

RURAL HOUSING SITE LOAN POLICIES, PROCEDURES, AND AUTHORIZATIONS

I GENERAL: This Instruction sets forth the policies and procedures and delegates authority for making Rural Housing Site (RHS) loans under Sections 523 and 524 of the Housing Act of 1949. Any processing or servicing activity conducted pursuant to this subpart involving authorized assistance to RD employees, members of their families, known close relatives, or business or close personal associates, is subject to the provisions of Subpart D of Part 1900 of this chapter. Applicants for this assistance are required to identify any known relationship or association with an RD employee. Section 523 loans are direct loans for the purchase and development of building sites for housing to be built by the Self-Help method; they have additional requirements which are contained in paragraph XVIII of this Instruction.

II OBJECTIVES: The basic objective of RHS loans is to assist public or private nonprofit organizations interested in providing sites for housing, to acquire and develop land in rural areas. This land will be subdivided into adequate building sites and sold on a nonprofit basis to (a) families eligible for low and moderate income Section 502 Rural Housing (RH) loans, including self-help housing; (b) cooperative Rural Cooperative Housing (RCH) applicants and broadly based nonprofit Rural Rental Housing (RRH) applicants; and (c) applicants eligible for Housing and Urban Development (HUD) Sections 235 and 236 insured mortgages.

III DEFINITIONS: As used in this Instruction:

A. A "private nonprofit organization" is a corporation which (1) is owned and controlled by private persons, (2) is organized and operated for purposes other than making gains or profits for the corporation or members, and (3) is legally precluded from distributing to its members any gains or profits.

B. A "public nonprofit organization" is a nonprofit corporation other than a private nonprofit corporation, including a municipal corporation or other corporate agency of a State or local government.

C. "Rural area" is open country or rural places as defined in 7 CFR part 3550.

D. "Development cost" means the cost of purchasing and developing the sites including engineering and legal fees, streets, roads, utilities, minimum essential administrative costs, necessary equipment and estimated interest which the borrower cannot pay from other sources.

E. "RHS Section 523 loan" means a loan to an organization which will provide sites for housing to be built by the self-help method.

F. "RHS Section 524 loan" means a loan to an organization which will provide sites for housing to be built with no limitation as to the method of construction that will be used.

G. "OGC" means the Regional Attorney in charge serving the State in which the RHS project is located.

IV ELIGIBILITY REQUIREMENTS:

A. Eligibility of Applicant. To be eligible for an RD loan, the applicant must be a private or public nonprofit organization as defined in paragraph III A or B which is authorized to provide housing sites on a nonprofit basis.

1. If it is a private nonprofit organization as defined in paragraph III A, it should also:

a. Have a membership as follows: If an established organization, the membership must include some local community leaders; if a new organization, it should have at least 10 local community leaders. In addition to the community leaders, the membership may, in either case, include persons eligible to buy and interested in buying the developed sites.

b. Plan to adopt, if it is being newly organized, Articles of Incorporation and Bylaws that are appropriate to the purposes and powers of an eligible applicant under this Instruction. The proposed Articles and Bylaws should be reviewed by the Office of the General Counsel (OGC) and adapted for use in the respective States.

B. Authorized Representative of Applicant. Rural Development will deal only with the applicant or a bonafide representative of the applicant or the representative's technical advisors. An authorized representative of the applicant must have no pecuniary interest in the award of the engineering, architectural or construction contracts, necessary equipment or the purchase or development of the land.

V LOAN PURPOSES: Rural Development loans may be made to qualified applicants:

A. For the purchase and development of adequate sites, including the construction of essential access roads, streets, utility lines, and necessary equipment which will become a permanent part of the development. If public water and waste disposal facilities are not available and cannot reasonably be provided on a community basis with other financing, including Water and Waste Disposal association loans, funds may be included for this purpose.

B For the payment of necessary engineering fees, legal fees, and closing costs.

C For the payment of actual cash cost of incidental administrative expenses such as postage, telephone, advertising, and temporary secretarial help, if funds to pay these expenses are not otherwise available. The estimated cost of these items should be identified and shown in the budget.

D To provide for needed landscaping, planting, seeding, or sodding, or other necessary facilities related to buildings such as walks, parking areas, and driveways.

E When legally required by proper local, county, or State governmental bodies as a condition for subdivision approval, RHS loan funds may be used to provide common areas, play grounds, and tot lots, provided such facilities are dedicated to, and maintained by, a public body. (Added 5-31-78, PN 624.)

VI LIMITATIONS:

A Loan Limits. No RHS loan(s) will be made to any applicant which will result in the applicant's owing an unpaid principal balance of more than \$100,000 on such loan(s) unless prior authorization for a larger loan is obtained from the National Office. No such loan will exceed the development cost as defined in paragraph III D, or the value of the property as improved with the loan unless the excess amount will be recovered through assured refunds before the maturity of the loan, from sources such as utility companies for facilities initially financed with the RHS loan. These limitations also apply to cases in which the same persons hold a majority of the membership interests or constitute a majority of the directors of two or more applicants.

RHS National Office can consider loan requests that would result in unpaid principal balances more than \$100,000 when well justified and funding is available.

B Limitations of Use of Loan Funds. Loans will not be made for:

1 The purchase of land in excess of the immediate and identified needs in the locality.

2 The purchase of land from a member of an applicant-organization, or from another organization in which any member of the applicant-organization has an interest, without prior consent of the National Office.

3 Refinancing of debts, except in accordance with paragraph VI E of this Instruction.

4 Payment of any fee, charge, or commission to any broker, negotiator, or other person for the referral of a prospective applicant or solicitation of a loan.

5 Payment of any fee, salary, commission, profit, or compensation to an applicant, or to any officer, director, trustee, stockholder, member or agent of an applicant, except as provided in paragraph V B. No contract or agreement for services to be paid for with loan funds should be executed by the applicant without prior approval of the State Director.

C Sale of Developed Sites. The sites developed with a Section 524 loan must be for housing low- and moderate-income families and may be sold to families, nonprofit organizations, public agencies, and cooperatives eligible for assistance under any Section of Title V of the Housing Act of 1949, or under any other law which provides financial assistance. For example, this may include:

- 1 Individuals with low and moderate incomes eligible for HUD mortgages.
- 2 Individuals with low and moderate incomes eligible for Veterans Administration (VA) guaranteed loans.
- 3 Individuals with low or moderate incomes eligible for a loan from any private lender which is authorized by law to provide financial assistance for housing.
- 4 Nonprofit organizations funded by Federal, State or local governments carrying out programs for low- and moderate-income families to obtain housing.
- 5 State or local public agencies such as a housing authority or a housing finance development agency carrying out programs for low- and moderate-income families to obtain housing.

D Suitability of Sites. Sites will meet the requirements of the planned use; for example, individual housing or multiple housing or any combination thereof. Building sites must be well located and designed to provide a desirable living environment. Generally a loan will not be made for the development of less than 10 units, but they need not be contiguous.

E Obligations Incurred Before Loan Closing. When an applicant files an application for a loan, the County Supervisor will advise the applicant that development work must not be started and obligations for work, materials, or land purchase must not be incurred before the loan is closed. If, nevertheless, the applicant incurs obligations for work, materials, or land purchase before the loan is closed, the State Director may authorize the use of loan funds to pay such obligations only when he finds that all the following conditions exist:

- 1 The obligations were incurred after the applicant filed a written application for a loan.
- 2 The applicant is unable to pay such obligations from its own resources or to obtain credit from other sources, and failure to authorize the use of loan funds to pay such debts would impair the applicant's financial position.
- 3 The obligations were incurred for authorized loan purposes.
- 4 Contracts, materials, development and any land purchase meet agency standards and requirements.
- 5 Payment of the obligations will remove any liens which have attached, and any basis for liens that may attach, to the property on account of such obligations or such work, materials, or land purchase.

VII SPECIAL CONDITIONS:

A Evidence of Need. Loans will be made on the basis of the applicant providing firm information as to the number of sites to be developed and evidence of a need for the proposed building sites in the locality.

B Nondiscrimination. Recipients of RHS loans must agree not to discriminate or to permit discrimination or segregation in the sale of the developed sites. Borrowers will execute Form RD 400-4, "Nondiscrimination Agreement," before loan closing. This requirement should be discussed with the applicant organization as early in the negotiations as possible. The borrower will be required to agree with the Equal Employment Opportunity provisions contained in Section 3 of Exhibit B of this Instruction.

C Supervisory Assistance. Supervision will be provided borrowers to the extent necessary to achieve the objectives of the loan and to protect the interests of the Government. County Supervisors will counsel with applicants in selecting locations that will provide essential services and facilities and will result in the development of desirable residential communities.

D Loan Resolution. A Loan Resolution will be adopted by the applicant's Board of Directors or similar governing body. Exhibit B of this Instruction should be used. If any provisions are not appropriate to a particular case, proposed substitute language should be submitted to the National Office with the recommendations of the State Director.

E Development Policies. Development will be planned and performed in accordance with Subparts A and C of Part 1924 of this chapter.

F Water and Waste Disposal Facilities. If public water and waste disposal facilities are not available and these facilities will be provided on a community basis with funds included in the RHS loan or with other financing, provision should be made to form an organization with members who will provide continuing maintenance and management of facilities. The cost of the facilities should be considered as a cost of developing the sites and included in the price charged for the lots when they are sold.

G Compliance with Local Codes and Regulations. Planning and development of sites will comply with all State, county, and local planning and zoning requirements, and will be for housing that will conform with any applicable laws, ordinances, codes, and regulations governing such matters as construction, heating, plumbing, electrical installation, fire prevention, health, and sanitation. (Revised 5-31-78, PN 624.)

H Optioning of Land. If a loan includes funds to purchase real estate, the applicable provisions of Subpart A of Part 1943 regarding options will be followed. After the loan is approved, the County Supervisor will have Form RD 440-35, "Form Letter - Acceptance of Option," or other appropriate form of acceptance, completed, signed by the applicant, and mailed to the seller.

I Use of and Accountability for Loan Funds. Supervised bank accounts will not be used except when their requirement is made or authorized by the State Director for cases where adequate bonding is not available. If a supervised bank account is used, collateral for deposits of funds will be pledged in accordance with [Section 1902.7 of Subpart A of Part 1902](#). All loan funds and funds from other sources to be used to pay the development costs of the site, as well as proceeds from the sale of any sites, will be (05-23-25) PN 641

deposited in accordance with [Subpart A of Part 1902](#). The County Supervisor will see that funds for land purchase are paid to the seller simultaneously with loan closing. After the loan is closed, monthly reports will be provided to the agency of all disbursements made and income received by the borrower. Reports for each month will be submitted to the agency County Office during the first 10 days of the next month. No expenditures will be made without prior agency consent for items which are not included in the agency approved development cost estimate or for amounts greater than those set forth in such estimate.

J Insurance. The State Director will determine the minimum amounts and types of insurance the applicant will carry.

1 Suitable Workman's Compensation Insurance will be carried by the applicant for all its employees.

2 The applicant will be advised of the possibility of incurring liability and encouraged, or required when appropriate, to obtain liability insurance.

K Bonding.

1 The provisions of [Subpart A of Part 1924](#) pertaining to surety bonds are applicable to RHS Loans except that approved corporate surety bonds will be Required in all cases involving a development contract in excess of \$20,000, unless an exception is made by the National Office.

2 The applicant will provide fidelity bond coverage for its officers and employees entrusted with the receipt, custody, and disbursement of its funds and the custody of any other negotiable or readily saleable personal property. The amount of the bond will be at least equal to the maximum amount of such funds including funds in bank accounts, and property that the applicant will have in its possession or control at any one time. If permitted by State law, the United States will be named co-obligee in the bond. Form RD 440-24, "Position Fidelity Schedule Bond," may be used if permitted by State law.

L Conditional commitments for construction of homes on developed sites. Conditional commitments may be issued on sites developed with an RHS Section 524 loan to permit homes to be constructed on sites prior to the sale of the site to an eligible purchaser in accordance with the following:

1 The requirements of [7 CFR 3550.70](#), must be met and a conditional commitment issued prior to the start of construction of the home.

2 The conditional commitment must be issued to (a) an RHS borrower who can legally provide the proposed housing and has the experience and training in construction to the extent necessary to assure that the housing will be built or (b) jointly to the RHS loan borrower and a builder who has the legal capacity, training and experience necessary to construct the housing. In all cases the following

language will be added under "other conditions" on Form RD 1944-11, "Conditional Commitment:"

(a) "Notwithstanding the other provisions of this commitment the sale of completed homes on sites developed with Section 524 Rural Housing Site loans will be limited to families eligible for assistance under any section of Title V of the Housing Act of 1949 or under any other law which provides financial assistance for housing low- and moderate-income families. The approval of Rural Development will be obtained prior to the sale of each home. The request for approval shall be submitted to the local Rural Development office along with (1) an application for an RH 502 loan or (2) a financial statement from the purchaser and verification of the other credit that is available."

(b) "The benefits of the nonprofit development of the site(s) must be passed on to the purchaser. This will result in this site being sold for \$(price to be determined as provided for in paragraph XV B of this Instruction.)"

3 In arriving at the commitment price for the site and the completed home, the value will be based on the present market value of the house only, plus the nonprofit selling price of the lot.

4 If in order to obtain interim financing for the construction of the homes, the RH site borrower requests a subordination by Rural Development on individual lots, the State Director may approve the subordination by completing and executing a subordination in the format of Exhibit C of this Instruction.

5 Rural Development lien on any lot will be released only at the time of sale to an eligible purchaser.

6 The County Supervisor should provide the necessary supervision to assure that the RHS borrower takes the necessary action to assure that all qualified builders in the area are aware of the availability of Rural Housing sites and are given an equal opportunity to participate in this conditional commitment program. As a minimum, the borrower will be required to submit a signed statement indicating the actions taken including names and dates of contacts with builders. RD Instruction 444.8

VIII RATES, TERMS, AND SOURCE OF FUNDS:

A Interest Rate. Upon request of the applicant, the interest rate charged by the agency will be the lower of the interest rates in effect at the time of loan approval or loan closing. If an applicant does not indicate a choice, the loan will be closed at the interest rate in effect at the time of loan approval. Interest rates are specified in Exhibit B of RD Instruction 440.1 (available in any agency office) for the type of assistance involved.

B Repayment Period. Final payment will be due two years after the date of the loan. When necessary to carry out the loan purposes, the National Office may authorize extension of maturity dates. As lots are sold before the final due date of the note, the proceeds of the sales will be applied on the account or any prior lien, or, with the prior approval of the National Office, used in a manner consistent with the purposes of the loan and the security interest of the Government. As needed, State Offices may submit extension requests to the Single-Family Housing Direct email box 45 days prior to the expiration of the loan term at SFHDIRECTPROGRAM@USDA.GOV.

C Source of Funds. Loans under this Instruction will be made as insured loans, except that loans under PARAGRAPH XVIII to develop building sites for sale in connection with self-help projects will be made as direct loans.

IX SECURITY. Each loan will be secured by a mortgage on the property purchased or improved with the loan, and a security interest in the funds held by the corporation in trust for the Government, in accordance with the provisions of the required Loan Resolution.

X TECHNICAL, LEGAL, AND OTHER SERVICES.

A Appraisals. The property will be appraised by an agency employee authorized to make real estate appraisals. The Appraisal will consist of a narrative statement prepared and signed by the authorized employee describing in detail the items considered in arriving at the value of the property. Two values will be established by the appraiser.

1 The fair market value of the total property "as is."

2 The aggregate fair market value of the building sites after development, based on the appraisal of each developed lot.

In determining the value of the property, the appraiser will consider the value and selling prices of similar building sites in the area. The selling prices of similar sites must be fully documented. RHS will consider an exception to accept an appraisal submitted by the applicant that meets the requirements listed above. RHS must advise the applicant that they will be responsible for all costs associated with the appraisal.

B Title Clearance and Legal Services. For a loan to a public nonprofit organization, title clearance and legal services will be obtained in accordance with instructions from the OGC, observing the provisions of [Subpart B of Part 1927 of this chapter](#), insofar as feasible. For a loan to a private nonprofit organization, the provisions of [Subpart B of Part 1927 of this chapter](#) regarding title clearance and legal services will apply. The applicant will be encouraged to have the same approved closing agent, where practicable, perform the title clearance work in connection with the purchase of land and the sale of the individual sites.

C Contracts for Legal Services. On projects requiring more legal services than are customarily required for title clearance alone, the applicant will be required to have a written contract when loan funds will be used for legal services. All such contracts will be subject to review and approval by the State Director and therefore, should be submitted to the State Director before execution by the applicant. Contracts will provide for the types of service to be performed and the amount of fees to be paid, either in lump sum on the completion of all services or in installments as services are performed.

D Engineering Services. On projects requiring engineering services, a written contract will be required between the engineer and the borrower. All such contracts will be subject to review and approval by the State Director and therefore should be submitted to the State Director before execution by the applicant. The form of contract must conform with standard professional practices and describe the types of services to be performed and fees to be paid.

XI PROCESSING APPLICATIONS

A Application. The application will be in the form of a letter to the County Supervisor with the following information included in or attached to the letter:

- 1 Name and address of applicant.
- 2 A copy of, or an accurate citation to, the specific provisions of State law under which the applicant is organized; a copy of the applicant's Articles of Incorporation, Bylaws, and other authorizing documents, the names and addresses of the applicant's members, directors, and officers; and if another organization is a member of the applicant organization its name, address, and principal business.
- 3 A current, dated, and signed financial statement showing assets, and liabilities, together with information on the repayment schedule and status of each debt.
- 4 Evidence of inability to obtain credit from other sources.
- 5 General description of the project
 - a Location and size of tract or tracts to be bought and/or developed.
 - b Number and size of individual sites planned together with a detailed plot plan.
 - c Preliminary engineering plans, if available.
- 6 Estimate cost and amount of loan needed.
- 7 Explanation of applicant's financial contribution to the project.
- 8 A map showing the location of and other supporting information on neighborhood and existing facilities such as distance to shopping area, neighborhood churches, available transportation, drainage, sanitation facilities,

water supply available or planned, and access to essential services such as doctors, dentists, and hospitals.

9 If facilities such as water and sewage systems, paved streets, and utilities are not currently available, information on when and how they will be provided.

10 Evidence of the need for the proposed sites in the locality by low- and moderate-income families and other qualified applicants that are likely to be able to obtain financing for a home.

11 Written evidence of any State, county, or local planning, zoning or other ordinances imposing additional restrictions or requirements upon the proposed sites.

B County Supervisor's Review and Evaluation of Applications. The County Supervisor will:

1 Determine that the applicant meets the eligibility requirements of paragraph IV.

2 Verify that the information provided is accurate and complete.

3 Determine that:

a The sites will be located in a good residential area and that essential facilities and services will be provided.

b The lots will be reasonable in cost and of a type the agency can appropriately finance.

c There is an immediate and ready market for the proposed sites in the planned location.

d The total number of sites planned does not exceed the number of loans the County Supervisor can reasonably expect to include in the rural housing program or for which other credit is reasonably assured when the sites are developed.

e Proposed subdivisions will comply with the local codes and ordinances and also meets the requirements of Subpart C of Part 1924 of this chapter.

4 Evaluate the manner in which the applicant plane to conduct its business and financial affairs.

5 Comment on the background of the members, directors, and officials.

6 If he has questions about the proposal, send the incomplete docket to the State Office for advice.

7 If for any reason the loan cannot be made, inform the applicant.

C Completion of the Docket. If the County Supervisor determines that the applicant is eligible and the loan will be sound and proper, he should request the applicant to make any needed revisions. In addition to the items required in the application the docket must include:

1 A plot plan and detailed preliminary plans and specifications for development of the building sites.

2 A detailed cost breakdown of the project for such items as land and rights-of-way, utility installations or connections, on-site improvements, engineering and legal services, and estimated interest.

3 If water and sanitary facilities are not publicly owned, a complete statement as to how they will be provided and details about their ownership and operation.

4 Satisfactory evidence of review and approval of the proposed development by applicable State and local officials whose approval is required by State or local laws, ordinances, or regulations.

5 Satisfactory evidence that the appropriate public bodies will accept and maintain all public facilities, including common areas, playgrounds, and tot lots dedicated to such bodies.

D Preparation of Docket Forms.

1 REQUEST FOR OBLIGATION OF FUNDS AND FUND ANALYSIS. Form RD 3560-51, "Multiple Family Housing Obligation Fund Analysis," will be completed in accordance with the Forms Manual Inserts (FMI).

2 COUNTY COMMITTEE CERTIFICATION OF RECOMMENDATION. County Committees will not be used to review RHS loan applications.

E Assembly, Review, and Distribution of Complete Loan Docket Items.

When all items required for the complete loan docket have been furnished, they will be examined thoroughly to make sure they are properly and accurately prepared and are complete in all respects, including dates and signatures. The loan docket items will be assembled in the following order and distributed as follows:

FORM NUMBER	NAME OF FORM OR DOCUMENT	TOTAL NO. OF COPIES	SIGNED BY BORROWER	NO. FOR LOAN DOCKET	COPY FOR BORROWER
	Application Letter and Attachments	2	1	1-O	1-C
RD 1910-11	Applicant, Certification Federal Collection Policies for Consumer or Commercial Debts	2	1	1-O	1-C
	Evidence of Legal Authority (copy or citation of specific Provisions of State statutory authority)	2	1	1-O	1-C
	Proof of Organization (certified copy of Articles of Incorporation)	2		1-O	1-C
	Certified copy of Bylaws	2	1	1-O	1-C
	List of names and addresses of officers, directors and numbers	2	1	1-O	1-C
	Narrative plan and other supporting information	2	1	1-O	1-C
	Evidence of Need				
	Certified Copy of Loan Resolution	1	1	1-O	-
RD 400-4	Assurance Agreement	2	1	1-O	1-C
RD 400-1	Equal Opportunity Agreement (when applicable)	2	1	1-O	1-C
RD 400-3	Notice to Contractors and Applicants	3	-	1-C	1-C
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FORM NUMBER	NAME OF FORM OR DOCUMENT	TOTAL NO. OF COPIES	SIGNED BY BORROWER	NO. FOR LOAN DOCKET	COPY FOR BORROWER
RD 400-6	Compliance Statement (when applicable)	3	1	1-C	1-C
	Survey of land given as security, plans specifications, cost estimates, proposed manner of development	3	1	1-O	1-C
	Operating budget (if administrative expenses are to be included in loan)	2	1	1-0	1-C
	Appraisal Report with Attachments	1	-	1-0	-
	Preliminary Title Opinion and a Final Title Opinion of a title insurance binder and a mortgage title insurance policy				
	Option or copy of deed, purchase contract, or other instrument of ownership				
RD 3560-51	Multiple Family Housing Obligation- Fund Analysis	2	2	1 *	1

*Data input to Finance Office through Field Office terminals.

F Submission of complete Docket. The complete docket will be sent to the State Office together with the District Director's comments and recommendations.

G Loan Approval Authority and State Office Action. The State Director is authorized to approve loans in accordance with this subpart and Subpart A of Part 1901 of this chapter. As soon as it is evident that a loan will be approved, the State Director will complete Exhibit A to Subpart C of Part 2015 of this chapter.

The State Director may redelegate approval authority to qualified State Office employees. When a docket or preliminary application is received in the State Office, the State Director will:

- 1 Utilize the services of technicians on the State staff and from other Agencies in evaluating the application.
- 2 Review the applicant's Articles of Incorporation and Bylaws. If they conform to approved forms for the State as provided in paragraph IV A 1 b, the State Director need not obtain a preliminary opinion from the OGC. In all other cases the State Director will, and in any case may, submit the docket with any comments or questions to the OGC for a preliminary opinion as to whether the applicant and the proposed loan meet or can meet the requirements of State law and this Instruction.
- 3 If additional information is needed to adequately evaluate the application, return the loan docket to the District Director with any comments or recommendations for further processing.
- 4 If the docket is sufficiently complete to enable the State Director to determine that the applicant is eligible and the loan would be sound and proper, issue a proposed memorandum of approval listing any specific conditions that must be met before loan closing.
- 5 If the applicant is not eligible or the loan would not be sound and proper and the deficiencies cannot be corrected, inform the District Director accordingly.

XII APPROVAL OR DISAPPROVAL OF A LOAN: The provisions of [7 CFR part 3560, Subpart B](#), will be followed.

XIII ACTIONS SUBSEQUENT TO LOAN APPROVAL. After the loan is approved, actions to be taken will be in accordance with [7 CFR part 3560, Subpart B](#).

A Applicable instructions. The complete loan docket will be sent to the OGC for closing instructions. RHS loans will be closed in accordance with applicable provisions of [Subpart B of Part 1927 of this chapter](#), and State Instructions which supplement this Instruction, and closing instructions of the OGC, and with the assistance of the approved Attorney, representatives of the title insurance company, or local attorney, whichever is appropriate.

B Mortgage. Unless the OGC determines the form to be inappropriate, real estate mortgage Form RD 1927-1 (State), "Real Estate Mortgage for _____," will be used for all RHS Section 524 loans modified as prescribed by or with the advise of the OGC with respect to the name, address, and other identification of the borrower, the style of execution, and the acknowledgment. Additional paragraphs will be included in the mortgage to read as follows:

"The borrower agrees not to discriminate in the sale of the dwelling financed under this mortgage due to a prospective purchaser's race, color, national origin, sex, religion, age, marital status, or handicap. The borrower further agrees to comply with all Federal, State, or local laws and ordinances prohibiting discrimination in the sale of housing. The borrower's failure or refusal to comply with this agreement will be a basis for the FmHA to deny future requests for participation in its rural housing programs and activities.

This instrument also secures the obligations and covenants of borrower set forth in Borrower's Loan Resolution of ____ (Date) ____, which is hereby incorporated herein by reference.

C Promissory Note. Form RD 3560-52, "Multi-Family Housing Promissory Note," will be used. Instructions for preparation will be in accordance with the FMI and the following:

- 1 The total amount to be shown in the note will be the amount of the loan shown on Form RD 3560-51. The note will be dated the date of the loan closing.
- 2 The note will be signed in accordance with Subpart B of Part 1927 of this chapter and the FMI for Form RD 3560-52.
- 3 Payments shall not be deferred.

D Recorded Mortgage. When the real estate mortgage is returned by the recording official, the County Supervisor will retain the original in the borrower's case folder. If the original is retained by the recording official for the county records, a conformed copy including the recording data showing the date and place of recordation and the book and page number will be prepared and filed in the borrower's case folder. A copy of the mortgage will be delivered to the borrower but will be conformed only if required by State law or if it is the custom of other lenders in the area.

E Date of Loan Closing. An RHS loan is considered closed when the mortgage is filed for record.

XV ACTIONS AFTER SITES ARE DEVELOPED: The building sites will be sold on a nonprofit basis to eligible families or organizations as described in paragraph VI C.

A An option, Form RD 440-34, "Option to Purchase Real Property," will be executed. The site will be clearly identified by a land survey.

B The sale price of each individual site will be based on its appraised value and will not be more than a sufficient amount to pay a proportionate part of the RHS loan and any other actual costs of buying, developing, and selling the building site.

C The proceeds from sale of the building sites will be applied on the RHS loan and any prior lien or, with the prior approval of the National Office, used in a manner consistent with the purpose of the loan and the security interest of the Government. The sites will be released from the mortgage in accordance with [7 CFR part 3550, subpart D](#) or in accordance with prior approval of the National Office.

XVI SUBSEQUENT RHS LOANS: A subsequent RHS loan is an RHS loan to an applicant indebted for an initial RHS loan. Subsequent RHS loans will be made on the same basis as initial RHS loans.

XVII COMPLAINTS REGARDING DISCRIMINATION IN OPPORTUNITY TO BUY DEVELOPED SITES: Any applicant wishing to purchase a site financed by an RHS loan who believes he has been discriminated against because of race, color, national origin, religion, sex, handicap, or age may file a complaint with the County Supervisor or State Director. Any such complaint will be handled in accordance with [7 CFR 3560.2](#).

XVIII SPECIAL REQUIREMENTS FOR RHS SECTION 523 LOANS (LOANS TO ORGANIZATIONS PROVIDING SITES FOR SELF-HELP HOUSING): Loans to organizations which will provide sites for self-help housing (RHS Sec. 523 Loans) will be made under the provisions of this Instruction with the following exceptions:

A Eligibility. The applicant must be a nonprofit organization engaged in assisting self-help projects.

B Interest. The interest rate will be 3 percent per annum on the unpaid principal balance.

C Source of Funds. These will be direct loans made from the Self-Help Fund.

D Evidence of Need. Loans to newly formed organizations will be made on the basis of the applicant's providing firm information as to the number sites to be developed and the names of eligible bona fide prospective purchasers who are assured of available home financing. Loans to organizations currently involved in mutual self-help housing projects may be made without submitting a list of names or prospective site purchasers. There must, however, be definite evidence that enough families are available who are eligible and who will buy the sites when they are developed.

E Multiple Advances. These loans may be disbursed over a period not to exceed 18 months from the date of the first advance.

F Note Forms. Form RD 3560-52, "Multiple Family Housing Promissory Note," will be used. See paragraph XIV C.

G Mortgage. Unless the OGC determines the form to be inappropriate in any case, real estate mortgage Form RD 1927-1 (State), "Real Estate _____ for _____ (Direct Loan)," will be used, modified as prescribed by or with the advise of the OGC with respect to the name, address, and other identification of the

borrower, the style of execution, and the acknowledgment. Additional paragraphs will be included in the mortgages to read as follows:

"The borrower agrees not to discriminate in the sale of the dwelling financed under this mortgage due to a prospective purchaser's race, color, national origin, sex, religion, age, marital status, or handicap. The borrower further agrees to comply with all Federal, State, or local laws and ordinances prohibiting discrimination in the sale of housing. The borrower's failure or refusal to comply with this agreement will be a basis for the agency to deny future requests for participation in its rural housing programs and activities.

This instrument also secures the obligations and covenants of borrower set forth in Borrower's Loan Resolution of _(Date)____, which is hereby incorporated herein by reference."

XIX Loan Supervision and Servicing: Loan supervision and loan servicing will be provided according to [7 CFR part 3560](#).

Attachments: Exhibits B, C, D, E, and F

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((RURAL HOUSING SITE) LOAN TO NON PROFIT CORPORATION)

LOAN RESOLUTION OF _____, 20____
RESOLUTION OF THE BOARD OF DIRECTORS OF _____
_____ PROVIDING FOR BORROWING \$ _____

TO FINANCE BUILDING SITES AND RELATED FACILITIES FOR PERSONS AND FAMILIES OF LOW OR MODERATE INCOME IN RURAL AREAS, THE COLLECTION, HANDLING, AND DISPOSITION OF INCOME, THE ISSUANCE OF A PROMISSORY NOTE AND REAL ESTATE SECURITY INSTRUMENT, AND RELATED MATTERS

Whereas

_____ (herein referred to as the "Corporation") is a nonprofit corporation duly organized and operating under

_____ (authorizing State Statute)

the Board of Directors of the Corporation (herein referred to as the "board") has decided to provide building sites and related facilities for eligible rural residents; the board has determined that the Corporation is unable to provide such facilities with its own resources or to obtain from other sources, for such purpose, sufficient credit upon terms and conditions which the Corporation could reasonably be expected to fulfill.

BE IT RESOLVED:

1. Application for Loan. The Corporation shall apply for and obtain a loan (herein called "the loan") of \$ _____ from the United States of America, acting through the Rural Development or Farm Service Agency, United States Department of Agriculture, (herein called "the Government") pursuant to section 523 (b) (1) (B) or section 524 of the Housing Act of 1949. The loan shall be used solely for the specific eligible purposes specified or approved by the Government in order to provide developed building sites (herein called "building sites") for eligible purchasers as defined by the Government.

2. Execution of Loan Instruments. To evidence the loan the Corporation shall issue a promissory note (herein referred to as "the note"), signed by its President and attested by its Secretary, with its corporate seal affixed thereto, for the amount of the loan, payable two years after date, bearing interest at a rate, and containing other terms and conditions prescribed by the Government. To secure the note and any obligations as required by the Government, the President and the Secretary are hereby authorized to execute a real estate security instrument giving a lien upon the building sites and such other security as the Government shall require.

(05-23-25) PN 641

3. Equal Employment Opportunity Under Construction Contracts and Non-discrimination in the Sale of Sites and In Any Other Benefits of the Loan. The President and the Secretary are hereby authorized and directed to execute on behalf of the corporation (a) any undertakings and agreements required by the Government pursuant to Title VIII of the Civil Rights Act of 1968 regarding nondiscrimination in the sale, rental, financing, or advertising of dwelling units or vacant lots to be used for residential purposes, (b) Form RD 400-1 entitled "Equal Opportunity Agreement" including an "Equal Opportunity Clause" to be incorporated or attached as a rider to each construction contract the amount of which exceeds \$10,000 and any part of which is paid for with funds from the loan, and (c) Form RD 400-4 entitled "Nondiscrimination Agreement (Under Title VI, Civil Rights Act of 1964)" a copy of which is attached hereto and made a part hereof and any other undertakings and agreements required pursuant to Title VI of such Act.

4. Site Development Account.

(a) The Corporation shall establish on its books a development account which shall be maintained so long as the loan obligations remain unsatisfied. All loan funds and any revenue received from the sale of loan for building sites or other purposes shall be placed in said account and shall be deposited in accordance with [Subpart A of Part 1902](#). Any such funds shall be held by the corporation in trust for the Government as security for the loan. Disbursements may be made only for development costs approved by the Agency and for repayment of the loan.

(b) The Corporation shall provide a fidelity bond, with a surety company approved by the Government covering the Treasurer and any other officers or employees who will have custody or control of funds or readily marketable personal property of the Corporation in an amount not less than the estimated maximum amount of such funds and property to be held in the custody or control of the Corporation at any one time, which amount shall be approved or prescribed by the Government. The United States of America shall be named as co-obligee and the amount of the bond shall not be reduced without the prior written consent of the Government.

(c) A complete accounting will be made of all income, contributions, and loan funds required by this resolution to be deposited in the account. Each expenditure will be identified as to the source of funds from which payment is made. All proceeds from sales of the building sites shall upon receipt be immediately paid on the loan obligations, unless otherwise specifically authorized by the Government in writing.

5. Regulatory Covenants. So long as the loan obligations remain unsatisfied, the Corporation shall --

(a) Maintain complete books and records relating to the Corporation's financial affairs, promptly furnish the Government at the end of each month a report of all income and expenses, and permit the Government to inspect such books and records at all reasonable times.

(b) Unless the Government gives prior consent - -

(1) Not sell sites to other than eligible purchasers.

(2) Not enter into any contract or agreement for improvements or extensions to the property securing the loan obligations.

(3) Not cause or permit voluntary dissolution of the Corporation; not merge or consolidate with any other organization, nor cause or permit any transfer or encumbrance of title to the building sites or any part thereof or interest therein by sale, mortgage, lease or other conveyance or encumbrance, nor engage in any other new business, enterprise, or venture than, purchase, development and sale of the building sites.

(4) Not cause or permit the issuance or transfer of any stock, borrow any money, nor incur any liability aside from current expenses.

(c) Comply with all its agreements and obligations in or under the note, security instrument, and any related agreement executed by the Corporation in connection with the loan.

(d) Not alter, amend, or repeal without the Government's consent this resolution or the Bylaws or Articles of Incorporation of the Corporation, which shall constitute parts of the total contract between the Corporation and the Government relating to the loan obligations.

(e) Do other things as may be required by the Government in connection with the development of the building sites or with any of the Corporation's operations or affairs which may affect the sites, the loan obligations, or the security.

6. General Provisions.

(a) It is expressly understood and agreed that any loan made will be administered subject to the limitations of the authorizing act of Congress and related regulations and that any rights granted to the Government herein or elsewhere may be exercised by it in its sole and exclusive discretion to carry out the purposes of the loan, enforce such limitations, and protect the Government's financial interest in the loan and security.

(b) The provisions of this resolution are representations to the Government to induce the Government to make a loan to the Corporation as aforesaid. If the Corporation should fail to comply with or perform any provision of this resolution or any requirement made by the Government pursuant to this resolution, such failure shall constitute default as fully as default in payment of amounts due on the loan obligations. In the event of such failure, the Government at its option may declare the entire amount of the loan obligations immediately due and payable and, if such entire amount is not

paid forthwith, may take possession of and operate the project and proceed to foreclosure its security, and may enforce all other available remedies.

(c) Any provisions of this resolution may be waived by the Government in its sole discretion, or changed by agreement between the Government and the Corporation after the resolution becomes contractually binding, to any extent such provisions could legally have been foregone, or agreed to in amended form, by the Government initially.

(d) Any notice, consent, approval, waiver, or agreement must be in writing.

(e) This resolution may be cited in the security instrument and any other instruments or agreements as the "Loan Resolution of _____, 20____,"
date of this resolution

The undersigned, _____ the Secretary of the Corporation
identified in the foregoing Loan Resolution, hereby certifies that the foregoing is a true
copy of a resolution of the Board of Directors of the Corporation passed on
_____, 20____.

(Date) (Secretary)

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Subordination By The Government
For Use With Rural Housing Site Loan

WHEREAS, The United States of America acting through Rural Development or the Farm Service Agency (hereinafter called the "Government") is the holder of the following-described instrument(s) executed by _____

of _____
_____, County, State of _____
_____ (hereinafter called the "Borrower")

Title of Instrument	Date of Instrument	Date Filed	Office Filed	Book No.	Page No.
---------------------------	--------------------------	---------------	-----------------	-------------	-------------

AND WHEREAS, _____ (hereinafter called the "Lender") has agreed to provide a loan to the borrower or to a builder designated by the borrower to construct a home on the property described in this instrument.

NOW THEREFORE, in consideration of the Lender's agreement to make such loan to the borrower, the Government hereby (1) consents to the Borrower obtaining said loan from the lender, and (2) agrees to and hereby subordinates in favor of the Lender and his successors and assigns its liens or security interests created or evidenced by the above-described instrument(s) inasmuch as they cover the following described property: (1)

EXCEPT THAT, the Government shall retain a first lien or security interest in the above-described property in an amount of \$_(2)_. Such first lien will be released only when satisfactory evidence is provided indicating that the lot with completed home is being sold to a family eligible for assistance under any section of Title V of the Housing Act of 1949 or under any other law which provides financial assistance for housing low- and moderate-income families and that the benefits of the nonprofit development of the site are being passed on to the eligible purchaser and that the amount of that first lien is paid on the Borrower's Rural Housing Site loan debt to the Government.

This subordination is limited to the amount actually loaned by the Lender to the Borrower for the foregoing purpose, but shall not exceed \$_(3)_.

Only the above-described property is affected by this subordination. This subordination shall not otherwise affect or modify the obligations secured by the

aforesaid lien instrument(s), and the said obligations shall continue in force and effect until fully paid, satisfied, and discharged.

No Member of Congress shall be admitted to any share or part of this agreement or to any benefit that may arise thereupon.

IN WITNESS WHEREOF, The United States of America has caused these presents to be signed on the _____ day of _____
19__, pursuant to delegated authority published in 7 CFR, Part 1800.

UNITED STATES OF AMERICA

WITNESS: _____ BY _____

Title
Rural Development or Farm Service Agency,
U.S. Department of Agriculture.

Instructions For Completion of Exhibit C

- (1) Insert complete legal description of specific lot or lots on which lien is to be subordinated.
- (2) Insert present market value of lot or prorata amount of RHS loan, as determined in accordance with Paragraph XV B of RD Instruction 444.8.
- (3) This amount should be provided by lender, however, approval official should be assured that amount loaned does not exceed market value of the house, not including the value of the lot.

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Section 524 Site Loan Application Processing Checklist

Organization Name:	RD Contact:
Address:	Telephone:
Authorized Representative:	Email:
Project Name/Description:	

Preapplication

Ref. 444.8	Document Name	Doc./Form #	Prepared By	Date/Comment
XI (A)	SF 424, Application for Assistance, and an Application Letter package which includes the following: <ul style="list-style-type: none"> • Name and address of applicant. • Articles of Incorporation & Bylaws. • Names & addresses of applicant members/directors/officers. • Financial statement – Current, dated and signed, showing assets and liabilities, together with information on repayment schedule and status of each debt. • Evidence of inability to obtain credit elsewhere. • Preliminary engineering plans, if available. 	SF 424 And Letter w/Attachments	Applicant	

Preapplication (Cont.)

Ref. 444.8	Document Name	Doc./Form #	Prepared By	Date/Comment
XI (A)	Project Description <ul style="list-style-type: none"> • Location and size tract(s). • Number and size of individual sites. • Detailed Plot plan, if available. • Preliminary Engineering plans, if available. • Cost estimate and amount of loan request. • Map of the property. • Explanation of services (i.e., water & sewer, paved streets and utilities), if not currently available at site, including when and how they will be provided. • Evidence of need for the proposed sites by low- and moderate-income families. • Written evidence of any State, county, or local planning, zoning or other ordinances imposing additional restrictions or requirements upon the proposed sites. 	Letter	Applicant	
VII(D)	Loan Resolution	444.8, Exhibit B	Applicant	
XI(E)	Equal Opportunity Agreement	RD 400-1	Applicant	
XI(E)	Assurance Agreement	RD 400-4	Applicant	
XI(E)	Applicant Certification	RD 1910-11	Applicant	
XI(E)	Compliance Statement	RD 400-6	Applicant	
	Option to Purchase or Letter of Intent to Purchase the Real Estate	Letter or State Specific Option Form	Applicant	
	SAMS Registration UEI #		Applicant	
DR 4300-004	Do Not Pay (DNP)		RD Office	

Preapplication (Cont.)

Ref. 444.8	Document Name	Doc./Form #	Prepared By	Date/Comment
XI(B)	Agency review and evaluation: <ul style="list-style-type: none"> • Determine eligibility of the applicant based on paragraph (IV) of this Instruction. • Determine that site is in a supported residential area (i.e., essential. facilities/services available) • Feasibility of proposed lot cost in immediate market is appropriate for the # of sites. • Audit/financial info. Sufficiency. • Comment on board members – Does the makeup of the board meet the intent of paragraph XI (B) of this Instruction. • Advise applicant development work must not be started and obligations for work, materials, or land purchase must not be incurred before the loan is closed, see paragraph 444.8, VI (E) of this Instruction. 		RD Office	

Application

Ref. 444.8	Document	Doc./Form #	Prepared By	Date/Comment
1970-C	Environmental Review: RD Instruction 1970-C, Must be completed prior to obligation.		Applicant	
	State Environmental Coordinator Concurrence on Environmental Review.		RD State Environmental Coordinator	
X (A)	Appraisal.		Applicant	
XI(C) (1)	Plot Plan and detail preliminary plans and specs for development of sites (if not received with preapplication).		Applicant	

Application (Cont.)

Ref. 444.8	Document Name	Doc./Form #	Prepared By	Date/Comment
XI(C) (1)	Detailed cost breakdown of project covering items such as: land purchase, right of ways, utility installations or connections, on-site improvements, engineering and legal services, estimated interest	Form RD 1924-13	Applicant	
XI(C) (3)	Water/sanitary facilities plan (if not publicly owned)	Letter	Applicant	
XI(E)	Notice to Contractors and Applicants	RD 400-3	Applicants	
XI(A) (9)	Review/Approval of proposed development (state or local)	Letter	State or Local Government	
XI C(5)	Evidence that a public body will maintain all public facilities. (444.8			
I	Identify known relationships with Agency employee(s), if applicable	Letter	Applicant	
X (C)	Review/Approval of Legal Services (Only required when loan funds will pay for legal services)		RD Office/Office of General Counsel	
X(D)	Standard form of Agreement between Owner and Engineer (when applicable)	State Form	RD Engineer/ Applicant	
VII(K)	Development Contract with Surety bond if >\$20,000	RD Instruction 1924-A, Exhibit G	Applicant	
VII(L)(2)	Conditional Commitment, if applicable	RD 1944-11	RD Office	
VIII (L)(6)	Signed statement and detail contracts by qualified spec builders		Applicant	
	Applicant Interest Rate Selection (rate at approval or closing)	Letter	Applicant	
XI(E)	Operating Budget – only required if administrative expenses requested		Applicant	
VII(I)	Collateral Information (Supervised bank account only when adequate bonding is unavailable)		Applicant	
	Legal Description of Individual Lots	Legal Descriptions	Applicant	
	Survey	Survey Doc	Applicant	

Obligation

Ref 444.8	Document Name	Doc./Form #	Prepared By	Date/Comment
XI (B)	Loan Narrative and Recommendation	Letter	RD Office	
XI(D)	Request for Obligation (Signed by Applicant and State Director)	RD 3560-51 (MFH Form)	Applicant/RD Office	
VI	Request Administrative Exception <ul style="list-style-type: none"> Request to exceed by \$100,000 loan 	Letter	RD Office	
XV	Sale Price Determination of Individual Lots	Letter	RD Office	

Closing

Ref 444.8	Document Name	Doc./Form #	Prepared By	Date/Comment
XI(E)	Preliminary Title Opinion		Closing Agent	
XI(F)	Office of General Counsel Review for Closing Instructions	Letter	OGC	
XIV(A)	Issue Loan Closing Instructions (State Instructions along with OGC Instructions)	Letter	RD Office	
	Request Funds (Include EFT/ACH instructions from the closing agent and signed 3560-51 to – SFHDIRECTPROGRAM@susda.gov	RD 3560-51 & EFT/ACH Instructions		
VII(H)	Form Letter – Acceptance of Option	RD 3550-34	RD Office	
VII (J&K)	Evidence of Insurance and Bonding <ul style="list-style-type: none"> Liability Surety Fidelity 		Applicant	
VII(L)	Conditional Commitments (if applicable)	Exhibit C, 444.8	RD Office	
	Deposit Agreement	RD 3560-76 (MFH Form)	Applicant and Financial Institution	
XIV (B)	Real Estate Mortgage/Deed of Trust for State Completed _____ Recorded _____	RD 3560-14	Closing Agent	

Closing (Cont)

Ref. 444.8	Document	Doc./Form #	Prepared By:	Date/Comment
XIV(C)	Promissory Note – Multi-Family Housing <ul style="list-style-type: none"> • Interest Rate (444.8, VIII A) • Repayment Period (444.8, VII B) • No Deferments (444.8, XIV C) 	RD 3560-52 (MFH Form)	RD Office	
	Security Agreement (on agency form or document provided by OGC)	Agency Form	RD Office	
	UCC-1 Financing Statement	Form UCC-1	RD Office	
	Document Errors and Omissions	RD 3550-29	RD Office	

Post-Closing

Ref. 444.8	Document	Doc./Form #	Prepared By:	Date/Comment
1927-B	Final Title Policy		Closing Agent	
	File submitted to OGC for post-closing review		RD Office	
	Loan Closing Opinion of Counsel	Letter from Attorney	Borrower's Counsel	
	Close Loan in AMAS (Send request to N/O after OGC post-closing review has been completed to - SFHDIRECTPROGRAM@USDA.GOV)		RD National Office	

Servicing

Ref. 444.8	Document	Doc./Form #	Prepared By:	Date/Comment
XV (A)	Option to Purchase Real Property (for individual lot sales)	RD 440-34	RD Office	
VII (L)(4)	Subordination (if applicable)	444.8, Exhibit C	RD Office	
	Partial Release of Security	Required State Form	RD Office	

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Preapplication Review Letter

{DATE}

{APPLICANT NAME}

{ADDRESS}

Re: Preapplication Review of {PROJECT NAME, CITY/STATE}

Dear {CONTACT NAME}:

We have reviewed your preapplication for a Section {523 OR 524} Site Loan and determined that your proposal can be considered for funding. A full application, meeting the requirements of RD Instruction 444.8, may now be filed with our office.

Please note that this action does not constitute a reservation of funds, the availability of those funds, or loan approval.

You are advised against taking any actions or incurring any obligations that would either limit the range of alternatives to be considered or have an adverse effect on the environment. Satisfactory completion of the environmental review process must occur prior to loan approval. The issuance of this review action does not constitute site approval.

We look forward to receiving your full application for a Section {524 OR 523} Site Loan. Should you have any questions, or to discuss the application process, please contact {CONTACT PERSON} at {PHONE NUMBER} or {EMAIL ADDRESS}.

Sincerely,

[Insert Name of Authorizing Official]

[Insert Title of Authorizing Official]

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Site Loan Denial Template

[Insert Date]

[Insert Applicant Name and Address]

Dear Mr./Ms.: [Insert Contact person's last name]

Thank you for the opportunity to consider your request for Rural Development assistance. In reviewing your request, we considered all information submitted to the Agency. After careful consideration, in accordance with [7 CFR 1822](#) regulations that govern the Section {524 OR 523} Site Loan to your organization, we regret to inform you that we are unable to take favorable action on your request. The specific reasons for our decision are as follows:

[Enter specific reasons for denial]

If you have any questions concerning the decision or the facts used in making our decision and desire further explanation you may call or write to our office at the above address and telephone number within 15 calendar days of the date of this letter. You should present any new information or evidence along with possible alternatives for our consideration. You may also have the right to appeal this decision to a hearing officer in lieu of, or in addition to, a meeting with this office.

If you do not wish a meeting, and as outlined above wish to appeal, a request for a hearing must be sent to the National Appeals Division, USDA, [Include appropriate NAD address], postmarked no later than 30 days from the date of this letter.

If you believe our decision is incorrect, or the facts used in this case are in error, you may challenge our decision. Please see the attached document.

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this creditor is the Federal Trade Commission. If a person believes he or she was denied assistance in violation of this law, they should contact the Federal Trade Commission, Washington, D.C. 20580.

The Fair Housing Act prohibits discrimination in real estate related transactions, or in the terms or conditions of such a transaction, because of race, color, religion, sex, disability, familial status, or national origin. The federal agency that is responsible for enforcing this law is the U. S. Department of Housing and Urban Development.

If a person believes that they have been discriminated against in violation of this law, they should contact the U. S. Department of Housing and Urban Development, Washington, D.C. 20410 or call (800) 669-9777.

Sincerely,

[Insert Name of Authorizing Official]
[Insert Title of Authorizing Official]

AN APPEALABLE ADVERSE DECISION

(DATE)

The described action in the attached letter [did not grant you the assistance you requested or will terminate or reduce the assistance you are currently receiving]. If you believe this decision or the facts used in this case are in error, you may pursue any or all of the following three options below. All three options may be requested simultaneously and must be requested in writing within **30 days** from the date adverse decision letter is received. If all options are requested and a resolution is reached the next available option can be canceled; however, if an option is skipped, you will automatically waive the right to the previous option.

Option 1 – Request an Informal Administrative Review

You may request an Agency official review of this determination by filing a written request no later than 30 days after you receive this notice. If you request a review reconsideration, you have the right to an informal hearing which you or your representative may attend either personally or by telephone. If you choose to seek reconsideration, you may later appeal the determination to the National Appeals Division. To request reconsideration, write to the following address and explain why you believe this determination is erroneous. The address of the Field Office:
(Insert applicable address.)

Option 2 – Request Mediation (Alternative Dispute Resolution)

Mediation is available as part of Rural Development's informal appeal process. Mediation may enable us to narrow the issues and resolve the matter by mutual agreement. If your state does not have a participating USDA-funded mediation program, you may have to pay all or part of the cost of mediation. If you request mediation, the continuation of the time frame in which you may request an appeal stops. When mediation closes, the clock restarts, and you will have the balance of the days remaining in that period to request an appeal. To request mediation, you must submit your written request no later than 30 days after you receive this notice. To request mediation, write to the RD State Director at the following address:

- (Insert applicable address.) [Rural Development State Director]

Option 3 - Request an Appeal Hearing to the National Appeals Division (NAD)

You may appeal this determination to NAD by filing a written request no later than 30 days after you receive this notice in accordance with the NAD Appeal procedures found at [7 CFR Part 11](#). If you appeal to NAD, you have the right to a hearing which you or your representative may attend. Once a hearing with NAD begins, you waive any rights you might have to reconsideration and mediation. To appeal, you must write to NAD at the following address, explain why you believe this determination is erroneous, and provide a copy to RD. You must personally sign your written appeal to NAD and include a copy of this letter or file an appeal online at the following website: <https://www.nad.usda.gov/content/file-appeal>.

[NAD Assistant Director Address] [Rural Development State Director]

If you do not timely exercise one of the preceding options, this shall be the final administrative determination with respect to this matter in accordance with the regulations at [7 CFR Part 11](#).

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this creditor is the Federal Trade Commission. If a person believes he or she was denied assistance in violation of this law, they should contact the Federal Trade Commission, Washington, D.C. 20580.

The Fair Housing Act prohibits discrimination in real estate related transactions, or in the terms or conditions of such a transaction, because of race, color, religion, sex, disability, familial status, or national origin. The federal agency that is responsible for enforcing this law is the U.S. Department of Housing and Urban Development. If a person believes that they have been discriminated against in violation of this law, they should contact the U. S. Department of Housing and Urban Development, Washington, D.C. 20410 or call (800) 669-9777.

Attachment (adverse decision letter)

Copies for: State and/or National Office Program Director
Servicing Office for SFH servicing cases