

LOAN AGREEMENT

- RRH Insured Loan to an Individual Operating on a Profit Basis**
- or
- RRH Loan to an Individual Operating on a Limited Profit Basis**
- or
- RRH Loan to a Limited Liability Corporation**

1. Parties and Terms Defined. This agreement dated _____ between the undersigned _____ (Borrower), whether one or more, whose

address is _____, and the United States of America acting through the Rural Housing Service, or a successor agency, United States Department of Agriculture, herein called (Government), is made in consideration of a loan (Loan), to Borrower in the amount of \$ _____ made or insured, or to be made or insured, by the Government pursuant to section 515(b) of the Housing Act of 1949 to build a _____ project.

The loan may be sold and insured by the Government. The loan shall be used solely for the specific eligible purposes for which it is approved by the Government in order to provide rental housing and related facilities for eligible occupants, as defined by the Government in rural areas. Such housing, facilities, and the land constituting the site are called (Housing). The indebtedness and other obligations of Borrower under the note evidencing the loan, the related security instrument, and any related agreements are called the "Loan Obligations."

2. Execution of Loan Instruments. To evidence the loan, the Borrower shall issue a promissory note (Note), signed by the Borrower for the amount of the loan, payable in installments over a period of _____ 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 Borrower is to execute a real estate security instrument giving a lien upon the Housing and upon such other real property of the Borrower 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 Borrower, and containing other terms and conditions prescribed by the Government. The Borrower is 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.

3. Equal Opportunity and Nondiscrimination Provisions. The Borrower will comply with (a) any undertakings and agreements required by the Government pursuant to Title VIII 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 that 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)," a copy of which is attached and made a part hereof, and any other undertakings and agreements required by the Government pursuant to lawful authority.

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

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.

5. Accounts for Housing Operations and Loan Servicing. The borrower 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 Borrower shall provide cash from the Borrower's own funds in an amount totaling

\$ _____ in the General Operating Account.

b. Reserve Account. Transfers at a rate not less than \$ _____ annually shall be made to the Reserve Account until the amount in the Reserve Account reaches the minimum sum of

\$ _____ or such higher amount later agreed to with the Government. Restoration of disbursed funds shall be made on a schedule approved by the Government. 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 and provided the Borrower can continue to meet its scheduled Reserve Account payments for the next year, funds in the Reserve Account in excess of the Government's requirements may be used by the Borrower for any purpose, including paying a dividend up to 8 percent per annum on the Borrower's initial investment of \$ _____ .

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

a. Impose and collect sufficient fees, assessments, rents, and charges for the Housing operation to meet all operation, maintenance, Loan Obligation, and account requirements.

b. Establish and maintain complete books and records relating to the Housing's financial affairs; have those books and records audited at the end of each fiscal year, (with a copy promptly sent to the Government), 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.

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 any transfer or encumbrance of title to the Housing or any part thereof or interest therein, by sale, mortgage, lease, or otherwise.

4) Not borrow any money, nor incur any liability which would have detrimental effect on the Housing.

e. Submit Housing reports per 7 CFR part 3560 or any successor regulation for prior review.

f. Take other actions as may be required by the Government in connection with the operation of the Housing, or with any of the Borrower's operations or affairs which may affect the Housing, the Loan Obligations, or the security.

g. If the return on investment for any year exceeds 8 percent per annum of Borrower's initial investment of \$ _____ , 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 Borrower that any loan made or insured will be administered subject to the limitations of the authorizing act of Congress and related regulations, and that any rights granted to the Government in this agreement or elsewhere may be exercised in the Government's sole discretion.

b. Borrower shall comply with all covenants and agreements set forth in the note, security instrument, and any related agreements executed by Borrower in connection with the loan.

c. The provisions of this agreement are representations to the Government, to induce the Government, to make or insure a loan to the Borrower. If the Borrower 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, declare the entire amount of the Loan Obligations immediately due and payable and, if such entire amount is not paid forthwith, may take possession of and operate the Housing and proceed to foreclose its security and enforce all other available remedies, or take such other actions as it deems necessary to enforce the provisions of this agreement.

d. To the extent legally permitted provisions of this agreement may be waived by the Government, or changed by agreement between the Government and the Borrower.

e. Any notice, consent, approval, waiver or agreement must be in writing.

f. The Borrower agrees that no person with a disability would be subjected to discrimination in employment or denied the benefits of the Housing because of such disability. Borrower 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.

g. This Loan Agreement shall be subject to the present and future regulations of the Government.

h. This agreement may be cited in the security instruments and any other instruments as the Loan Agreement of _____, 20 ____ .

Witness *Borrower*

Witness *Borrower*