

MEMORANDUM OF UNDERSTANDING
BETWEEN
THE FARMERS HOME ADMINISTRATION
AND
NCB DEVELOPMENT CORPORATION

The purpose of this Memorandum of Understanding is to establish an agreement between the Farmers Home Administration (FmHA) and the NCB Development Corporation (NCBDC) under which the NCBDC will provide pre-development financing for, among other items development activities associated with the development of Rural Cooperative Housing Loans.

BACKGROUND: The Farmers Home Administration has enacted regulations that provide for long-term financing for the construction of multi-family housing cooperatives in rural areas. The residents identified are of very low and low to moderate-income. FmHA provides permanent and in some cases construction financing. However, the agency does not have the authority to fund necessary pre-development activities of sponsoring organizations prior to the closing of the loan, but does have the authority to refinance pre-development loans under certain circumstances. The NCBDC has the authority and the capacity to make pre-development financing available to cooperative organizations seeking to develop housing under the Section 515 Rural Cooperative Housing program of the FmHA.

THEREFORE: THE NCBDC AGREES to make pre-development funds available to eligible cooperative organizations seeking to develop Rural Cooperative Housing projects. NCBDC will make its funds available through national and regional nonprofit pre-development lenders or directly to sponsoring organizations and/or cooperatives for the purposes approved by FmHA including land options, land acquisition when necessary and after the submission of the pre-application, engineering, architectural, legal fees, board training, and other development costs. Initially, the following national and regional nonprofit organizations, subject to NCBDC approval will be eligible to serve as intermediary lending organizations under this agreement: the Cooperative Housing Foundation, the Housing Assistance Council, the Rural Community Assistance Corporation, and Rural Housing Improvement, Inc. NCBDC may, from time to time, submit additional nonprofit organizations to FmHA for approval as intermediary lending organization under this Agreement. The interest rate charged by the national and regional pre-development lenders shall be market rate of interest normally and customarily charged.

Disbursement of pre-development funds shall occur in the following manner:

- A. Prior to the submission of a pre-application to FmHA by the cooperative, NCBDC loan funds will be disbursed directly by NCBDC to sponsoring organizations and/or cooperatives or through the pre-development lenders for site options, preliminary architectural and engineering studies, legal fees, and other costs required to develop the pre-application after the following events have occurred:
- o the cooperative is established as a legal entity;
 - o one potential member of the cooperative for each unit planned has indicated their willingness to participate by executing Exhibit A-4 of FmHA Instruction 1944-E (Cooperative Housing Survey);
 - o preliminary site approval by the FmHA has been provided;
 - o a report provided by the cooperative indicating that initial environmental due diligence has taken place including evidence of the following; a search of public records, a history of the uses of the property, review of any evidence of asbestos, urea formaldehyde insulation, lead based paint, polychlorinated biphenyl, storage tanks, drums, pipelines, air emissions, water discharges, waste disposal, pesticides, herbicides, agricultural chemicals, radon, studies, reports citations and enforcement of clean up activities, or evidence of potentially hazardous sites on, adjacent to or near the project site; and
 - o certification by the cooperative that, based on the above research, the site is free of toxic waste or other hazardous material such as those mentioned above.
- B Following the submission of a pre-application to FmHA and an appraisal of the site by FmHA, funds may be disbursed by the intermediary for site purchase if it is determined to be necessary and extension of the option is judged to be financially detrimental to the project or unattainable.
- C. After issuance of the AD-622, pre-development loan funds may be disbursed for board training.

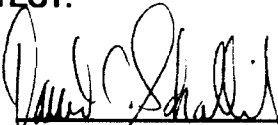
NCBDC shall make loans directly to sponsoring organizations and/or cooperatives or through nonprofit pre-development lenders for pre-development activities eligible under FmHA regulations at costs that are reasonable and typical for the area. Loans for retainers for architectural and engineering design services shall be in accordance with existing FmHA State Office guidelines. Loans for board training should not exceed customary and usual rates for such training except that higher amounts will be

considered on an individual basis where they are justified by unusual circumstances, such as the need for bilingual translations, and approved in advance by the FmHA. Even though groups may design their own training programs, it is anticipated that board training will take place over a period of months during the development process and extend approximately three months into the occupancy phase of the project. Training will be done by an organization or individual with easy access to the project using materials developed in accordance with FmHA regulations.

This Memorandum of Understanding does not obligate FmHA to make any financial assistance available to any entity. On any project for rural cooperative housing which receives financial assistance from FmHA, the applicant-borrower may use such funds to pay expenditures for purposes authorized by FmHA regulations. To the extent that an applicant has received loans from or through NCBDC and has used such funds for purposes authorized for the project as approval by FmHA; then such applicant may use such FmHA loan funds to repay the loan obtained from or through NCBDC. FmHA is not obligated to pay NCBDC or any of its intermediary lenders any money at any time.

This agreement may be amended from time to time, whereby approval from both parties must be agreed to and accepted. This agreement may be terminated by either party at any time provided that a 30 day written notice is given and existing pre-development loans are honored.

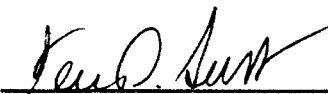
ATTEST:

By: 
David C. Schallich

Title: AVP

Date: 9/11/92

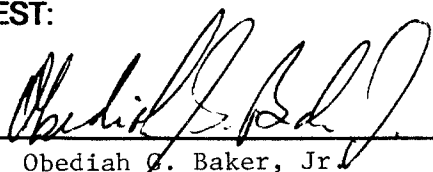
NCB Development Corporation

By: 
Terry D. Simonette

Title: President

Date: 9/11/92

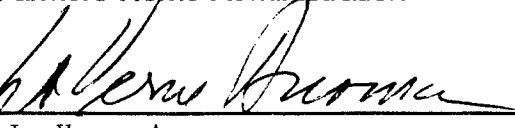
ATTEST:

By: 
Obediah G. Baker, Jr.

Title: Director, MFHPD

Date: September 30, 1992

The Farmers Home Administration

By: 
La Verne Ausman

Title: Administrator

Date: 9-30-92