

TABLE OF CONTENTS

CHAPTER 1: INTRODUCTION.....	1-1
SECTION 1: INTRODUCTION TO THE LOAN ORIGINATION HANDBOOK..... 1-1	
1.1 ABOUT THIS HANDBOOK	1-1
1.2 COMPANION MULTI-FAMILY HOUSING HANDBOOKS.....	1-1
1.3 USING THIS HANDBOOK.....	1-2
A. Citations and Text Boxes	1-2
B. Attachments and Appendices	1-2
C. Terminology.....	1-2
SECTION 2: OVERVIEW OF THE MULTI-FAMILY HOUSING PROGRAMS 1-5	
1.4 GOALS OF RHS MULTI-FAMILY HOUSING PROGRAMS.....	1-5
1.5 SECTION 515 PROGRAM—OVERVIEW	1-5
1.6 SECTION 514 PROGRAM—OVERVIEW	1-6
A. Section 514 Loans and Section 516 Grants for Off-Farm Housing.....	1-6
B. Section 514 Loans for On-Farm Housing.....	1-6
SECTION 3: GENERAL PROGRAM REQUIREMENTS 1-7	
1.7 CIVIL RIGHTS [<i>7 CFR 3560.2</i>]	1-7
A. Nondiscrimination.....	1-8
B. Reasonable Accommodations for Persons with Disabilities	1-8
C. Limited English Proficiency [<i>7 CFR 3560.2</i>]	1-8
D. Civil Rights Impact Analysis	1-8
1.8 REVIEWS AND APPEALS [<i>7 CFR 3560.9</i>].....	1-9
A. Informing Program Participants of Their Rights.....	1-9
B. Adverse Decisions That Cannot BeAppealed.....	1-10
C. Informal Review.....	1-10
D. Mediation or ADR.....	1-11
E. Appeal.....	1-13
1.9 CONFLICT OF INTEREST [<i>7 CFR 3560.10</i>].....	1-14
A. Applicant Disclosure.....	1-14
B. Agency Employee Disclosure	1-15
1.10 OTHER FEDERAL REQUIREMENTS	1-15
A. Environmental Requirements [<i>7 CFR 3560.3 and 3560.4</i>]	1-15
B. Construction Standards.....	1-15
C. Lobbying Restrictions	1-15
D. Administrative Requirements.....	1-16

1.11 EXCEPTION AUTHORITY [<i>7 CFR 3560.8</i>]	1-16
ATTACHMENT 1-A: EQUAL CREDIT OPPORTUNITY ACT (ECOA)	
ATTACHMENT 1-B: ATTACHMENT TO LETTER NOTIFYING CUSTOMERS OF AN ADVERSE DECISION THAT IS APPEALABLE	
ATTACHMENT 1-C: ATTACHMENT TO LETTER NOTIFYING CUSTOMERS OF AN ADVERSE DECISION THAT CANNOT BE APPEALED	
ATTACHMENT 1-D: ATTACHMENT TO LETTER NOTIFYING CUSTOMERS OF UNFAVORABLE DECISION REACHED AS A RESULT OF AN INFORMAL REVIEW	
ATTACHMENT 1-E: ATTACHMENT FOR NOTIFYING CUSTOMERS THAT REQUEST MEDIATION IN STATES WITH A USDA-SPONSORED MEDIATION PROGRAM	
ATTACHMENT 1-F: ATTACHMENT FOR REQUESTING MEDIATION OR ALTERNATIVE DISPUTE RESOLUTION (ADR) SERVICES	
ATTACHMENT 1-G: ATTACHMENT FOR NOTIFYING CUSTOMERS THAT REQUEST MEDIATION OR ALTERNATIVE DISPUTE RESOLUTION (ADR) OF SERVICE PROVIDER	
ATTACHMENT 1-H: ATTACHMENT FOR NOTIFYING CUSTOMERS THAT REQUEST MEDIATION OR ALTERNATIVE DISPUTE RESOLUTION (ADR) OF POTENTIAL SERVICE PROVIDERS	
ATTACHMENT 1-I: ATTACHMENT FOR NOTIFYING CUSTOMERS THAT MEDIATION OR ALTERNATIVE DISPUTE RESOLUTION (ADR) DID NOT RESULT IN RESOLUTION OF ISSUES	
CHAPTER 2: MULTI-FAMILY HOUSING PROGRAMS AND THE ORIGINATION PROCESS	2-1
2.1 INTRODUCTION.....	2-1
SECTION 1: SECTION 515 PROGRAM.....	2-1
2.2 OVERVIEW	2-1
2.3 TYPES OF PROJECTS	2-2
A. Family Projects.....	2-2
B. Elderly Projects	2-2
C. Congregate Projects.....	2-2
D. Group Homes	2-3
E. Rural Cooperative Housing	2-3
F. Mixed Projects	2-3
2.4 TYPES OF LOANS	2-3
A. Initial Loans	2-3
B. Subsequent Loans.....	2-4
C. Assumed Loans	2-4
2.5 PREFERENCE FOR PROJECTS THAT LEVERAGE OTHER FUNDS	2-5

SECTION 2: SECTION 514/516 PROGRAM.....	2-7
2.6 TYPES OF PROJECTS	2-7
A. Off-Farm Labor Housing	2-7
B. On-Farm Labor Housing	2-7
2.7 LOANS AND GRANTS.....	2-7
A. Farm Labor Housing Loans.....	2-7
B. Farm Labor Housing Grants.....	2-8
2.8 PREFERENCE FOR PROJECTS THAT LEVERAGE OTHER FUNDS	2-8
SECTION 3: SECTION 521 PROGRAM.....	2-9
2.9 OVERVIEW	2-9
2.10 SECTION 515 and 514/516 PROGRAM.....	2-9
A. Section 515.....	2-9
B. Section 516/516.....	2-9
SECTION 4: OVERVIEW OF LOAN AND GRANT ORIGINATION 2-10	
2.11 THE LOAN ORIGINATION PROCESS AND THIS HANDBOOK	2-10
2.12 KEY STEPS IN THE ORIGINATION PROCESS.....	2-10
A. Section 515 Loan Origination Process	2-10
B. Section 514/516 Loan and Grant Origination Process.....	2-12
2.13 LOAN ORIGINATION FOR SECTION 515 PROJECTS	2-13
A. Property Requirements (Chapter 3).....	2-13
B. NOFA and Initial Application Process – Stage 1 (Chapter 4).....	2-13
C. Processing Final Applications – Stage 2 (Chapter 5)	2-14
D. Participation with Other Funding Sources (Chapter 6)	2-14
E. Security Requirements (Chapter 7).....	2-14
F. Loan Closing and Project Lease-Up (Chapter 8)	2-15
G. Project Construction (Chapter 9).....	2-15
H. Subsequent Loans and Loans for Final Payments (Chapter 10).....	2-15
I. Special Property Types (Chapter 11).....	2-15
2.14 FARM LABOR HOUSING LOANS AND GRANTS (CHAPTER 12).....	2-15
A. Off-Farm Labor Housing	2-15
B. On-Farm Labor Housing	2-16

CHAPTER 3: PROPERTY REQUIREMENTS.....3-1

3.1 INTRODUCTION.....	3-1
SECTION 1: DESIGNATED PLACES /7 CFR 3560.57]	3-1
3.2 OVERVIEW	3-1
3.3 ESTABLISHING A DESIGNATED PLACE LIST	3-1
A. Requirements for Establishing Designated Places	3-1
B. Procedures for Establishing the Designated Place List	3-3
C. Updating the Designated Place List.....	3-4
D. Partnership Designated Place List.....	3-4
SECTION 2: SITE REQUIREMENTS /7 CFR 3560.58]	3-5
3.4 OVERVIEW	3-5
3.5 SITE LOCATION.....	3-5
A. Designated Place	3-5
B. Residential Area	3-5
C. Downtown Business Area	3-5
D. Public Facilities and Services.....	3-6
E. Desirable Areas.....	3-6
F. Historic Places	3-6
3.6 SITE STANDARDS	3-7
A. Applicable Codes	3-7
B. Adequate Utilities and Infrastructure	3-7
C. Water and Wastewater Disposal.....	3-8
D. Grading and Drainage	3-8
E. Size and Shape.....	3-9
F. Noncontiguous Sites	3-9
G. Undesirable Physical Conditions.....	3-10
3.7 SITE DENSITY	3-10
3.8 CIVIL RIGHTS.....	3-10
SECTION 3: ENVIRONMENTAL REQUIREMENTS /7 CFR 3560.59]	3-13
3.9 OVERVIEW	3-13
3.10 TYPES OF ENVIRONMENTAL REVIEWS	3-13
3.11 COMPLETING ENVIRONMENTAL REVIEWS	3-13
3.12 FLOOD HAZARD DETERMINATION /7 CFR 3560.58]	3-15
3.13 MANAGEMENT OF HAZARDOUS SUBSTANCES	3-15
A. Due Diligence Requirements	3-15
B. Phase I Environmental Site Assessment.....	3-16
C. Appraisers' Responsibilities.....	3-16
D. Loan Originator and Loan Servicer Responsibilities	3-17

SECTION 4: DESIGN REQUIREMENTS [<i>7 CFR 3560.60</i>]	3-19
3.14 OVERVIEW	3-19
3.15 STANDARDS.....	3-19
3.16 RESIDENTIAL DESIGN	3-20
3.17 ECONOMICAL DEVELOPMENT COSTS	3-20
A. Evaluating Cost Reasonableness.....	3-20
B. Evaluating Cost Effectiveness.....	3-21
3.18 ACCESSIBILITY	3-22
3.19 RELOCATION	3-25
A. Uniform Relocation Assistance and Property Acquisition Act of 1970.....	3-25
B. Temporary Relocation of Tenants During Rehabilitation	3-25
3.20 CONVENTIONAL RENTS FOR COMPARABLE UNITS	3-25
A. The CRCU Standard	3-25
B. Exceptions to the CRCU Standard	3-26
ATTACHMENT 3-A: GUIDE FOR SELECTING AN ENVIRONMENTALLY SOUND SITE	
ATTACHMENT 3-B: CHECKLIST OF ARCHITECTURAL DOCUMENTS	
ATTACHMENT 3-C: SAMPLE DESIGNATED PLACE LIST FORMAT	
CHAPTER 4: NOFA AND INITIAL APPLICATION PROCESS — STAGE 1.....	4-1
4.1 INTRODUCTION.....	4-1
4.2 OVERVIEW OF STAGE 1, PROCESSING THE INITIAL APPLICATION	4-2
SECTION 1: INVITING INITIAL APPLICATIONS.....	4-3
4.3 FUNDING AND RENTAL ASSISTANCE LIMITS	4-3
4.4 STATE ACTIONS TO PREPARE FOR THE NOFA	4-3
4.5 THE NOFA	4-4
4.6 LOAN PURPOSES.....	4-6
A. Eligible Loan Purposes [<i>7 CFR 3560.53</i>]	4-6
B. Prohibited Uses of Loan Funds [<i>7 CFR 3560.54</i>]	4-7
C. Eligible Applicants [<i>7 CFR 3560.55</i>].....	4-7
4.7 CONTENTS OF THE INITIAL APPLICATION PACKAGE.....	4-10
4.8 PRELIMINARY MEETING WITH APPLICANT	4-13
4.9 ACCEPTING INITIAL APPLICATIONS.....	4-14
A. Date Stamping Initial Applications	4-14
B. 30-Day Agency Review	4-15

SECTION 2: THE REVIEW PROCESS AND SCORING AND RANKING	4-15
4.10 OVERVIEW OF THE REVIEW PROCESS	4-15
4.11 LOAN REVIEW COMMITTEES	4-15
4.12 PRELIMINARY ASSESSMENT OF THE INITIAL APPLICATION [<i>7 CFR 3560.56(b)</i>] ..	4-16
A. Was the Initial Application Submitted on Time?	4-16
B. Is the Initial Application Complete?.....	4-16
C. Establishing Applicant/Project Data.....	4-17
D. Is the Applicant Eligible?.....	4-17
E. Does the Applicant Entity Have the Financial Resources to Commit to the Project?	4-18
F. Does the Applicant Show Site Control?	4-18
G. Is the Project for an Authorized Purpose and in a Designated Place?.....	4-19
H. The Site Review	4-19
I. Environmental Review	4-20
J. Is There a Market for the Project?	4-20
4.13 SCORING AND RANKING INITIAL APPLICATIONS.....	4-20
A. Scoring Leveraged Assistance	4-21
B. Scoring Other Factors.....	4-23
C. Ranking Initial Applications.....	4-24
D. Review of Highest Ranked Initial Applications	4-26
E. Forwarding Initial Applications to National Office for National Ranking	4-26
4.14 INFORMING THE APPLICANTS OF RESULTS OF INITIAL APPLICATION REVIEW	4-26
SECTION 3: PROJECT FEASIBILITY REVIEW	4-27
4.15 UNDERWRITING THE PROPOSED PROJECT	4-27
A. Key Decisions	4-27
B. Ordering the Appraisal	4-28
C. Documenting Underwriting.....	4-28
4.16 APPLICANT ELIGIBILITY [<i>7 CFR 3560.55</i>]	4-29
A. Citizenship Requirements	4-29
B. Organizational Requirements	4-29
C. Financial Requirements	4-32
D. Compliance Requirements for Current or Previous Borrowers.....	4-33
4.17 PROJECT ELIGIBILITY [<i>7 CFR 3560.58, 3560.59, and 3560.60</i>]	4-35
A. Civil Rights Impact Analyses.....	4-35
B. Working with the State Historic Preservation Office (SHPO)	4-35
C. Flood Hazard Determination	4-35
D. Design Review	4-35
E. Prohibited Conditions.....	4-35

4.18 PROJECT FEASIBILITY	4-36
A. Feasibility of Agency's Security	4-36
B. Market Feasibility.....	4-37
C. Financial Feasibility	4-41
4.19 SUBSIDY LAYERING [<i>7 CFR 3560.63</i>].....	4-44
A. Fee Norms.....	4-44
B. Excess Assistance.....	4-45
4.20 INITIAL APPLICATIONS WITH RENTAL SUBSIDY.....	4-46
A. Agency-Funded Rental Assistance.....	4-46
B. Non-Agency Rental Subsidy	4-46
4.21 PROJECT COSTS	4-46
A. The State Architect's Role	4-46
B. Cost Databases	4-47
C. Acceptable and Unacceptable Legal Costs.....	4-48
D. Unacceptable Construction Costs.....	4-48
4.22 ADEQUATE SECURITY	4-48
4.23 COMPLETING THE INITIAL APPLICATION REVIEW	4-49
A. Notifying Applicants of Their Status	4-49
B. Returning Unused Funds	4-49
C. Withdrawing and Rejecting Applications.....	4-49
4.24 CONDITIONAL LETTERS OF COMMITMENT.....	4-50
ATTACHMENT 4-A: STATE NOFA RESPONSE SUMMARY SHEET	
ATTACHMENT 4-B: ELIGIBLE LOAN PURPOSES	
ATTACHMENT 4-C: PROHIBITED LOAN USES	
ATTACHMENT 4-D: CONTENTS OF INITIAL APPLICATION PACKAGE	
ATTACHMENT 4-E: SITE EVALUATION CHECKLIST	
ATTACHMENT 4-F: ANALYZING THE MARKET FEASIBILITY DOCUMENTATION	
ATTACHMENT 4-G: EXAMPLE OF INTEREST CREDIT DETERMINATION FOR RURAL RENTAL HOUSING	
CHAPTER 5: PROCESSING FINAL APPLICATIONS — STAGE 2	5-1
5.1 INTRODUCTION.....	5-1
5.2 OVERVIEW OF STAGE 2, FINAL APPLICATIONS.....	5-1
SECTION 1: REQUESTING FINAL APPLICATIONS AND MEETING WITH APPLICANTS	5-3
5.3 REQUESTING FINAL APPLICATIONS.....	5-3

A. Invitation to Submit Final Application.....	5-3
B. Content of Final Application.....	5-3
C. Construction Contract Documents.....	5-5
5.4 MEETING WITH THE APPLICANT AND PREPARING THE LOAN DOCKET	5-6
5.5 APPLICANT'S COMPLIANCE WITH OTHER AGENCY DEBT.....	5-7
SECTION 2: REVIEWING THE FINAL APPLICATION.....	5-7
5.6 OVERVIEW	5-7
5.7 APPLICANT ELIGIBILITY	5-7
A. Acceptable Borrower Entity.....	5-7
B. Identity-of-Interest Disclosure.....	5-8
C. Applicant Certification Regarding Debt Collection	5-8
5.8 FINAL PROJECT ELIGIBILITY	5-8
A. Property Requirements.....	5-8
B. Acceptable Agreements and Contracts.....	5-9
C. Concurrence with Construction Contracts.....	5-9
D. Clear Title and Necessary Local Approval	5-9
E. Prohibited Conditions	5-10
5.9 FINAL PROJECT FEASIBILITY ANALYSIS.....	5-10
A. Are Final Costs Acceptable?	5-10
B. Matching Income Stream with Projected Costs.....	5-10
C. Failure to Obtain Leveraging.....	5-10
D. Adequacy of the Initial Operating Capital.....	5-11
E. Management Systems.....	5-11
SECTION 3: DETERMINING LOAN LIMITS, RATES, AND TERMS	5-15
5.10 DETERMINING LOAN LIMITS [<i>7 CFR 3560.63</i>]	5-15
A. Determining Maximum Debt Limit and Equity Contribution.....	5-15
B. Land or Cash Equity Contribution.....	5-16
C. Subsidy Review.....	5-16
5.11 SETTING LOAN RATES AND TERMS [<i>7 CFR 3560.67</i>]	5-17
A. Interest.....	5-17
B. Interest Credit.....	5-17
C. Loan Term and Amortization Period.....	5-17
5.12 ESTABLISHING PROFIT BASE AND RETURN ON INITIAL INVESTMENT [<i>7 CFR 3560.68</i>]	5-17
A. Return on Required Investment.....	5-17
B. Return on Additional Investment	5-18

C. Tax Credit Proceeds	5-18
D. Building Sites.....	5-18
SECTION 4: REJECTING AND APPROVING FINAL APPLICATIONS	5-19
5.13 REJECTING FINAL APPLICATIONS.....	5-19
5.14 RECOMMENDING PROJECTS FOR FINAL APPROVAL	5-19
A. Preparing the Recommendation for Approval.....	5-19
B. Submitting the Completed Docket	5-20
5.15 ACTION BY THE LOAN APPROVAL OFFICIAL.....	5-20
A. Reviewing of Docket by Loan Approval Official	5-20
B. Approving Loans.....	5-20
5.16 LETTER TO INTERIM LENDER	5-21
5.17 OBLIGATING FUNDS	5-21
A. Initial Obligation	5-21
B. Changing the Loan Amount	5-21
5.18 FOLLOW-UP TO OBLIGATIONS.....	5-22
5.19 TRANSFER OF FUND OBLIGATION.....	5-23
5.20 CANCELING AN OBLIGATION	5-24
5.21 LETTER OF CONDITIONS.....	5-24
5.22 INSURANCE REQUIREMENTS	5-26
5.23 ASSIGNING CASE NUMBERS, PROJECT NUMBERS, AND LOAN CODES	5-26
ATTACHMENT 5-A: AGENCY DOCKET CHECKLIST	
ATTACHMENT 5-B: LOAN CALCULATION WORKSHEETS	
CHAPTER 6: PARTICIPATION WITH OTHER FUNDING SOURCES.....	6-1
6.1 INTRODUCTION.....	6-1
6.2 OVERVIEW OF PARTICIPATION LOANS	6-1
SECTION 1: REQUIREMENTS FOR PARTICIPATION LOANS /7 CFR 3560.66/	6-3
6.3 GENERAL	6-3
6.4 DESIGN REQUIREMENTS	6-3
A. Composition and Quality of Units.....	6-4
B. Nonessential Common Facilities /7 CFR 3560.66(e)/	6-4
6.5 SECURITY AGREEMENTS.....	6-4
A. Lien Position	6-4
B. Security Agreement.....	6-4
C. Sample Agreements.....	6-5
6.6 SUBSIDY LAYERING	6-5

6.7 RENTS, RENTAL ASSISTANCE, AND MANAGEMENT	6-6
A. Establishing Rents.....	6-6
B. Rental Assistance [<i>7 CFR 3560.66(b)</i>]	6-6
C. Management.....	6-6
6.8 RESERVE REQUIREMENTS [<i>7 CFR 3560.65</i>].....	6-6
SECTION 2: PROCESSING APPLICATIONS INVOLVING PARTICIPATION LOANS.....	6-7
6.9 OVERVIEW	6-7
6.10 UNDERWRITING.....	6-8
A. Applicant and Project Eligibility.....	6-8
B. Project Feasibility.....	6-8
C. Reasonable Project Costs	6-9
D. Management.....	6-9
6.11 ENVIRONMENTAL REQUIREMENTS.....	6-10
6.12 SUBSIDY REVIEWS	6-10
6.13 ESTABLISHING LOAN AMOUNT, TERMS, AND CONDITIONS.....	6-10
A. Establishing Loan Amounts	6-10
B. Borrower Contribution Requirement.....	6-11
6.14 WORKING WITH STATE HOUSING FINANCE AGENCIES	6-11
A. Coordinating Resources	6-12
B. Entering into a Memorandum of Understanding.....	6-12
C. Working with the State Agency.....	6-13
ATTACHMENT 6-A: SAMPLE #1 SAMPLE INTERCREDITOR AGREEMENT	
SAMPLE #2 SAMPLE PARITY AGREEMENT	
SAMPLE #3 SAMPLE SUBORDINATION AGREEMENT	
ATTACHMENT 6-B: SAMPLE PROCESSING MEMORANDUM OF UNDERSTANDING	
CHAPTER 7: SECURITY REQUIREMENTS [<i>7 CFR 3560.61</i>]	7-1
7.1 INTRODUCTION.....	7-1
7.2 ADDRESSING SECURITY REQUIREMENTS DURING THE ORIGINATION PROCESS	7-1
SECTION 1: SECURITY REQUIREMENTS	7-1
7.3 CONTROL OF LAND	7-1
A. At Time of Application	7-2
B. At Loan Closing	7-2
7.4 ADEQUATE SECURITY FOR THE LOAN	7-3
7.5 LIABILITY	7-3
7.6 ACCEPTABLE LIEN POSITION	7-3
A. Acceptable Lien on Property.....	7-3
B. Acceptable Lien on Project Revenue.....	7-4

SECTION 2: ASSESSING THE VALUE OF THE SECURITY—APPRAISALS	7-5
7.7 PURPOSE OF THE APPRAISAL.....	7-5
7.8 REQUIREMENTS FOR APPRAISALS [<i>7 CFR part 3560, subpart P</i>].....	7-5
7.9 VALUING MULTI-FAMILY HOUSING PROJECTS.....	7-7
A. Basic Components of an Appraisal	7-7
B. Valuation of Favorable Financing	7-9
7.10 THE APPRAISAL PROCESS—ROLES AND RESPONSIBILITIES	7-9
A. The Appraisal Process.....	7-9
B. Roles and Responsibilities.....	7-11
7.11 SELECTING AN APPRAISER.....	7-12
A. Blanket Purchase Agreement	7-12
B. Request for Contract Services	7-13
C. Time frame for Completion and Review of Appraisals.....	7-13
7.12 WORKING WITH THE APPRAISER	7-13
A. Post-Award Conference with the Appraiser.....	7-13
B. The Statement of Work	7-14
C. Paying for Appraisals	7-15
7.13 AGENCY REVIEW OF THE APPRAISAL	7-15
7.14 RELEASE OF APPRAISALS.....	7-16
A. Freedom of Information Act.....	7-16
B. Steps in Release of Appraisals.....	7-17
7.15 EVALUATING THE RESULTS OF THE APPRAISAL.....	7-18
A. Is the Project Eligible?	7-18
B. Is the Project Economically Feasible?.....	7-18
C. Are the Costs Reasonable?	7-19
D. Are the Agency's Interests Secure?.....	7-20
ATTACHMENT 7-A: VALUE TYPES USED IN MULTI-FAMILY HOUSING APPRAISALS	
ATTACHMENT 7-B: PROPERTY RIGHTS VALUED	
ATTACHMENT 7-C: SPECIFIC VALUE TYPES TO BE REQUESTED AND REPORTED BASED ON INTENDED USE OF APPRAISAL	
ATTACHMENT 7-D: STANDARD STATEMENT OF WORK (SOW) FOR MULTI-FAMILY HOUSING CONTRACT APPRAISALS	
ATTACHMENT 7-E: APPRAISAL INFORMATION SHEET (EXAMPLE), ATTACHMENT TO SOW	
ATTACHMENT 7-F: APPRAISAL DATA PACKAGE CHECKLIST	
ATTACHMENT 7-G: SAMPLE TRANSMITTAL LETTER	
ATTACHMENT 7-H: GUIDE FOR VALUATION OF INTEREST CREDIT SUBSIDY	
ATTACHMENT 7-I: INSURABLE VALUE CALCULATION	
CHAPTER 8: LOAN CLOSING AND PROJECT LEASE-UP.....	8-1

8.1 INTRODUCTION.....	8-1
SECTION 1: LOAN CLOSING [7 CFR 3560.72]	8-1
8.2 OVERVIEW	8-1
8.3 TIMING OF LOAN CLOSING	8-1
8.4 LOAN CLOSING REQUIREMENTS.....	8-2
8.5 CHOOSING THE CLOSING AGENT AND TITLE COMPANY	8-4
8.6 CLOSING AGENT RESPONSIBILITIES	8-4
8.7 LOAN PROCESSING STAFF RESPONSIBILITIES.....	8-6
A. Work with the Applicant.....	8-6
B. Review Title Insurance Binder.....	8-6
C. Prepare Documents for Closing Instructions.....	8-7
D. Provide Closing Agent with Closing Instructions and Materials	8-7
E. Obtain Loan Check.....	8-7
F. Establish Payment Schedule	8-8
G. Establish Initial Disbursement	8-8
8.8 ACTIONS AT LOAN CLOSING.....	8-8
8.9 POSTCLOSING ACTIVITIES	8-9
A. Obtain and Review Closing Documents	8-9
B. Record Mortgage or Deed	8-9
C. Secure Title	8-9
D. Establish the Amortization Effective Date	8-9
E. Put Closing Information into AMAS.....	8-10
F. Complete Loan Docket and Transfer to Servicing Staff.....	8-10
G. Populate Multi-Family Housing Information System (MFIS)	8-10
SECTION 2: PROJECT LEASE-UP	8-11
8.10 PROJECT LEASE-UP REQUIREMENTS	8-11
8.11 MONITORING PROJECT LEASE-UP.....	8-11
A. Pre-Occupancy Conference.....	8-12
B. The 90-Day Visit.....	8-13
C. The 11-Month Warranty Inspection	8-14
ATTACHMENT 8-A: LOAN CLOSING DOCUMENTS	
CHAPTER 9: PROJECT CONSTRUCTION	9-1
9.1 INTRODUCTION.....	9-1
9.2 OVERVIEW OF THE AGENCY'S ROLE IN THE CONSTRUCTION PROCESS	9-1
9.3 CONSTRUCTION FINANCING	9-2
9.4 IDENTITY-OF-INTEREST RELATIONSHIPS	9-2
SECTION 1: CONSTRUCTION REQUIREMENTS	9-3
9.5 CONSTRUCTION STANDARDS	9-3
9.6 METHODS OF CONTRACTING	9-3
A. Competitive Bid	9-3

B. Negotiated Contract.....	9-4
C. Owner-Builder Contract [RD Instruction 1924.13(e)(2)].....	9-4
9.7 CONTRACTOR REQUIREMENTS	9-4
A. Debarment and Suspensions.....	9-5
B. Insurance	9-5
C. Payment and Performance Bonds.....	9-5
D. Letters Of Credit	9-5
E. Warranties.....	9-6
F. Compliance with Civil Rights Requirements.....	9-6
9.8 COST CERTIFICATION	9-7
SECTION 2: CONTRACTING PROCEDURES	9-9
9.9 COMPETITIVE BIDDING PROCEDURES.....	9-9
A. Contents of the Bidding Package	9-9
B. Distribution of the Bidding Packages.....	9-9
9.10 AGENCY CONCURRENCE IN THE CONTRACT	9-9
A. Review of the Bid.....	9-9
B. Use of the Contract Documents.....	9-10
9.11 PRECONSTRUCTION CONFERENCE.....	9-11
9.12 NOTICE TO PROCEED.....	9-13
SECTION 3: CONSTRUCTION OVERSIGHT	9-15
9.13 PROGRESS INSPECTIONS	9-15
A. Timing of Inspections	9-15
B. Inspection Procedures.....	9-16
9.14 CHANGE ORDERS	9-17
9.15 PARTIAL PAYMENTS	9-18
9.16 OBTAINING THE CHECK FOR MULTIPLE ADVANCES	9-19
9.17 CONTRACT CLOSE-OUT	9-19
A. Final Inspections	9-20
B. Final Payment.....	9-20
CHAPTER 10: SUBSEQUENT LOANS [7 CFR 3560.73] AND LOANS FOR FINAL PAYMENTS [7 CFR 3560.74]	10-1
10.1 INTRODUCTION.....	10-1
10.2 OVERVIEW	10-1
A. Loans for Existing Units	10-2
B. Loans Made with Conventional Financing.....	10-2
SECTION 1: QUALIFYING FOR SUBSEQUENT LOANS	10-3

10.3 ELIGIBILITY, LOAN PURPOSES, AND PRIORITIES.....	10-3
A. Project Eligibility	10-3
B. Eligible Loan Purposes.....	10-3
C. Repair and Rehabilitation Loan Funds	10-3
10.4 DESIGN REQUIREMENTS	10-3
10.5 ENVIRONMENTAL REQUIREMENTS.....	10-4
10.6 LOAN LIMITS	10-4
A. Borrower Equity Contribution	10-4
B. Initial Operating Capital.....	10-4
10.7 RATES AND TERMS	10-5
10.8 RESTRICTIVE-USE PROVISIONS	10-5
A. Extension of Restrictive-Use Provisions	10-6
B. Prepaying Projects.....	10-6
SECTION 2: APPLICATION SUBMISSION AND PROCESSING	10-7
10.9 ACCEPTING APPLICATIONS	10-7
10.10 SETTING DEADLINES AND EVALUATING COMPLETENESS.....	10-8
A. Submission Deadlines	10-8
B. Completeness Requirements	10-8
10.11 UNDERWRITING.....	10-8
A. Applicant Eligibility.....	10-9
B. Project Eligibility	10-9
C. Reasonable Costs.....	10-9
D. Project Feasibility.....	10-9
E. Security.....	10-10
10.12 LOAN APPROVAL AND CLOSING	10-11
A. General Procedures	10-11
B. Implementing Restrictive-Use Provisions	10-11
10.13 RELOCATION PLANS.....	10-11
SECTION 3: FINAL PAYMENTS	10-13
10.14 FINANCING FINAL PAYMENTS.....	10-13
CHAPTER 11: SPECIAL PROPERTY TYPES [<i>7 CFR 3560.69</i> and <i>7 CFR 3560.70</i>].....	11-1
11.1 INTRODUCTION.....	11-1
SECTION 1: CONGREGATE HOUSING [<i>7 CFR 3560.69</i>].....	11-1

11.2 OVERVIEW	11-1
11.3 RESTRICTIONS ON USE OF LOAN FUNDS	11-2
11.4 USE OF OPERATING CAPITAL.....	11-2
11.5 ELIGIBILITY REQUIREMENTS.....	11-2
A. Eligible Loan Applicants.....	11-2
B. Eligible Tenants.....	11-3
C. Eligible Projects	11-3
11.6 APPLICATION REQUIREMENTS	11-3
11.7 DESIGN REQUIREMENTS	11-3
11.8 TENANT SUPPORT SERVICES.....	11-4
A. Services Plan	11-5
B. Minimum Services	11-5
C. Project Services Coordinator.....	11-7
D. Service Agreements	11-7
11.9 NONTENANT SERVICES.....	11-7
11.10 PROCESSING APPLICATIONS	11-7
A. Agency Action	11-7
B. Requirements of the Applicant.....	11-8
11.11 PRELIMINARY MEETING.....	11-8
11.12 UNDERWRITING CONSIDERATIONS	11-9
A. Market Feasibility Documentation.....	11-9
B. Tenant Services	11-9
C. Management.....	11-10
11.13 DESIGN CONSIDERATIONS.....	11-10
SECTION 2: GROUP HOMES [7 CFR 3560.69]	11-11
11.14 OVERVIEW	11-11
11.15 PROJECT ELIGIBILITY.....	11-11
A. Tenancy.....	11-11
B. Applicable Laws.....	11-11
C. Association with Another Organization	11-11
11.16 SUPPORT SERVICES	11-11
11.17 DESIGN REQUIREMENTS	11-12
11.18 RENTS AND RENTAL ASSISTANCE.....	11-12
11.19 APPLICATION REQUIREMENTS AND PROCESSING	11-13
11.20 UNDERWRITING CONSIDERATIONS	11-13
SECTION 3: MARKET FEASIBILITY CONSIDERATIONS FOR CONGREGATE HOUSING AND GROUP HOMES.....	11-15
11.21 ADDITIONAL MARKET FEASIBILITY DOCUMENTATION REQUIREMENTS [7 CFR 3560.69(f)].....	11-15

SECTION 4: MANUFACTURED HOUSING [7 CFR 3560.70]	11-17
11.22 OVERVIEW	11-17
11.23 ELIGIBILITY REQUIREMENTS.....	11-17
A. Applicant Eligibility.....	11-17
B. Project Eligibility	11-17
11.24 DESIGN REQUIREMENTS	11-18
11.25 SPECIAL WARRANTY REQUIREMENTS.....	11-18
11.26 RATES AND TERMS	11-19
11.27 LOAN PROCESSING AND UNDERWRITING.....	11-19
11.28 LOAN CLOSING	11-19
SECTION 5: RURAL COOPERATIVE HOUSING	11-21
11.29 OVERVIEW	11-21
11.30 ELIGIBILITY AND ORGANIZATIONAL REQUIREMENTS.....	11-21
11.31 MARKET FEASIBILITY	11-22
11.32 APPLICATION REQUIREMENTS.....	11-22
11.33 MANAGEMENT REQUIREMENTS	11-23
A. Cooperative Board of Directors	11-24
B. Adviser to the Board.....	11-24
C. Committees.....	11-24
D. Acceptable Forms of Management.....	11-25
E. Management Reserves and Patronage Accounts	11-26
F. Occupancy Agreement.....	11-27
11.34 COOPERATIVE MEMBERSHIP FEE	11-27
11.35 LOAN PROCESSING	11-27
11.36 LOAN CLOSING AND POST-CLOSING ACTIVITIES.....	11-28
ATTACHMENT 11-A: MANAGEMENT OF CONGREGATE HOUSING AND GROUP HOMES	
ATTACHMENT 11-B: SUPPORT SERVICES FOR CONGREGATE HOUSING AND GROUP HOMES	
ATTACHMENT 11-C: OCCUPANCY AGREEMENT	
ATTACHMENT 11-D: COOPERATIVE HOUSING SURVEY	
ATTACHMENT 11-E: LIMITED EQUITY AGREEMENT	
ATTACHMENT 11-F: QUALIFICATIONS FOR AN ADVISER TO THE BOARD	
ATTACHMENT 11-G: RELATIONSHIP OF ADVISER TO MEMBERS	
ATTACHMENT 11-H: ADVISER RESPONSIBILITIES	
ATTACHMENT 11-I: SUBSCRIPTION AGREEMENT	
CHAPTER 12: FARM LABOR HOUSING LOANS AND GRANTS	12-1
12.1 INTRODUCTION.....	12-1
SECTION 1: OFF-FARM LABOR HOUSING LOANS AND GRANTS.....	12-1
12.2 OVERVIEW	12-1
12.3 APPLICANT ELIGIBILITY FOR OFF-FARM LABOR HOUSING [7 CFR 3560.555]	12-2
A. Eligible Applicants for Farm Labor Housing Loans	12-2
B. Eligible Applicants for Farm Labor Housing Grants.....	12-2

12.4 TECHNICAL ASSISTANCE GRANTS	12-3
12.5 PROJECT ELIGIBILITY	12-3
A. Site Requirements [<i>7 CFR 3560.558</i>]	12-4
B. Design Requirements [<i>7 CFR 3560.559</i>]	12-4
12.6 LOAN AND GRANT FUND USES	12-5
A. Eligible Uses of Funds [<i>7 CFR 3560.53(k)</i> and <i>(o)</i>]	12-5
B. Prohibited Uses of Funds [<i>7 CFR 3560.554</i>]	12-5
12.7 SUBMISSION AND PROCESSING OF INITIAL APPLICATIONS	12-5
A. Content of Initial Applications.....	12-5
B. Completeness Review	12-6
C. Eligibility Review.....	12-6
D. Scoring and Ranking of Initial Applications	12-6
E. National Ranking and Selection of Initial Applications	12-6
F. Notification of Initial Applications Selection	12-7
12.8 FURTHER PROCESSING OF INITIAL APPLICATIONS	12-7
A. Project Eligibility	12-7
B. Applicant Eligibility	12-8
C. Project Feasibility.....	12-8
D. Calculation of the Allowable Grant Amount.....	12-8
12.9 SUBMISSION AND PROCESSING OF FINAL APPLICATIONS.....	12-8
A. Security Value and Borrower Contributions	12-8
B. Establishing a Profit Base on Initial Investment Return.....	12-9
12.10 LOAN/GRANT APPROVAL AND CLOSING [<i>7 CFR 3560.571</i>].....	12-9
A. Loan Resolution or Loan Agreement	12-9
B. Labor Housing Grant Agreement and Resolution	12-9
C. Restrictive-Use Provisions	12-10
12.11 CONSTRUCTION FINANCING	12-10
12.12 MONITORING CONSTRUCTION AND PROJECT LEASE-UP	12-10
12.13 ESTABLISHING DIMINISHED NEEDS FOR FARM LABOR HOUSING	12-11
SECTION 2: ON-FARM LABOR HOUSING LOANS.....	12-12
12.14 OVERVIEW	12-12
12.15 ON-FARM LABOR HOUSING CHECKLIST	12.12
12.16 APPLICANT ELIGIBILITY [<i>7 CFR 3560.605</i>]	12-16
12.17 PROJECT ELIGIBILITY [<i>7 CFR 3560.605</i>]	12-17
12.18 LOAN FUND USES	12-18
A. Eligible Uses of Funds [<i>7 CFR 3560.603</i>].....	12-18
B. Prohibited Uses of Funds [<i>7 CFR 3560.604</i>]	12-18

12.19 PRIORITIES FOR FUNDING.....	12-18
12.20 SUBMISSION AND PROCESSING OF INITIAL APPLICATIONS.....	12-18
A. Project Eligibility	12-18
B. Applicant Eligibility	12-19
C. Project Feasibility.....	12-19
D. Financial Capacity	12-19
12.21 SUBMISSION AND PROCESSING OF FINAL APPLICATIONS.....	12-20
A. Determining Loan Limits, Rates, and Terms [<i>7 CFR 3560.612 and 616</i>]	12-20
B. Establishing a Profit Base on Initial Investment Return.....	12-20
12.22 LOAN APPROVAL AND CLOSING [<i>7 CFR 3560.621</i>]	12-20
A. Loan Resolution or Loan Agreement [<i>7 CFR 3560.571</i>].....	12-20
B. Security Documents [<i>7 CFR 3560.610</i>]	12-21
C. Loan Companies and Closing Attorneys	12-21
12.23 CONSTRUCTION MONITORING	12-21
12.24 CONSTRUCTION COST NORMS.....	12-21

ATTACHMENT 12-A: CLARIFYING THE DEFINITION OF "FARM LABOR"

APPENDICES

- Appendix 1: 7 CFR part 3560
- Appendix 2: 7 CFR part 11
- Appendix 3: Forms Referenced in this Handbook
- Appendix 4: Handbook Letters Referenced in this Handbook