

June 8, 2017

TO: State Directors
Rural Development

ATTN: Program Directors and Coordinators
Multi-Family Housing

FROM: Richard A. Davis /s/ *Richard A. Davis*
Acting Administrator
Rural Housing Service

SUBJECT: Guidance on Implementing a Revitalization Relief Plan
for Approved Multifamily Preservation and Revitalization
Deferral Transactions

PURPOSE/INTENDED OUTCOME:

The intent of this Unnumbered Letter (UL) is to provide guidance on the implementation of Rural Development's (RD) relief efforts for Borrowers with accepted Conditional Commitments that contain debt deferral as a financing tool in its Multifamily Preservation and Revitalization (MPR) Demonstration program for Sections 514, 515 and 516 projects.

The MPR Demonstration program's intent is to preserve and revitalize Sections 515/514 projects through financial tools in order to make the projects financially and physically sustainable for at least another 20 years. One of the principal restructuring tools available through the MPR Demonstration program is the deferral of the project's existing Sections 515/514 loans for up to 20 years.

Approved applicants of MPR funding are required to execute a Conditional Commitment that is subject to the availability of funding and final approval of the terms and conditions by RD. In fiscal year (FY) 2016, RD accepted Conditional Commitments potentially encumbering the allotted FY 2017 MPR funds. Although RD intends to fund all of its commitments, our ability to fund current and future Conditional Commitments depends on Congressional appropriations. RD is committed to working closely with impacted Borrowers in order to continue to maintain financial stability of the project while waiting for funding of its MPR transaction. RD intends to assist Borrowers who have an accepted Conditional Commitment that contains debt deferral, as an approved financial tool using existing program servicing authorities as described in this UL.

If funding has not been made available to obligate the MPR financing tool offer(s) as outlined in the Borrower's accepted Conditional Commitment 30-days prior to its original or any already

EXPIRATION DATE:
June 30, 2018

FILING INSTRUCTIONS:
Housing Programs

approved extension expiration date, RD will extend the Conditional Commitment for up to 24 months upon receipt of such request from the Borrower. To prevent a compliance violation (delinquency), the Borrower may request a temporary suspension of the monthly debt service payment pursuant to 7 C.F.R. §3560.455(a), in conjunction with the Conditional Commitment extension. The Agency will agree to reamortize the current RD loans and suspend the full monthly payment installments for up to 24 months due on any Agency loan approved in the Borrower's accepted MPR Conditional Commitment for an MPR deferral. If a Borrower's loan payments are suspended pursuant to this UL, it will not render the Borrower's account delinquent in the Multi-Family Information System (MFIS). The suspended payments will accrue at the amounts as required by RD regulations and will be capitalized in a reamortization of the deferred loans(s) at the end of the deferral. Borrowers are required to continue to pay overage and to comply with all other program requirements (including late payment penalties incurred for failure to submit any project worksheets). The suspension will end after 24 months, or after receipt and closing of the MPR loan deferral funds specified in the Conditional Commitment.

The Borrower may withdraw from the Conditional Commitment (or its extension) any time prior to its expiration date upon written notification to the Agency.

IMPLEMENTATION RESPONSIBILITIES:

Loan servicers and underwriters will jointly review the current status of unfunded MPR applications to verify the MPR Conditional Commitment has been approved by RD. If the proposed MPR transaction remains feasible under the terms of the Conditional Commitment, the relief measures described herein may be offered to the MPR applicant if the following conditions apply:

1. The approved but unfunded MPR deferral must be for FY 2014 or subsequent Notice of Solicitation Availability's (NOSA) for the MPR Demonstration program; and
2. Borrowers must request in writing their desire for a temporary suspension of payments.

If the Borrower requests, and is eligible for a deferral pursuant to this UL, the request will be implemented as follows:

1. Once the suspension of payments has been memorialized, immediately send a copy to the National Financial and Accounting Operations Center (NFAOC) for the Automated Multi-housing Accounting System (AMAS) processing. The original must be placed in the Borrower loan file, and a copy sent to your Headquarters (HQ) Review Underwriter.
2. Prior to implementing the suspension of payments, the account will be reamortized in accordance with the final approved Preliminary Assessment Tool (PAT) to lower the note rate interest to the current rate and/or extend the term if the presently outstanding note rate is less to lower the monthly payment.
3. Populate MFIS Servicing Efforts - Other (3014). The comments section must be populated with "Revitalization Relief Plan – FY 20XX.

4. Go into MFIS Projects – Details –Under Payment Status, change Installment Type to “Monthly Other” and change “other payment amount” to \$0.
5. Once NFAOC processes the suspension of payments, Borrowers will continue to transmit their monthly project worksheets through the Management Interactive Network Connection (MINC). Overage will be netted from the Rental Assistance that is due to the Borrower and electronically deposited into the Borrowers designated account.
6. At the end of the Revitalization Relief Plan term, verify with NFAOC that the suspension of payments has ended, then update MFIS Projects – Details –Under Payment Status, and change Installment Type to “Monthly Other” to “Monthly Regular”.

Please direct any questions regarding this UL to your respective HQ Review Underwriter.