occupied for the 3 consecutive years prior to submitting an application, a market study is not necessary unless specifically required as a condition of the Section 515 transfer or MPR approval.
20. Cost Certification	A cost certification is required that represents the actual cost of the work performed in connection with the construction. However, if a cost certification is prepared for any other funding source (e.g., an Agency providing LIHTC) then a copy of that cost certification is acceptable. An audited cost certification is required from identify of interest (IOI) contractors.	Actual construction costs must be reported. In the instance of an IOI contractor the costs must be certified and audited as outlined on Form RD 1924-13, "Estimate and Certificate of Actual Cost" if required.	For projects with any Section 538 guarantee, use the Section 538 program cost certification requirements. However, if there is an IOI contractor the certified and audited costs will be presented in the format contained on Form RD 1924-13, "Estimate and Certificate of Actual Cost".
21. Single Asset Entity	Borrowers must operate as a single asset ownership entity.	There is no restriction that borrowers must operate as a single asset ownership entity however all transfers and MPRs approvals provide project-specific conditions.	For Section 515 projects using Section 538 guaranteed loan funds, the Single Asset Entity restriction is waived.

COLUMN A Program Requirements	COLUMN B Section 538 Requirements	COLUMN C Section 515 Requirements	COLUMN D Sections 538/515 Projects Recommended Approach
22. Rural Area Designation (Grandfathering)	A Section 538 project for which a subsequent loan will be used to make necessary repairs or improvements to the property or to avert prepayment may be located in an area that has changed from rural to non-rural.	A project for which a subsequent loan or MPR tools will be used to make necessary repairs or improvements to the property, or to avert prepayment may be located in an area that has changed from rural to non-rural.	For subsequent loans in a Section 515 project whose acquisition and/or repair are financed by the Section 538 program, the “grandfathered” rule applies.
23. Underwriting Requirements		Section 515 transfers and MPR must comply with program HB and specific NOFA/NOSA requirements, and generally require review of the Section 538 and any other third-party funding underwriting summaries to accurately complete the UWT for approval.	Lenders are required to submit a matrix summarizing any differences between Section 515 underwriting and Section 538 underwriting.
24. Reporting Requirements: a) Annual Financial Reports b) Affirmative Fair Housing Marketing Plan c). Management Plan	<p>a) The lender must obtain from the borrower, on an annual basis, an audited annual financial statement conducted in accordance with generally accepted government auditing standards. The audit must be sent to the Agency within 90 days of the end of the property’s fiscal year.</p> <p>b) The borrower must prepare and comply with the Affirmative Fair Housing Marketing Plan and all other Fair Housing requirements. AFHMP submitted with the NOFA Response and/or application must be reviewed, approved and signed by the Agency. If the property has interest credit, the AFHMP must be approved and signed by the Agency at least every three years when the agency’s compliance review is conducted. Annually, the lender must review and certify that the AFHMP is in compliance with the Agency’s regulation. This certification and a copy of the AFHMP will be included in the Annual Audit of the property.</p>	<p>a) Borrowers must submit annual financial reports in accordance with 7 CFR 3560.</p> <p>b) Borrowers with housing projects that have five or more rental units must prepare and maintain an Affirmative Fair Housing Marketing Plan (AFHMP) as defined in 24 CFR part 200, subpart M.</p> <p>c) Borrowers must develop and maintain a management plan for each housing project covered by their loan or grant. The management plan must establish the systems and procedures necessary to ensure that housing project operations comply with Agency requirements.</p>	<p>The lender must obtain from the borrower, on an annual basis, an audited annual financial statement conducted in accordance with generally accepted government auditing standards.</p> <p>Lenders may use the same approved AFHMP that the borrower is currently using for the project. The annual reporting requirements for the Section 538 must remain in place.</p> <p>The same Management Plan may be used for Section 515 and Section 538, lender must ensure that the 538 program requirements are included in the Management Plan. In instances where the requirements may differ, the most stringent requirement must be met.</p>

COLUMN A Program Requirements	COLUMN B Section 538 Requirements	COLUMN C Section 515 Requirements	COLUMN D Sections 538/515 Projects Recommended Approach
25. Portfolio vs. Consolidation	<p>If projects are located in different market areas, the deal must be structured as portfolio sale with all projects underwritten as separate properties.</p> <p>If projects are located in the same market area, the deal may be structured as consolidation.</p> <p>Consolidation- all buildings will operate as one project, under one management plan and one NOFA response/application will be submitted.</p> <p>For areas in which separate counties or cities are considered the same market area, the Fair Market Rents must be the same.</p>	<p>If there are 2 or more projects located in different market areas, the deal must be structured as portfolio sale.</p> <p>If there are 2 or more projects located in the same market area, the deal may be structured as a project consolidation.</p> <p>For areas in which separate counties or cities are considered the same market area, the Fair Market Rents must be the same.</p>	<p>If projects are located in different market areas, the deal must be structured as portfolio.</p> <p>If projects are located in the same market area, the deal may be structured as consolidation.</p> <p>For areas in which separate counties or cities are considered the same market area, the Fair Market Rents must be the same.</p>
26. Favorable Financing.	The lender determines the favorable financing in accordance with industry practices.	Section 538 loan may be included as favorable financing.	Section 515 interest credit subsidy is not considered as favorable financing for the Section 538 program.
27. Rent Increases	Rent goes into effect with issuance of the guarantee.	Rent increase begins after construction or the rehabilitation is complete.	Follow the guidelines for Section 515, rent increases will not go into effect until the construction or the rehabilitation is complete.
28. Annual Guarantee Fee	The guarantee fee is calculated as a percentage of the sum of the note principal actually disbursed for all approved draws multiplied by the percentage of the guarantee. Although the fee is paid by the lender, it may be passed on to the borrower.	Not applicable.	The fee should be reflected on the annual budget using RD Form 3560-7 on Part II, Line 32, "Other Administrative Expenses." For combination deals, the fee should not be included in the interest rate.

Recall Name: S/mfh-files/grrhp/UL/515-538/ 515 538 UL 2016/515 538 Matrix Attachment to UL
2016.doc

Questions and Discussion

Conclusion of the Presentation

Thank you!!!

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