



Small Rental Assistance Program

Application Guidebook

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1 Program Overview

The Mississippi Development Authority is pleased to offer Round 2 of the Small Rental Assistance Program. SRAP's goal is to provide affordable rental housing in Hancock, Harrison, Jackson, and Pearl River counties. Applicants who agree to follow MDA's rental rules can receive forgivable loans as incentives. These loans are open to properties that have between one and four units.

SRAP Round 2 Enhancements

- Applicants can complete the application on-line at www.mississippi.org. Applicants can greatly improve their processing time and accuracy by filling out the online application rather than a paper application.
- Applicants will have an analyst assigned to them. This person will be available to answer questions about the process and provide updates on the status of the application.
- Recipients of an Option B, C or D forgivable loan will be eligible for a full completion bonus if the property is ready to rent within 9 months of receiving the first loan disbursement. There is no longer a "tiered" completion bonus.
- Existing property can be converted to rental property as long as all local zoning requirements are met. Conversions under Option C did not have to be rental property at the time of Hurricane Katrina.
- Funding will be disbursed in two installments for all Options.
- Applicants may choose a representative to act on their behalf by completing the new Applicant Representative Designation form included in the application.

SRAP Round 2 is open to all ownership entities including but not limited to individuals, multiple individuals, corporations, LLCs, partnerships, trusts, churches, and non-profit organizations.

MDA will begin accepting applications for Round 2 on **October 15, 2008**. The submission deadline for all applications is **December 15, 2008**. Applications must be submitted on-line or postmarked by 11:59 P.M. on December 15, 2008. MDA is not responsible for lost or misdirected mail.

Submission of the application does not guarantee receipt of a SRAP Round 2 loan. Loans will only be made for applications that satisfy the three levels of eligibility requirements:

- Individual (or organization);
- Property; and
- Environmental review
- Eligibility requirement compliance.

These requirements are outlined in the guidebook and will assist applicants in completing the application. Please note that the guidebook may be updated if the program changes; the most

current version will be posted at www.mississippi.org. Please be aware that this guidebook is not intended to be an exhaustive listing of all program requirements.

SRAP Round 2 offers four Options:

- **Option A:** Rental income subsidy
- **Option B:** Repair or reconstruction of Katrina damaged property
- **Option C:** Rehabilitation or conversion reimbursement for existing property to rental
- **Option D:** New construction

Applicants should select the correct option based on the status of their property and the cause of the damage, if any. For all Options, the successful applicants will be required to rent their properties to low-to-moderate income tenants. Any applicant who receives an Option A rental income subsidy payment will not be eligible to rent their units to tenants who receive Section 8 benefits or DHAP benefits. Therefore, choosing Option A may substantially reduce the number of tenants who will be eligible to rent an Option A unit. Applicants for Options B, C and D may rent to Section 8 and other subsidy voucher holders. All funds received must be spent on the property identified in the application process.

Applicants who are applying under Options B, C or D will no longer be allowed to combine their projects with an Option A rental income subsidy. Instead, those who are applying under Options B, C or D will receive the maximum loan amount for which they are eligible regardless of the cost of repair, reconstruction, conversion or construction.

1.1 Forgivable Loan Amounts

SRAP Round 2 forgivable loans are calculated at the unit level according to the number of units and the number of bedrooms. The per-unit loan amounts for all Options are shown below:

Table A: Loan Amount Schedule by Unit & Size

# Units	Efficiency	1BR	2BR	3BR	4BR
1	\$20,000	\$22,500	\$25,000	\$27,500	\$30,000
2	\$40,000	\$45,000	\$50,000	\$55,000	\$60,000
3	\$60,000	\$67,500	\$75,000	\$82,500	\$90,000
4	\$80,000	\$90,000	\$100,000	\$110,000	\$120,000

1.2 Completion Bonuses

For applicants for Options B, C, and D, SRAP Round 2 also offers a completion bonus if the rental units are ready for tenant occupancy within nine (9) months of the date of the first loan disbursement. Units are deemed ready for tenant occupancy based upon the date of the Certificate of Occupancy.

The completion bonus does not apply to Option A. The bonus amounts are the same across all other Program Options, as shown in the table below:

Table B: Completion Bonus Based on Units & Size

# Units	Efficiency	1BR	2BR	3BR	4BR
1	\$3,000	\$7,000	\$8,000	\$9,000	\$10,000
2	\$6,000	\$14,000	\$16,000	\$18,000	\$20,000
3	\$9,000	\$21,000	\$24,000	\$27,000	\$30,000
4	\$12,000	\$28,000	\$32,000	\$36,000	\$40,000

The completion bonus, like the forgivable loan, does not have to be repaid *if* the terms and conditions of the SRAP Round 2 loan are complied with for the required five (5) year period. More information about compliance and loan default is provided in the compliance section of this guidebook.

2 Application Process

The SRAP Round 2 application process is listed below. The steps below must be completed by all applicants who want to participate in SRAP Round 2.

- Submit an application by December 15, 2008.
- Attend a personal consultation before February 20, 2009.
- Sign and submit required documents to MDA at the personal consultation.

2.1 Application Submission

Printed and electronic versions of the SRAP Round 2 application can be found at www.mississippi.org. Printed applications can also be picked up at all MDA Service Centers. 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 December 15, 2008. The address for submitting printed applications is:

Mississippi Development Authority
Small Rental Assistance Program 2
Post Office Box 66
Clinton, Mississippi 39060-0066

2.2 Application Rules

- Only one property is allowed per application.
- Each application may only contain a maximum of four units located on a single property of land.
- 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.
- Applicants may not submit more than 30 applications for SRAP funding. The maximum number of units eligible for SRAP funding is therefore 120 per applicant.
- Applicants may not submit more than 5 applications for Option D. The maximum number of units eligible for Option D funding is therefore 20 per applicant.
- Applicants may not submit more than 25 applications for Options A, B, and/or C. The maximum number of units eligible for Options A, B, and/or C funding is therefore 100 per applicant.

2.3 Personal Consultations

As a part of the second round of the Small Rental Assistance Program, 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 program requirements during this counseling session.

Once MDA receives an application, a Program Analyst will contact the applicant to set up a Personal Consultation. Most applicants will have their consultation in one of MDA's service centers. Applicants who cannot conveniently reach a service center will be able to complete their consultation over the phone.

During the personal consultation, the applicant will confirm the accuracy of all information submitted on the application and supporting documentation. All applicants will also then be assigned a permanent 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 by February 20, 2009. MDA anticipates that there will be a limited number of available appointments as the deadline approaches and strongly urges all applicants to attend a personal consultation as early as possible to avoid missing the deadline. An application may be disqualified if the applicant fails to attend a personal consultation prior to the February 20, 2009 deadline.

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 SRAP Round 2 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.

FRAUD AND MISINFORMATION WARNING

Recently the Mississippi Development Authority was 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 Small Rental Assistance Program. The Mississippi Development Authority therefore issues the following warning to all Applicants who wish to participate in the Small Rental Assistance Program:

THE MISSISSIPPI DEVELOPMENT AUTHORITY IS THE ONLY SOURCE OF AUTHORIZED INFORMATION RELATIVE TO THE SMALL RENTAL ASSISTANCE PROGRAM. APPLICANTS SHOULD BE AWARE THAT MULTIPLE WEBSITES, ONLINE VIDEOS AND OTHER MATERIALS HAVE BEEN DISSEMINATED WHICH CONTAIN ERRORS AND MISREPRESENTATIONS REGARDING THE PROGRAM REQUIREMENTS.

PLEASE REFER TO THE OFFICIAL MISSISSIPPI DEVELOPMENT AUTHORITY WEBSITE, LOCATED AT www.mississippi.org, FOR ALL UP TO DATE INFORMATION REGARDING THE SMALL RENTAL ASSISTANCE PROGRAM. INFORMATION REGARDING ROUND 2 OF THE PROGRAM WILL BE AVAILABLE SOON FOR YOU TO REVIEW.

WE ADVISE ALL APPLICANTS TO INDEPENDENTLY REVIEW ALL PROGRAM REQUIREMENTS RATHER THAN RELYING UPON WEBSITES, ONLINE VIDEOS OR OTHER MARKETING MATERIALS PREPARED BY UNAUTHORIZED THIRD PARTIES.

PLEASE ALSO BE AWARE THAT NO APPLICANT IS REQUIRED TO PAY A FEE OR ANY OTHER TYPE OF MONETARY PAYMENT TO ANY PARTY IN ORDER TO PARTICIPATE IN THIS PROGRAM.

2.5 Required Documents

MDA cannot evaluate 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. The Program Analyst's guidance overrides any listing printed in this guidebook.

Table C: Required Documents for All Applicants

Document	Option A	Option B	Option C	Option D
A copy of a government issued photo ID for each owner and co-owner listed on the application.	X	X	X	X
A copy of the recorded Warranty Deed (or other acceptable Deed) for the property evidencing fee title ownership.	X	X	X	Must provide within 90 days of application
The Tax Parcel ID number for the property. This can be found on the most recent tax bill or from the County Tax Assessor’s Office.	X	X	X	Must provide within 90 days of 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).	X	X	X	Must provide within 90 days of application
Insurance policy information at the time of the storm (Flood, Wind and/or Homeowners).	X	X	X	
Information regarding any SBA disaster assistance loans.	X	X	X	
Information regarding FEMA disaster recovery grants (grant numbers and amounts).	X	X	X	
A map showing the location of the property.	X	X	X	X
A brief description of the construction work which is to be performed on the property.		X	X	X
Construction blueprints.				X
Flood Elevation Certificate (only required if available)	X	X	X	
Residential Substantial Damage Estimator (only required if available)	X	X	X	
Current insurance policy information for the property (Flood, Wind, Commercial General Liability and/or Homeowners).	X	X	X	
Any Lead Based Paint studies that have already been performed on the property.	X	X	X	
Any environmental assessments that have already been performed on the property.	X	X	X	X

All applicants that are business entities (including corporations, LLCs, partnerships, trusts, churches, and non-profit organizations) must also provide the following documents in addition to those listed above:

Table D: Additional Required Documents for Other Entities

Document	Option A	Option B	Option C	Option D
A copy of a government issued photo ID for each director, manager, trustee or principal officer listed in the application.	X	X	X	X
Evidence that the business entity is in good standing to transact business within the State of Mississippi.	X	X	X	X
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 SRAP Round 2 documents.	X	X	X	X

If an applicant participates in their personal consultation by telephone, all of the required documents **MUST** be mailed to the Program Analyst 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. All documents must be mailed to:

Mississippi Development Authority
 Small Rental Assistance Program 2
 Post Office Box 66
 Clinton, Mississippi 39060-0066

3 Eligibility Requirements

Eligibility for SRAP 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 that houses the rental unit(s) and the property those units are built upon. These include, but are not limited to, verification of property elevation, compliance with the Americans with Disabilities Act, 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 issue mitigation (or solving the problem) 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 satisfactory credit scores.
- All applicants must certify that they are not convicted felons.

Awards under SRAP are also subject to federal laws governing duplication of benefits. Essentially, these laws prohibit government agencies from compensating any applicant twice for the same damage. Specifically, awardees under Program Option B who received FEMA grants or SBA loans may have their SRAP loans reduced if there is an apparent duplication.

Additionally, any property that received a grant under SRAP1, Homeowner Assistance Program Phase I or Homeowner Assistance Program Phase II will be ineligible to receive SRAP funding. This restriction applies even if the applicant was not the person who received the grant award.

3.2 Property Ownership Requirements

MDA is aware that not every applicant will have property ownership at the time that they apply for the program. In the first round of SRAP, this caused numerous problems which resulted in significant delays in application processing. Those problems included:

- The failure to construct subdivision infrastructure (streets, roads, water lines and sewer) in a timely fashion.
- The inability of applicants to provide a legal description for the property which they were purchasing which delayed environmental review, site inspection and initial title verification.
- The inability of applicants to confirm financing for construction or acquisition of units at the time of the loan closing.
- Applicants repeatedly requested that they be allowed to switch properties.

In an effort to avoid these problems, MDA is now requiring that an Applicant OWN the property prior to application processing. A lease, contract for purchase, option to purchase, or a reservation will not meet this requirement.

For the purposes of this program, property ownership is defined as “fee ownership”. In other words, the applicant must be able to provide MDA with a recorded warranty deed, quitclaim deed or other documented proof of ownership. In the event that title has been obtained through a tax deed, the applicant must also 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.

Any applicant who does not own their property at the time of application and wishes to provide proof of ownership at a later date acknowledges that the application MAY be subject to the following restrictions:

- Applicants who can prove ownership at the time of their personal consultation session will have their applications processed first.
- Applicants who can prove ownership at the time of their personal consultation session will be given priority if the program is oversubscribed. Applicants who cannot prove ownership at the time of their application risk being removed from the program if they cannot prove ownership before oversubscription to the program occurs.
- Applicants who will be providing proof of ownership AFTER their personal consultation session will experience delays because processing of the application cannot begin until proof of ownership is submitted. We will not begin site inspection, environmental inspection, or an eligibility determination until after the applicant provides proof of ownership.

3.3 Property Ownership Deadline

MDA recognizes that it may take some time for subdivisions to be platted, for infrastructure to be constructed and financing to be secured. In an effort to accommodate these needs, MDA will allow any person who applies during the initial Application period (October 15, 2008 to December 15, 2008) to prove ownership of the property **AFTER** the application is submitted.

The Applicant must provide proof of property ownership within ninety (90) days of the date their Application is submitted via the online system or submission of a paper application.

- Applicants will be allowed to request one thirty (30) day extension of this deadline which will be granted automatically. This request **MUST** be in writing and it must be postmarked prior to the expiration of the ninety (90) day initial deadline. MDA will not accept telephone requests, electronic requests or oral requests for extensions.

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Small Rental Assistance Program 2
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- Applicants can request a second thirty (30) day extension of the deadline upon a showing of substantial need for the extension. This request **MUST** be in writing and it must be postmarked prior to the expiration of the first thirty (30) day extension. MDA will not accept telephone requests, electronic requests or oral requests for extensions. MDA may deny or approve final extension requests at its discretion.

3.4 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 in Hancock, Harrison, Jackson or Pearl River 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.
- A property may contain a maximum of four rental units.
- Each unit must meet HUD standards for safe and sanitary housing.
- Each unit must meet the minimum square footage requirements as stated below:

Unit Size	Minimum Sq. Footage
Efficiency	500 Sq. Feet
1 Bedroom	660 Sq. Feet
2 Bedroom	880 Sq. Feet
3 Bedroom	990 Sq. Feet
4 Bedroom	1320 Sq. Feet

- One out of each four newly constructed units in a fourplex must meet accessibility standards defined by the Americans with Disabilities Act.
- 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.

3.5 Property Flood Elevation Requirements

- All Option D properties must be elevated to conform to the DFIRM elevation requirements issued by FEMA, pursuant to the National Flood Insurance Program.
- All Options A, B, and C properties that sustained 50% or more damage shall conform to the DFIRM elevation requirements issued by FEMA, pursuant to the National Flood Insurance Program.
- All Options A, B, and C 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.

3.6 Environmental requirements

All SRAP Round 2 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 also 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. Refer to Table E below for a list of each of the potential issues which are subject to examination.
- **Step 3 – Issue Mitigation:** Any issue that can not 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 program. Examples of mitigation include:
 - Making modifications to the building plans
 - Moving the building site
 - 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 that have not begun construction or entered into a contract are prohibited from beginning construction until they receive their SRAP loans. Applicants that already have construction contracts may continue the work but may only perform work that is specified in the existing contract. Applicants that have already begun construction may continue, but with the risk that construction may have an adverse environmental effect.

Table E: Environmental Review Requirements

REVIEW TOPICS	OPTION A	OPTIONS B,C and D	OPTIONS B,C and D ON SAME FOOTPRINT
ARCHITECTURAL HISTORY		X	X
ARCHAEOLOGY		X	X
FLOODPLAIN	X	X	X
WETLANDS/CLEAN WATER ACT		X	
COASTAL ZONE		X	
THREAT and ENDANGER SPECIES		X	
FARMLANDS		X	X
CONTAMINATED SITES	X	X	X
ABOVE GROUND STORAGE TANKS		X	
AIRPORT CLEAR ZONES		X	X
LEAD BASED PAINT	X	X	X

3.7 Taxes, Insurance, and SBA Loans

Prior to the SRAP loan closing, an applicant must satisfy all amounts outstanding for ad valorem taxes for the SRAP property, amounts owed to the Mississippi State Tax Commission, and amounts owed to the Mississippi Department of Employment Security. SRAP 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 SRAP program. Extensions of this time period will be granted for cause in the discretion of MDA.

MDA is also responsible for deducting from an applicant’s loan amount any amounts received from insurers and from the Small Business Administration (SBA). 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. Prior to closing, MDA will notify the applicant's insurers and SBA of the applicant's participation in the SRAP program and request a summary of all amounts paid or loaned to the applicant. These amounts will be deducted from the applicant's SRAP loan. If the applicant receives any amounts from the applicant's insurer after the SRAP closing, the subrogation agreement will also provide that the applicant must remit such funds to MDA.

4 Forgivable Loan Closing and Fund Disbursement

4.1 Closing

All SRAP Round 2 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 analyst will advise the applicant of the need to bring certain documents to the closing. The analyst will also 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 an 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 also schedule their closing to occur in Jackson, Mississippi.

Upon completion of the closing, applicants will have twenty-four (24) months to complete all work on the structure and obtain a certificate of occupancy.

4.2 Covenants

During the SRAP Round 2 closing, applicants will be required to sign a covenant agreement and deed of trust. This document will be filed with the local chancery clerk in the land records. The covenant agreement and deed of trust imposes the program requirements on the property for the full loan period of five (5) years.

The covenant agreement is an officially-filed restriction that ensures the property will remain a SRAP 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 SRAP Round 2 program for the full five (5) year compliance period, the loan will be forgiven and no interest will be charged.

For all options, the covenant and deed of trust will expire on the fifth (5th) anniversary of the date of the first check which is issued to the applicant.

4.3 Fund Disbursement

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

- 1st installment (50%) 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.
- 2nd installment (50%) will be paid based upon the option that you choose.

- ◇ For Option A applicants, the second payment will be authorized on the first anniversary of the initial loan payment, and upon confirmation of satisfaction of the compliance requirements noted in Section 5.
- ◇ For Option B, C, and D applicants, the second payment will be authorized after the applicant presents a Certificate of Occupancy for each rental unit within the property, and upon confirmation of satisfaction of the compliance requirements noted in Section 5.

4.4 Principal Forgiveness and Interest

If applicants maintain compliance with all program terms for the full five (5) year loan-period, the loan principal will be forgiven, and no interest will be charged. Effectively, at the end of five (5) years, the applicant has no obligation to repay the loan.

Loan principal is forgiven on the third, fourth, and fifth anniversaries of the first payment from the program. One-third of the loan principal is forgiven in each year. If the applicant receives a completion bonus, the full amount of the bonus will be forgiven in one installment on the fifth anniversary of your first payment from the program.

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 SRAP Round 2 program 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 45 days to correct the issue and submit certification to MDA that the issue has been resolved.
- If the issue remains uncorrected after the expiration of the 45 day period granted by MDA, the applicant will be in default of the terms and conditions of SRAP Round 2.
- If the applicant is in default, the amount of loan principal then outstanding (based upon the amount previously forgiven during the 5 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 program 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 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 program terms and requirements as a rental landlord. These requirements include:

- Leasing all units to tenants that have eligible household incomes
- Charging rents that are at or below HUD and/or MDA’s published Affordable Rent Standards
- Following income certification and verification procedures and keeping records on all tenants’ income
- Renting units in accordance with HUD Fair Housing Standards
- Following other general terms of the program

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 figures obtained from HUD. The standard figures are determined by household size—specifically, the number of persons aged 18 years or older that will occupy the rental unit. The tables below show the 2008 eligible income limits. MDA will revise the affordability standards tables each year based on updated data from HUD.

Table F: Income Limits by County (80% AMI)

	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Harrison and Hancock	\$ 27,450	\$ 31,350	\$ 35,300	\$ 39,200	\$ 42,350	\$ 45,450	\$ 48,600	\$ 51,750
Jackson	\$ 30,050	\$ 34,300	\$ 38,600	\$ 42,900	\$ 46,350	\$ 49,750	\$ 53,200	\$ 56,650
Pearl River	\$ 24,550	\$ 28,100	\$ 31,600	\$ 35,100	\$ 37,900	\$ 40,700	\$ 43,500	\$ 46,350

Table G: Income Limits by County (120% AMI)

	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Harrison and Hancock	\$ 41,175	\$ 47,025	\$ 52,950	\$ 58,800	\$ 63,525	\$ 68,175	\$ 72,900	\$ 77,625
Jackson	\$ 45,075	\$ 51,450	\$ 57,900	\$ 64,350	\$ 69,525	\$ 74,625	\$ 79,800	\$ 84,975
Pearl River	\$ 36,825	\$ 42,150	\$ 47,400	\$ 52,650	\$ 56,850	\$ 61,050	\$ 65,250	\$ 69,525

5.2 Affordable Rent Standards

HUD and/or MDA’s defined rental rates are the *maximum* allowed rate landlords may charge tenants. Landlords may charge lower rates at their discretion. The tables below show 2008 rental rates for tenants with incomes at or below 80% of the AMI and for tenants with incomes between 80% and 120% of 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.

In addition to abiding by the income verification and rental rate limit requirements, all applicants must follow the following general terms for the full loan period:

Applicants must rent the majority (at least 51%) of all units in a given property to tenants with incomes at or below 80% AMI, at the 80% AMI rent limit. The only exception to this requirement is for two-unit properties. In a two-unit property, the applicant may rent one unit at 80% AMI and the other at 120%.

Table H: Rental Rate Limits by County (80% AMI)

	Efficiency	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
Harrison and Hancock	\$655.00	\$ 695.00	\$ 811.00	\$ 1,057.00	\$1,086.00
Jackson	\$ 563.00	\$ 643.00	\$ 773.00	\$ 1,064.00	\$1,141.00
Pearl River	\$ 439.00	\$ 440.00	\$ 527.00	\$ 643.00	\$ 907.00

Table I: Rental Rate Limits by County (120% AMI)

	Efficiency	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
Harrison and Hancock	\$ 983.00	\$ 1,043.00	\$ 1,217.00	\$ 1,586.00	\$ 1,629.00
Jackson	\$ 845.00	\$ 965.00	\$ 1,160.00	\$ 1,596.00	\$ 1,712.00
Pearl River	\$ 659.00	\$ 660.00	\$ 791.00	\$ 965.00	\$ 1,361.00

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 their own utilities, the landlord must subtract the following utility allowances from the rent charged.

Table J: Utility Allowances by Unit Size

	Efficiency	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
Allowance	\$ 50.00	\$ 75.00	\$ 85.00	\$ 100.00	\$ 115.00

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. Landlords will be required to obtain an income certification from potential tenants. Landlords will also 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. MDA will provide personnel in the Service Centers to assist landlords with the income verification process.

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

5.4 General Compliance Terms

- The initial term of all tenant leases must be at least six (6) months.
- The applicant must use the MDA prescribed lease form provided on MDA's website.
- All rental units must be made available for tenant occupancy within twenty-four (24) months of the first loan payment.
- All properties must be covered by homeowners', wind, and flood insurance for the full loan period. All properties must also be covered by general liability insurance in the minimum amount of \$250,000.

5.5 Insurance Compliance Terms

- Compliance Terms for Option A
Evidence of the following must be provided at closing:
 1. Certificate of Insurance for casualty (hazard) loss insurance on the SRAP rental, including Mississippi windpool or other separate wind riders on another insurance policy;
 2. Certificate of Insurance for flood insurance up to the NFIP maximum amount; and
 3. Certificate of Insurance for:
 - Commercial General Liability policy naming the Applicant covering the SRAP rental property; or
 - Liability "rider" or "endorsement" to the Applicant's homeowners policy covering the SRAP rental property; or
 - An applicant's "Umbrella" policy provided it is in the same name as the application and coverage extends to the SRAP rental property.

- Options B, C and D

Evidence of the following must be provided at closing:

1. Certificate of Insurance for casualty (hazard) loss insurance on the SRAP 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'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.
2. 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.
3. Certificate of Insurance for:
 - Commercial General Liability policy naming the Applicant covering the SRAP rental property; or
 - Liability "rider" or "endorsement" to the Applicant's homeowners policy covering the SRAP rental property; or
 - An applicant's "Umbrella" policy, provided it is in the same name as the application and coverage extends to the SRAP 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 SRAP rental property.

5.6 Compliance with HUD Fair Housing Standards

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 also 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 SRAP 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 address www.hud.gov/offices/fheo.

Appendix 1: Priority Scoring

MDA reserves the right to apply priority scoring. MDA also reserves the right to allocate funding by option and location.

Please note that applications will only be fully scored if the program is over-subscribed.

If priority scoring is required, applicants will be notified in writing and asked to submit additional documentation. The table on the next page lists the factors, the points assigned to each, and examples of the types of documents that may be requested. Applicants are strongly encouraged to use these factors while planning construction or repairs. Applicants are also encouraged to save paperwork that supports each scoring factor. In the event scoring is required, doing so will ensure your application receives higher funding priority.

Priority Scoring Factors

Your Points	Max Points	Scoring Criteria
	20	Applicant has satisfactory prior owner/manager experience.
	20	Applicant has satisfactory credit history.
	20	Applicant/development team has satisfactory financial capacity.
	10	Applicant was a Mississippi state resident on August 29, 2005.
	20	Applicant is currently a Mississippi state resident.
	10	Applicant's primary residence is located in the state of Mississippi, within 75 miles of the rental property.
	20	Outside funding commitments (if applicable) have been obtained at the date of application.
	20	Property is located in an MDA Preferred Development Location.
	2	Property will contain ENERGY STAR® refrigerators.
	2	Property will contain ENERGY STAR® dishwashers.
	2	Property will contain ENERGY STAR® clothes washers.
	2	Property will contain ENERGY STAR® clothes dryers.
	10	Property will contain central heating or air conditioning in excess of 14 SEER or 95% AFUE.
	15	Property will be built in excess of the following total-unit dimensions: <i>600 SF for efficiencies</i> <i>720 SF for one-bedroom units</i> <i>960 SF for two-bedroom units</i> <i>1080 SF for three-bedroom units</i> <i>1,440 SF for four- bedroom units</i>
	190	MAXIMUM TOTAL POINTS

Appendix 2: Glossary of Terms

ABFE – Advisory Base Flood Elevation. An initial set of flood elevation calculations released by FEMA shortly after Hurricane Katrina. These calculations revised the pre-Katrina flood zone boundaries and elevation requirements established by the pre-Katrina Flood Insurance Rate Map. The ABFE was later superseded by the issuance of the DFIRM.

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.

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 program requirements to the property for the 5 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 program 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 program requirements are met. If the program requirements are not met the loan recipient is required to pay back some or the entire loan amount. All SRAP 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. SRAP 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 fifth 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 SRAP program, “property” is the single, subdivided piece of land upon which the rental units are situated.

REAC – An assessment of rental property which is designed to help ensure safe, decent and affordable housing by identifying fraud, abuse and waste of HUD resources.

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.

SEER – A measure of the energy efficiency of an air conditioning unit. The higher the SEER rating, the more energy efficient the unit is. The SEER rating is found on the yellow EnergyGuide label attached to the unit.

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.