

MEMORANDUM OF UNDERSTANDING
Between the
Rural Housing and Community Development Service
and
Alabama Housing Finance Authority

INTRODUCTION

The Rural Housing and Community Development Service in Alabama, formerly known as the Farmers Home Administration, an Agency of the U.S. Department of Agriculture (USDA), hereinafter referred to as RHCDS, and Alabama Housing Finance Authority, a public corporation and independent instrumentality of the State, acting in its capacity as Administrator and housing credit agency of the Low-Income Housing Tax Credit program for the State of Alabama, herein after referred to as AHFA, wish to enter into the following Memorandum of Understanding (MOU) regarding the monitoring of low-income housing tax credit compliance as established by Section 42 of the Internal Revenue Code (Section 42).

RHCDS administers a loan program authorized by Section 515 of the Housing Act of 1949 (Section 515), which provides financing for housing for very-low- and low-income tenants in rural areas. USDA administers the Section 515 program through its Rural Economic Community Development (RECD) mission area at the State Office level by RECD State Directors. As an incentive for developers to participate in the program, the Internal Revenue Service (IRS), in Section 42, provides tax credits, which are administered through state or local housing credit agencies.

BACKGROUND

The IRS published regulations on September 2, 1992, to guide housing credit agencies in monitoring compliance with the low-income housing tax credit requirements by owners of low-income housing projects. These regulations allow the housing credit agency to implement review requirements that grant exceptions to the requirements to review tenant certifications, supporting documentation, and rent records of such buildings to owners of projects financed under Section 515. However, for the housing credit agency to grant review exceptions on buildings financed by RHCDS, the housing credit agency must enter into an agreement with RHCDS whereby RHCDS will agree to provide the housing credit agency with information concerning the income and rent of the tenants in the building. The housing credit agency may assume accuracy of the information provided by RHCDS without verification.

SCOPE OF THE AGREEMENT

Under this agreement, RHCDS and AHFA agree to engage in cooperative efforts to enable AHFA to effectively monitor tax credit requirements of RHCDS borrowers, as provided in Section 42.

PURPOSE

The purpose of this document is to establish the conditions under which RHCDS and AHFA agree to operate.

- a. RHCDS agrees to annually provide AHFA with data concerning tenant income on affected Section 515 projects. Such data will be either from the Multiple Family Housing Tenant File System (MTFS) database in a standard report format, or a copy of the latest

Form FmHA 1944-29, "Project Worksheet for Interest Credit and Rental Assistance." In either instance, the report will be signed and dated by the RHCDS Servicing Official and will indicate that the data is considered correct by RHCDS.

- b. Parties to this agreement understand that RHCDS does not certify tenant tax credit income eligibility, nor does RHCDS certify to the owner's compliance with requirements of Section 42 of the Internal Revenue Code, only that tenant income is based upon a tenant certification/recertification which is updated annually, and that the certification-/recertification requires a third-party verification. AHFA is to understand that the owner certifies to RHCDS monthly data as to continued occupancy and tenant eligibility. RHCDS also carries out periodic supervisory actions to verify compliance by the owner with RHCDS requirements.
- c. Parties agree that RECD will provide AHFA with names of housing owners receiving tax credits who have defaulted on their 515 loans. In return, AHFA will provide RECD with information concerning borrowers who, to the knowledge of AHFA, are in non-compliance with tax credit requirements.

PERIOD OF AGREEMENT

This agreement will remain in effect until terminated by written notification of either party to the other.

MODIFICATION OR CANCELLATION PROVISION

This agreement may be modified or amended by written agreement by RHCDS and AHFA. Requests for amendments to this agreement may be initiated by either of the two parties through written notification.

ACCEPTANCE AND SIGNATURE OF EACH APPROVING PARTY



(State Director), Alabama
Rural Economic & Community Development

September 27, 1995
Date



Executive Director
Alabama Housing Finance Authority

9-8-95
Date