

MEMORANDUM OF UNDERSTANDING

BETWEEN

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL HOUSING SERVICE

AND

([REDACTED])

This Memorandum of Understanding (MOU) is entered into between the Rural Housing Service (RHS) of the United States Department of Agriculture (USDA), hereinafter referred to as the “Agency,” and the ([REDACTED]), hereinafter referred to as the “packaging body.”

The purpose of this MOU is to establish the packaging body as a packager of loan, grant, and loan/grant combination applications for the Agency’s Section 504 Single Family Housing (SFH) Direct Loan and Grant Program. The MOU also provides general terms and conditions for the packaging process, quality standards, and responsibilities for the packaging body.

The state served under this MOU is ([REDACTED]).

PART I - GENERAL REQUIREMENTS

This part sets forth the requirements for participation as a packaging body. Notwithstanding any other provisions of this MOU, should there be a conflict between this MOU and any federal statute or regulation, the latter shall prevail.

IT IS MUTUALLY UNDERSTOOD AND AGREED BETWEEN THE PARTIES THAT:

- 1) The Agency is solely responsible for offering and negotiating any loan/grant terms to and with the applicant; and making any underwriting or final decisions on the loan/grant and communicating those decisions to the applicant; and denying applications. The packaging body will not engage in these activities and will not make representations that it can engage in these activities.
- 2) Applications may be submitted directly to the Agency by an applicant. An applicant’s use of a packaging body is optional, not required.
- 3) The packaging body may charge the applicant a loan application packaging fee not to exceed an amount outlined in Rural Development’s Handbook (HB)-1-3550, Attachment 3-A, for any loan, grant, and loan/grant combination applications to be paid at closing.
- 4) As described in this MOU and the HB-1-3550 the applicant shall be notified using the Required Disclosure Letter in Attachment 3-A of the fee during the applicant’s initial meeting with the packager.

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- 5) Pursuant to Agency regulations, Section 504 direct loan or grant funds may be used to pay the packaging fee, provided the applicant has repayment ability and provided that this does not cause the loan or grant to exceed the maximum allowable amounts.
- 6) It is understood by all parties that a packaging fee may be charged only for closed loans, grants, and loan/grant combinations.
- 7) The packaging body represents to the Agency that it meets the applicable requirements of the loan application packaging process as described in this MOU, and other applicable guidance.
- 8) This MOU does not promise to obligate any Federal funds.
- 9) If an Agency-approved packaging body agreement form is developed, parties are expected to sign if continued participation in the packaging process is appropriate, and it will replace this MOU.

PART II – DUTIES AND RESPONSIBILITIES

A. Duties and Responsibilities of the Agency:

- 1) **Information on Regulations and Guidelines.** The Agency shall make all reasonable efforts to provide the packaging body with information concerning laws and guidelines that the packaging body is required to follow to be in compliance with the Agency's SFH 504 direct loan and grant program. The packaging body must sign up for [GovDelivery](#) emails to receive announcements related to changes in regulations or guidance.
- 2) **Agency Reviews of Packaging Body's Operations and Actions.** The Agency shall have a right to conduct reviews for the purpose of verifying compliance with this MOU and Agency regulations and guidelines. These reviews may include but are not limited to: on-site reviews of the operations and actions of the packaging body, requests for information, audits of case files, interviews with packagers, managers and staff; audits of collateral, inspections of the packaging body's facility, and review of the packaging body's records. The packaging body and/or its agents shall provide access to all pertinent information to allow the Agency, or any party authorized by the Agency, to conduct such reviews.
- 3) **Point of Contact.** The State Office will designate one Agency point of contact to serve as the main contact for questions.
- 4) **Lending Decisions.** Lending decisions are expressly limited to Agency staff.
- 5) **Debarment.** The Agency will certify that packaging body is not suspended or debarred from participating in Federal programs by checking Do Not Pay (DNP).

B. Duties and Responsibilities of the Packaging Body:

- 1) **Staff Training.** The packaging body staff are required to become well acquainted with RD HB-1-3550. While particular attention should be given to Chapter 12 (Section 504 Loans and Grants), knowledge of guidance contained in other chapters (such as Chapters 3 – 5 plus Appendix 1) is needed.

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- 2) **Electronic Submission of Loan Application Packages.** The packaging body's quality assurance staff will obtain eAuthentication credentials and will submit application packages to the Agency via its [eForms website](#) (or any superseding automated system implemented by the Agency).
- 3) **Continued Eligibility.** The packaging body must continuously meet the applicable requirements to be a packaging body and demonstrate to the Agency's satisfaction annually, or in another timeframe as determined by the Agency that it still meets all the requirements to be a packaging body.
- 4) **Knowledge of Program Requirements.** The packaging body is required to obtain and keep itself informed of all program laws and guidelines, including all amendments and revisions of program requirements and policies. Packaging body staff participating in the program will sign up to receive SFH listserv updates using the following link: <https://public.govdelivery.com/accounts/USDARD/subscriber/new?preferences=true>
- 5) **Performance Elements.**
 - a) The packaging body will conduct marketing and outreach to potential very low income applicants.
 - b) It is expected that packaged loan applications will receive a high rate of Agency approval (with minimal need for the Agency to request additional information).
 - c) For timeframes to be determined by the Agency, all applications submitted under this MOU must be from eligible very low-income applicants.
- 6) **Revocation.** The designation as an Agency-approved packaging body is subject to revocation by the Agency under any of the following conditions:
 - a) The rate of submitted packaged loan applications that receive RHS approval is unacceptable as determined by the Agency.
 - b) Violation of applicable laws, guidance or any of the terms of this MOU.
 - c) No viable packaged loan applications are submitted to the Agency in any consecutive 12-month period.
- 7) **Packaging Process.** The packaging body will ensure that the following steps are taken during the loan application packaging process under this MOU:
 - a) During the packager's initial discussion with a potential applicant, the packager shall provide them with general counseling about housing repairs requested and the application process: (i) the packager will charge a fee, including the maximum amount of such fee and the methods by which the fee may be paid; (ii) the potential applicant has the option of applying for the loan directly with the Agency at no cost; and (iii) the packager does not guarantee that the application will be approved or funded by the Agency. Written notification must also be provided (either in person or by mail). The written notification, which requires acknowledgement of receipt, must follow the Agency's required format as provided in Chapter 3 of HB-1-3550, Attachment 3-A, 'Required Disclosure Letter'.
 - b) The packager shall conduct a pre-qualification assessment using the [504 Automated Worksheet](#) for each potential applicant. Pre-qualification involves using unverified information to evaluate the likelihood that a potential applicant would be program eligible. If the potential applicant appears to be eligible for a Section 504 direct loan and/or grant, the packager shall proceed in working with the potential applicant to prepare the loan application package. If the potential

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- applicant appears to be ineligible for the program and still wants to apply, the packager shall refer them to apply directly with the Agency.
- c) After a pre-qualification assessment indicates that the potential applicant appears eligible, the packager shall collect verification of income and assets and conduct a preliminary credit analysis that is free of charge to the applicant (or included as part of the allowable packaging fee).
 - d) The packager shall assist applicants determine repairs needed and in obtaining bids for the specified repairs.
 - e) The packager shall assist the applicant with the completion of the loan application in accordance with Agency requirements.
 - f) A loan application package prepared by a packager and submitted to Rural Development must contain the items needed by the Agency to determine eligibility listed in HB-1-3550, Chapter 3, Attachment 3-A, Packaging Phase 1.
- 8) **Quality Assurance.** The packaging body will develop and document quality assurance procedures that it will follow during the preparation and submittal of all loan application packages.
- a) The quality assurance process shall be designed to prevent submitting to the Agency incomplete loan applications or loan applications not recommended for approval.
 - b) Once the loan application package has progressed through the quality assurance process and is determined viable (i.e. the applicant appears program eligible), the packaging body will send the loan application package to the designated RD Field Office to include an invoice for the packaging fee which will be paid if the loan is closed.
- 9) **Marketing Materials.** While the packaging body can prepare marketing materials regarding loan application packaging without Agency involvement, the Agency reserves the right to require alterations to any marketing material to ensure the accuracy of the program information and/or the appropriateness of the message. The packaging body will not use the USDA logo in any marketing materials.
- 10) **Financial Interest.** Whenever the packaging body submits a loan application to the Agency, the packaging body shall notify the Agency and the applicant if the applicable packaging body is the developer of or has a financial interest in the proposed housing project.
- 11) **Personally Identifiable Information (PII).** The packaging body will ensure that all of its employees and agents use due diligence to safeguard applicant information and maintain confidentiality of PII and other information subject to federal or state privacy laws.
- 12) **Debarment.** The packaging body will certify that it is not suspended or debarred from participating in Federal programs.
- 13) **Notification.** The packaging body shall immediately notify the Agency in writing if the packaging body:
- a) Fails to meet any of the requirements of the packaging application process, including the terms of this MOU;
 - b) Becomes insolvent;

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- c) Has filed for any type of bankruptcy protection, has been forced into involuntary bankruptcy, or has requested an assignment for the benefit of creditors;
 - d) Has taken any action to cease operations, or to discontinue serving in the capacity of a packaging body;
 - e) Has changed its name, location, address, tax identification number, or contact person;
 - f) Has become delinquent on any Federal debt, or has been debarred, suspended, or sanctioned in connection with its participation in any Federal program; or
 - g) Has been debarred, suspended, or sanctioned in accordance with any applicable state licensing or certification requirement or regulation.
- 14) **Operations.** The packaging body and its principals shall demonstrate financial responsibility and sound business practices.
- 15) **Employees.** The packaging body shall maintain a packaging staff that is experienced with packaging, affordable housing loan origination, or affordable housing counseling.
- 16) **Conformance to Standards.** The packaging body shall conform to all applicable laws and guidance imposed by the Agency in the execution of its packaging body responsibilities under the terms of this MOU. Additionally, the packaging body shall comply with all other applicable Federal and State laws, regulations, and guidelines.
- 17) **Determination of Non-Conformance.** If the packaging body is found to be in non-compliance with Federal or State law or regulation, Agency guidelines, or terms of this MOU, the Agency reserves the right to take appropriate action.

PART III - DURATION AND MODIFICATION

- A. **Duration and Termination of MOU.** This MOU shall become effective on the date of the last signature and continue in effect until terminated or superseded by another MOU or agreement between the parties. Either party may terminate this MOU on written notice to the other party.
- B. **Completion of Services.** In the event of termination, the packaging body shall continue to process those applications received before the date of termination or as otherwise provided by the Agency.

PART IV – CONTACT PERSONS

Rural Development:

(Insert Agency Contact Name)
(Insert Agency Contact Title)
(Insert Agency Contact Email)
(Insert Agency Contact Phone)

Packaging Body:

(Insert Contact Name)
(Insert Contact Title)
(Insert Contact Address)
(Insert Contact Phone)
(Insert Contact Email)

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PART V. APPROVALS

- 1) **Entire MOU.** This MOU, Parts I through IV inclusive, and any laws or guidelines incorporated by reference, shall constitute the entire MOU.
- 2) **Signatures.** The undersigned packaging body and Agency do hereby agree to the participation requirements and other provisions of this MOU. The parties indicate acceptance with this MOU by their signatures.

Packaging Body Signature

DATE

Packaging Body Name

Packaging Body Title

Name of State Director Signature

DATE

State Director Name

State Name