



Neighborhood Rental Restoration Project

Small Rental Assistance Program
Application Guidebook

TABLE OF CONTENTS

1	PROJECT OVERVIEW	4
1.1	FORGIVABLE LOAN AMOUNTS.....	5
1.2	USE OF FUNDS.....	5
2	APPLICATION PROCESS	6
2.1	APPLICATION SUBMISSION.....	6
2.2	APPLICATION RULES	6
2.3	PERSONAL CONSULTATIONS	6
2.4	APPLICANT REPRESENTATIVES	7
2.5	FRAUD AND MISINFORMATION WARNING	7
2.6	DOCUMENTS REQUIRED IN ORDER TO BEGIN PROCESSING	7
2.7	DOCUMENTS REQUIRED AT THE PERSONAL CONSULTATION	8
3	ELIGIBILITY REQUIREMENTS	10
3.1	INDIVIDUAL REQUIREMENTS.....	10
3.2	PROPERTY OWNERSHIP REQUIREMENTS.....	10
3.3	PROPERTY REQUIREMENTS.....	11
3.4	PROPERTY FLOOD ELEVATION REQUIREMENTS	11
3.5	ENVIRONMENTAL REQUIREMENTS	12
3.6	TAXES, INSURANCE, AND SBA LOANS	12
4	FORGIVABLE LOAN CLOSING AND FUND DISBURSEMENT.....	13
4.1	CLOSING.....	13
4.2	COVENANTS	13
4.3	FUND DISBURSEMENT.....	13
4.4	PRINCIPAL FORGIVENESS AND INTEREST.....	14
4.5	FORGIVABLE LOAN DEFAULT	14
5	COMPLIANCE.....	15
5.1	ELIGIBLE HOUSEHOLD INCOMES.....	15
5.2	AFFORDABLE RENT STANDARDS	15
5.3	FOLLOWING INCOME CERTIFICATION VERIFICATION PROCEDURES	16
5.4	LEASE AND RENTAL COMPLIANCE TERMS	16
5.5	RENTING UNITS AFTER APPLICATION BUT BEFORE CLOSING.....	17
5.6	INSURANCE COMPLIANCE TERMS.....	17
5.7	HUD FAIR HOUSING STANDARDS COMPLIANCE.....	18
6	APPENDIX: GLOSSARY OF TERMS	19

LIST OF TABLES

Table A: Loan Amount Schedule by Unit and Size	5
Table B: Documents Required After Application.....	7
Table C: Addresses.....	8
Table D: Documents Required at the Personal Consultation for All Applicants	9
Table E: Additional Required Documents for Entities.....	9
Table F: Unit Minimum Square Footage	11
Table G: Loan Payment Schedule	14
Table H: Income Limits by County (50% AMI)	15
Table I: Rental Rate Limits by County (50% AMI)	16
Table J: Utility Allowances by Unit Size	16

1 Project Overview

The Mississippi Development Authority (MDA) is pleased to offer the Neighborhood Rental Restoration NRRP of the Small Rental Assistance Program (SRAP). The NRRP's goal is to restore existing neighborhoods and provide affordable rental housing to very low income (50% AMI and below) tenants in the southernmost portions of Hancock, Harrison and Jackson counties. Applicants who repair, rehabilitate or reconstruct damaged properties and agree to follow MDA's rental rules can receive forgivable loans as incentives. MDA strongly encourages applicants to purchase standing properties that are in need of repairs to make them suitable for rental.

MDA will begin accepting applications for the Neighborhood Rental Restoration Project on **September 8, 2009**. The submission deadline for all applications is **November 16, 2009**. Applications must be submitted on-line or postmarked by 11:59 P.M. on November 16, 2009. MDA is not responsible for lost or misdirected mail. In order to participate in the NRRP, an applicant must provide proof of ownership in the form of the most recent deed vesting ownership in the name of the applicant. The deed must be recorded on or before November 16, 2009.

Applications will be processed on a first-come, first-served basis. Processing will not begin until the applicant provides all required documents. It is the responsibility of the applicant to provide these documents to MDA.

Neighborhood Rental Restoration Project Features

- The amount of the forgivable loan has been increased, and applicants will receive payments over the first five years of the loan.
- Properties must be located south of Interstate 10 in Hancock, Harrison or Jackson Counties.
- The Project is only open to the repair, rehabilitation or reconstruction of "stand alone" single family homes that contain at least one bedroom.
- Properties may contain between one and four single family homes on the same legal description.
- Townhomes, condominiums, units that share common walls with other units, duplexes, triplexes and fourplexes will not be eligible.
- The Project is designed to assist tenants who are at or below 50% of the Area Median Income in the three Coastal Counties.
- The minimum credit score for participation in this Project is 580.
- Repair, rehabilitation and reconstruction must be completed within twelve (12) months of the date of the first loan disbursement.
- Units did not have to be rental stock at the time prior to the date of application in order to qualify.
- Applicants will be eligible to receive the maximum loan amount for which they are eligible regardless of the cost of repair, rehabilitation or reconstruction.

Submission of the application does not guarantee receipt of a Neighborhood Rental Restoration Project loan. Loans will only be made for applications that satisfy the four levels of eligibility requirements:

- Individual (or Organization)
- Property
- Environmental review
- Compliance requirements

These requirements are outlined in this Guidebook and will assist applicants in completing the application. Please note that the Guidebook may be updated if the NRRP changes; the most current version will be posted at <http://www.msdisasterrecovery.com>. Please be aware that this Guidebook is not intended to be an exhaustive listing of all NRRP requirements.

The Neighborhood Rental Restoration Project requires that::

- The property must currently require repair, rehabilitation or reconstruction
- Applicants will be required to provide the cost of repair, rehabilitation or reconstruction activities that are performed after application
- Property must be south of Interstate 10 in Harrison, Hancock or Jackson counties
- Applicant must prove the property contains or did contain a structure that was built prior to August 29, 2005
- Applicants will be required to rent their properties to very low income tenants with incomes at or below 50% of the Area Median Income (AMI) at the reduced rental rates shown in Table H

1.1 Forgivable Loan Amounts

NRRP forgivable loans are calculated at the unit level according to the number of bedrooms. There will be no completion bonuses for the NRRP. The per-unit loan amounts are shown below:

Table A: Loan Amount Schedule by Unit and Size

	One Bedroom	Two Bedroom	Three Bedroom
Total Loan Amount	\$50,000	\$60,000	\$70,000

1.2 Use of Funds

All funds received must be spent on the property identified in the application process. NRRP funds can be used towards the payment of mortgages which existed prior to the date of application, but funds cannot be used for other properties.

If the applicant self-financed the purchase, reconstruction, rehabilitation or repair of the property listed in the application, the applicant may reimburse themselves for that cost. It is the responsibility of the applicant to keep records indicating that all funds were used on the property that was the subject of the application and provide those documents to MDA upon request.

2 Application Process

The Neighborhood Rental Restoration Project's application process is listed below. The steps below must be completed by all applicants who want to participate in the NRRP.

- Submit a completed application by November 16, 2009.
- Promptly attend a scheduled personal consultation.
- Bring all of the required documents to the personal consultation.

Applications shall be processed on a "first come, first served" basis. **However, MDA reserves the right to process by property type and location as needed.** Applicants that provide all required documents shall be processed first in the order that all required documents are received. It is the responsibility of applicants to provide the required documents so that application processing can begin. Any delays, failures to attend consultations or failures to provide required documentation in a timely manner may result in disqualification from the NRRP.

2.1 Application Submission

Printed and electronic versions of the Neighborhood Rental Restoration Project's application can be found at <http://www.msdisasterrecovery.com>. Printed applications can be picked up at the MDA Service Center located at 1641B Popps Ferry Road in Biloxi, Mississippi. Completing the application online improves accuracy and processing speed. **Applicants are strongly encouraged to use the online application.** Completed paper applications must be postmarked by November 16, 2009. The address for submitting printed applications is:

Mississippi Development Authority
Neighborhood Rental Restoration Project
Post Office Box 7449
Biloxi, Mississippi 39540-7449

2.2 Application Rules

- Each application may only contain a maximum of four stand alone single family homes located on a single property.
- The units **must not be rented** on the date of the application. Applicants are not allowed to evict paying tenants in order to satisfy this requirement. An applicant will not be eligible for the NRRP if a tenant moves out for a short time and then moves back into a unit for the sole purpose of making that unit vacant and eligible for the NRRP.
- Applicants may not submit applications for more than 20 units for NRRP funding.

2.3 Personal Consultations

As a part of the NRRP, each applicant will be required to undergo an individual counseling session with an MDA representative before processing begins. MDA encourages all applicants to ask questions regarding NRRP requirements during this counseling session.

Once MDA receives an application, a NRRP Analyst will contact the applicant to set up a personal consultation. During the personal consultation, the applicant will confirm the accuracy of all information submitted on the application and will provide supporting documentation. All applicants will then be assigned an analyst to assist throughout the process and serve as the single point-of-contact for the applicant for questions and status updates.

All consultations must be completed immediately upon request. Failure to attend a scheduled personal consultation or bring all of the required documents to the personal consultation may result in disqualification.

2.4 Applicant Representatives

Applicants will be allowed to designate an “Applicant Representative” who can interface with MDA on their behalf on some aspects of the NRRP’s application process. This person may be a developer, broker, real estate agent or any other person who is assisting the applicant in the application process. Applicant Representatives may coordinate activities and provide information to MDA on behalf of the applicant. They cannot, however, *replace* the applicant in the loan process. For example, the Applicant Representative cannot attend the personal consultation session or loan closing in place of the applicant.

Applicants will be able to designate their Applicant Representative during the personal consultation session. Applicant Representatives cannot be designated before the personal consultation session.

2.5 Fraud and Misinformation Warning

The Mississippi Development Authority has been informed that certain developers, real estate brokers, real estate agents and other parties have been engaged in a pattern and practice of misinformation regarding the NRRP. The Mississippi Development Authority is the only source of authorized information relative to the NRRP. Applicants should be aware that multiple websites, online videos and other materials have been disseminated which contain errors and misrepresentations regarding the NRRP’s requirements.

Please refer to the official Mississippi Development Authority website, located at <http://www.msdisasterrecovery.com>, for all up to date information regarding the NRRP. MDA advises all applicants to independently review all NRRP requirements rather than relying upon marketing materials prepared by unauthorized third parties. Please be aware that no applicant is required to hire any third party representative to prepare an application. Applicants are not required to pay fees or provide any type of payments to third parties in order to participate in the NRRP.

2.6 Documents Required In Order to Begin Processing

In order to schedule a personal consultation, applicants must submit the information listed below. Failure to submit these documents immediately after application will prevent MDA from scheduling a personal consultation and may result in disqualification from the NRRP.

Table B: Documents Required After Application

Required Document	Explanation
Recorded Deed	Proof of ownership in the form of the most recent deed vesting ownership in the name of the applicant
Paid 2008 Tax Receipt	Proof of payment of <i>ad valorem</i> taxes for the 2008 tax year
Proof of Prior Structure	Proof that the property contains or did contain a structure that was built prior to August 29, 2005
Map	Map showing the property’s location in relation to Interstate 10
Photographs	Current photographs of the property and all units needing repairs

Applicants may provide these documents via email, hand delivery or by mail to the following addresses:

Table C: Addresses

Email	SRAP2@horne-llp.com
Hand Delivery	1641B Popp's Ferry Road Biloxi, Mississippi 39532
Mail	Mississippi Development Authority Neighborhood Rental Restoration Project Post Office Box 7449 Biloxi, Mississippi 39540-7449

2.7 Documents Required at the Personal Consultation

MDA cannot begin processing applications until it receives all required documents. The tables below show the required documents for all applications, and additional documents for applications submitted by organizations (e.g. businesses, non-profits, trusts, churches, etc). Because each application is unique, the required documents may vary.

You must bring all of these documents to the Personal Consultation in order for your application to be accepted for processing. Failure to bring the required documentation to your personal consultation may result in immediate disqualification.

Most applicants will have their consultations at MDA's service center located at 1641B in Biloxi, Mississippi. If an applicant is not able to conveniently reach the Biloxi Service Center, the applicant may participate in their personal consultation by telephone.

If the personal consultation occurs by telephone, all of the required documents **MUST** be delivered to one of the addresses listed in Table C so that they are received prior to the telephonic personal consultation. If the analyst assigned to the applicant does not receive the required documents prior to the telephonic personal consultation, the personal consultation will not go forward, and there is a chance that the application will not be processed.

Table D: Documents Required at the Personal Consultation for All Applicants

A copy of a U. S. government issued photo ID for each owner and co-owner listed on the application.
Utility bills or other documentation that shows that the property on the application currently has access to electricity, water and sewer/septic (as required by local code).
Insurance policy information at the time of the storm (Flood, Wind and/or Homeowners).
Information regarding any SBA disaster assistance loans.
Information regarding FEMA disaster recovery grants (grant numbers and amounts).
A brief description of the repair or rehabilitation work which is to be performed on the property.
Flood Elevation Certificate (only required if available)
Residential Substantial Damage Estimator (only required if available)
Current insurance policy information for the property (Flood, Wind, Homeowners, Builders Risk, Commercial General Liability).
Any Lead Based Paint studies that have already been performed on the property.
Any environmental assessments that have already been performed on the property.

Table E: Additional Required Documents for Entities

A copy of a U. S. government issued photo ID for each director, manager, trustee or principal officer listed in the application.
Evidence that the business entity is in good standing to transact business within the State of Mississippi.
Organizational documents such as Articles of Incorporation, Bylaws, Stock Ledgers, Resolutions, Certificates of Formation, Operating Agreements, Certificates of Trust, Trust Agreements, Partnership Agreements and a Resolution authorizing an officer or manager to make application and to sign NRRP documents.

3 Eligibility Requirements

Eligibility for the NRRP is determined by reviewing three sets of requirements:

- **Individual/Organization Requirements**– requirements applied to the person or group of persons (e.g., LLC, non-profit) who are applying.
- **Property and Site Requirements**– requirements of the building and the property the unit is built upon. These include, but are not limited to, verification of property elevation, title, building inspections and other property related inspections.
- **Environmental Requirements** – Federal requirements that mandate the review and approval of the environmental impact of work performed on the property. These include, but are not limited to, checking for evidence of Lead Based Paint (LBP), proximity of wetlands, proximity of above ground storage tanks, historical points of interest and archeological sites.

Before applicant eligibility can be determined, MDA must complete reviews of the requirements listed above. These reviews will be carried out by MDA at no cost to the applicant. However, if issues are identified during the review – for example, if the structure does not meet federal elevation requirements – the applicant will be required to pay for the cost of mitigation (or solving the problem). Applicants must complete mitigation within a specified timeframe before application processing can continue.

The MDA analyst assigned to each application will be able to provide applicants with updates on the status of their reviews and answer any questions they may have about the application status.

3.1 Individual Requirements

All applicants will go through a series of eligibility checks geared toward the individual persons (or directors and managers of business entities) and their ownership of the property. Applicants must satisfy the following requirements:

- All owners must pass a fraud alert and identity check.
- All owners must have a minimum credit score of 580.
- All applicants must certify that they are not convicted felons.

Awards under the NRRP are subject to federal laws governing duplication of benefits. Essentially, these laws prohibit government agencies from compensating any applicant twice for the same damage. Additionally, any property that received a forgivable loan under Round One or Round Two of the Small Rental Assistance Program may be ineligible to receive funding under this NRRP. If the applicant received a Homeowner Assistance Program Phase I or Homeowner Assistance Program Phase II grant for the property that is applied for, then the applicant will be ineligible to receive SRAP funding.

3.2 Property Ownership Requirements

In order to be eligible for the NRRP, the applicant **MUST** provide a deed vesting ownership in the name of the applicant that is recorded on or before **November 16, 2009**. Deeds recorded after this date will not be considered.

For the purposes of this NRRP, property ownership is defined as “fee ownership”. In other words, the applicant must be able to provide MDA with a recorded warranty deed or quitclaim deed. In the event that title has been obtained through a tax deed, the applicant must provide a judgment from the chancery court confirming the tax title in the applicant or a predecessor in title pursuant to Miss. Code Ann. 11-17-1. Additionally, the property must be owned by the actual applicant. Ownership by a third party

developer, realtor, broker or other entity or person will not suffice, even if an agreement to transfer the property to the applicant at a later date exists.

In the event that ownership is evidenced by a deed which includes a mechanism whereby the applicant could be divested of ownership (i.e. title to the property will return to the prior owner as a result of an event or non-occurrence of an event in the future), the applicant will be disqualified from the program. For example, deeds which allow a property to revert back to the ownership of the seller in the event that an applicant is disqualified from participation in the program will not be allowed.

3.3 Property Requirements

All properties must pass a site inspection as part of eligibility determination. A site inspector will visit the property at MDA's expense in order to ensure that the property satisfies all eligibility requirements. Applicants or their Applicant Representative **will** need to be present during this inspection. The site inspector will ensure that the property meets the following requirements:

- Each property must be located south of Interstate 10 in Hancock, Harrison or Jackson counties.
- Each property must contain units that are of an acceptable construction type (traditional construction or modular housing). Manufactured housing, condominiums, or single room occupancy units are not eligible. Townhomes or units that share common walls with other units will not be eligible. Duplexes, triplexes and fourplexes will not be eligible.
- A property may contain a maximum of four stand alone single family homes.
- Each unit must meet HUD standards for safe and sanitary housing.
- Each unit must meet the minimum square footage requirements as stated below:

Table F: Unit Minimum Square Footage

Unit Size	Minimum Sq. Footage
1 Bedroom	660 Sq. Feet
2 Bedrooms	880 Sq. Feet
3 or More Bedrooms	990 Sq. Feet

- Each property must currently have access to water, electricity, and sewer or septic service, or hookups to provide those services.
- Rental units and property must meet building codes, zoning requirements, the requirements of the Mississippi Residential Landlord and Tenant Act and HUD minimum property standards.
- Application properties can be no larger than five (5) acres.
- All units must contain an operating hot water heater, refrigerator, oven, stove or range, heating system, cooling system and bathroom vent if an operable window is not present. Water, electrical, and/or natural gas services must be provided at the time of inspection for MDA representatives to verify that all appliances are in working order.

These are the minimum requirements and this list is non-exhaustive.

3.4 Property Flood Elevation Requirements

- If the structure was constructed before August 29, 2005, and it is being repaired or rehabilitated, the following elevation requirements apply:

- Properties that sustained 50% or more damage shall conform to the DFIRM elevation requirements issued by FEMA, pursuant to the National Flood Insurance Program.
- Properties that sustained less than 50% damage must conform to the latest (most recent) elevation requirements issued by the local flood plain management agency, or other local or municipal authority.
- If reconstructing the units, the following elevation requirements apply:
 - Properties must be elevated to conform to the DFIRM elevation requirements issued by FEMA, pursuant to the National Flood Insurance Program. This includes properties which were rejected in previous rounds of the Small Rental Assistance Program for a failure to follow elevation guidelines.

3.5 Environmental requirements

All NRRP applications must pass a federally-required environmental review. This review will be performed at MDA's expense. There are three potential steps to the review:

- **Step 1 – Initial Review:** An environmental assessor will visit the property. The assessor will take photos and possibly measurements of the property from the street. They will collect tax information in order to determine the date of construction of structures on the property. Applicants do not need to be present for this visit.
- **Step 2 – Issue Analysis:** If the Initial Review reveals a potential environmental issue, further analysis will be required. This analysis may require follow-up site visits or additional research. MDA will schedule required follow-up visits in order to perform the necessary analysis. Applicants will be notified if they are required to be present for these follow-up visits.
- **Step 3 – Issue Mitigation:** Any issue that cannot be cleared through Issue Analysis will need to be mitigated before environmental clearance is granted. MDA will not pay for mitigation of any issue identified during the environmental review; however, applicants will be told what is required and may choose to mitigate the issue or withdraw from the NRRP. All mitigation must be completed within the timeframe specified by MDA. Examples of mitigation include making modifications to the building plans, moving the building site, or obtaining special permits for the property.

The environmental review is a separate and distinct review from any other review. Other previously performed (or applicant-provided) environmental reviews will not satisfy MDA's requirements. Be aware that applicants are prohibited from beginning repairs, rehabilitation or reconstruction until they receive their NRRP loans.

3.6 Taxes, Insurance, and SBA Loans

Prior to the NRRP loan closing, an applicant must satisfy all amounts owed to the Mississippi State Tax Commission, and amounts owed to the Mississippi Department of Employment Security. Loan disbursements cannot be used to pay any outstanding amounts owed to these taxing authorities. In the event that MDA identifies any amounts owed to these taxing authorities, the applicant will be notified and will be given fourteen (14) days from the date of notice to provide written evidence of payment in the form of a paid tax receipt or correspondence from the taxing authority. During the fourteen (14) day period, the application will be placed on hold. If the applicant fails to provide evidence satisfactory to MDA which establishes that the outstanding amounts have been paid or satisfied within the fourteen (14) day period, the applicant will be disqualified from the NRRP. Extensions of this time period will be granted for cause at the discretion of MDA.

At the time of application, the applicant will sign a subrogation agreement. The applicant will agree to assign to the State all of the applicant's future rights to reimbursement and all payments received under any policy of casualty or property damage insurance on the structure. If the applicant receives any amounts from the applicant's insurer after the NRRP closing, the subrogation agreement will provide that the applicant must remit such funds to MDA. Prior to closing, MDA will notify the applicant's insurers and Small Business Administration of the applicant's participation in the NRRP and request a summary of all amounts paid or loaned to the applicant.

4 Forgivable Loan Closing and Fund Disbursement

4.1 Closing

All NRRP funding is provided as a forgivable loan. Upon completion of the eligibility reviews listed in section 3 above, an analyst will contact the applicant to schedule their closing. The applicant will be contacted and told to bring certain documents to the closing. The analyst will advise the applicant as to those persons who will be required to attend the closing (e.g., all owners and co-owners).

Applicants should expect to attend the closing at the MDA Service Center. Applicants that cannot attend the closing at an MDA Service Center may be eligible to participate in a "remote closing" at their location. Typically, remote closings will only be made available to those persons that can show that they are not able to attend the closing in person. Applicants may schedule their closing to occur in Jackson, Mississippi.

Applicants will receive their first payment after loan closing. Applicants will have twelve (12) months from the date of the first payment to complete all work on the structure and obtain a certificate of occupancy.

4.2 Covenants

During the NRRP's loan closing, applicants will be required to sign a covenant agreement and deed of trust. These documents will be filed with the local chancery clerk in the land records. The covenant agreement and deed of trust imposes the NRRP requirements on the property for the full loan period of ten (10) years.

The covenant agreement is an officially-filed restriction that ensures the property will remain a Neighborhood Rental Restoration Project property for the full loan period. At the end of the loan period, the covenant will automatically terminate and will no longer be valid or enforceable. Since the covenant and deed of trust are "self executing", nothing will need to be filed at the local chancery clerk's office to show that the loan period has ended. If the applicant abides by the terms and conditions of the NRRP for the full ten (10) year compliance period, the loan will be forgiven and no interest will be charged.

The covenant and deed of trust will expire on the tenth (10th) anniversary of the later of the issuance of the Certificate of Occupancy or the NRRP loan closing.

4.3 Fund Disbursement

Payment of the awarded Forgivable Loan will be made as follows:

- 1st installment will be paid once the property successfully completes the application process, has satisfied the eligibility requirements noted in Section 3 and the compliance requirements noted in Section 5, and after the applicant submits a building permit, certificate of occupancy, or other similar documentation. The payment will be mailed to the applicant once the closing is complete and the covenants are recorded.

- 2nd installment will be paid after the successful final inspection is completed and upon confirmation of satisfaction of the compliance requirements noted in Section 5.
- Yearly installments will be paid for four (4) years on the anniversary of the previous payment subject to successful completion of annual compliance requirements.

Table G: Loan Payment Schedule

	Payment After Closing	Payment After Certificate of Occupancy	Year One	Year Two	Year Three	Year Four	Total Loan Amount
One Bedroom	\$15,000	\$15,000	\$5,000	\$5,000	\$5,000	\$5,000	\$50,000
Two Bedrooms	\$20,000	\$20,000	\$5,000	\$5,000	\$5,000	\$5,000	\$60,000
Three or More Bedrooms	\$25,000	\$25,000	\$5,000	\$5,000	\$5,000	\$5,000	\$70,000

4.4 Principal Forgiveness and Interest

If applicants maintain compliance with all NRRP terms for the full ten (10) year loan-period, the loan principal will be forgiven, and no interest will be charged. Effectively, at the end of ten (10) years, the applicant has no obligation to repay the loan.

Loan principal is forgiven on the eighth, ninth, and tenth anniversaries of the later of the issuance of the Certificate of Occupancy or the NRRP loan closing. One-third of the loan amount is forgiven in each of those years.

Forgiveness of loan principal may be taxable depending on each applicant's personal tax situation. MDA strongly urges the applicant to consult a tax professional in order to determine what effect the loan will have on taxes.

4.5 Forgivable Loan Default

- Violation of any terms of the NRRP will result in a Statement of Noncompliance being issued to the applicant. The notice will state clearly the reasons for noncompliance and will allow the applicant 90 days to correct the issue and submit certification to MDA that the issue has been resolved. Depending on the nature of the noncompliance, an MDA site visit may be necessary to verify resolution of the issue.
- If the issue remains uncorrected after the expiration of the 90 day period granted by MDA, the applicant will be in default of the terms and conditions of the NRRP.
- If the applicant is in default, the amount of loan principal then outstanding (based upon the amount previously forgiven during the 10 year period) shall immediately become due and payable.
- Upon default the Forgivable Loan will immediately convert to an interest-bearing demand note and becomes immediately due and payable.
- The due and payable amount will be based upon the unforgiven amount of the loan.
- Default occurs at the property level. If one unit is found to be non-compliant with the NRRP terms then the entire property will be considered in default.
- Interest on defaulted loan awards will be set at the London Interbank Offered Rate (LIBOR) plus one percent (1%). Interest will be calculated beginning on the date that the first check is issued.
- In addition to interest, termination fees may be applied at MDA's discretion on defaulted loan

awards.

- If a unit remains unrented for more than ninety (90) days at any time after loan closing, the applicant is in default. If the applicant makes every reasonable effort to rent the unit and no tenant is available, MDA will consider extending this deadline on a case-by-case basis.

5 Compliance

In exchange for the loan award, each applicant agrees to comply with all NRRP terms and requirements as a rental landlord. These requirements include:

- Leasing all units to tenants that have eligible household incomes (50% AMI or below)
- Charging rents that are at or below MDA's published Very Low Income Affordable Rent Standards
- Following income certification and verification procedures and keeping records on all tenants' income
- Maintaining complete and accurate rent rolls
- Renting units in accordance with HUD Fair Housing Standards
- Following other general terms of the NRRP

The applicant is responsible for maintaining complete and accurate records for the full period of the loan term. These records must fully and completely support the satisfactory completion of all compliance items. These records must be provided to MDA upon request.

Compliance with these terms for the full period of the loan will result in loan forgiveness, leaving the applicant with no obligation to repay the loan or interest on it. Failure to comply with terms will lead to non-compliance and loan default.

5.1 Eligible Household Incomes

Eligible household incomes are based upon data obtained from HUD. The standard income levels are determined by household size—specifically, the number of persons that will occupy the rental unit. The table below shows the 2009 eligible Neighborhood Rental Restoration Project income limits. MDA will revise the affordability standards table each year based on updated data from HUD.

Table H: Income Limits by County (50% AMI)

	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Harrison/Hancock	\$18,150	\$20,700	\$23,300	\$25,900	\$27,950	\$30,050	\$32,100	\$34,200
Jackson	\$19,250	\$22,000	\$24,750	\$27,500	\$29,700	\$31,900	\$34,100	\$36,300

5.2 Affordable Rent Standards

HUD and/or MDA's defined rental rates are the *maximum* allowed rates landlords may charge tenants. Landlords may charge lower rates at their discretion. The table below shows 2009 Neighborhood Rental Restoration Project rental rates for tenants with incomes at or below 50% of the AMI. Rental rates are updated annually by MDA. Please be aware that these rental rates may be subject to a downward or upward revision on a yearly basis depending on various factors.

Table I: Rental Rate Limits by County (50% AMI)

	One Bedroom	Two Bedrooms	Three or More Bedrooms
Harrison/Hancock 50% AMI	\$361	\$422	\$550
Jackson 50% AMI	\$335	\$402	\$554

The rental rates listed above assume that landlords will pay utilities on behalf of their tenants. Utilities include electricity, water/sewer, garbage pickup, and natural gas (if applicable). If tenants are required to pay any of their own utilities, the landlord must subtract the following utility allowances from the rent charged.

Table J: Utility Allowances by Unit Size

	1 Bedroom	2 Bedroom	3 Bedroom
Allowance	\$75	\$85	\$100

5.3 Following Income Certification Verification Procedures

All landlords will be required to follow MDA’s rules and processes in order to verify the income of their tenants and ensure that all units are rented to tenants that are at or below 50% AMI. Landlords will be required to obtain all documents needed to verify and certify the income of potential tenants. Landlords will be required to document these verifications on forms provided by MDA, and keep copies of these records. MDA will, from time to time, request access to these records in order to ensure compliance.

Renting a unit prior to income verification and certification at the 50% AMI or below level may result in non-compliance, default and removal from the NRRP.

Income verification is required only when new tenants move in. If existing tenants remain in the unit and extend their leases, recertification of income is not necessary.

5.4 Lease and Rental Compliance Terms

- The initial term of all tenant leases must be at least six (6) months.
- Applicants must use the MDA prescribed lease form provided on MDA’s website.
- Applicants may not modify the Mississippi Development Authority lease in any way, including, but not limited to, the addition of an addendum. Applicants may not charge tenants a rent amount that is greater than the maximums that are published by the Mississippi Development Authority each year. Applicants that charge tenants for any amenities, services, furniture or other items run the risk of being disqualified if the additional charges exceed the maximum rental rates when added to the base rent. There will be no exceptions granted to this rule.
- The rental rate which must be charged is the rate which is published for the year that the lease is signed by the tenant. Each time that a new lease is prepared and each time that a lease is renewed, applicants must use the rental rates for the year in which the lease is entered into or renewed. Applicants must not use rental rates from previous years for new leases or renewed leases.
- Applicants must begin renting their units as soon as they are ready for occupancy. If a unit remains unrented for more than ninety (90) days at any time after the issuance of a certificate of occupancy or its equivalent OR loan closing (whichever is later), the applicant is in default.
- If a Neighborhood Rental Restoration Project applicant chooses to participate in HUD’s Section 8 Rental Voucher Program, said applicant cannot receive rental payments from any

source or combination of sources that exceeds the Mississippi Development Authority's published very low income rental rate. Those applicants who participate in the Section 8 program are allowed to use a HUD approved Section 8 lease instead of the SRAP lease which is required by MDA.

5.5 Renting Units after Application but Before Closing

- If an applicant applies for a property and completes repairs or construction AFTER application, but BEFORE closing, the applicant may rent out the units in that property to very low income tenants that would qualify under the NRRP guidelines. The applicant must charge rent that is acceptable under the NRRP guidelines and be in full compliance with all other NRRP terms, conditions and requirements.
- Applicants may utilize a month to month lease for pre-closing tenants if they desire, but they may rent for a longer lease period if this is required for Section 8 participation. If an applicant utilizes a longer lease period, they run the risk of being found in noncompliance if the tenant is subsequently found to be greater than 50% AMI. If the longer lease period extends beyond the allowable time to correct a noncompliance issue, the applicant may be in default and removed from the NRRP.
- If the applicant chooses to utilize a longer lease term, the lease term must be for a minimum of six (6) months and the applicant must use the approved MDA lease form (or the Section 8 lease if applicable – see above). If the applicant chooses to have a month to month lease prior to closing, the applicant must cease renting month to month and utilize a minimum six (6) month lease after closing. If closing occurs in the middle of a month to month lease period, the applicant must convert the month to month lease to a minimum six (6) month lease after the last month to month lease expires.

5.6 Insurance Compliance Terms

Prior to loan closing, applicants must provide the following insurance information:

- Certificate of Insurance for casualty (hazard) loss insurance on the NRRP rental, including Mississippi windpool or other separate wind riders on another insurance policy; (or) Certificate of Insurance for Builder's Risk coverage obtained by the Applicant or Applicant's contractor covering the estimated cost of construction including wind coverage; Applicant must obtain coverage on the structure as of the date of the COO.
- Certificate of Insurance for flood insurance up to the NFIP maximum amount; (or) Certificate of Insurance for Flood Insurance as either a component of the Builder's Risk insurance, or, as a separate policy, and in an amount equal to the lesser of the estimated cost of construction or the maximum limit of coverage available for the particular type of property under the NFIP; (or) if flood insurance is not required to be maintained on the property by any governmental authority having jurisdiction over the property, the applicant will execute a Flood Zone Affidavit at closing and will not be required to obtain flood insurance.
- All properties must be covered by general liability insurance in the minimum amount of \$250,000. The following policies are acceptable:
 - Commercial General Liability policy naming the Applicant covering the NRRP rental property; or
 - Liability "rider" or "endorsement" to the Applicant's homeowners policy covering the NRRP rental property; or
 - An applicant's "Umbrella" policy, provided it is in the same name as the application and coverage extends to the NRRP rental property; or

- If under construction, a Builders Risk policy, if the policy provides commercial general liability coverage for the owner / applicant for the full extent of the NRRP rental property.

All required insurance must be in full force and effect during the entire term of the loan. MDA reserves the right to request copies of policies at any time during the loan period.

5.7 HUD Fair Housing Standards Compliance

- It is HUD's mission to promote non-discrimination and ensure fair and equal housing opportunities for all. In an ongoing effort to provide services and activities on a nondiscriminatory manner and to affirmatively further fair housing, HUD is charged by law to implement and enforce a wide array of civil rights laws, not only for members of the public in search of fair housing, but for HUD funded grant recipients as well. HUD is charged with ensuring the successful operation of specific enforcement of housing programs.
- HUD-funded grant recipients are obligated under various laws not to discriminate in housing or services directly or indirectly on the basis of race, color, religion, sex, national origin, age, familial status, or disability. HUD rules further require that recipients of federal financial assistance comply with civil rights-related program requirements (CRRPRs) that affect nearly every aspect of each program. In order to satisfy these requirements, MDA requires that NRRP landlords and / or their managers attend Fair Housing Act training. MDA will monitor annual compliance with this requirement by requiring written evidence of a landlord's or manager's completion of a Fair Housing Act training course provided either by a HUD office or another HUD approved resource.
- HUD's non-discrimination requirements are compiled from several different federal laws designed to protect each individual's right to fair housing and equal opportunity.
- Additional information on fair housing may be obtained by visiting the following web addresses: www.hud.gov/offices/ftheo and www.msdisasterrecovery.com.

6 Appendix: Glossary of Terms

American with Disabilities Act (ADA) – The ADA is a wide-ranging civil rights law that prohibits, under certain circumstances, discrimination based on disability. The ADA also establishes standards for accessible construction.

Area Median Income (AMI) – A measure of the median income for a given geographic area that is published by HUD on an annual basis.

Capital Improvement – The addition of a permanent structural improvement or the restoration of some aspect of a property that will either enhance the property’s overall value or increase its useful life.

Certificate of Occupancy (CO or COO) – The key document used to certify the legal use and occupancy of a building. This document is issued by the building official or code enforcement department of local government.

Covenant – A signed, written agreement between applicant(s) and MDA that binds the NRRP requirements to the property for the 10 year term of the contract. The Covenant is included in the Deed of Trust.

Deed – A legal document that shows ownership. In addition to a warranty deed, applicants in this NRRP may prove ownership by submitting other types of deeds such as a Quitclaim Deed.

Deed of Trust – A Deed of Trust is a legal document filed by a lender at a courthouse which shows that a property owner has been loaned money and the property is the security for the loan.

DFIRM – Digital Flood Insurance Rate Map. A redrawing of flood zone boundaries and flood elevations issued by FEMA. DFIRM flood maps supersede ABFE maps.

Environmental Review – A study of the reasonably foreseeable potential effects of a proposed activity on the environment.

Fair Housing Act – A Federal Act making it illegal to discriminate against any person because of race, color, religion, sex, disability, familial status (having one or more children, or the expectation of having children) or national origin.

Forgivable Loan – A loan that does not have to be repaid if all NRRP requirements are met. If the NRRP requirements are not met the loan recipient is required to pay back some or the entire loan amount. All NRRP awards are forgivable loans.

Grant – A grant is an award of financial assistance to a recipient to carry out a specific purpose. Grants do not require repayment. NRRP awards are not grants.

HUD – Acronym for the Department of Housing and Urban Development, a U.S. government agency. It has existed since 1965 and is charged with ensuring smooth policy for housing and city development.

LIBOR – London Interbank Offered Rate. It is the most widely used benchmark or reference rate for short-term interest rates worldwide.

Lien – A lien is a legal claim or a “hold” on some type of property, whether personal or real property, making it collateral against monies or services owed to another person or entity.

Loan Term – is the term of the loan that starts on the day of closing and ends on the tenth anniversary of the date of the first payment.

Modular Housing – Known as “pre-fab” housing, any dwelling that is assembled out of prefabricated components (i.e. walls, floors, and roof). The components are assembled at the site where the dwelling will be permanently situated.

Manufactured Housing – Also known as Mobile Homes - are prefabricated homes built in factories, rather than on site, and then taken to the place where they will be occupied. They are usually transported by tractor-trailers over public roads to sites which are often in rural areas or high-density developments.

MDA – The Mississippi Development Authority is the State of Mississippi’s lead economic and community development agency.

Property – For the purposes of the NRRP, “property” is the single, subdivided piece of land upon which the rental units are situated.

Residential Substantial Damage Estimator – RSDE is a program to assist communities in estimating building value and damage costs for single residential structures and manufactured homes.

Title – A formal document that serves as evidence of ownership. i.e. a Warranty Deed.

Unit – A unit is a single dwelling such as a house, an apartment, or a modular home that is occupied (or if vacant, is intended for occupancy) as separate living quarters. Separate living quarters are those in which the occupants live and eat separately from any other persons in the building and which have direct access from the outside of the building or through a common hall.