

USDA RD Form RD 3560-50 (02-05)		MULTI-FAMILY HOUSING CONVERSION AGREEMENT			
1. Borrower Name		2. Project Name			
3. Borrower Case Number		4. Project Number		5a. Fund Code	5b. Loan Number
6. Date of Conversion		7. Amount of Conversion			
8. Conversion Code 1 - Voluntary      2 - Involuntary		9. Amortized Installment			

For value received:

10. Borrower acknowledges liability for, reaffirms, and promises to pay to the United States of America acting through the Department of Agriculture, Rural Housing Service (herein referred to as Government) at the office address set forth below, the total unpaid balance of the indebtedness incurred under the instruments of debt and related security instruments described as follows:

**PROMISSORY NOTE, ASSUMPTION AGREEMENT OR  
OTHER INSTRUMENT OF DEBT**

<u>Instrument</u>	<u>Date</u>	<u>Executed By</u>	<u>Principal Amount</u>
(10a)			

**MORTGAGE OR OTHER SECURITY INSTRUMENT**

<u>Instrument</u>	<u>Date</u>	<u>Executed By</u>	<u>Secured Party</u>	<u>Recording Data</u>
(10b)				

*Position 2*

For use by Field Office to convert a borrower's project loans from Daily Interest Accrual to Predetermined Amortization Schedule, either voluntarily or involuntarily. The loan must be fully advanced before it can be converted.

(see reverse)

- PROCEDURE FOR PREPARATION : 7 CFR part 3560, HB-3-3560, and AMAS Manual.
- PREPARED BY : Agency Official.
- NUMBER OF COPIES : Original and three copies.
- SIGNATURES REQUIRED : Borrower – Original and one (borrower's copy).  
Agency – Original and one (borrower's copy).
- DISTRIBUTION OF COPIES : Original retained in Field Office attached to original promissory Note or assumption agreement.  
Copy to Field Office borrower case file.  
Copy to State Office for input of M4J transaction if no recoverable cost items involved.  
Copy to Finance Office for input of M4J transaction if recoverable cost items involved. (Should be submitted to Finance Office, MFH Unit, through AMAS Coordinator.)  
Copy to borrower.

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11. Borrower agrees to pay said indebtedness in accordance with the terms of said instrument and any supplementary agreements as amended below except that any indebtedness now past due under the terms of said instrument shall be due and payable on the date hereof. Otherwise, all provisions of said instrument shall continue in full force and effect.

12. The undersigned further agree(s) that this Conversion Agreement is executed with the understanding that by executing this agreement the undersigned will not be released or discharged from personal liability on the obligation(s) referred to in paragraph 1 hereof, except that any exculpatory clause in the original instrument described in paragraph 1 shall remain in effect.

13. Borrower agrees that the Government is the owner and holder of the above described promissory note or assumption agreement (new terms) in the principal sum of (13a) dollars (\$ (13a) ) plus interest on the principal of (13b) percent ( (13b) %) per year which was made or assumed by (13c) and (13c) (called I/we), dated (13d) and payable to the order of the Government and the unpaid principal balance (including advances) is \$ (13e) . The unpaid interest due to date is \$ (13f) (13g) . Unpaid charges to the account paid by the Government on borrower's behalf are \$ (13h) and shall be added to principal of the oldest loan being converted.

The interest of \$ (13h) accrued to (13i) , shall be added to the principal.

14. Because one or more of the conditions set forth in Government regulations have been met for obtaining a conversion of the debt to a predetermined amortization schedule system (PASS), the Government agrees to grant this conversion and borrower agrees to make payments as follows:

The first installment in the amount of \$ (14a) , will be due and payable on (14b) . Thereafter, regular installments each in the amount of \$ (14c) will be due and payable on the first day of each month until the principal and interest are paid, except that the final installment of the entire debt, if not paid sooner, will be due and payable on (14d) .

15. Payments of principal and interest shall be applied, and late fee charges shall be assessed in accordance with the Government's accounting procedures in effect on the date of receipt of the payment. Borrower agrees to pay late charges in accordance with the Government regulations in effect when a late charge is assessed.

16. Nothing in this agreement affects any of the terms or conditions of the note or assumption agreement, or the instrument securing it, other than the payment schedule (which includes the due date of the final installment) and the methods of applying payments on the account and late fees.

17. Upon default in the payment of any one of the above installments or in case of a failure to comply with any of the conditions and agreements contained in the above-described note or assumption agreement or the instruments securing it, the Government at its option may declare the entire debt immediately due and payable and may take any other actions authorized therein.

(19) \_\_\_\_\_ (18) \_\_\_\_\_  
(Date) (Borrower)

UNITED STATES OF AMERICA, RURAL HOUSING SERVICE  
By (20) \_\_\_\_\_  
Title State Director  
Rural Development

Date (21) \_\_\_\_\_

### INSTRUCTIONS FOR PREPARATION

1. Enter borrower name.
2. Enter project name.
3. Enter borrower case number.
4. Enter existing project number.
- 5a. Enter the 2-digit fund code for the loan.
- 5b. Enter the 3-digit loan number of loan being converted. At this point, view the M1SI (inquire on Borrower/Project/Loan) in AMAS. This screen lists all loans and obligations for a particular borrower. All loans for a borrower must use the same accounting method.
6. Enter the date of conversion:  
  
*Voluntary Conversion:* First day of the month  
  
*Involuntary Conversion:*  
  
Required with subsequent loan: Date of subsequent loan closing.  
Reamortization of one loan in multiple loan project: First day of month.
7. Amount of Conversion:  
  
*Voluntary Conversion:* Total of unpaid principal and interest. This figure can be obtained through the M1XI screen in AMAS (Accrual Calculation Request) as soon as the effective date has been determined. Interest will be accrued through last day of previous month.  
  
*Involuntary Conversion:* Total of unpaid principal and interest and unpaid advance and interest on advance. To obtain this figure, accrue the interest through the date of conversion if conversion is not the first day of the month. Capitalize the interest from the date of the conversion to the end of the month for an involuntary conversion not dated the 1st. If more than one loan is being converted, unpaid advance balances will be added to the oldest loan being converted.
8. Enter conversion code:  
  
1 = Voluntary Conversion  
  
2 = Involuntary Conversion
9. Enter the amount of the new amortized installment computed on a calculator programmed to compute amortization schedules or a computer program which computes amortization schedules. Verify after processing. Use the AMAS screens M1JI/M1KI to determine number of remaining payments and payment amount.
10. a = Describe the promissory note, reamortization agreement (new terms), or assumption agreement (new terms), or other instrument of debt.  
  
b = Describe mortgage, deed of trust or other security instrument securing instrument of debt described in 10a.

11 & 12. No input necessary; standard language.

- 13.
- a. Enter the principal amount shown on the promissory note, reamortization agreement (new terms), or assumption agreement (new terms) being converted, in words and figures.
  - b. Enter the interest rate shown on the promissory note, reamortization agreement (new terms), or assumption agreement (new terms) being converted, in words and figures.
  - c. Enter the name of the borrower(s) shown on the promissory note, reamortization agreement (new terms), or assumption agreement (new terms) being converted.
  - d. Enter the date of the promissory note, reamortization agreement (new terms), or assumption agreement (new terms) being converted.
  - e. Enter the unpaid principal of the converting loan.
  - f. Enter the unpaid interest of the converting loan.
  - g. *For involuntary conversion only:* Enter any unpaid principal and interest for advances (cost items) made to the account. (Advances for cost items include such items as real estate taxes, insurance, etc.).  
  
If no cost items, enter "NA".

h. *Conversion closed on FIRST of month:* Enter "NA"  
*Involuntary conversion closed other than first of month:*  
Enter the interest accruing on PASS from the date of conversion to the first of the following month.  
Compute interest as follows:

- (1) Determine number of days from conversion to first of following month based on a 30-day month.

EXAMPLE: Subsequent loan closed on 10<sup>th</sup> day of month

$30 - 10 = 20$  remaining days.

- (2) Amount of conversation (item 7) x subsidized interest rate = interest per year ÷ 360 = interest per day x remaining days = interest accrued

EXAMPLE: Using four decimal places

$\$99,169.88 \times 1.0\% - 991.69 \div 360 = 2.75 \times 20 = \$55.09$

i. *Conversion closed on FIRST of month:* Enter "NA"

*Conversion closed other than first of month:*

Enter the first of the following month

14. a. Enter the amount of the new amortized installment determined as follows:

*Conversion FIRST of month:*

Amount of Conversion (item 7) x Note Interest Rate for remaining number of months.

These amounts can be determined in AMAS using the M1JI/M1KI screens.

EXAMPLE:  $\$99,169.88 \times .10$  over 527 months on note remaining.

Using TI Business Analyst II Calculator in Financial Mode and four decimal places

\$99,169.88 [PV]

10[÷] 12 [=] [%i]

527 [=] [N]

[2<sup>ND</sup>] [PMT]

\$836.97 new amortized installment

*Conversion other than first of month:*

Amount of Conversion (item 7) PLUS accrued interest from date of conversion to first of following month (item 13h) x Note Interest Rate for remaining number of months.

EXAMPLE:  $\$99,169.99 + 55.09 = \$99,224.97 \times .10$  over 527 months

Using TI Business Analyst Calculator in Financial Mode and four decimal places

\$99,224.97 [PV]

10 [÷] 12 [=] [%i]

527 [=] [N]

[2<sup>ND</sup>] [PMT]

\$837.43 new amortized installment

NOTE: Item 9 and 14c MUST always agree

- b. Enter the FIRST day of the month *at least* 30 days from Date of Conversion shown in item 6.

EXAMPLE: Closed June 1, enter July 1

Closed June 10, enter August 1

- c. Enter the amount of the new amortized installment. (Same as items 9 and 14a).
- d. Enter the final due date from the promissory note, reamortization agreement (new terms), or assumption agreement (new terms).

15,16,& 17. Standard Language.

18. *Organization:* Must be signed by person(s) legally authorized to sign for the borrower.

*Individual:* Must be signed by borrower and spouse (if required by State law).

19. Enter date executed by borrower.

20. Signature of State Director or person authorized to sign for the State Director.

21. Enter date executed by Rural Development.