

Form RD 3560-35 (02-05) FORM APPROVED OMB NO. 0575-0189

Position 5
UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT

LOAN RESOLUTION

(1) RRH Loan to a Broadly Based Nonprofit Corporation
 RRH Loan to a Profit Type Corporation
 RRH Loan to a Profit Type Limited Liability Corporation on a Limited Profit Basis
 RCH Loan to a Nonprofit Cooperative
 RRH Loan to a Limited Liability Company

LOAN RESOLUTION OF (2) _____, 20____. RESOLUTION OF THE BOARD
 OF DIRECTORS OR MEMBERS OF (3) _____
 PROVIDING FOR BORROWINGS (4) _____ TO FINANCE HOUSING AND
 RELATED FACILITIES IN A RURAL AREA FOR (5) _____, AND
 THE COLLECTION, HANDLING, AND DISPOSITION OF INCOME, THE ISSUANCE OF INSTALLMENT PROMISSORY
 NOTE AND REAL ESTATE SECURITY INSTRUMENT, AND RELATED MATTERS.

Whereas (3) _____ ("Entity") is organized
 and operating under (6) _____,
 the Board of Directors or members ("Governing Body") has decided to provide certain housing and related facilities
 for eligible occupants in rural areas. The Governing Body has determined that the Entity is unable to provide such housing and
 facilities with its own resources or to obtain from other sources for such purpose sufficient credit upon terms and conditions which
 the Entity could reasonably be expected to fulfill.

BE IT RESOLVED:

1. Application for Loan. The Entity shall apply for and obtain a loan ("Loan") of \$ (4) _____
 from the United States of America acting through the Rural Housing Service, or a successor agency, United States Department of
 Agriculture, ("Government") pursuant to section 515 of the Housing Act of 1949. The Loan may be sold and insured by the
 Government. The Loan shall be used solely for the specific purposes for which it is approved by the Government, in order to
 provide housing and related facilities for occupants, as defined by the government in rural areas. Such housing, facilities, and the
 land constituting the site are called "Housing".

2. Execution of Loan Instruments. To evidence the loan the Entity shall issue a promissory note ("Note"), signed by its
 authorized representative, with any requisite seal affixed, for the amount of the Loan, payable in installments over a
 period of (7) _____ years, bearing
 interest at a rate, and containing other terms and conditions, prescribed by the Government. To secure the note or any indemnity or
 other agreement required by the Government, the authorized representative is hereby authorized to execute a real estate security
 instrument giving a lien upon the Housing and upon such other real property of the Entity as the Government shall require,
 including an assignment of the rents, subsidies, revenues and profits as collateral security to be enforced in the event of any
 default by the Entity, and containing other terms and conditions prescribed by the Government. The authorized representative is
 further authorized to execute any other security instruments and other instruments and documents required by the Government in
 connection with the making or insuring of the loan. The indebtedness and other obligation of the Entity under the Note, the related
 security instruments, and any related agreements are herein called the "Loan Obligation".

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

The Borrower executes the Loan Resolution at loan closing. The Loan Resolution sets forth the terms of the Agency financing and is the instrument that becomes their legal obligation to comply with all Agency program requirements.

(see reverse)

PROCEDURE FOR PREPARATION : 7 CFR part 3560, HB -1-3560, HB-2-3560, and HB-3-3560.

PREPARED BY : Servicing Official.

NUMBER OF COPIES : Original and one copy.

SIGNATURE REQUIRED : Original signed by Entity.

DISTRIBUTION OF COPIES : Original retained in Servicing Office. Copy to Entity.

INSTRUCTIONS FOR PREPARATION

- (1) Check the proper type borrower.
- (2) Insert the date the resolution was signed which must be prior to the loan approval date.
- (3) Insert the name of the Entity as it will appear on the promissory note.
- (4) Insert the amount of RHS funds borrowed as it will appear in the promissory note.
- (5) Insert if the loan is to serve elderly citizens, persons with disabilities, congregate housing, or households of low and moderate incomes as appropriate.
- (6) Insert authorizing State statute under which Entity is duly organized.
- (7) The number of years will be 30 or the economic life of the project, whichever is less. This must be the same as the term of the loan on the promissory note.
- (8) Insert the amount of the borrower's equity contribution which for a profit type Entity should be not less than three or five percent of the development cost or three or five percent of the security value whichever is less established by program requirements.
- (9) Insert an amount equal to no less than two percent of the total development cost of the project for profit type Entities.
- (10) Insert, in most cases, no less than one-tenth of the aggregate sum specified in Item (11).
- (11) Insert an amount equal to no less than 10 percent of the total development cost.
- (12) Include for a profit type Entity operating on a limited profit basis. Paragraph should be deleted for profit or nonprofit Entities.
- (13) The amount to be inserted shall be determined in accordance with 7 CFR 3560.
- (14) Include for a profit and limited profit type Entity. Paragraph should be deleted for non-profit Entities.
- (15) Insert the same date as in Item (2).
- (16) The signature of the President and at least one other member of the Governing Body should sign the resolution.
- (17) Insert the appropriate name.
- (18) Insert same date as in Items (2) and (15).
- (19) Insert same date as in Items (2), and (15), and (18), or date certified.
- (20) The signature of the person identified in Item (18).
- (21) The Seal of the Entity, if necessary.

PAGE 2 OF FORM RD 3560-35

3. Equal Opportunity and Nondiscrimination Provisions. The authorized representative is hereby authorized and directed to execute on behalf of the Entity: (a) any undertakings and agreements required by the Government pursuant to Title VII of the Civil Rights Act of 1968 as amended by the Fair Housing Amendments Act of 1988 related to Fair Housing regarding nondiscrimination in the use and occupancy of housing; (b) Form RD 400-1 entitled "Equal Opportunity Agreement", including an "Equal Opportunity Clause" to be incorporated in or attached as a rider to each construction contract the amount of which exceeds \$10,000 and any part of which is paid for with funds from the loan, and (c) Form RD 400-4, entitled "Assurance Agreement (under Title VI, Civil Rights Act of 1964)", and any other undertakings and agreements required by the Government pursuant to lawful authority.

(8)

4. Borrower Equity Contribution. The amount of \$ _____ to be contributed by the Entity from its own funds for the land purchase or development will be placed or deposited with the lender and disbursed prior to any disbursement of interim loan funds or any loan funds of the Government.

5. Accounts for Housing Operations and Loan Servicing. The Entity shall establish on its books the following accounts, which shall be maintained so long as the Loan Obligations remain unsatisfied: a General Operating Account, a Tenant Security Deposit Account and a Reserve Account.

a. General Operating Account. By the time the Government loan is closed or interim construction funds are obtained, whichever occurs first, the Entity shall deposit cash from its own funds in an amount totaling

(9)

\$ _____, Use of deposited cash will be in accordance with 7 CFR part 3560 or any successor regulation.

b. Reserve Account. Transfers at a rate not less than \$ _____ (10) annually shall be made

to the Reserve Account until the amount in the Reserve Account reaches the minimum sum of \$ _____ (11) or such higher amount later agreed to by the Government and shall be resumed at any time when necessary, because of disbursements authorized by the Government from the Reserve Account to restore it to said sum. Withdrawal and use of funds deposited to this account will be in accordance with 7 CFR part 3560 or any successor regulation. With prior consent of the Government, funds in the Reserve Account may be used by the Entity:

(12) To pay a return to the Borrower of up to 8 percent per annum of the borrower's initial investment of

(13)

\$ _____: Provided, that after such disbursement (a) the amount in the Reserve Account will be not less than that required by this section 5b to be accumulated by that time (less any disbursements authorized by the Government), and (b) the amount in the Reserve Account will likely not fall below that required to be accumulated during the next 12 months.

(14) To pay dividends to the stockholder or for any other purpose desired by the Entity, provided that after such disbursement (a) the amount in the Reserve Account will not be less than that required by this section 5b to be accumulated by that time (less any disbursements authorized by the Government), and (b) the amount in the Reserve Account will likely not fall below that required to be accumulated during the next 12 months.

6. Regulatory Covenants. So long as the Loan Obligations remain unsatisfied, the Entity shall comply with all appropriate regulations of the Government and shall:

a. Impose and collect such fees, assessments, rents, occupancy charges, and charges that the income of the Housing will be sufficient at all times for operation and maintenance of the Housing, payments on the Loan Obligations, and maintenance of any required accounts.

b. Establish and maintain complete books and records relating to the Housing's financial affairs, cause such books and records to be audited at the end of each fiscal year, promptly furnish the Government without request a copy of each audit report, and permit the government or its representative to inspect such books and records at all reasonable times.

c. If required or permitted by the Government, revise the accounts herein provided for, or establish new accounts, to cover handling and disposition of income from and payment of expenses attributable to the housing or to any other property securing the Loan Obligations and submit regular and special reports concerning the Housing or financial affairs.

PAGE 3 OF FORM RD 3560-35

- d. Unless the Government gives prior consent:
 - (1) Not use the Housing for any purpose other than as rental Housing and related facilities for eligible occupants.
 - (2) Not enter into any contract or agreement for improvements or extensions to the Housing or other property securing the Loan Obligations.
 - (3) Not cause or permit voluntary dissolution of the Entity nor merge or consolidate with any other organization, nor cause or permit any transfer or encumbrance of title to the Housing or any part thereof or interest therein, by sale, mortgage, lease, or otherwise.
 - (4) Not cause or permit the issue or transfer of an interest in the Entity, borrow any money, nor incur any liability that would have a detrimental effect on the Housing.
- e. Submit Housing reports per 7 CFR part 3560 or any successor regulation for prior Government review.
- f. Comply with all its agreements and Obligations in or under the Note, security instrument, and any related agreement executed by the Entity in connection with the Loan.
- g. Not alter, amend, or repeal without the Government's consent this agreement or the Entity Agreement, which shall constitute parts of the total contract between the Entity and the Government relating to the Loan Obligations.
- h. Take other action as may be required by the Government in connection with the operation of the Housing, or with any of the Entity's operations or affairs which may affect the Housing, the Loan Obligations, or the security.
- i. If return on investment for any year exceeds 8 percent per annum of Borrower's initial investment of

(12)

§ _____, the Government may require that the borrower reduce rents the following year, refund the excess return on the investment to the tenants, or use said excess in a manner that will best benefit the tenants.

7. General Provisions.

- a. It is understood and agreed by the Entity that any Loan made or insured will be administered subject to the limitations of the acts of Congress and related regulations, and that any rights granted to the Government herein or elsewhere may be exercised by the Government in its sole discretion.
- b. The provisions of this agreement are representations to the Government, to induce the Government, to make or insure a Loan to the Entity. If the Entity should fail to comply with or perform any provision of this agreement or any requirement made by the Government pursuant to this agreement, such failure shall constitute default as fully as default in payment of amounts due on the Loan Obligations. In the event of such failure, the Government at its option may require specific performance, or declare the entire amount of the Loan Obligations immediately due and payable and, if such entire amount is not immediately paid, may take possession of and operate the Housing and proceed to foreclose its security and enforce all other available remedies, or take such other action as it may deem reasonable.
- c. Any provisions of this agreement may be waived by the Government in its sole discretion to any extent such provisions could have been foregone to in amended form initially.
- d. Any notice, consent, approval, waiver or agreement must be in writing.
- e. This Loan Agreement shall be subject to the present regulations of the Government and to its future regulations and provisions.
- f. The Entity agrees that no person with a disability will be subjected to discrimination in employment or denied the benefits of the Housing because of such disability. It will comply with the requirements of the Fair Housing Act, 42 U.S.C. 3601 et seq., the Fair Housing Amendments Act of 1988, the Rehabilitation Act of 1973, 29 U.S.C. 794, the Americans with Disabilities Act of 1990, 42 U.S.C. 12101 et seq., and the implementing regulations of the Department of Agriculture, 7 CFR part 15b.

PAGE 4 OF FORM RD 3560-35

g. This resolution may be cited in the security instrument and any other instruments as the "Loan Resolution of _____ **(15)** , 20 ____."

_____ **(16)**

CERTIFICATE

The undersigned, _____ **(17)** _____, hereby certifies that the foregoing is a true copy of a resolution duly adopted by the Governing Body on _____ **(18)** _____, 20 _____, which has not been altered, amended, or repealed and that the undersigned is the authorized person to make this representation on behalf of the Entity.

(19)
(Date)

(20)
(Signature)

(SEAL)
(21)