



Rural Rental Housing Preservation Academy

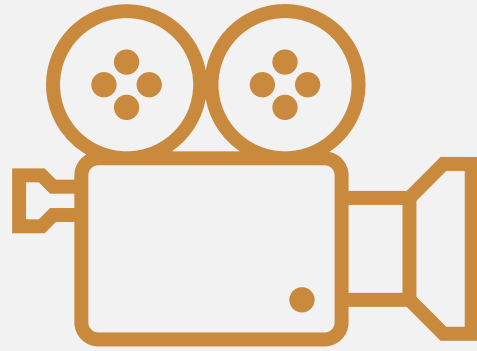
June 18, 2025



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

MISSION AND VISION

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

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.**

Simple Transfer Process

Purpose and Background

- Per RD, the pilot program reduces application requirements for certain types of transfers, resulting in lower transaction-related costs for applicants and improved processing time.
- Two types of ownership changes require approval by MFH: Organizational changes (HB-3 Chapter 5) and transfers to new owners (HB-3 Chapter 7). This pilot program offers three additional transfer options to borrowers.



Stages of USDA Chapter 7 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.

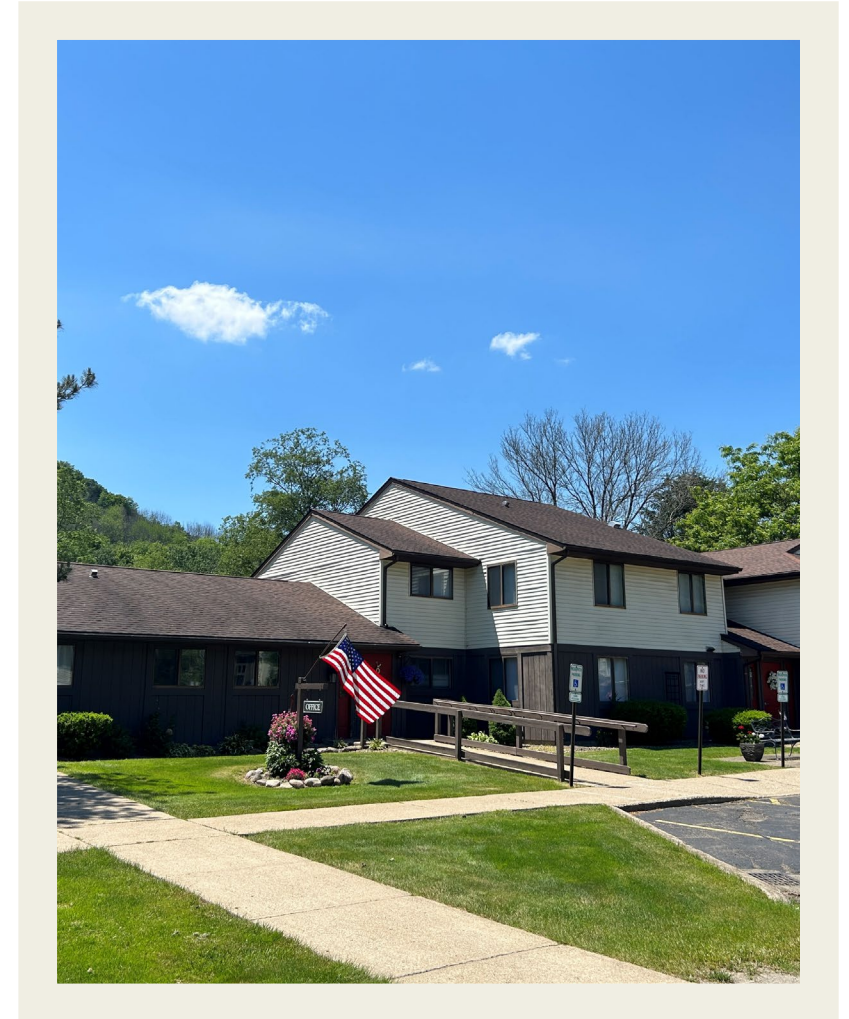
OGC will review:

- 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.

Simple Transfer Options

- Option 1 is the most streamlined transfer process. It is available in circumstances where the Agency determines that an expedited ownership change is in the best interest of the G
- Option 2 is designed for properties that require rehabilitation and/or resetting of the annual deposit to the reserve account. A CNA is required as part of the transfer application.
- Option 3 provides flexibility to nonprofits and government agencies to complete an acquisition of a preservation-worthy property even if resources for rehabilitation of the property are not available at the time of the transfer. An appraisal and CNA are required as part of the transfer application.



Option 1 Requirements

- The property is in good to excellent physical condition.
- Conditions exist that require an expedited transfer. Common examples are deceased borrower or general partner, hardship, insolvency, receivership, imminent loan maturity, or sale to nonprofit under prepayment.
- No additional debt will be incurred by the Buyer or secured by the property as part of the transfer

Option 1 Differences With Standard Transfer

- No Capital Needs Assessment is required.
- No new valuation of the property is required.
- Maturity date and amortization period will not be changed, unless determined to be in the best interest of the Government and tenants (i.e. maturing mortgages).
- No equity payout can be included as part of the transaction.
- The project must meet minimum reserve account requirements, which may trigger post-transfer CNA or other analysis

Option 2 Requirements

- Property is or will be fully subsidized post-transfer OR rents can be increased without adversely impacting occupancy.
- No additional amortizing debt will be incurred by the Buyer or secured by the property.
- One of the following conditions apply:
 - ☐ Based on a CNA, rehab is needed now and cannot be funded by current reserves OR
 - ☐ Property needs only minor upfront repairs that can be funded by current reserves, but reserves are inadequate to address future rehab needs OR
 - ☐ Property needs upfront rehab that cannot be funded by current reserves, as well as resetting reserves to address future needs.

Option 2 Differences With Standard Transfer

- Based on a CNA, rehabilitation is needed that cannot be fully funded by the current reserve account or resetting of the existing reserve deposits, AND
- The purchaser is a nonprofit organization or government agency, AND
- The new nonprofit or government agency owner will pursue a strategy to rehabilitate/recapitalize the property with Agency and/or third-party funds within two years of the transfer closing date.
 - ❖ Note: The Agency will consider the likelihood of obtaining the future funding and whether the property can function successfully until rehab is complete.

Option 3 Requirements

- No new valuation of the property is required with the transfer application.
- The Agency may approve a junior lien for deferred financing as long as:
 - ✓ deferred financing must at a minimum be coterminous with the Agency's loan(s), and
 - ✓ the Agency may set a maximum per unit limit on rehabilitation that can be approved under Option 2.
- The maturity date and amortization period of the loan will not be changed or extended, except that a term extension may be permitted if required by the deferred lender to preserve affordability for a longer period.
- No equity payout can be included as part of the transaction.

Option 3 Differences With Standard Transfer

- The Agency will waive the necessary reserve requirement adjustment under 7 CFR 3560.406(d)(5). The new owner must address the rehabilitation needs identified in the CNA over a period not to exceed two years after the closing date of the transfer.
- The Agency will monitor the progress and implementation of the approved plan as part of routine project servicing.
- Due to the timing and funding sources for rehab, construction monitoring may be performed by third party sources, or as part of project servicing.
- Environmental reports will be required on a case-by-case basis, as determined by the Agency.
- The use of an Architect is not a standard requirement for Simple Transfers and will be considered based on the circumstances of each transfer.

Other Considerations



What are the goals of the seller/buyer? Simple transfers should aim to preserve affordable housing in the MFH portfolio.



For all simple transfer options, health, safety, environmental, civil rights, and applicable accessibility requirements must be resolved at the time of transfer.



The property must be rated “performing” in the internal risk rating tool unless an exception is approved by the Agency.



Simple Transfers do not address changes to RTO for any Option.



Sometimes, a Simple Transfer is not the best option! In that case, Standard Transfers and other servicing options should be considered.

ELLCOTTVILLE TERRACE

Connecting Communities in Action

Non-profit based in Salamanca, NY

Connecting Communities in Action, Inc., is a private, not-for-profit organization incorporated in New York State in June of 1965. It is one of the hundreds of Community Action Agencies across the United States.

Our programs are comprehensive, strength-based, and customer-focused. Delivering trauma-informed care is our priority. We offer safe and affordable housing, home rehabilitation and weatherization, prevention, and education. We also offer mental health services, food security, and support for youth, families, and survivors of crime.



- **Ellicottville Terrace Apartments, western New York**
- **40 units of senior housing**
- **515 transfer application April 2024 (and in July 2024)**
- **Acquisition January 2025**
- **Simple Transfer – two years to complete renovation**
- **Applications submitted to RD MPR and Federal Home Loan Bank**



ELLCOTTVILLE TERRACE APARTMENTS

June 2024



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Resources

Federal Register Notice:

<https://www.federalregister.gov/documents/2022/12/09/2022-26726/multi-family-housing-simple-transfer-pilot-program>

FOD Specialist Locator:

<https://www.sc.egov.usda.gov/data/MFH.html> and select the file under the heading Multifamily Housing 514 & 515 Property Assignments. The specialist is listed in the column “Assigned To.”

Standard Transfers:

Standard transfers will continue to be referred to the appropriate Processing and Report Review Branch in the MFH Production and Preservation Division. [Multifamily Housing Direct Loans | Rural Development \(usda.gov\)](#)

REGISTER FOR OUR NEXT SESSION

