

<p>CHAPTER 11: SPECIAL PROPERTY TYPES [7 CFR 3560.69 and 7 CFR 3560.70]</p>
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11.1 INTRODUCTION

Congregate housing, group homes, manufactured homes, and cooperative housing are special property types that are eligible for Section 515 loans. Such loans are processed and underwritten through the application process at the state-level Loan Processing Office. Initial applications that the Loan Originator believes should move on to the final application stage are sent to the National Office for review. If the National Office concurs, the loan applicant is invited to submit a final application. Processing of the loan application is then resumed by the Loan Originator; the final application will only be sent back to the National Office for review if the National Office imposes certain restrictions on the loan processing.

Most of the loan processing requirements for special property types are the same as for other Multi-Family Housing loans. However, there are some differences in requirements and procedures that affect the processing and underwriting of loan applications to finance these properties. This chapter covers those differences for each of these special property types.

Loans on the special property types described in this chapter are subject to the same environmental requirements as standard Section 515 Multi-Family Housing projects. The loan docket submitted for National Office review must include the completed environmental review. For additional guidance on environmental reviews, see Chapter 3 and RD Instruction 1940-G.

SECTION 1: CONGREGATE HOUSING [7 CFR 3560.69]

11.2 OVERVIEW

Congregate housing is residential housing for elderly households or persons with disabilities, consisting of private apartments, central dining facilities, and a number of preestablished services, such as meals and housekeeping. Nursing services cannot be provided to tenants.

Because of the special services provided to elderly households and person with disabilities, the Agency has established the following additional requirements and standards for these projects that do not apply to other Multi-Family Housing projects:

- Additional design requirements for congregate housing to accommodate the elderly and persons with disabilities;
- In the underwriting that the Loan Originator must conduct, an additional element of analysis of the need and demand for the services that are to be provided to the tenants; and

- Documentation by the loan applicant of experience in congregate housing or similar type facilities (such as assisted living). If this is not possible, the Agency requires them to hire someone with experience.

Congregate housing projects compete for funding and are processed and underwritten in each State together with other Section 515 proposals and loan applications. However, due to the specialized nature of such housing, States will solicit the advice and input of the National Office as soon as they receive the initial application for a congregate housing project.

The remainder of this section describes the requirements that apply to congregate housing and the procedures that Loan Processing Staff must follow in processing and approving a congregate housing loan application.

11.3 RESTRICTIONS ON USE OF LOAN FUNDS

Congregate housing must comply with the eligible and prohibited loan expenses identified in **Attachments 4-B** and **4-C**. Specific costs that are prohibited in congregate projects are:

- Specialized equipment for training and therapy;
- Items that do not become affixed to the real estate security; and
- Operating capital for a central dining facility.

11.4 USE OF OPERATING CAPITAL

Borrowers may use the initial operating capital to purchase necessary items that do not become affixed to the real estate security, such as special portable equipment, furnishings, kitchen bars, dinnerware, eating utensils, movable tables and chairs, etc.

11.5 ELIGIBILITY REQUIREMENTS

Congregate projects must meet the eligibility requirements of 7 CFR 3560.55, as described in Chapter 5. Congregate housing facilities cannot be licensed healthcare facilities. There are several additional requirements which also must be met.

A. Eligible Loan Applicants

Loan applicants for congregate housing must:

- Meet the requirements of 7 CFR 3560.55;
- Review **Attachment 11-A** prior to submitting an initial application and document that they have met the provisions of the attachment; and
- Have experience in managing congregate housing or show evidence of acquiring experienced management. Operation of congregate housing requires special management expertise and skills beyond those needed to manage a typical Multi-

Family Housing project. The success or failure of a project will depend upon management's marketing skills and ability to deliver services effectively. Counseling tenants and tenant selection also add a unique dimension to management responsibilities.

B. Eligible Tenants

Eligible tenants for congregate housing must meet program income requirements, be at least 62 years old or disabled, and be a U.S. citizen or qualified alien.

C. Eligible Projects

Eligible projects are those that are located in designated places, which meet the basic Rural Rental Housing project requirements of 7 CFR part 3560, subpart B, and the supplemental requirements of 7 CFR 3565.69 for congregate housing. Congregate housing must also meet all applicable Federal, State, and local laws, statutes, codes, and/or ordinances pertaining to this type of housing and the services provided.

11.6 APPLICATION REQUIREMENTS

The package of services that must be offered to the tenants in a congregate housing project is what distinguishes congregate projects from elderly projects. Consequently, the main difference in application requirements is the additional information that the loan applicant must provide to describe the planned services.

As part of the initial loan application, the applicant must submit a separate service plan and budget detailing the costs for operation and maintenance of the services and describing delivery of services. This plan must include a letter of commitment from each service provider detailing its ability and willingness to provide services. Alternative service providers must be identified in the event a service provider is unable to provide the services in the future. Paragraph 11.8 provides detailed guidance on support services.

11.7 DESIGN REQUIREMENTS

Congregate housing must be planned and developed in accordance with RD Instruction 1924-A and RD Instruction 1924-C. The Loan Originator must require any applicant with no prior experience to obtain assistance from organizations or individuals who have experience in planning and designing congregate housing or similar assisted care housing. Exhibit 11-1 details the additional design criteria that congregate housing must meet.

Exhibit 11-1

Additional Design Requirements for Congregate Housing Projects

- **Location.** Congregate housing must be located as close to services and shopping as possible, considering the availability of suitable residential sites. The time it takes to reach services is important, especially when considering potential medical emergencies.
- **Design must accommodate support services.** Facilities needed to accommodate support services must be fully explained and justified by the market feasibility documentation (MFD) and must be designed in accordance with acceptable practices. Specific design guidelines are provided in RD Instruction 1924-A, Guide 2, Chapter 1. These facilities may be larger than necessary to meet the tenants' requirements if they are needed in the community and other sources of funds are available to pay a pro rata share of the cost.
- **Accommodations.** The design must accommodate the needs of the individuals that the housing is designed to serve. The walkways and corridors between living units and the support service facilities must be safe, comfortable, and minimal in length; include handrails; and comply with Uniform Federal Accessibility Standards (UFAS). In addition to UFAS, accommodations must comply with Fair Housing Act Accessibility Guidelines (FHA/AG), the Americans with Disabilities Act Accessibility Guidelines (ADA/AG), and any State or local requirements.
- **Separate service and delivery areas.** Areas used by the tenants must be separated as much as possible from areas needed for delivery of food and supplies and other building services. Interior spaces and finish materials must be residential in character and designed to help prevent tenants from becoming disoriented within the building(s).
- **Emergency lighting.** Emergency lighting must be provided in every public space, corridor, stairway, elevator, and other means of egress.
- **Accessibility.** The entrances to all living units must be on a route accessible to people with disabilities. Living units accessible only via exterior steps or interior stairs are not acceptable.
- **Living unit specifications.** The size of rooms and spaces in the living units must be comparable to units provided in other housing for the elderly. Kitchen facilities must be provided in all living units and include, at a minimum, a cooktop, oven, sink, refrigerator, and food preparation surface.
- **Emergency call systems.** The bathroom and one bedroom in each living unit, and any public toilet rooms, must be furnished with an emergency call system that is appropriate for the size and staffing of the housing facility.

11.8 TENANT SUPPORT SERVICES

Tenant support services must be offered to assist tenants in living independently. Such services must be reasonably priced to ensure affordability and continued use by very low- and low-income tenants. Loan applicants must meet the requirements of **Attachment 11-B** in planning services.

Services may not be of a nature that would be provided by a nursing home or special care facility. Tenants requiring additional health or medical services beyond the scope of congregate services must acquire them or provide for them within their own financial, familial, or social resources.

A. Services Plan

The loan applicant must submit a services plan with the initial application. The Loan Originator must review the services plan and confirm that the minimum services detailed in Paragraph 11.8 B below are to be provided and that the plan specifies the following:

- The services to be provided.
- The frequency of services to be provided.
- The entity or organization providing the services, including a letter of commitment from each service provider detailing its ability and willingness to provide services. The Loan Originator must confirm that this letter identifies the type, scope, cost, term and any licensing requirements of services that will be provided to the project. If a local agency on aging will provide a service, the commitment can be contingent on the local agency maintaining its level of funding.
- Alternative service providers, in the event the original provider is unable to furnish services in the future. Alternative sources must be documented even if the applicant plans to use onsite personnel for services. The availability of services from alternative sources enhances a proposal's feasibility since long-term services are crucial to the success of congregate housing.
- The procedures for advising tenants of the availability of services.
- The staff necessary to provide the services.

B. Minimum Services

Loan applicants may offer a wide variety of services; however, the services detailed below must be offered as a minimum.

1. Meals

Since some tenants will depend on the meal service for sustenance, at least one cooked meal a day, seven days a week must be provided by the primary meal provider or an alternate source. The following conditions apply to meals:

- To ensure that the meals are wholesome and meet the needs of individual tenants, a professionally trained dietitian or nutritionist must be involved in planning the menus.
- The feasibility of sustained meal service may depend on the number of people who elect to use it. Congregate housing borrowers should actively solicit tenant participation in the meal service if the economic feasibility of the service depends on user charges.

- If the entity that operates the service is eligible to accept food stamps under the regulations of the Food and Nutrition Service (FNS), USDA, the entity must be authorized by FNS to accept food stamps from tenants for the purchase of meals.

2. *Transportation*

Transportation must be provided to the project on a fixed schedule based on tenant needs. Public and private transportation sources may be used by loan applicants to develop a dependable and economical method for providing this service. If these sources cannot provide adequate transportation, the applicant must develop a project-sponsored transportation system.

3. *Housekeeping*

Housekeeping services must be provided to tenants who request assistance in keeping their units clean. Light housekeeping tasks, such as dusting, vacuuming, floor washing, bathroom cleaning, and laundry for bedding generally should be provided on a weekly basis. Heavier tasks, such as oven, window, and drapery cleaning, should be provided periodically.

4. *Personal Services*

Limited nonmedical personal services must be made available to tenants who request them. Personal services can include beautician services, nutrition counseling, and general health screening. They do not include recurring medical assistance, such as dispensing medication or medical supervision. Space may be included in the project for a small beauty shop and health screening area. Applicants may want to consider contracting for personal services to assure their continued and dependable availability to tenants.

5. *Recreational/Social Activities*

Loan applicants are encouraged to offer tenants recreational and social activities, such as hobby and craft classes, special dinners, a library or book exchange area, games and videos, and wellness and exercise classes.

Required Services

- **Meals:** One cooked meal, seven days a week.
- **Transportation:** On a fixed schedule based on tenant needs.
- **Housekeeping:** To tenants who request assistance in keeping their units clean.
- **Personal services:** Upon request, services such as assistance with personal hygiene, nutrition counseling, and general health screening.
- **Recreational/social activities:** To the extent possible, any and all of the following services should be provided: hobby and craft classes, special dinners, a library or book exchange area, games and videos, and wellness and exercise classes.
- **Access to medical services:** Medical services must be available within reasonable proximity and transportation must be provided to tenants who require it.

6. Access to Medical Services

Tenants must have access to healthcare providers. Healthcare services must be available within a reasonable traveling distance for tenants, and transportation must be provided for tenants who require it to access medical services.

C. Project Services Coordinator

Loan applicants are encouraged to include as part of their services package a Project Services Coordinator to coordinate the services provided in the project. A Project Services Coordinator is a social service staff person hired by project owners or their management company. The Coordinator is responsible for linking the elderly, especially those who are frail, and residents with disabilities to the supportive services they need to continue living independently. Such a Coordinator can do much to assist the well-being of the tenants and is an allowable project expense in congregate housing.

D. Service Agreements

As a part of the final application, the applicant must provide a service agreement for each service to be provided, detailing the information contained in the letter of commitment provided with the services plan at initial application. Initial service agreements must be effective for at least 1 year after the project becomes operational. Subsequent agreements must be effective for at least 1 year.

11.9 NONTENANT SERVICES

Nonresidents may be served by project services, such as the meal facility. If a service provider uses the facility to serve meals to nonresidents, the service provider must sign a lease with the borrower and provide payment sufficient to cover the annual operating expenses, debt service, and reserve account payments attributable to the portion of space that is being used for nontenants. In most cases, this will be a negligible amount that the meal provider can afford to pay. In addition, if this occurs, the kitchen must be metered separately so that the costs of running the kitchen can be identified.

11.10 PROCESSING APPLICATIONS

A. Agency Action

Congregate housing proposals compete for funding with proposals for other rental projects through the Notice of Funding Availability (NOFA) process and are generally processed in the same manner as all other Multi-Family Housing loans. However, the State loan processing office must send to the National Office for review and concurrence all initial congregate housing applications that the loan processing office feels should move on to the final application stage. Once the National Office concurs, processing is completed at the State loan processing level, unless the National Office imposes some restrictions that are to be reviewed again before final loan approval.

The Loan Originator will include the following information with any loan that is sent to the National Office for review:

- A summary description of the loan request;
- A copy of the loan docket (initial application information); and
- The State Director's comments and recommendations.

B. Requirements of the Applicant

1. Initial Application Package

When a project proposal for congregate housing ranks high enough to be invited to submit an initial application package, the initial application package sent by the Loan Originator to the loan applicant will contain all items identified in Exhibits 4-6 and 4-7 of Chapter 4, plus the following information:

- **Attachments 11-A and 11-B** give the loan applicant a clear understanding of the management and support service requirements for congregate housing; and
- Notification to the loan applicant about the requirement to submit the following with the initial application:
 - ◇ Congregate services charges; and
 - ◇ A congregate services plan.

2. Final Application

The loan applicant must be informed that the following information will be required as part of the final application:

- Service agreements; and
- Schedule of charges for nonshelter services.

11.11 PRELIMINARY MEETING

In addition to all items identified in Chapter 5 as necessary to cover at the preliminary meeting, the Loan Originator must discuss with and encourage the loan applicant for congregate housing financing to take the following steps:

- Carefully read **Attachments 11-A and 11-B** so as to fully understand the requirements of the congregate housing commitment;
- Hire an architect experienced in the design of elderly housing with supportive services; and

- Include input during the design phase from project management with housing experience to prevent long-term effects of poorly conceived design on project operations.

11.12 UNDERWRITING CONSIDERATIONS

The Loan Originator must underwrite the congregate housing loan using the basic procedures described in Chapters 4 and 5. Because of the special nature of congregate housing, the Loan Originator's underwriting considerations must also evaluate the market for this special type of housing, the adequacy and availability of the support services offered to the tenants, and the quality of the project's management.

A. Market Feasibility Documentation

The Loan Originator must make sure that the MFD for a congregate housing project indicates clearly that a market exists for the type of services that are to be offered by the project and that the services being offered are those that are in most demand in the market area.

MFD must address the market demand for meal plans. A congregate housing project's meal plan subscription must be well planned so that dining facilities do not go unused, adversely affecting the project's financial viability.

For additional market feasibility documentation requirements, see Section 3 of this chapter.

B. Tenant Services

The services that are offered to the tenants of a congregate housing project are a critical and integral part of the project. It is the services that distinguish congregate housing from other elderly projects. Consequently, the Loan Originator must ascertain that the services meet the minimum Agency requirements and are:

- Needed and desired in the market;
- Affordable to the tenants; and
- Available for the foreseeable future.

In reviewing the budget for the services plan, the Loan Originator must look at the costs and make sure that they are not excessive. If the service costs are not affordable to the tenants or in excess of what is comparable in the market, they must be reduced. The loan applicant should be contacted to discuss other options, such as community services or volunteers. If no other options are available and costs cannot be reduced, the project must be rejected as infeasible.

C. Management

The Loan Originator must review the management profile and certification to make sure that the proposed management company has experience in special senior housing, such as congregate housing. If the proposed company does not, the Loan Originator must require that the loan applicant obtain additional management expertise, which may be in the form of a consultant, to advise in the management of the congregate housing.

11.13 DESIGN CONSIDERATIONS

The Loan Originator must review project plans to make sure that the design criteria identified in Paragraph 11.7 have been met. The layout of the structure should be amenable to the tenants. For example, the common dining facility is easily accessible by a covered walkway. In addition, the design elements should have a positive effect on project management and ongoing operations. For example, service areas are well out of the way of public areas where tenants might gather. Projects proposed by applicants who have engaged the services of an architect experienced in similar type project design will generally meet these design standards. The Loan Originator must also send the plans to the State Architect, who will review them to determine whether they meet program requirements.

SECTION 2: GROUP HOMES [7 CFR 3560.69]

11.14 OVERVIEW

Group homes provide shared living space within a rental project for individuals who are capable of caring for themselves in the basic functions of everyday living, but who otherwise need the direction or assistance of a trained resident assistant. Group homes may be designed for individuals who are elderly or have disabilities, and may limit occupancy to certain groups of people. Although a resident assistant may provide limited medical services, such as assistance to tenants with medication, group homes are not intended as healthcare facilities.

This section discusses the procedures and requirements of loan origination that are different for group homes from those of other Multi-Family Housing loans.

11.15 PROJECT ELIGIBILITY

A. Tenancy

A group home may limit occupancy to a specific group of tenants. For example, a group home may limit occupancy to eligible elderly tenants, developmentally disabled people, or mentally impaired tenants.

Prospective tenants must be evaluated to determine if they meet the essential eligibility requirements to reside in a group home. Loan applicants are guided in this by **Attachment 11-A**.

A legal guardian (an individual) may execute a lease agreement on behalf of a tenant in a group home when that tenant does not possess the legal capacity to enter into a legal contract with the project owner.

B. Applicable Laws

Group homes must meet all applicable Federal, State, and local laws, statutes, codes and/or ordinances pertaining to these types of housing and the services provided.

C. Association with Another Organization

A group home may be associated with another organization, such as a workshop for the developmentally disabled. However, the group home must be a separate entity and able to function without being dependent on another organization.

11.16 SUPPORT SERVICES

Loan applicants must show in the initial application that adequate support services that are needed by tenants will be available on a continual, long-range basis. Support services can be provided by the project or by a State or local public agency. A nonprofit organization with an established ongoing service program also may be deemed capable of providing support services.

Loan applicants for a group home project must provide a service plan that describes how affordable services will be made available to potential residents to assist them in living independently. The plan must address the long-term availability of this assistance from specific service providers and must address how the following services will be provided or made available:

- Access to a common kitchen in which to prepare meals;
- Access to transportation;
- Nearby recreational and social activities that may be coordinated by the resident assistant, if applicable; and
- Access to medical services as necessary.

A narrative statement from any local, State, or Federal Government agencies that are expected to provide support for the current and long-range service needs for the tenants of the facilities is also required.

11.17 DESIGN REQUIREMENTS

A group home is generally designed as a single household dwelling; however, it can also be a small, multi-unit structure. Specific design criteria that must be met are provided in RD Instruction 1924-A, Guide 2, Chapter 1. In addition to these requirements, group homes must meet the following criteria:

- Interior spaces and finish materials must be residential in character.
- Appropriate common areas and facilities must be included to encourage participation by the tenants under the direction of a staff person in sharing the meal preparation, housekeeping, and social and recreational activities within the home.
- Facilities and services to address potential decreases in tenants' physical and mental capabilities must be considered in the design.
- Emergency lighting must be provided in every corridor, stairway and other means of egress.
- Entrances to all living units must be on a route accessible to persons with disabilities.
- Group homes must meet UFAS, FHA/AG, ADA/AG, and any State or local requirements.

11.18 RENTS AND RENTAL ASSISTANCE

Instructions on how to determine the per unit rental rates for group homes are stipulated in **Attachment 11-A**.

A unit in a group home consists of a space occupied by a specific tenant household, which may be an apartment unit, a bedroom, or a part of a bedroom. The provisions of 7 CFR 3560.69(g) allows Agency rental assistance to be made available to group home tenants sharing units. However, in a shared bedroom situation, rental assistance may be made available to each tenant only so long as the total rent for the unit does not exceed what other rents are in the area for conventional and comparable shared bedrooms.

11.19 APPLICATION REQUIREMENTS AND PROCESSING

Applicants for a loan to complete a group home must submit the same documentation that is required for Multi-Family Housing projects as specified in Chapters 4 and 5, as well as a service plan as described in Paragraph 11.16 and a narrative statement from any local, State, or Federal Government agency that is expected to provide support for the current and long-range service needs of the tenants.

Group home loan applications are processed through the initial application stage by the Loan Originator. If the loan application is not eligible or feasible, the application will be rejected in accordance with the procedures outlined in Chapter 4.

Any initial application that the Loan Originator feels should move on to the final application stage must be submitted with the State Director's recommendation to the National Office for review and concurrence. Once the National Office concurs, loan applicants are advised that their loan request has been selected for further processing, and processing of the loan application is completed at the State level. If the loan amount exceeds the State Director's approval authority, National Office concurrence of the final application is required before loan approval.

11.20 UNDERWRITING CONSIDERATIONS

Loans for group homes must be underwritten as are any other loans and in accordance with the standards established by Chapters 4 and 5.

As with congregate housing, the Loan Originator must review all loan documents, giving special attention to whether the loan applicant has a market for the types of tenants and services that will be provided. See Section 3 of this chapter on MFD requirements.

Specifically, the Loan Originator must determine that:

- The loan applicant has submitted all required information at each stage of the origination process, including that which is required of all Multi-Family Housing loan requests and the additional requirements described in Paragraph 11.19—the services plan and narrative statement from a Government services provider.
- If the group home is affiliated with another organization, the group home can function independently of the organization.
- A market exists for the type of services offered.

- If occupancy is restricted to a certain group of tenants, the data show that there is a need and demand by the target households for housing with the proposed services.
- Management is experienced in group homes or will hire experienced assistance.
- The design of the group home meets the criteria identified in Paragraph 11.17.

SECTION 3: MARKET FEASIBILITY CONSIDERATIONS FOR CONGREGATE HOUSING AND GROUP HOMES

11.21 ADDITIONAL MARKET FEASIBILITY DOCUMENTATION REQUIREMENTS [7 CFR 3560.69(f)]

MFD for congregate housing and group homes must address the need for services that are to be offered to a specific group of tenants. In addition to the MFD outlined in Chapter 4, the following requirements must be met:

- The loan applicant's MFD must address the need for housing with services and specifically, the need for the services that are proposed to be offered. Local agencies on aging and other groups familiar with the elderly can be a valuable source of information on the needs and wants of elderly people in the market area. Loan applicants can conduct a mail survey to age- and income-qualified elderly people if information is not available from other sources.
- An expanded market area may be considered only when the additional communities are part of the trade area and are so rural that they cannot support development of a congregate or group home facility. The facility itself must be located in a designated place. If an expanded market area is proposed, the MFD must establish conclusively that the community will be able to draw enough tenants from the market area to ensure feasibility of the project. The MFD must clearly identify the expanded area and contain separate information on the additional communities. If used, mail-out surveys must clearly address the probability of respondents relocating to the proposed site.
- MFD should include income information from the local Social Security Office since many elderly people are dependent on social security and/or supplemental security income. This information will assist in determining if proposed tenants would have sufficient income to afford the services provided by the project.
- MFD must contain demographic information particular to those over the ages of 62, 70, and 85.
- MFD must discuss the availability of alternative service providers.
- Continued use of meal service is important to the congregate services budget. Therefore, MFD must address the market demand for meal services.

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SECTION 4: MANUFACTURED HOUSING [7 CFR 3560.70]

11.22 OVERVIEW

The Agency has authority to make loans for Multi-Family Housing projects that consist of manufactured housing units. Manufactured housing is designed and constructed for permanent occupancy by a single family and contains permanent cooking, eating, sleeping, and sanitary facilities within the structure. It is transportable in one or more sections, and when erected on site is 400 or more square feet.

Manufactured housing loans compete for funding with other Multi-Family Housing projects and are underwritten at the State level. Final approval of such loans must come from the National Office.

Processing and underwriting considerations are generally the same for manufactured housing projects as they are for other Multi-Family Housing projects. However, because the housing is constructed offsite, there are some additional design and warranty requirements placed on the loan applicant that the Loan Originator must make sure are met.

11.23 ELIGIBILITY REQUIREMENTS

A. Applicant Eligibility

In addition to meeting the eligibility criteria of 7 CFR 3560.55, and described in Chapter 4, the loan applicant must be the first owner purchasing the manufactured homes for purposes other than resale.

B. Project Eligibility

In addition to meeting all construction, design, and warranty requirements specified in Paragraphs 11.24 and 11.25, a manufactured home project must meet the following requirements:

- Each manufactured home unit must not have been previously occupied as a residence or for any other purpose and be less than 1 year old from date of manufacture.
- The manufactured housing must include two or more housing units.
- A project is not eligible if the purpose of the loan is for refinancing, except as it relates to taking out a construction loan.
- A loan may be made to rehabilitate manufactured home units of an existing project only if the units to be rehabilitated are currently financed by the Agency under the Multi-Family Housing program. Rehabilitation of manufactured home units must only be undertaken by individuals who have experience with rehabilitating manufactured housing since the structural integrity of the unit may be undermined by an inexperienced individual.

- A housing proposal may include the purchase of the real property of existing manufactured housing that will be redeveloped with the placement of new manufactured homes.

11.24 DESIGN REQUIREMENTS

Manufactured housing projects, including related facilities constructed or erected on the security property, must conform to the development, installation, and setup requirements of RD Instruction 1924-A, Exhibit J.

The manufactured home, when placed on the site, will have floor space area of not less than 400 square feet, and a width of 12 feet or more for single wide and 20 feet or more for a double wide unit. The unit must:

- Be placed on a site-built permanent foundation that meets or exceeds applicable requirements of the Agency-adopted standards, that are identified in RD Instruction 1924-A, Exhibit J, or other building codes approved by the Agency;
- Be permanently attached to the foundation by anchoring devices adequate to resist all loads identified in RD Instruction 1924-A, or other building codes adopted by the Agency;
- Be constructed in compliance with Agency thermal performance construction standards specified in RD Instruction 1924-A, Exhibit D, Paragraph (IV)(G); and
- Be constructed in compliance with applicable standards and manuals adopted by the Agency as evidenced in RD Instruction 1924-A, Exhibit J. All units must conform to the HUD “Manufactured Home Construction and Safety Standards,” and be identified by an affixed certification label according to Exhibit J of RD Instruction 1924-A.

Manufactured home projects must be designed to provide for a desirable residential environment. Innovative and imaginative design is encouraged. Highly stylized patterns and monotony must be avoided. All property improvements will relate to the individual characteristics of the land. The project, including structures, streets, and all site improvements, should be harmoniously, efficiently, and conveniently arranged in relation to the topography and the shape of the property.

Manufactured home projects designed for families must consider adequate recreational space to accommodate children. In addition, the units themselves should be able to handle normal wear and tear of family living.

11.25 SPECIAL WARRANTY REQUIREMENTS

The seller of the manufactured homes must deliver to the borrower the manufacturer’s warranty. The warranty must identify the units by serial number.

The general contractor or dealer-contractor, as applicable, must provide a warranty in accordance with RD Instruction 1924-A. To be acceptable, the warranty must contain provisions establishing that:

- The manufactured home, foundation, positioning, anchoring to permanent foundations, and all contracted improvements are constructed in substantial conformity with applicable approved plans and specifications;
- The manufactured home sustained no hidden damage during transportation and, for double-wide units, that the sections were properly joined and sealed; and
- The manufacturer's warranty is in addition to, and not in derogation of, all other warranties, rights, and remedies that the borrower may have.

11.26 RATES AND TERMS

The amortization period and term of each loan will not exceed the lesser of the economic life of the security, taking into account probable depreciation, or 30 years. The loan appraisal will provide an economic life estimate.

11.27 LOAN PROCESSING AND UNDERWRITING

Loans for manufactured housing are processed and underwritten in accordance with the guidance established in Chapters 4 and 5. In addition, the Loan Originator must do the following:

- Establish that the project meets the additional eligibility requirements of Paragraph 11.23. The Loan Originator can verify the age of the manufactured home unit by looking at purchase agreements or bills of sale.
- Work with the State Architect to make sure that project plans meet the construction and design requirements established in Paragraph 11.24.
- Verify that the required warranties identified in Paragraph 11.25 are available at the final application stage.

If the project cannot meet these or any other program requirements, the loan application must not be approved.

11.28 LOAN CLOSING

Loans for manufactured housing projects are closed in accordance with the guidance provided by Chapter 8. In addition, the following requirements must be met at loan closing:

- A mortgage or deed of trust must be taken on the entire property purchased or improved with the loan;

- The encumbered property must be covered under a standard real estate title insurance policy or attorney's title opinion that identifies the project (including the manufactured homes) as real property and insures or indemnifies against any loss if the manufactured home is determined not to be part of the real property; and
- The property must be taxed as real estate by the jurisdiction where the project is located, if such taxation is permitted under applicable law when the loan is closed.

SECTION 5: RURAL COOPERATIVE HOUSING

11.29 OVERVIEW

Rural cooperative housing is multi-family housing owned, operated, and managed by a consumer cooperative. The consumer cooperative consists of eligible members who operate the housing at actual costs. Any income received by the consumer cooperative in excess of operating costs and expenses are assigned to members' patronage capital accounts.

Cooperative members do not earn equity in their homes; however, they are entitled to the funds that accumulate in their patronage capital accounts, which is referred to as limited equity. Paragraph 11.33 E provides additional details on patronage capital accounts.

Cooperative housing projects do not compete for funding with other Multi-Family Housing projects. Rather, they receive funds held at the National Office. Underwriting of cooperative housing is a joint effort between the State Office and the National Office. The State Office reviews the loan application through the initial application stage, and if the project appears eligible and feasible, the State Office submits the case file to the National Office. If the National Office concurs, the applicant is invited to submit a final application. The National Office makes the final decision to approve or reject the loan.

This section discusses the requirements regarding the development and operation of cooperative housing that are addressed during the loan origination process. The loan origination procedures are much the same as for those of other Multi-Family Housing projects, although there are some differences due to the nature of cooperative housing.

11.30 ELIGIBILITY AND ORGANIZATIONAL REQUIREMENTS

The consumer cooperative is the loan applicant. The consumer cooperative includes a Board of Directors elected from its members. All members, including the Board of Directors, must meet the organizational and eligibility requirements outlined in Exhibit 11-2.

The eligibility and tenancy rules for cooperative housing projects are different than those for other Agency-financed, multi-family housing but are similar to those for the Guaranteed Rural Rental Housing Program. Any person who is admitted to rural cooperative housing as an eligible member may not subsequently be deprived of membership or tenancy if the person no longer meets the original program income eligibility requirements.

Exhibit 11-2		
Eligibility and Organizational Requirements		
Consumer Cooperative (Loan Applicant)	Members of the Cooperative	Board of Directors
<ul style="list-style-type: none"> • Must be organized under the cooperative laws of a State or a federally recognized Indian tribe. • Must consist of members from whom are elected a Board of Directors. • Must own and operate the housing on a cooperative basis solely for the benefit of the members. • Must operate at cost. • Must restrict membership in the housing to eligible persons and, to any extent the cooperative and the Agency permit, to others in special circumstances, such as when prolonged vacancies occur. • Must have no less than five directors, or whatever is allowable under State law. 	<ul style="list-style-type: none"> • Must reside in the cooperative housing. • Must have very low, low, or moderate incomes, except that any member who is admitted as an eligible member of the cooperative may not subsequently be deprived of membership or tenancy by reason of no longer meeting the income eligibility requirements. • Must deposit a membership fee. This fee will be retained by the cooperative for as long as the person remains a member. The fee will be refunded to the person when membership is terminated. • Must execute documents committing themselves to uphold the cooperative concept. 	<ul style="list-style-type: none"> • The composition of the Board of Directors will be drawn from the cooperative membership, initially by appointment and later by election from the general membership. • The Board must be composed of at least five members. • A membership list showing the names and addresses of each member must be maintained by the secretary of the cooperative. • The Board of Directors, with assistance from the adviser to the Board, will devise the rules and regulations under which the cooperative will operate. Additionally, the Board will be responsible for managing the cooperative.

11.31 MARKET FEASIBILITY

Market feasibility is evidenced by the names and addresses of prospective members who have definitely affirmed their intention of becoming cooperative members in the proposed project. In the event some persons cannot be accepted for membership for financial or other reasons, the cooperative should obtain more names than the number of proposed units to assure adequate feasibility coverage. **Attachment 11-D** may be used for this purpose. A professional market study is not required.

11.32 APPLICATION REQUIREMENTS

Loan applicants for cooperative housing projects must submit the following items in addition to those required for other Multi-Family Housing projects as described in Chapters 4 and 5:

- At the initial application stage:
 - ◇ The names and addresses of persons who have expressed an interest in becoming members of the cooperative. Signature and date evidencing this interest from each person will be obtained to fully document the need for the cooperative housing.
 - ◇ A budget that provides for accumulating a management reserve at a rate commensurate with normal management fees appropriate to the area. The reserve should be shown under the management column.
 - ◇ Certification of interest from prospective members, including a statement that the prospective member understands the cooperative type of organization and the time and effort each member must spend in its operation and maintenance.
 - ◇ A statement from each prospective member of monthly income and expenses showing the repayment of debts and whether those payments are current. The statement must indicate that the person will have the financial ability to meet the monthly occupancy rate requirement, while still meeting other monetary obligations. *Form RD 3560-38, Application for Cooperative Housing Membership*, will be used for this purpose.
- At the final application stage:
 - ◇ An Affirmative Fair Housing Marketing Plan (AFHMP) for all cooperative projects containing over four units.
 - ◇ A management statement that should the cooperative be unable, after a 12-month period, to show the ability to manage itself without professional assistance, professional management services will be obtained, and the amount to be accumulated in the management reserve account will be used to pay for this service.
 - ◇ An executed copy of a limited equity agreement which substantially conforms to **Attachment 11-E**.
 - ◇ A completed subscription agreement which substantially conforms to **Attachment 11-I**.

11.33 MANAGEMENT REQUIREMENTS

When underwriting loan applications for cooperative housing, Loan Originators must give consideration to the special management requirements of a cooperative housing structure. The Board of Directors of the cooperative has ultimate responsibility for management of the housing.

A. Cooperative Board of Directors

The Board will be composed of members of the cooperative with the same interests and concerns as the general membership. The Board will be responsible for establishing the policies and procedures that will govern the operation of the cooperative and enforcing those policies and procedures. For instance, instituting increases in the member occupancy rates, or terminating a member's right to cooperative ownership because of serious repeated violations of cooperative rules and regulations will be the types of actions which are taken by the Board. The members of the Board will also be affected by these decisions since they must adhere to the same rules and regulations as the rest of the cooperative community.

The Board of Directors must provide to all prospective members a description of the cooperative and its financial obligations, and a description of limited equity and what it means to the cooperative members. **Attachment 11-E** will be used for this purpose.

B. Adviser to the Board

A resident of the community who is not a member of the cooperative will serve as an adviser to the Board during the period of formation and until the Board of Directors has effectively demonstrated its ability to manage the cooperative. At that time, the adviser will maintain close contact with the cooperative and provide advice and assistance as needed. The adviser may also be an organization; however, one specific individual will have sole contact with the Board to eliminate confusion and to prevent one person from countermanding another's instructions. The adviser will closely monitor the cooperative for at least 2 years after it becomes its own manager. This time may vary, depending on the circumstances.

The adviser must be very carefully selected to ensure that adequate guidance is given to the Board. The adviser must meet specific criteria to ensure that the Board receives sound advice and direction. **Attachments 11-F, 11-G, and 11-H**, must be used in evaluating potential advisers. While it may not be possible to find one individual or individuals who can meet all the requirements outlined, the criteria should be used to select the best candidate. The Agency will provide counsel to the cooperative during the interview period and must approve the selection of the adviser.

The adviser may require compensation for services rendered; however, the amount paid should not severely limit the amount of patronage capital accruing to the members. Compensation paid to the adviser will be shared by members through the deduction of equal amounts from their management reserve payments.

C. Committees

The success of cooperative housing projects will depend on how well the members are able to manage the cooperative themselves with assistance from the adviser to the Board. The cooperative must first develop and designate the areas of responsibilities to be delegated to committees, a list of the committees, and the functions of the committees. A copy of this information will be provided to each prospective member.

It will be necessary for the proposed Board of Directors to become familiar with how a cooperative is supposed to work before it is able to successfully assume the responsibilities of running the cooperative. This can best be achieved by participating in programs designed for the express purpose of educating potential Board members. The prospective Board members will be expected to take part in such a training program.

Participation on committees by members will be on a voluntary basis. However, if it appears a committee does not have sufficient numbers for it to adequately operate, then additional members will be expected to volunteer their time and talents. Thus, participation on committees is voluntary up to a point. If a member has experience in a particular area, that member should be encouraged to join the committee that will benefit from their experience. The cooperative will need a total commitment from the membership to assure success of self-management. Examples of the types of committees which may be considered are:

- Maintenance;
- Groundskeeping;
- Communications;
- Budget and finance;
- Rules;
- Recreation; and
- Home service.

If the cooperative is not successful in managing itself, the cooperative must hire professional management.

D. Acceptable Forms of Management

There are three forms of acceptable management options for cooperative housing: self-management, partial self-management, and contract management.

1. Self-Management

The primary management objective for many housing cooperatives is to self-manage. To achieve this goal, education and training efforts should be an ongoing part of their early years of the project operation. Accordingly, modest education costs will be permitted in the budget as a subheading under management expenses. Education must be relevant to cooperatives and conducted by a professional person with experience in cooperatives. In the beginning, it may be necessary to obtain some outside services, such as a bookkeeper. If so, then partial self-management can be used initially. It will be necessary for a qualified nonmember (individual or organization) to advise the board

during the formative years of the cooperative. **Attachments 11-F** and **11-H** will be used as a guide for determining the qualifications of the adviser.

2. Partial Self-Management

Certain management and supervisory services may be contracted from a technical service organization, housing authority, or management firm. If this additional assistance does not enable the cooperative to manage itself, then the ultimate solution will have to be contract management.

3. Contract Management

Professional services may be contracted for the day-to-day supervision of cooperative operations. The Board of Directors could develop the policies that would then be administered by the management agent. The Agency will assist the adviser to the Board in determining if and when professional management will be hired in lieu of self-management. In the event the adviser and the Agency are unable to reach an agreement regarding the hiring of professional management, the ultimate decision will rest with the Agency.

E. Management Reserves and Patronage Accounts

1. Paying for Management

A set rate for professional management will be assessed each month as part of the occupancy rate and will be maintained in a separate reserve account. If the cooperative is successful at managing its own affairs during the year, the amount accumulated in the reserve will at the end of the year be transferred to the patronage account and credited equally to each member's account. This same procedure will be followed each year, allowing a buildup of patronage capital. For budgeting purposes, contributions to the management reserve account will be tracked separately for each member. This will facilitate distribution of patronage capital should a member leave before the end of the year.

If professional management is hired by the cooperative to correct deficiencies that have arisen from poor self-management, the deposits to the management account will then be used to pay for professional management, and the amount being accrued to the members' patronage capital account will be suspended. If the amount being accumulated for management is not sufficient to cover the cost of contract management, occupancy charges will be increased to cover the expense of management. When the cooperative begins to again manage itself, the assessment for the management reserve will resume as previously stated.

Agency rental assistance proceeds are not to be used to make the member's contribution to the management reserve account. Therefore, the member must make this payment from the member's own resources. If it becomes necessary to hire full-time professional management, then the management fee will be considered part of the shelter cost and thus eligible for Agency rental assistance.

2. Patronage Capital Accounts

Any income remaining at the end of the year, including unused management reserves will be assigned as patronage capital. The cooperative must keep records to track each member's contribution to the management reserve account so that the cooperative will know how much patronage capital the member is entitled to should membership be terminated prior to the end of the fiscal year. Assignment from the patronage capital account and from the management reserve must be accomplished in accordance with the Internal Revenue Service ruling concerning patronage distribution. Inflation equity that accrues on cooperative property is not considered part of the members' limited equity and will not be taken from the project when a member vacates the project.

F. Occupancy Agreement

All members of the cooperative must sign an occupancy agreement, which is a contract setting forth the rights and obligations of the cooperative member and the cooperative, including the amount of the monthly occupancy charge and the other terms under which the member will occupy the housing. An example of such an agreement is provided in **Attachment 11-C**.

11.34 COOPERATIVE MEMBERSHIP FEE

Cooperatives require a membership fee. The membership fee is established by the Board of Directors and must be equal to 1 month's occupancy charge. Once the fee has been established, that amount is uniformly applied to all members. Members unable to pay a membership fee in full should be permitted to make monthly payments without interest, until the membership fee is paid; however, a down payment of at least \$25 should be required at occupancy. The period of payment on the membership fee should not exceed 12 months.

11.35 LOAN PROCESSING

Applications for cooperative housing will be solicited through a NOFA, but considered for funding from an administrative reserve.

Applications for cooperative housing loans will be processed in the order in which a complete project proposal is received. When a request for a cooperative housing loan is received, the State Director will contact the National Office to determine if sufficient funds are available to make the loan. If so, and if the project proposal appears preliminarily eligible and feasible, the Loan Originator will invite the applicant to submit an initial application in accordance with Chapter 5 and including the additional information outlined in Paragraph 11.32. If funds are not available in the current funding cycle, the initial application will be considered for funding in the next funding cycle.

The Loan Originator will review all initial applications for cooperative housing loans for eligibility and feasibility. In cases where the proposal is not eligible or feasible, the proposal will be rejected and appeal rights provided in accordance with RD Instruction 1900-B. Proposals that appear eligible and feasible will be forwarded to the National Office for review and authorization.

If authorized by the National Office, the State Director will notify the applicant that the application appears eligible and feasible. The Loan Originator will then invite the applicant to submit a final application. Loan Originators will use the procedures presented in Chapter 5 to process final applications and obtain loan approval.

11.36 LOAN CLOSING AND POST-CLOSING ACTIVITIES

Loan Originators will follow the procedures described in Chapters 8 and 9 to close the loan, monitor construction, and oversee initial project occupancy.

ATTACHMENT 11-A

MANAGEMENT OF CONGREGATE HOUSING AND GROUP HOMES

I. PURPOSE: This exhibit prescribes additional requirements for the management of congregate housing and group homes. It applies in addition to other requirements in 7 CFR Part 3560.

II. OBJECTIVE: The objective in the management of congregate and group home housing is to provide shelter and predetermined services as separate components, based on a market study identification of need, that are affordable to the housing's tenant base. It is further the objective to permit resident tenants to cover their individual medical and discretionary needs, and/or service needs or preferences not provided or arranged by the housing provider, within their own financial, familial and social resources.

III. DEFINITIONS:

Congregate housing. Residential housing for persons or families who are elderly, or have handicaps, or disabilities, consisting of private apartments and central dining facilities in which a number of preestablished services are provided to tenants (short of those services provided by a health care facility that provides health related care and services recognized by the Medicaid program). Tenants requiring additional services not provided by the facility will acquire them or provide for them within their own financial, familial, or social resources.

Group home. Housing that is occupied by individuals who are elderly or have handicaps/disabilities, sharing living space within a rental unit in which a group home resident assistant may be required.

Service agreement. A written agreement between the borrower and the congregate or group home service provider detailing the specific service to be provided, the cost of the service, and the length of time the service will be provided.

Service contract. A written contract between the borrower and the tenant listing the package of services selected by the tenant that will be provided or arranged by the borrower, the fee or fees to be charged, and applicable conditions and agreements pertaining thereto.

Service plan. A written plan describing how services will be provided to congregate housing or group home projects. At a minimum, the plan must specify the services to be provided, the frequency of the services, who will provide the services, how tenants will be advised of the availability of services, and the staff needed to provide the services.

Tenant base. The demographic and economic profile of eligible people in a housing market area who would benefit, whether by need or preference, from the housing and supportive services provided by a congregate housing or group home facility located in the market area.

IV. RENT SUBSIDY OPPORTUNITIES: Subsidy discussed in that paragraph cannot be used to pay for services in congregate housing or group homes.

V. MANAGEMENT OPERATIONS: Borrowers must comply with 7 CFR Part 3560 in managing congregate housing and group homes. In addition, borrowers must submit a service plan that explains how services will be provided.

A. Borrower's experience. Borrowers and management agents must outline their experience and plans for providing congregate and group home services when completing the management plan in 7 CFR 3560.102(e)(2). Borrowers who are not experienced with congregate housing/group homes must obtain assistance from organizations or individuals experienced with congregate issues in developing management and servicing plans. The service provider's experience and ability to furnish the services must be documented.

B. Management plan. In addition to the general requirements for a management plan described in 7 CFR 3560.102, the management plan should describe the plan for management of features unique and essential to congregate/group home housing. This portion of an overall management plan may either be incorporated within the framework of the management plan or as an addendum to the plan. The following areas should be described:

1. Tenant mix. For congregate housing, describe the mix of tenants who will have a greater number of services and tenants who will have a lesser number of services that the project is designed to accommodate. For group home housing, describe the "group(s)" of tenants the group home is intending to serve such as elderly tenants, developmentally disabled, or mentally impaired persons.

2. Marketing plan. Describe the strategies, ways and means that marketing and advertising will be focused to attract and retain tenants from the market area (tenant base) that would benefit by the congregate/group home housing project.

3. Service package. Describe the basic and any alternative "package" of service(s), or combination of service packages, that a tenant may acquire at the project. Describe any deviations to a service package that can be accommodated on an individual tenant basis by the project in a reasonable and practical manner.

4. Referral service. Describe the plan for identifying other services available to tenants and for establishing liaison between the project and the other services. Describe the plan to make the information of such services available and known to tenants. Describe what arrangements the project can provide as part of a service package to help tenants use referral services.

5. Tenant consultation. Describe how the project management staff will use tenant consultation to assist tenants with information, modification of service package, referral to medical, clinical, family or other services, and identifying what, if any, reasonable accommodations or assistance are needed and whether they are feasible and practical to provide.

6. Emergency evacuation plan. Describe what the project will do to inform and train tenants on safe evacuation of an apartment and building. Describe which community/public services will be informed about and incorporated into the project evacuation plan.

C. Service plan. Congregate housing/group home borrowers must submit a service plan as defined in paragraph III of this attachment and in 7 CFR 3560.11. The service plan will be an addendum to the management plan when appropriate, or subject to the signature and authorization requirements of the management plan when the service provider is not the borrower or management agent.

D. Service agreements. Borrowers must submit a service agreement for each service they do not provide directly. The agreement must stipulate the specific service to be provided, the cost of the service and the length of time the service will be provided. The service agreement will be an addendum to the management agreement when appropriate or subject to the signature and authorization requirements of the management agreement when the service provider is not the borrower or management agent. Initial service agreements must be effective for at least 1 year after the project becomes operational. Subsequent agreements must be effective for at least 1 year.

E. Service contract. Borrowers must submit a sample of the service contract for Agency review for compliance with Fair Housing Act requirements/restrictions and Agency requirements. The service contract may not be a requirement for occupancy in the congregate housing project and it must be made separate and apart from the occupancy lease agreement.

VI. RENTING PROCEDURE: In addition to meeting the conditions of 7 CFR 3560.104, borrowers must meet the following conditions.

A. Eligible tenants. Tenants must meet the general provisions of 7 CFR 3560.152 and be eligible to occupy congregate or group home housing as defined in paragraph III of this attachment. Borrowers must be careful to follow the conditions described in 7 CFR 3560.104 when inquiring about the applicant's or tenant's request for congregate/group home housing and the services it provides.

B. Tenant selection. Borrowers must meet the provisions of 7 CFR 3560.154. Borrowers should be further guided by the following in selecting tenants for congregate housing and group homes:

1. Congregate housing.

a. Tenant mix. It is the primary intent of a congregate housing project to provide or arrange for service packages made up of various component services to serve the needs of tenants needing such services. If it is not feasible to provide service packages to all tenants, the borrower may serve tenants needing services and tenants not needing services. The number of tenants that can be served with service package(s) will be described in the project management plan. Project management should be consulted when establishing the tenant mix. The plan should establish a percentage of tenants who will use a service package with a greater number of component services as differentiated from tenants whose service package will contain fewer services. As existing tenants age and new tenants move in, the percentage may fluctuate. Rural Development must concur with the proposed plan.

b. Selecting services needed or wanted by tenants in congregate housing.

(1) It is the borrower's responsibility to inform applicants or tenants about the supportive services provided at or by the congregate project. Such services or service packages need to be identified on the project's application form as part of an application package.

(2) It is the applicant's or tenant's responsibility to identify and request the services or service package provided by the project which that person desires or needs.

(3) The borrower may have the applicant/tenant provide only such essential information about the person's desire for provided service(s) to determine whether the project provides the services desired by the applicant/tenant and/or to determine how to best serve the applicant's/tenant's request for services with reasonable accommodation, referral services, etc. The essential information may include an explanation by the applicant/tenant. In the case of a group home, it may also include an assessment by a professional medical examiner or practitioner, social service caseworker, representative of an advocacy group, member of the clergy, etc. that the tenant/applicant provides to support the application for housing and services.

c. Waiting lists. To sustain the number of tenants requesting services, management may maintain waiting lists for tenants requesting large component service packages, small component service packages, and those wanting a service package at a later time. Management may choose tenants from the lists in such manner to maintain the feasibility in providing services, however, priority in tenant selection should go to an applicant requesting a service package over one requesting a service package at some later date. The other provisions contained in 7 CFR 3560.154(f) concerning waiting lists are applicable.

2. Group home. A group home may limit occupancy to a specific group of tenants. For example, a group home may limit occupancy to eligible elderly tenants, developmentally disabled people, or mentally impaired tenants. This limitation will be outlined in the borrower's management plan. The following will apply to group homes:

- a. Applicants for group home housing must demonstrate their need for such housing.
- b. Tenants of group homes cannot be required to be a part of an ongoing training or rehabilitation program sponsored by the applicant or other organization.
- c. Tenants should be selected from the local area before considering other areas.

C. Determining per unit rental rates for group living arrangements. A "unit" in a group home consists of the space occupied by a specific tenant household. It may be a traditional apartment unit, a bedroom, or a portion of a bedroom. Rents are determined as follows:

1. When all units are of equal size, divide operational costs equally.
2. When all units are not of equal size, determine the size of each unit and divide operational costs accordingly.

- a. The size of traditional units is their square footage.
 - b. The size of nontraditional units is the bedroom or portion of bedroom occupied by the household and portion of the common area to be used by all potential units in nontraditional units.
3. A unit occupied by a resident assistant is not considered a revenue producing unit and would be excluded from the rent determination.

VII. VERIFICATION AND CERTIFICATION OF TENANT INCOME, AND/OR EMPLOYMENT AND REVIEW OF SUPPORT SERVICES: The provisions of 7 CFR 3560.152(a) apply. In addition to recertifying income, management should consult with each tenant to explain the available support services and determine if the tenant desires any available services not presently used and/or if any other practical and feasible accommodations can be provided to the tenant.

VIII. LEASE AGREEMENTS: In addition to the conditions contained in 7 CFR 3560.156, the following should be addressed:

A. Tenants who request services in congregate housing. If a tenant requests services, the lease must contain the following clauses:

1. "I understand that use of the service package I have selected is not mandatory, and if I later choose to modify or not renew my service contract, such action on my part will not cause default under the terms of this lease agreement. I further understand and agree that I may not use any aspect of dissatisfaction with my service contract as grounds to withhold rents due under the terms of this lease agreement."

2. "The lessor warrants that the following basic services will be made available to all tenants for a fee separate and apart from any rent described in the terms of this lease. The basic services are: _____ . If these services cannot later be provided, such failure or inability to provide the services will not constitute a breach of this lease agreement and the lessor will hold the tenant harmless should the tenant elect to terminate this lease on the grounds that provision of these services was cause for the tenant to apply for and accept occupancy in this congregate housing project."

B. Services provided to people other than tenants of Rural Development financed congregate housing. If the meal facility serves people other than the tenants of the project, the borrower must obtain a lease from the service provider and require payment sufficient to cover the annual operating expenses, debt services and reserve account attributable to the portion of increased space that is in excess of the needs of the tenants in the project. Tenants of the congregate housing must have priority in receiving the services. When the facilities are provided with loan funds, the following conditions must be met:

1. The services to be provided and the fees to be charged (if any) must be fully documented in the service plan, if provided by the applicant, or in the service plan and lease agreement if the services will be provided by others.

2. Any lease agreement must be approved by the State Director or the loan approving official and contain the following statement: "This agreement will not be effective until approved by the State Director of the Rural Development, U.S. Department of Agriculture, or the State Director's delegated representative."

IX. RENT COLLECTION: The provisions of 7 CFR 3560.209 will apply for services as well as rent. Tenants must pay charges for the services as documented in their lease. The payment for rent or services may be made separately or combined; however, payments for rent and services must be accounted for separately.

X. BORROWER PROJECT BUDGETS: Borrowers must separate the revenue and expenses of project operations from the service component. *Form RD 3560-7, Multiple Family Housing Project Budget/Utility Allowance*, must reflect project operations only. Also, if project employees provide any part of the services, the project operation budget and the services budget must reflect the proration of employee compensation between the respective budgets as further described in 7 CFR 3560.102(i).

XI. ACCOUNTING AND REPORTING REQUIREMENTS AND FINANCIAL MANAGEMENT ANALYSIS: Borrowers must maintain separate financial records for the operation and maintenance of the project and the service component. Funds allocated to the operation and maintenance of the project may not be used to supplement the cost of services, nor may service component funds be used to supplement the project operation and maintenance. Detailed financial reports on the service component will not be required unless specifically requested by Rural Development, and then only to the extent necessary for Rural Development and the borrower to discuss the affordability (and competitiveness) of the service component by the tenant base in keeping with the objective stated in paragraph II of this attachment. The project audit, or verification of accounts on *Form RD 3560-10, Borrower Balance Sheet*, together with an accompanying *Form RD 3560-7* showing actuals, must allocate revenue and expense between project operations and the service component.

XII. TERMINATION OF TENANCY AND EVICTION. In keeping with the spirit and provisions of the Fair Housing Amendments Act of 1988, a tenant living in congregated or group home housing project may remain as long as they are eligible to occupy and the tenant expresses or otherwise maintains they can care for themselves with or without services provided by the project, or by familial or social services from outside the project. Tenants are otherwise bound by the terms of their lease and their occupancy may be terminated only according to the provisions contained in 7 CFR 3560.158 and 3560.159.

ATTACHMENT 11-B
SUPPORT SERVICES FOR
CONGREGATE HOUSING AND GROUP HOMES

I. **PURPOSE:** This attachment prescribes support services for congregate housing and group homes.

II. **GENERAL:** The success of congregate housing and group homes will depend on the quality and affordability of the service component. Congregate housing applicants should explore the feasibility of providing services individually to ensure affordability by very low-income tenants.

III. **EXISTING COMMUNITY SERVICES AND REQUIREMENTS:** Applicants should check local service agencies to determine what services are already available in the community. Services can often be provided more inexpensively through local service agencies or other groups which assist in providing services. In many communities there are established volunteer groups that may be willing to provide volunteer assistance to congregate housing tenants. Volunteer groups with a history of assisting elderly people may be able to supplement the delivery of services and help keep the costs affordable. Applicants should explore the availability of volunteers from the Retired Senior Volunteer Program (RSVP), local church groups and other community organizations. If volunteer groups are used, an alternative method of service delivery must be addressed in case the availability of volunteers ceases in the future. Applicants must also verify State and local licensing and certification requirements and include relevant information in the loan request.

IV. **SERVICE AGREEMENTS:** Applicant must submit a service agreement(s) for services that will be provided by employees of the project. If services will be provided by employees of the project, the applicant must submit a separate budget for services and describe how tenants will be billed for services. Employees of congregate housing facilities who perform tasks for the management of the building and spend an appreciable amount of time in providing services to tenants should have their salaries prorated between the project's operation and maintenance budget and the services budget.

V. **SERVICES FOR CONGREGATE HOUSING:** The following services must be made available to tenants of congregate housing projects:

A. **Meals.** At least one nutritious meal a day 7 days a week, must be provided in accordance with 7 CFR 3560.69(c)(1). The following information concerning the meal service must be included with the loan request:

1. Who will provide the meals (i.e., meals offered by a local agency with tenant contribution; supplied or conducted for by owner with charge to tenant)?

2. If the service will be provided by employees of the project, a proposed breakdown of costs for the meal service. The breakdown should include the cost of food, personnel and utilities needed to prepare and serve the meals. Information concerning the proposed staffing should be included.
3. The cost to the tenant. Will tenants pay by the meal or be charged a rate for a specified time?
4. A statement concerning the frequency of meals, including the number of meals to be served per week.
5. Information concerning how when and where the meals will be served (i.e., waiter style, buffet, tray service).
6. Any licensing requirement necessary for the service.

B. Transportation. Adequate transportation must be provided to shopping, medical and other services to meet the needs of the tenants. Applicants are encouraged to locate congregate housing facilities so that tenants can use public services. In many cases, service is available and the applicant can arrange for the project to be included in the schedule established by the provider. The following information concerning the transportation service must be included with the loan request:

1. Who will provide the service (i.e., transportation provided by a local agency with tenant contribution; vehicle leased or purchased by applicant with charge to tenant)?
2. If the service will be provided by employees of the project, a proposed breakdown of costs for the transportation service. The applicant should address the following costs: vehicle purchase or lease payment; personnel to operate the vehicle; fuel; maintenance; and insurance.
3. The cost to the tenant. Will tenants pay for each trip or will they be charged a monthly rate?
4. A typical proposed schedule.

C. Housekeeping. Housekeeping services must be offered to assist congregate tenants with household tasks. The applicant must address the following concerning the housekeeping service:

1. Who will provide the service (i.e., housekeeping offered by a local agency with tenant contribution; supplied or contracted for by applicant with charge to tenant)?
2. If the service is provided by employees of the project, a proposed cost breakdown for the service which includes the cost of labor and supplies.

3. The type of tasks that will be offered (i.e., light housekeeping, laundry, shampooing carpeting). What is the planned frequency of the tasks?
4. The cost to the tenant.

D. Personal services. Personal services include such items as assistance with personal hygiene, nutrition counseling and general health screening (blood pressure checks, etc.). The following information concerning the personal services must be submitted with the loan request:

1. Who will provide the service (i.e., personal services offered by a local agency with tenant contribution; volunteer health services; contracted for by applicant with charge to tenant)?
2. If the service is provided by employees of the project, a proposed cost breakdown for the service which includes the cost of labor and supplies.
3. The type of tasks that will be provided.
4. The cost to the tenant.
5. Any licensing requirement necessary for the services.

E. Recreational/social. Recreational and social activities must be offered to tenants to encourage interest in a variety of areas. The following areas could be considered: hobby and craft classes; dinners for holidays, birthdays, etc.; educational lectures; wellness and exercise programs; and a library. The applicant should encourage recreational/social activities which cause interaction between tenants, the project and the community. The following information concerning the recreational/social service must be included with the loan request:

1. Who will provide the service (i.e., recreational/social activities offered by a local agency with tenant contribution; supplied or contracted for by applicant with charge to the tenant)?
2. If the service is provided by employees of the project, a proposed cost breakdown which includes the cost of labor and supplies.
3. The types and frequency of recreational/social activities that will be offered.
4. The cost to the tenant.

VI. SERVICES FOR GROUP HOMES: The following services must be made available to tenants of a group home:

A. Meals. At least three nutritious meals a day, 7 days a week, must be provided if tenants are not capable of preparing their meals. If meals are provided, the budget may include only the cost of food if tenants assist a staff person in preparing meals. Tenants in

some group homes may be able to prepare meals on their own with supervision from project personnel. In these cases, applicants must ensure that the tenants will be preparing nutritious meals.

B. Transportation. Applicants must submit information on the transportation service as detailed in paragraph V B of this attachment.

C. Housekeeping. Applicants must provide a narrative explaining how housekeeping will be accomplished. In many cases, group home tenants assist with housekeeping chores with little expense being borne by the project. Applicants should detail expenses that will be part of the service budget.

D. Personal services. A higher percentage of tenants in a group home may require personal services. Applicants must detail the services to be offered and the cost to tenants.

E. Recreational/social. In most cases, there will be little expense for recreational/social opportunities in a group home. Applicants should explain what will be offered to the tenants and the projected cost to tenants.

VII ADDITIONAL ITEMS NECESSARY FOR CONGREGATE HOUSING/GROUP HOMES THAT CANNOT BE FINANCED WITH RURAL DEVELOPMENT LOAN FUNDS:

Congregate housing/group home projects require additional items that will not become affixed to the real estate. These items can include special portable equipment, furnishings, kitchen bars, dining ware, eating utensils, movable tables and chairs, steamtables, etc. In accordance with 7 CFR 3560.69(d), loan funds cannot be used to finance these items. As a part of the loan request, applicants must include a proposed list of additional items that will be needed by the project and state how these items will be paid for.

ATTACHMENT 11-C
OCCUPANCY AGREEMENT

THIS AGREEMENT, dated _____, by and between

_____ (hereinafter referred to as the "Cooperative"), at
_____ and
_____ (hereinafter referred to as "Member").

WITNESSETH: WHEREAS:

The purpose of the Cooperative is to acquire, own, and operate a cooperative housing project and its members shall have the right to occupy its dwelling units under the terms and conditions set forth in this agreement:

Member is the owner and holder of a certificate of membership of the Cooperative and intends to occupy a dwelling unit in the project as permanent residence; and

Member has certified to the accuracy of the statements in Member's application and agrees and understands that household income and other eligibility requirements are substantial and material requirements of his initial and continuing occupancy.

TO HAVE AND TO HOLD dwelling unit Number _____ on the terms and conditions set forth in this agreement, in the corporate charter, bylaws, and any other rules and regulations of the Cooperative. The term of this agreement shall be for a three-year period ending on _____, 20 __, 1/ renewable for successive three-year periods under the conditions provided for in this agreement.

ARTICLE 1. OCCUPANCY CHARGES.

Section 1.01. Commencing at the time indicated in ARTICLE 2, the Member agrees to pay to the Cooperative a monthly sum referred to as the "Occupancy Charge." This amount will be equal to one-twelfth of the Member's proportionate share of the total amount required by the Cooperative, as estimated by its board of directors, to meet its annual expenses and the requirements of the Rural Development loan. These include but are not limited to, the following items:

1/ The termination date to be inserted should be three years from the date of the occupancy agreement. (These terms may be for periods longer than 3 years if mutually agreeable to the member and to the cooperative.)

(a) Project operating expenses and cost of services furnished.

- (b) Necessary management reserve and administrative costs.
- (c) Taxes and assessments levied against the project or the Cooperative which it is required to pay.
- (d) Fire and extended coverage insurance on the project and any other insurance which the Cooperative may require.
- (e) The cost of furnishing any water, electricity, heat gas, garbage and trash collection, and other utilities, if furnished by the Cooperative.
- (f) Payments to other reserves set up by the board of directors.
- (g) Estimated costs of repairs, maintenance, and replacements of project property to be made by the Cooperative.
- (h) The amount of principal, interest, and any other required payments on any indebtedness of the Cooperative, including any loan made or insured by Rural Development, United States Department of Agriculture.
- (i) Any other expenses of the Cooperative approved by the board of directors and by Rural Development, while mortgagee, including operating deficiencies, if any, for prior periods.

Section 1.02. The board of directors shall determine the amount of the occupancy charges annually, but may do so at more frequent intervals should circumstances so require. No Member shall be charged with more than the appropriate share determined by the board of directors. That amount of the occupancy charge required for payment on the principal of mortgage of the Cooperative or any other capital expenditures shall be credited upon the books of the Cooperative as a capital contribution by the Members. Until further notice from the Cooperative, the monthly charge for the above-mentioned dwelling unit shall be \$_____.

ARTICLE 2. WHEN PAYMENT OF OCCUPANCY CHARGES TO COMMENCE.

Section 2.01. After thirty days' notice by the Cooperative that the dwelling unit is available for occupancy, or upon acceptance of occupancy, whichever is earlier, Member shall make a payment for occupancy charge covering the unexpired balance of the month. Thereafter, Member shall pay occupancy charge in advance on the first day of each month. Dates of payments may be changed by mutual agreement of the Cooperative and Rural Development.

Section 2.02. The Member agrees to furnish to the Cooperative, each year, a certificate of income on which the Member's occupancy charge will be determined.

ARTICLE 3. PATRONAGE REFUNDS.

Section 3.01. The Board shall, on the books of the Cooperative, assign to Member in accordance with the Internal Revenue Service ruling concerning patronage capital, a

proportionate share of money collected in excess of the amount needed for Cooperative expenses, including reserves designated as management reserve, and Members will be notified of the amount assigned each year.

ARTICLE 4. MEMBER'S OPTION TO RENEW.

Section 4.01. It is agreed that the term of occupancy shall be renewed for further periods of three years from the expiration of the initial term (or for a longer term as mutually agreed to by the member and the cooperative). Such renewals shall be based upon the same agreements as contained in this agreement unless: (1) notice of Member's decision not to renew is given to the Cooperative in writing at least 4 months prior to expiration of the current terms, and (2) Member, before expiration of said term, shall (a) endorse membership certificate for transfer to Cooperative and deposits same with the Cooperative, (b) meet all obligations and pay all amounts due under this agreement before said expiration, and (c) vacate and leave the premises in good state of repair. Upon compliance with foregoing provisions (1) and (2), Member shall have no further liability under this agreement. If extenuating circumstances warrant, the Member's four-month notification of intention to vacate may be modified appropriately. The Member will be entitled to the patronage capital which has accrued and been assigned during the term of this agreement provided that provisions (1) and (2) have been met.

ARTICLE 5. PREMISES TO BE USED FOR RESIDENTIAL PURPOSES ONLY.

Section 5.01. Member shall occupy the dwelling unit covered by this agreement as a private dwelling unit for the Member and/or immediate household and for no other purpose. The Member shall have use of all common community property and facilities of the project so long as Member continues to own a membership certificate of the Cooperative, occupies the assigned dwelling unit, and abides by the terms of this agreement. Any sublessee of the Member, if approved pursuant to Article 7 hereof, may enjoy the rights to which Member is entitled under this Article 5, except that the sublessee will have no voting rights in the affairs of the Cooperative.

Section 5.02. Member shall not permit or suffer anything to be done or be kept upon said premises which will increase the rate of insurance on the building, or on its contents. Member will not obstruct or interfere with the rights of other occupants, or annoy them by unreasonable noises or otherwise permit any nuisance on the premises, or allow any illegal act to be committed. Member shall comply with all the requirements of the Board of Health and of all other governmental authorities with respect to the said premises. If, by reason of the occupancy or use of these premises by Member, the rate of insurance on the building is increased, Member shall become personally liable for the additional insurance premiums.

ARTICLE 6. MEMBER'S RIGHT TO PEACEABLE POSSESSION.

Section 6.01. In return for Member's continued fulfillment of the terms and conditions of this agreement, the Cooperative agrees that the Member may at all times while this agreement remains in effect, have and enjoy for the Member's sole use and benefit the dwelling unit and community facilities hereinabove described.

ARTICLE 7. NO SUBLETTING WITHOUT CONSENT OF CORPORATION.

Section 7.01. This agreement shall not be assigned nor Member's dwelling unit sublet without the written consent of the Cooperative and Rural Development, while mortgagee. Under this agreement the Member shall be liable for the conduct of the sublessee. Any unauthorized subleasing shall, at the option of the Cooperative and of Rural Development, while mortgagee, result in termination and forfeiture of Member's rights under this occupancy agreement.

ARTICLE 8. TRANSFERS.

Section 8.01. Neither this agreement nor Member's right of occupancy shall be transferable or assignable except as provided in the bylaws of the Cooperative for the transfer of membership.

ARTICLE 9. MANAGEMENT, TAXES AND INSURANCE.

Section 9.01. The Cooperative shall provide necessary management, operation, and administration of the project; pay or provide for the payment of all taxes or assessments levied against the project; procure and pay or provide for the payment of fire insurance and extended coverage, and other insurance as the Cooperative may deem advisable on property in the project. The Cooperative will not, however, provide insurance on Member's personal property.

ARTICLE 10. UTILITIES.

Section 10.01. The Cooperative shall arrange for utilities (water, electricity, heat, and gas) for common areas of the structure(s) in amounts which it deems reasonable and in conformance with 7 CFR 3560.303(b). (Strike out any of the foregoing items in this Article which are not applicable.) Each unit will be separately metered and Member shall pay directly to the supplier for the utilities billed to Member.

ARTICLE 11. REPAIRS.

Section 11.01. By Member. Member agrees to repair and maintain Member's dwelling unit at own expense as follows:

- (a) Any repairs or maintenance necessitated by Member's own negligence or misuse;
- (b) Any redecoration of own dwelling unit authorized, done or contracted for by Member;
- (c) Any repairs, maintenance, or replacements required on the following items: (Insert the items desired, subject to Rural Development approval.)

Section 11.02. By Cooperative. The Cooperative shall provide and pay for all necessary repairs, maintenance, and replacements except as specified in Section 11.01. Member agrees to the right of the officers of the Cooperative to authorize entrance to Member's dwelling unit in order to complete necessary repairs, maintenance, and replacements and to authorize entrance for such purposes by employees of any contractor, utility company, municipal agency, or others at

any reasonable hour of the day and upon reasonable notice. In the event of emergency, the unit may be entered at any time. Notification of entry will be left for the member by the person performing the maintenance or repair.

Section 11.03. Right of Cooperative to Make Repairs at Member's Expense. In case Member shall fail to effect and pay for the repairs, maintenance, or replacements specified in Section 11.01, in a manner satisfactory to the Cooperative, the board may do so and add the cost of repairs to Member's next month's occupancy charge payment.

ARTICLE 12. ALTERATIONS AND ADDITIONS.

Section 12.01. The Member shall not, without the written consent of the Cooperative make any structural alterations in the premises or in the water, gas or steampipes, electrical conduits, plumbing or other fixtures connected therewith, or remove any additions, improvements, or fixtures from the premises.

Section 12.02. If Member for any reason ceases to be an occupant of the premises, Member shall surrender to the Cooperative possession thereof, including any alterations, additions, fixtures, and improvements.

Section 12.03. Member shall not, without the prior written consent of the Cooperative install or use in dwelling unit any air conditioning equipment, electric heater, or power tools. Member agrees that the Cooperative or Rural Development, while mortgagee, may require the prompt removal of any such equipment at any time, and that failure to remove such equipment upon request shall constitute a default within the meaning of Article 13 of this agreement.

ARTICLE 13. DEFINITION OF DEFAULT BY MEMBER AND EFFECT THEREOF.

Section 13.01. If, at any time after the happening of any event specified in clauses (a) through (k) below, the Cooperative gives to Member a 30-day notice of expiration, this agreement and all Member's rights under this agreement will expire on the date specified in such notice. In the meantime the default may be cured in a manner deemed satisfactory by the Cooperative. After 10 days following such expiration of Member's rights, the Cooperative may reenter the dwelling unit and remove all persons and personal property therefrom, by any means available to it by law, and may repossess the dwelling unit in its former state as if this agreement had not been made.

- (a) If, during the term of this agreement, Member ceases to be the owner and legal holder of a membership of the Cooperative.
- (b) If Member attempts to transfer or assign this agreement in a manner inconsistent with the provisions of the bylaws.
- (c) If, during continuance of this agreement, Member is declared bankrupt under the laws of the United States so as to be released from any debt or obligation to the Cooperative or to interfere with his full exercise of his rights as Member and occupant.

- (d) If, during continuance of this agreement, a receiver of Member's property is appointed under the laws of the United States or of any State.
- (e) If, during continuance of this agreement, Member shall make a general assignment for the benefit of creditors.
- (f) If, during continuance of this agreement, any of the membership rights in the Cooperative owned by Member are duly levied upon and sold under the process of any court.
- (g) If Member fails to effect and/or pay for repairs and maintenance as provided for in Article 11.
- (h) If Member fails to pay any sum due pursuant to Article 1.
- (i) If default occurs with respect to any obligation of Member under this agreement.
- (j) If, during the term of this agreement, Member fails to comply promptly with all requests by the Cooperative for information and certifications concerning the total current income of Member and Member's household or any other eligibility requirements for membership or occupancy.
- (k) If, during the term of this agreement, limitations for continued occupancy are established from time to time by the Rural Development and are exceeded.

Section 13.02. Member hereby expressly waives any and all right to reenter the dwelling if the eviction is by judgment of any court or judge. The words "enter," "reenter," or "reentry" as used in this agreement are not restricted to their technical legal meaning. In the event of a breach by Member of the terms of this agreement, the Cooperative shall have the right of injunction and the right to invoke any remedy allowed at law or in equity, as if reentry, summary proceedings, and other remedies were not provided for.

Section 13.03. Failure by the Cooperative to avail itself of any remedy given under this agreement shall not waive or destroy any right of the Cooperative to avail itself of remedies for any similar or other breach or default by Member.

Section 13.04. Notice by the Cooperative under any of the conditions described in Article 13 shall be in writing. The cooperative shall not evict any member except by judicial action pursuant to State or local law and in accordance with the requirements of 7 CFR 3560.158 or 3560.159.

ARTICLE 14. MEMBER TO COMPLY WITH ALL CORPORATE REGULATIONS

Section 14.01. Member agrees to preserve and promote the cooperative ownership principles on which the Cooperative has been founded and to abide by the charter, bylaws, rules and regulations of the Cooperative, and amendments. The Member agrees to make diligent

effort in performing duties and accepting responsibilities either through volunteering or by assignment from the board of directors. By acts of cooperation with other members, Member will strive to bring about and maintain a high standard in home and community conditions. The Cooperative agrees to deliver to Member its rules and regulations and/or to distribute them in such other manner as to constitute adequate notice.

ARTICLE 15. EFFECT OF FIRE LOSS ON INTERESTS OF MEMBER

Section 15.01. In the event of loss or damage by fire or other casualty to Member's dwelling unit without fault or negligence of Member, the Cooperative shall determine (1) whether Rural Development to restore the damaged premises and, if not, to restore (2) the amount to be paid to Member to redeem membership and for reimbursement for any loss sustained by the Member.

Section 15.02. If, under such circumstances, the Cooperative decides to restore the premises, occupancy charges shall stop wholly or partially, as determined by the Cooperative, until the premises have been restored. If, on the other hand, the cooperative decides not to restore the premises, the occupancy charges shall cease from the date of such loss or damage.

ARTICLE 16. INSPECTION OF DWELLING UNIT

Section 16.01. Member agrees that the representatives of any mortgagee holding a mortgage on the property of the Cooperative, the officers of the Cooperative, or authorized representative of the Cooperative shall have the right to enter the dwelling unit of Member and make inspections and, with the approval of the Cooperative, the employees of any contractor, utility company, municipal agency, or others shall have the right to enter the dwelling unit of Member and make inspections at any reasonable hour of the day, upon reasonable notice, and at any time in the event of emergency.

ARTICLE 17. SUBORDINATION CLAUSE

Section 17.01. The Cooperative housing project of which Member's dwelling unit is a part is planned to be constructed by the Cooperative with the assistance of a loan to the Cooperative made or insured by the Rural Development. Therefore, this agreement and all rights, privileges, and benefits hereunder shall be at all times subject and subordinate to a first mortgage lien or any documents executed by the Cooperative to secure its obligations to Rural Development and to any extensions and removals and to any security instrument which may be made in replacement thereof or at any time hereafter be placed on the property of the corporation. Member hereby agrees to execute, at the Cooperative's request and expense, any instrument which the Cooperative or any lender or mortgagee may deem necessary or desirable to subordinate this Agreement to any such security instrument. Member hereby appoints the Cooperative and each and every officer thereof, and any future officer, as irrevocable attorney-in-fact during the term of the agreement to execute any such instrument on behalf of Member.

ARTICLE 18. LATE CHARGES AND OTHER COSTS IN CASE OF DEFAULT

Section 18.01. In addition to all other sums due or to become due under this agreement, Member shall pay to the Cooperative a late charge, not to exceed \$10.00, at any time payment of occupancy charges, or part thereof, is more than 10 days late. This late fee may be waived, depending on the circumstances and at the discretion of the board.

Section 18.02. If, because of default by Member under any obligation in this agreement, the Cooperative obtains the services of an attorney, Member shall pay to the Cooperative all costs and fees involved, including reasonable attorney's fees and the costs of any resulting law suit, if such an action becomes necessary.

ARTICLE 19. NOTICES

Section 19.01. Whenever any bylaw of Cooperative, any law, or this agreement requires notice to be given to either party, any notice or demand by the Cooperative to Member shall be considered to have been duly given if the same is delivered to Member at Member's unit or to Member's last known address. Any notice or demand by Member to the Cooperative shall be considered to have been duly given if delivered to an officer of the Cooperative. Such notice may also be given by depositing same in the United States mails addressed to Member as shown on the books of the Cooperative, or to the president of the cooperative, as the case may be, and the time of mailing shall be the time of giving such notice.

ARTICLE 20. ORAL REPRESENTATION NOT BINDING

Section 20.01. No representation other than those contained in this Agreement and in the charter and the bylaws of the Cooperative shall be binding upon the Cooperative.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be signed and sealed the day and year first above written.

Cooperative

By: _____ (SEAL)

Member

TO BE DULY ACKNOWLEDGED

ATTACHMENT 11-D
COOPERATIVE HOUSING SURVEY

BEFORE ATTEMPTING TO ANSWER THESE QUESTIONS, PLEASE READ THE GUIDELINES FOR UNDERSTANDING THE PRINCIPLES OF COOPERATIVE HOUSING. NOW TAKE TIME TO ANSWER THE FOLLOWING QUESTIONS AS HONESTLY AS YOU CAN.

(Circle yes or no)

1. Are you willing to share the responsibilities required of a cooperative member?

yes no

2. If asked, will you serve on the board of directors or on a committee?

yes no

3. Are you willing to help in maintaining the cooperative property?

yes no

4. Do you now have a better idea of what cooperative housing really is?

yes no

5. Do you want to ask more about the cooperative before deciding whether to join?

yes no

6. If the answer to question 5 is "yes," will you come to an information meeting to be held in town?

yes no

7. Have you answered the questions truthfully? Did you answer "no" to any of questions 1, 2, or 3? If so, this type of housing is not for you. If you are interested, please go on to complete the second portion of this survey.

1. How many persons in your household?

adults children

2. Approximate annual income from all sources: \$_____

3. Are you or members of the household handicapped or impaired and in need of specifically designed housing arrangements?

yes no

4. An informal meeting is scheduled for _____ a.m./p.m., on _____, 20____, for the purpose of discussing a proposed ____-unit cooperative planned for this community.

At that time, a representative of the cooperative will be on hand to answer other questions you may have. So that we may know how many persons to expect at the meeting, we ask that you give us your name, address, and phone number.

NAME _____

ADDRESS _____

PHONE _____

ATTACHMENT 11-E
LIMITED EQUITY AGREEMENT

This Agreement, dated _____, by and between _____ (hereinafter referred to as the "Cooperative"), a corporation having its principal office and place of business at _____ and Rural Housing Service, United States Department of Agriculture (hereinafter referred to as RHS).

WITNESSETH WHEREAS

The purpose of the cooperative is to own and operate cooperative housing on behalf of its members, and the cooperative has applied to RHS for mortgage financing as authorized under Section 515 of the Housing Act of 1949, as amended.

The purpose of RHS is to provide long term housing financing for very-low, low-, and moderate-income persons and households, although initially eligible cooperative members may remain in occupancy after exceeding the income limit established for moderate income.

The additional purpose of RHS is to maintain the availability of units financed by RHS for very-low, low-, and moderate-income persons for as long as possible up to the 30-year maximum life of the loan.

As a means for implementing and carrying out these purposes, the cooperative pledges to RHS that:

- (a) Equity accumulated by the cooperative, other than through the appreciation in value of real estate, furnishings, and equipment of the cooperative, will be assigned on the cooperative's books equally to members at the end of its fiscal year and in accordance with the Internal Revenue Service ruling concerning patronage capital.
- (b) The members will be notified, in writing, of the amount assigned to his or her patronage account each year after the assignment has been made.
- (c) The officers, board of directors, and members of the cooperative may not act to dissolve the cooperative for the purpose of distributing equity, or for other reasons, except as necessary due to default or other circumstances beyond the cooperative's control, and
- (d) Should it become necessary to dissolve the cooperative, all property and assets of the cooperative will be transferred to another nonprofit or such other municipal organization and be maintained for the same purposes for which it was started.

(e) Only membership fees and money accrued in the members' patronage capital accounts will be distributed to the members and represents the entire equity payment to which the members are entitled. The cooperative reserves the right to withdraw from the equity payment or membership fee any amount due the cooperative through member's delinquency in payment of occupancy charge or through damage to the premises.

In witness thereof, the parties hereto have caused this agreement to be signed and sealed the day and year first above written.

(Cooperative)

_____ BY: _____ (Seal)
(Witness) (Member)

This agreement will be filed with the member's record.

ATTACHMENT 11-F

QUALIFICATIONS FOR AN ADVISER TO THE BOARD

In the Board's analysis of the talents and abilities of a person to handle the job of adviser, the first attribute most desirable is the capacity to be a friend. The definitions of a friend include (1) a person whom one knows, likes, and trusts; (2) one with whom one is allied in a struggle or cause; (3) one who supports, sympathizes with, or patronizes a group, cause, or movement.

The adviser must care about the person he or she is trying to help. That means having patience and understanding during the trial and error period of a new cooperative's operation and also when it becomes necessary to explain complicated regulations or legal documents more than just once to those who have had less educational opportunities than the adviser.

The adviser must teach a totally new housing concept to persons who have only had experience with a rental environment. This means that the adviser must be able to talk to each and every person who is interested in the cooperative housing and explain just what the person is facing. The adviser must also be able to listen to those who rely on someone's "being there" to hear their problems and ideas. The adviser must be someone who is able to work with low-income persons and one who both understands their particular circumstances and strives to improve their well-being. The adviser, in this regard, must be able to learn as well as to teach.

The adviser must be dedicated to those persons with whom he or she is associated as well as to have the capacity to work with city officials, Government officials, politicians, and other professionals to achieve the goal of housing the local citizens.

EDUCATIONAL BACKGROUND

- a. Experience in working with - low-income people and with the problems inherent within this group.
- b. Administrative background for -
 1. setting up system for management, including detailed financial, personal, and activity records;
 2. setting up system for maintenance for buildings, grounds, and equipment.
- c. Training to -
 1. accept the major responsibility of teaching and have the experience to carry this out.
 2. make certain that members are learning while doing, whatever the activity.
 3. know how to use group dynamics.

4. be ready to assist individual members resolve problems.
5. recognize a need for social casework when required, then be able to give or obtain that assistance. (Individual problems quickly affect cooperatives.)
6. have knowledge of and make effective use of resources.
7. handle the business of a cooperative while teaching members how to manage it themselves.
8. understand complexity of management and maintenance.
9. be able to understand, interpret, and teach the contents of documents from funding agencies.

Ideally, a background in social work would be the most logical experience, but others can be considered.

ATTACHMENT 11-G

RELATIONSHIP OF ADVISER TO MEMBERS

I. The adviser must be able to teach the members and the members must be willing to learn management and maintenance of total Cooperative while they gradually assume more and more responsibilities, until the cooperative is completely self-managed.

II. In order to be effective, the adviser should have the ability to teach to members:

- a. The complete procedures and techniques of management and maintenance.
- b. A cooperative approach to everything involved while member lives in a cooperative.
- c. An ability to deal with persons in authority.
- d. Resources and how to use them.
- e. Board procedures and specific duties.
- f. Functions and responsibilities of Committees.
- g. Regulatory documents and their importance.
- h. Attitudes and procedures that will help member to:
 1. learn while doing.
 2. make payments on time.
 3. develop a willingness to do his or her fair share of the work and the decision-making.
 4. cultivate a concern for his or her neighbor.
 5. consider the good of the group, ahead of self-interest.
 6. use his or her vote and know it counts: within the cooperative for directors and officers of the board; outside for local, state, and national Government.
 7. cooperate with board and committees.

III. The adviser must be able to help the people understand that there are rules which must be followed. The adviser must make certain that the members realize that, by signing their occupancy agreement, they are agreeing to live up to all aspects of that agreement. In so doing, they are agreeing to abide by all of the funding agency's regulations pertaining to the

cooperative. These regulatory documents must be taught over and over and consulted by the members in all major decisions. The adviser would also be expected to:

- a. work with families or individuals with specific problems.
- b. consider each activity as an opportunity for the members to learn - learning while doing must be the members' primary goal.
- c. become involved in the early planning stage of the cooperative.
- d. involve members in decision-making during the planning stage, including the selection of living unit.
- e. feel a part of the group of members and break down regulations and instructions into language understood by them.
- f. give members the freedom and encouragement to express ideas and to carry out ideas accepted by the majority unless they are contrary to Government regulations.
- g. interpret Government regulations and guidelines, being able to apply and teach them.

ATTACHMENT 11-H

ADVISER RESPONSIBILITIES

Responsibilities of the adviser to the board will include -

- a. serving as backup manager while teaching self-management and maintenance to the members.
- b. assisting in organizing the board of directors and standing committees and meeting regularly with them.
- c. assisting in continual evaluation and monitoring of operations.
- d. developing an educational plan and being responsible for its implementation.
- e. assisting in setting up systems and procedures for-
 1. management, including detailed financial, personal, and activity records;
 2. maintenance of buildings, grounds, and equipment.
- f. assisting with financial questions that are not of sufficient complexity to require referral to an outside auditor.
- g. advising in evaluation of new applicants for membership.

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ATTACHMENT 11-I
SUBSCRIPTION AGREEMENT

Dwelling Unit NO. _____

Date _____

1. Subscription Amount:

(a) I/We _____, a legal resident(s) of _____, hereinafter called "Subscriber," hereby subscribe for membership in _____, a cooperative housing corporation hereinafter called the "Cooperative," and hereby subscribe to a Membership Certificate in said Cooperative having a par value of \$_____.

(b) Subscriber hereby agrees to pay for the Membership Certificate, also referred to as Membership Fee, as follows:

(1) \$_____ upon signing this agreement.

(2) \$_____ in monthly payments of \$_____ payable over _____ consecutive months (not to exceed 12 months).

2. Ratification of Other Provisions. Subscriber has read and agrees to be bound by all provisions of the articles of incorporation, bylaws, and occupancy agreement, copies of which are attached hereto and receipt of which is hereby acknowledged, and agrees to be bound by requirements of the Rural Development as long as it remains mortgagee.

3. Priority of Mortgage Lien. This agreement and all rights hereunder are and at all times shall be subject and subordinate to the lien of the mortgage and accompanying documents to be executed by the Cooperative to Rural Development and to any and all modifications, extensions, and renewals thereof; and to any mortgage or deed of trust which may at any time hereafter be placed on the property of the Cooperative or any part thereof.

4. Occupancy Agreement. Subscriber, if approved for membership, will be entitled to occupancy of the above numbered dwelling unit under provisions of the above-mentioned occupancy agreement. Estimated initial charge per month for said unit will be established prior to signing the occupancy agreement. Future charges will be based on family income, as provided for in the occupancy agreement. I/We agree to execute the occupancy agreement on demand and to comply with all the terms thereof.

5. Cancellation Rights.

(a) The Cooperative reserves the right at any time before it has notified the Subscriber of his/her acceptability for membership, for reasons deemed sufficient by the Cooperative, and approved by Rural Development, to return the amount paid by the Subscriber under this agreement. In the event the Subscriber shall have died prior to becoming a member, the Cooperative reserves the right to return the amount paid by the Subscriber under this agreement to Subscriber's estate or legal representative, and thereupon all rights of the Subscriber shall cease and terminate without further liability on the part of the Cooperative.

(b) It is understood that the Subscriber's credit is subject to approval by Rural Development, and that said Subscriber's total household income must not exceed any limitations for initial occupancy established by Rural Development. In the event Rural Development determines that the Subscriber does not meet Rural Development credit, income limitation, or other eligibility requirements for participation in this project, the Cooperative shall return to Subscriber the sums paid hereunder. In the event Rural Development determines that the necessary loan to finance the Cooperative housing project cannot be made or insured by Rural Development, or the Cooperative withdraws its application for such loan, the Cooperative shall return to Subscriber all sums paid by Subscriber hereunder. Upon either determination by Rural Development and the return of the sums to Subscriber as provided in this paragraph, this agreement shall become null and void and all rights and liabilities hereunder of the parties shall cease and terminate.

(c) If the Subscriber within five (5) days after the execution of this subscription agreement, notifies the Cooperative in writing that he wishes to withdraw from the agreement, the amounts paid by the Subscriber under this agreement will be returned to the Subscriber and thereupon all rights and liabilities of the Subscriber hereunder shall cease and terminate. If, at the end of the five-day period, the Subscriber has not exercised this right to withdraw, the right will be terminated. If Rural Development determines that membership has not been achieved to the extent required by Rural Development, the Subscriber will again have the right to withdraw within a five-day period.

(d) If the Subscriber defaults in any obligation under this agreement, and such default continues for fifteen (15) days after notice sent by registered mail by the Cooperative to the Subscriber at the address given below, then at the option of the Cooperative, the Subscriber shall lose any and all rights under this agreement. Any amount paid toward this subscription price at the option of the Cooperative may be retained by the Cooperative as liquidated damages or be returned, less the Subscriber's proportionate share of expenses incurred by the Cooperative as determined solely by the Cooperative. The Cooperative may, at its option, release the obligations of the Subscriber under this agreement in the event the Subscriber secures an assignee of this agreement who assumes the obligations herein contained and is satisfactory to the Cooperative and Rural Development while mortgagee. This agreement is not otherwise assignable.

6. Oral Representation Not to be Relied Upon. This agreement will supersede any prior understandings and agreements and constitutes the entire agreement between the Subscriber and the Cooperative, and no oral representation or statements shall be considered a part hereof.

WITNESS:

Subscriber

Subscriber

Address

Telephone