

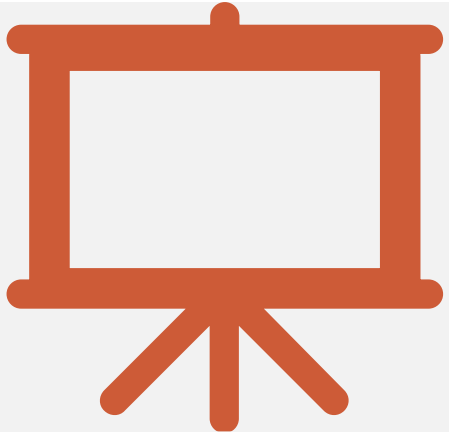


Rural Rental Housing Preservation Academy

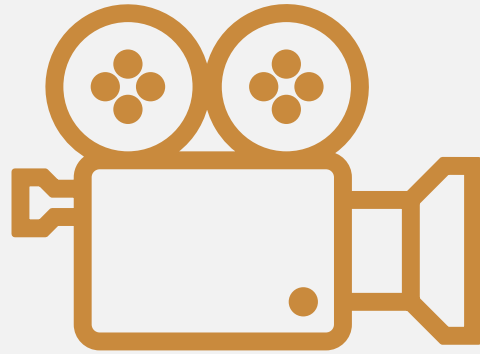
May 7, 2025



Housekeeping



All registered attendees will receive the slides via email



This session is being recorded. You will also receive a copy and it will be posted on the Enterprise website



We will answer questions throughout the presentation. Please submit them using the Q&A, chat or raise hand function



The link to register for upcoming sessions will be shared at the end of the presentation

LAND ACKNOWLEDGMENT

Enterprise Community Partners

OUR VISION

A country where home and community are steppingstones to more.

OUR MISSION

To make home and community places of pride, power and belonging, and platforms for resilience and upward mobility for all. We focus on three pillars:

- Increase Housing Supply
- Advance Racial Equity
- Build Resilience and Upward Mobility

Enterprise Community Partners

Unmatched **breadth, scale and expertise** across the entire spectrum of affordable housing...



...creating a positive feedback loop that does it **all under one Enterprise roof.**



USDA RD Transfer Application

Proposed Purchaser
Organizational Structure

USDA RD Transfer Evaluation

- During the term of a Rural Development (RD) loan, borrowers may determine that it is in their best interest to transfer a project to another owner.
- Transfer of any RD project requires RD's prior approval. RD may approve a project transfer if that project continues to further the objectives of the program, if the transaction is in the best interest of Government and the tenants, and if RD's security is protected.
- RD will utilize the Transfer Application to evaluate the proposed Purchaser to ensure they meet their eligibility requirements:
 - Physical/Financial Conditions
 - Proposed Management Experience
 - Operational Sustainability
 - Financial Capacity
 - Proposed Ownership Experience
 - Maintaining very low-, low-, and moderate-income households

Stages of USDA Transfer Application Process

There are four stages to the approval process to know

Stage 0 – Prepare

Unofficial, critical stage

- Ownership Structure/legal
- Concept call with USDA
- Request MFIS Reports
- Order appraisal for CRCU's, Post Rehab Value, LTC/LTV
- Order C.N.A.
- Order/create 504 Plan
- Plan SOW; start plans and specs
- Cost estimate; involve GC
- Start management docs
- Start construction/architect contracts

Stage 1 – Processing

Initial Application Submission

All items to 7-B-1 submitted via CloudVault simultaneously.

Review will not begin until all items have been received.

Submit SOW, Plans, Specs, AIA Contracts (drafts), & mgmt. documents for review and concurrence.

Stage 2 - Underwriting

Underwriting review of Preliminary Assessment Tool (PAT)

Final review of the following:

- Operating expenses
- Rent levels
- Reserve requirements
- Tenant Protection Account
- Insurance
- Cost estimate
- Third party financing terms
- Third party loan documents
- Total Development Costs
- Narratives
- Letter of Conditions

Stage 3 – Closing/OGC

Closer will be assigned and work with OGC to close.

Closer will prepare closing package for OGC review.

OGC will review:

- Organizational documents
- Third party loan documents
- Intercreditor Agreements
- Subordination Agreements
- Attorney Opinions

Upon approval OGC will issue the Closing Instruction and provide Agency Loan documents to close.

Stage 0 – Prepare for Application

Predevelopment is the most important part of the process 😊

Unofficial, critical stage – Due Diligence for Ownership

- Site Control – Required. Critical Path Item, Min. 1 Year.
 - Engage experienced RD borrower counsel
 - Legal Services Agreement
 - Attorney Certification
 - Create or determine your borrowing entity
 - Entity will need the following:
 - Letter from IRS for EIN number
 - File with the State
 - Provide all entity documents created for GP/MM
 - Draft an Organizational Chart with EIN numbers for all nesting entities
- Open title – Request Preliminary Title Commitment
 - Understand any easements, exceptions, current debts, etc.
 - ALTA Survey
 - Illustrates boundaries, utilities, etc.
 - Needed for lender
 - Advised for purchaser
 - Architect will need for plans and understanding zoning requirements
 - Register SAM's
 - Talk to a CPA about the sale/acquisition
 - Consideration for other fundings and needs
 - RTO vs. Asset Management Fee

The Proposed Purchaser – Application Items

- 5. Purchase and Sale Agreement (includes all versions, extensions and assignments)
- 6. Current Preliminary Title Report
- 7. Legal Services Agreement
- 26. Purchaser's Resume
- 27. Previous Participation Certification (Form HUD-2530)
- 28. Identity of Interest Certification (Form RD 3560-30 or 3560-31)
- 30. Purchaser's Financial Statements w/ Attachment 7-B-4
- 32. Proof of Citizenship (Federal Tax ID Number)
- 37. Purchaser's Organizational Documents
- 38. Attorney Certification

6. Current Preliminary Title Report (Commitment)

7 CFR 3560.406 (D)(13)

(13) A transferee must establish that there are no liens, judgments, or other claims against the housing project other than those by the Agency and those to which the Agency has previously agreed.

Helpful tips:

- Open Escrow or Title depending on State.
- Please ensure that this report is not more than 90 days old when application is submitted
- It is recommended to request a 10-year Chain of Title (could come back at Closing if approvals weren't cleared with RD previously with Seller.)
- Review any easements, laundry contracts, or other exceptions with counsel to assume or remove.
- Can sometimes be a long lead item.
- Title report is needed for the survey

26. Purchaser's Resume

- A. Proposed organizational structure. Include name of entity, shares of ownership, and EIN number for ownership and each nesting entity.
- B. Resume for each principal of the purchaser who has no previous participation with Rural Development. Resumes should be in sufficient detail for Rural Development to understand the nature of the new principal's real estate experience.
- C. Disclosure of any proposed role(s) in the ownership or management of the project by affiliates of the purchaser or affiliates of the seller.

Swan Lake Apartments, LLC

Sole Owner

EIN: 99-123456

Investor Member

99.98%

EIN: TBD

Swan Lake, Inc.

0.01%

EIN: 45-678901

Swan Lake Limited
Investor Member

0.01%

EIN: TBD

27. Previous Participation Certification

Form HUD 2530

Note: This form WILL require personal owners' SSNs.

27. This form reflects the participation by principals of the proposed purchaser in other HUD and USDA multifamily projects over the past ten years.

- The proposed ownership may be a new entity; therefore, you would put “No Previous Participation.” *BUT* the other ownership entities will need to submit their experience.
- IF you have USDA properties, list the last date of inspection. USDA properties are not graded like REAC Scores.
- Attach extra sheets as you need them. Be sure to indicate "Continued on Attachments" wherever appropriate. Sign each additional page that you attach if it refers to you or your record.

28. Identity of Interest Certification

Form RD 3560-30 or
Form RD 3560-31

28. As applicable, either,

- A. Certification of No Identity of Interest, Form RD 3560-30; or
- B. Identity of Interest Disclosure, Form RD 3560-31.

These forms are from the perspective of the proposed Purchaser.

Is there interest in the management company?

Is there interest in the general contractor?

These IOI's must be disclosed.

30. Purchaser's Financial Statements

30. Purchaser's Financial Statements. Current financial statements for:
- A. The applicant (i.e., the entity that will own the project). If the applicant is an entity that has not yet been formed, financial statements should be pro forma (after completing the proposed purchase).
 - B. Each proposed principal.
 - C. Non-profit applicants/principals may satisfy this requirement by submitting their current IRS Form 990 "Return of Organization Exempt from Income Tax" (with Schedules A & B).
 - D. Attachment 7-B-4, MFG Transfer & Assumption Certification for Financial Statements, must be included with all financial statements.

32. Proof of Citizenship

32. Proof of Citizenship

For each proposed principal, documents establishing citizenship (including social security or tax identification number).

Submit the IRS EIN letter for the entity in the package. Please understand that they will require additional documentation. If the principal is uncomfortable providing the SSN card, I have used a valid Passport in lieu of this requirement, but wait to send until prompted.

Proposed Purchaser

37. Purchaser's Organizational Documents

- A. Purchaser is a corporation: provide the charter, articles of incorporation and bylaws, or equivalent.
- B. If the Transferee is a non-profit the following should also be submitted.
 - Tax-exempt ruling from the IRS conferring 501(c)(3) or 501(c)(4) status.
 - List of members on Board of Directors
- C. Purchaser is a partnership: provide the partnership agreement.
- D. Purchaser is a trust: provide the trust agreement.
- E. The documents shall show that the corporation, partnership or trust is authorized to operate the property and to execute and be bound by the Regulatory Agreement.
- F. The documents (or minutes of meetings, as applicable) should establish clearly the authority of the persons executing the Regulatory Agreement and other documents for the Transferee.

Proposed Purchaser

38. Attorney Certification

Letter from the purchaser's attorney certifying the legal sufficiency of the organizational documents. The attorney must certify:

- A. The transferee's legal capacity to successfully assume and operate the project for the life of the Rural Development loan.
- B. That the organizational documents comply with the requirements of Paragraph 4.16 B of HF-1-3560 and [7 CFR 3560.55].
- C. For partnership purchasers, that the term of the partnership extends at least through the latest maturity of all existing and proposed Rural Development debt.
- D. For partnership purchasers, that the partnership agreement requires the General Partner(s) to maintain a five percent financial interest in the residual or refinancing proceeds of the partnership.
- E. That the organizational documents required prior written Rural Development approval for any of the following: withdrawal of a general partner/managing member, admission of a general partner/managing member, amending the organizational documents, and selling all or substantially all of the assets of the purchaser.

REGISTER FOR OUR NEXT SESSION

