



Rural Rental Housing Preservation Academy

APRIL 22, 2026

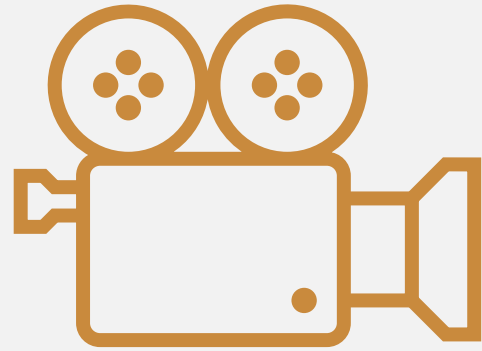


**WHEN YOU HEAR CAPITAL NEEDS
ASSESSMENT, WHAT'S THE FIRST THING
THAT COMES TO MIND?**

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



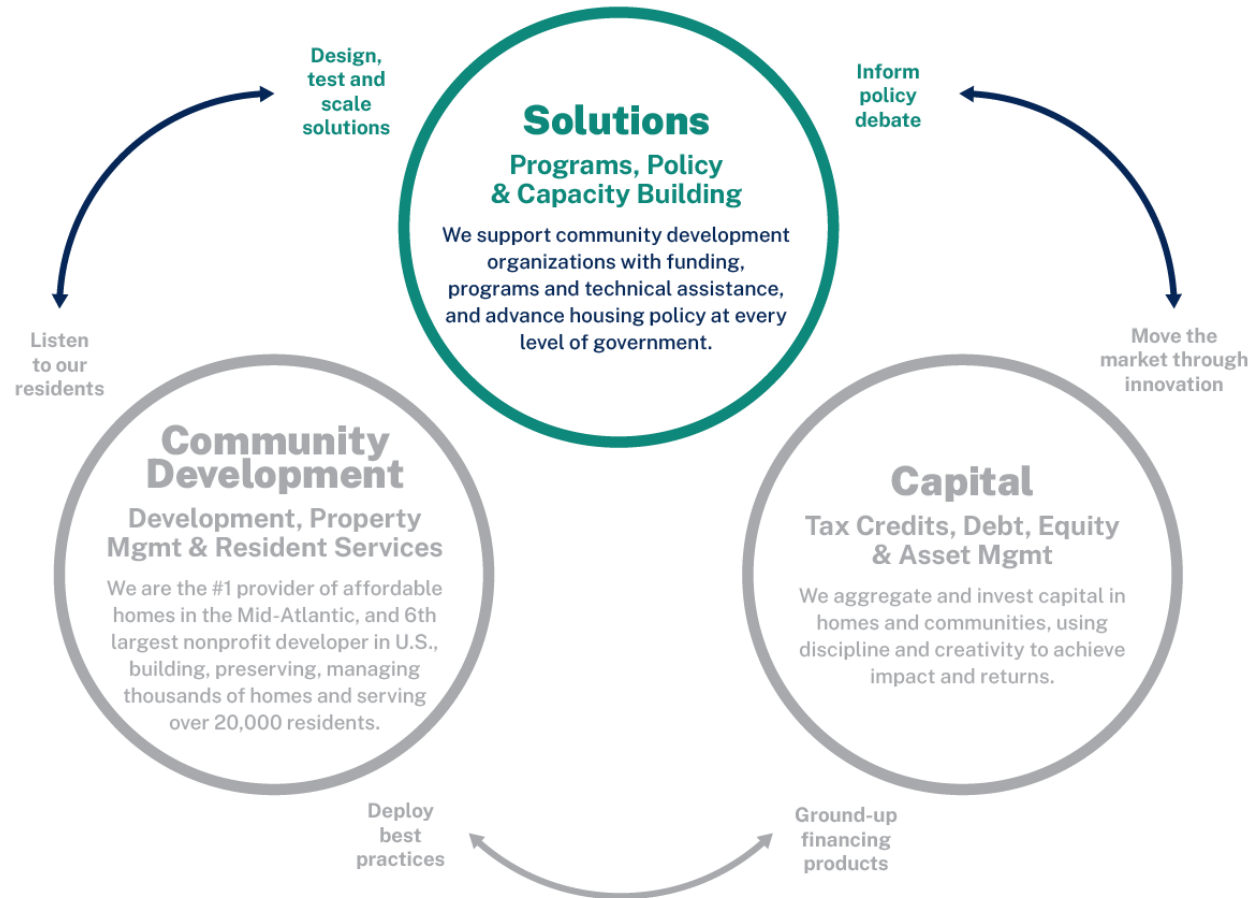
We will answer questions throughout the presentation. Please submit them using the Q&A, chat or raise hand function



The link to register for upcoming sessions will be shared at the end of the presentation, along with a survey

OUR APPROACH

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.**

Meet our team

Robin Wolff

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PROGRAM MANAGER



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PROGRAM MANAGER



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RURAL AND TRIBAL POLICY
DIRECTOR



Stages of USDA Transfer Application Process

There are four stages to the approval process to know

Stage 0 – Prepare

Unofficial, critical stage

- 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 Scope of Work
- Cost estimate; involve GC
- Start management docs
- Start construction/architect contracts

Stage 1 – Processing

Initial Application Submission

All items in 7-B-1 submitted via CloudVault simultaneously

Review will not begin until all items have been received

Submit Plans, Specs (Front End Manual), AIA Contracts (drafts), & management documents for review and concurrence

Consider construction path: Bid out, Owner/Builder or Waiver

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

Issues 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.

Long lead items: What to know

Up-front knowledge about requirement saves time and energy

- Provides third party providers with correct information up-front
- Saves review time
- Results in an acceptable appraisal/CNA with less delay

Understanding the Capital Needs Assessment (CNA)



What is a CNA?

- Evaluation of property condition
- Projects future capital needs
- Key decision-making tool



Types of CNA Reports (USDA 515)

- As-Is CNA
- Post-Rehab CNA

Why The CNA Matters in USDA 515

Required for
transactions

Drives
financing and
scope

Ensures long-
term viability

What's Included

- Physical inspection
- Systems review
- 20-year schedule
- Cost estimates



Immediate Needs

- Health & safety issues
- Deferred maintenance
- Often required at closing



Cost Estimates

Based on industry standards

Must reflect local conditions

Accuracy is critical



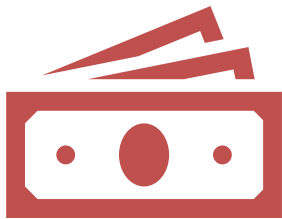
Replacement Schedule

20-year
outlook

Major
systems
lifecycle

Supports
planning

Reserve for Replacement



Monthly deposits



Based on CNA projections



Supports sustainability

CNA + Deal Structuring

Impacts
rehab scope

Influences
financing

Determines
feasibility


Common Challenges



Underestimated
costs



Missing items



Misalignment
with scope

Real Deal Example (Lessons Learned)

CNA underestimated rehab costs

Key items missing (roof, site work, systems)

Misalignment with scope and financing

Required revisions delayed closing

Increased costs + added risk

Role of Technical Assistance



Review and validate CNA



Align with funding



Identify risks

Best Practices

Engage USDA early

Cross-check reports

Build contingencies

Get As-Is CNA approved before final scope

Request Post CNA after scope is finalized



Capital Needs Assessment Process Addendum

[LINK TO USDA.GOV – HTTPS://WWW.RD.USDA.GOV/SITES/DEFAULT/FILES/CNA_ADDENDUM.PDF](https://www.rd.usda.gov/sites/default/files/cna_addendum.pdf)

This Addendum addresses the Capital Needs Assessment (CNA) process for RD-financed properties. It provides guidance and clarification to assist RD borrowers, providers and staff for all RD required CNA assessments for loan making and servicing.

This Addendum includes general instructions to be used in completing the RD CNA reports, specific instructions on how to use the expected useful life tables, and a set of applicable forms including the Terms of Reference form; Systems and Conditions forms; and Evaluator's Summary forms.

This Addendum is comprised of nine main sections:

- 1) Definitions;
- 2) Contract Addendum (Attachment A);
- 3) Requirements and Statement of Work (SOW) for a C.N.A. (Attachment B);
- 4) The CNA Review Process (Attachment C);
- 5) Guidance for the Multi-Family Housing (MFH) CNA Recipient Regarding Contracting for a CNA;
- 6) Revising an Accepted CNA During Underwriting;
- 7) Updating a CNA;
- 8) Incorporating a Property's Rehabilitation into a CNA; and
- 9) Repair and Replacement Schedule.

Key Takeaways

CNA drives preservation success

Accuracy matters

TA adds value



Questions





Long Lead Items:

Appraisals for USDA
transfer applications

Why do we need appraisals?

Required by regulation for transfer/preservation

Assessing adequacy of collateral

- Value to debt ratio must be 1:1 or greater.
- Determines equity

Establishes remaining economic life (REL)

- Amortization term cannot be longer than reported REL.
- Needed both in current condition and as if renovated

Report includes estimate of current market rents.

- Conventional Rents for Comparable Units (CRCU)
- Contract (Basic) Rents As Established by the Agency



What are the basic components of an appraisal?

Regulated by FIRREA and *USPAP (Uniform Standards of Professional Appraisal Practice)*

- An opinion of the value of a property
- May include a separate opinion of value of the intangible assets.
- Highest and best use analysis required for each project
- Three approaches to value depending on status of property
- Cost approach
- Sales comparison approach
- Income capitalization approach
- Reconciliation of value

USDA RD Appraisal Requirements

HB-1-3560, Chapter 7, 7 CFR 3560 Subpart P

- Attachment 7-C: values needed

Depends on specifics of loan

Can be present (current) or prospective (future) value(s), if appropriate

- Attachment 7-F: Appraisal checklist
- Attachment 7-H: Interest credit calculation
- Attachment 7-I: Insurable value worksheet

Review of Appraisal is Required by RD staff



What to know up front

- The 3rd party appraiser needs detailed information regarding RD appraisal requirements.
- Work with your TA provider or contact the RD Multifamily Specialist assigned to the application (requires concept call)
- Encourage the use of an appraiser with USDA experience/knowledge
- Very likely that more than one appraisal or appraised value may be needed



Project Information

Essential for appraiser

- Appraisal is based on information and analyses requested.
- Accurate information enables accurate conclusions.
- Clear instructions will result in a report acceptable to RD

Essential for reviewer/USDA

- Providing good guidance can save multiple rewrites.
- Acceptable appraisal product is more likely on first try if appraiser has Appraisal Assignment Guidance saving the applicant TIME AND MONEY.

Project Information

- Date—so subsequent editions can be identified
- Project name, address, and contact information
- Appraiser needs to know where to direct questions or get missing information.
- Rental information will be used in valuation.
- Type of Transaction influences values to be requested.
- Potential rehabilitation influences the values to be requested.
 - If to be renovated, as is, prior to renovation
 - If to be renovated, as if completed, after renovation

Project Information

- Historic operating information.
- Proposed budget including income and expenses for property as if renovated
- For market value as if unrestricted, appraiser will generate rental rates and expenses from market.
- Are there multiple properties?
 - If not contiguous, **must** have separate appraisals.
 - If physically adjacent
 - Will loans be consolidated? Then single report.
 - If not consolidated, are separate reports/values required?
 - If single owner, can do one report.
 - If different ownership, must have separate reports.

Use Restrictions

- RUCs/LURAs
- Restrictions can affect the value, either as restricted or unrestricted.
- Restrictive use provisions
 - If expired, can affect value requested.
 - If still in place, effect on value must be considered.
- Eligibility for prepayment
 - Affects value to be requested
 - Loans with prepayment prohibitions include:
 - Initial 515 loan made on or after December 15, 1989
 - Subsequent loans made on or after December 15, 1989, for additional rental units

Use Restrictions

Eligibility for prepayment

- Loans without prepayment prohibitions but with restrictive-use provisions include:
 - Loans made after December 21, 1979, but prior to December 15, 1989,
 - Subsequent loans made on or after December 15, 1989, for purposes other than additional rental units,
 - Loans subsequently restricted by servicing actions including transfers.
 - See 3560.652 for requirements

Use Restrictions

Restrictive Use Covenants (RUCs)

- Run with the land
- Can be revised or removed as legally allowed
- Must be considered if there is an effect on value

Land Use Restriction Agreement (LURA)

HUD Contract (HAP/Section 8) – Project Based
Rental Assistance

USDA Rental Assistance and number of units



Value types to be requested

RD typically uses only two types of value

- Market value
- Market value subject to restricted rents

These are current values of property in current condition

Many assignments also require **prospective** values

- New construction
- Rehabilitation
- Some instances require both prospective and current values



Value types to be requested

- Values apply to specific situations
 - If restricted rents, could be one or more of the following:
 - Prospective, as if construction/renovation completed
 - In current condition, plus analysis of intangible assets
 - Transfer
 - Loan assumption
 - Loan write-down
 - Subordination
- If not analyzed under restrictive rents:
 - Requires hypothetical condition “as if unsubsidized conventional housing”

THANK YOU!



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