MEMORANDUM OF UNDERSTANDING

BY AND BETWEEN

UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
AND

MINNESOTA HOUSING FINANCE AGENCY
AND

UNITED STATES DEPARTMENT OF AGRICULTURE, RURAL DEVELOPMENT

WHEREAS, this Memorandum of Understanding (MOU) establishes the framework for a continued working relationship by and between the United States Department of Housing and Urban Development (HUD) and the Minnesota Housing Finance Agency (MHFA) and the United States Department of Agriculture, Rural Development (RD) (collectively, the Parties, and individually, a Party), in connection with a pilot program developed at the request of HUD, RD and the US Department of the Treasury, and other participating jurisdictions, if needed, to establish a protocol for one federally-sponsored physical inspection of a property, at an agreed-upon interval, for certain properties with multiple sources of federal funding. The sources of funding include: HUD’s Section 8 Project-Based Rental Assistance Program authorized under 42 U.S.C. §1437f, HUD’s Multifamily Mortgage Insurance Program authorized under 12 U.S.C. §1713, HUD’s Risk-Sharing Program authorized under 12 U.S.C. §1707, HUD’s HOME Investment Partnerships Program (HOME) authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act (1990) (42 U.S.C. §§12701 et seq.), MHFA’s low-income housing tax credit allocation which is authorized under Section 42 of the Internal Revenue Code, RD’s Section 515 Rural Rental Housing Program authorized under 42 U.S.C. §1485; and MHFA’s mortgage loan financing;

WHEREAS, multifamily housing properties having two or more sources of funding using the programs identified above are considered “aligned” properties for purposes of this MOU. A list of aligned properties to be included in the pilot program is attached;

WHEREAS, HUD, MHFA and RD recognize that they share mutual interests in ensuring that the public interest is served by enabling HUD, MHFA and RD to timely share certain on-site review reports related to projects receiving funding from the abovementioned sources;

NOW THEREFORE, in consideration of the mutual promises set forth herein, the Parties hereby agree to cooperate as follows:
I. PURPOSE AND PARAMETERS

A. Purpose of the MOU

The purpose of this MOU is to set forth the conditions, safeguards and procedures among the Parties regarding physical inspections to be performed on aligned multifamily properties.

B. MOU Parameters

In order to effectuate the objectives of this MOU, the Parties agree as follows:

1. Lead Agency to Perform Inspections; Follow-Up
   For aligned properties in which HUD has involvement, HUD, through its Minneapolis Multifamily Hub office, is the lead agency to perform inspections. For aligned properties involving only MHFA and RD, RD is the lead agency to perform inspections.

   Each Party shall follow up on inspection deficiencies with respect to its programs as if the Party had performed the inspection itself. No Party shall be responsible for following up on inspection deficiencies on behalf of another Party unless required by a separate agreement between the Parties.

2. Property Inspection Frequency
   Parties agree that aligned properties should be inspected at least once every three years, or as otherwise required by law. Parties reserve the right to perform follow-up inspections at any time to confirm compliance with program requirements.

   Parties shall determine pilot program inspection scheduling within two weeks of signing of the MOU. All inspections performed under the terms of this MOU shall be completed by a date that will allow inspection reports to be provided to owners and the other Parties prior to the end of the term of this MOU.

3. Property Inspection Protocol
   Lead agencies agree to use a mutually acceptable inspection standard, at a minimum the Uniform Physical Condition Standards or the RD inspection, as appropriate. The lead agency will determine the inspection standard used. Further, the Parties will agree on a sample size acceptable to all, in accordance with any waivers provided by any of the Parties.

4. Program Requirement Waivers
   To facilitate participation in the pilot program, certain program requirements must be waived so that property owners are not penalized due to pilot program requirements.

   HUD’s September 22, 2011 memorandum waives select HOME property standard requirements for grantees involved in the pilot program. Subject to the waiver, aligned properties funded under MHFA’s HOME program will not be subject to the housing
quality standards requirements under 24 CFR §92.251(c) and the ongoing on-site unit inspection requirements under 24 CFR §92.504(d). The waiver is effective for the one-year period beginning November 1, 2011 and is conditioned on MHFA’s participation in the pilot program and submission of information to HUD regarding (1) the current property standards that MHFA uses for inspecting HOME-assisted units; (2) the HOME projects included in the pilot program, including the name, address and IDIS activity number; and (3) the number of HOME-assisted units affected by the waiver.

In general, physical inspections performed by HUD or a HUD contractor on properties with FHA insurance or a project-based Section 8 contract include vacant units in the random sample of units to be inspected only when the property has a vacancy rate of 15% or more. However, other federal agencies taking part in the pilot require that vacant units be inspected.

As a result, HUD stipulates that, during this pilot, physical inspections performed by HUD or a HUD contractor on properties participating in the pilot will inspect all vacant units included in the inspection sample. However, if a property with FHA insurance or a project-based Section 8 contract has a vacancy rate of less than 15%, the Real Estate Assessment Center (REAC) report of such an inspection will note all deficiencies in the vacant units inspected (for use by the other agencies), while for HUD purposes, REAC will automatically restore any points deducted from the final REAC score based on any vacant units inspected.

In addition, Parties may be responsible for performing certain tasks that, under this MOU, may be delegated to another one of the Parties.

5. Reporting format consistency
HUD will use the REAC Inspection Report, and RD will use the RD Physical Inspection Report.

6. Information sharing commitment
All of the Parties agree to share information with each other for the purpose of ongoing project oversight in accordance with State and Federal laws and regulations regarding data privacy. Inspection reports will be provided by the lead agency to the owner and the other Parties within 10 working days of the inspection. Property owners must respond to each Party involved based on the Party’s own rules and regulations. Follow-up action by the lead agency does not prevent the other Parties from pursuing corrective measures.

7. Universe of programs/projects included in pilot
See Attachment A.

8. Commitment of staff resources to pilot.
All of the Parties agree to commit staff resources to the pilot program in order to ensure communication and data sharing.
C. Disclosure of Information and Reports

1. The shared information and reports shall be disclosed to third party requesters in accordance with applicable State and Federal laws and regulations, including but not limited to the Freedom of Information Act (FOIA), 5 U.S.C. §552, and the Privacy Act, 5 U.S.C. §552a.

2. Requests from the public for copies of physical inspection reports from HUD’s Real Estate Assessment Center (REAC)

   a) REAC reports are HUD records; and are, in some circumstances, non-public information.

   b) Requests from the public that are made to RD or MHFA for copies of REAC reports will be referred to HUD for processing in accordance with applicable Federal law and regulations, including but not limited to the Freedom of Information Act (FOIA), 5 U.S.C. §552, and the Privacy Act, 5 U.S.C. §552a.

   c) Such referrals should be forwarded to HUD’s FOIA Public Liaison for their geographical region as listed below:

      Region V (Ohio, Michigan, Minnesota, Wisconsin)

      Deputy Regional Director
      U.S. Department of Housing and Urban Development
      77 W. Jackson Blvd., Suite 2608
      Chicago, IL 60604
      (312) 353-5680

D. Limitations on Obligation and Financial Commitment

   Notwithstanding any other provision of this MOU, this MOU does not obligate any Party to commit funds, personnel, services, or other resources. This MOU is an expression of intent only. Each of the Parties acts as an independent party with respect to performance of responsibilities under the MOU and does not represent that it is an employee or agent of another Party of to this MOU. This MOU does not give a third party any benefit, legal or equitable right, remedy, or claim under this MOU.

II. TERM OF MOU

   This MOU shall be effective as of the date of execution by all Parties, and shall remain in effect for at least one year or until all Parties agree to amend or terminate it as set forth below.
III. GENERAL TERMS

A. This MOU may only be amended by mutual written agreement of all of the Parties involved.

B. Any party may terminate this MOU upon written notice to the other Parties, in which case termination shall be effective no sooner than 30 days after the date of that notice, except as required by law.

C. All Parties shall adhere to applicable State and Federal law and regulations in accessing the data and ensuring that the data is stored securely.

D. This MOU may be executed in counterparts, each of which shall be deemed to be an original, and all counterparts, when taken together, shall constitute one and the same MOU.

E. The invalidity or unenforceability of any provision of this MOU shall not affect the validity or enforceability of the remaining provisions of this MOU.

F. This MOU is not intended to, and does not, restrict the authority of any Party to act as required by State and Federal law, statute or regulation.

G. This MOU shall be governed by and construed in accordance with the laws of the State of Minnesota and the federal laws of the United States of America. In the event of any conflict, federal law will prevail.

IV. CONTACT PERSONS/AUTHORIZED OFFICIALS

A. The primary contact at HUD for all matters related to transmittal of data is:

Laura Simpson
Director of Project Management
U.S. Department of Housing & Urban Development
920 2nd Avenue South, Suite 1300
Minneapolis, MN  55402

B. The primary contact at MHFA for all matters related to transmittal of data is:

Karen Hassan
Middle Manager, Compliance
Minnesota Housing Finance Agency
400 Sibley Street, Suite 300
Saint Paul, MN  55101
C. The primary contact at RD for matters relating to transmittal of data is:

JoAnn Andres
Multi-Family Housing State Office Specialist
U.S. Department of Agriculture, Rural Development
375 Jackson Street, Suite 410
Saint Paul, MN 55101

D. All notices under this MOU shall be in writing and served on the Parties at the addresses specified above and delivered (i) by personal delivery, (ii) by overnight delivery service using a nationally recognized overnight delivery service (such as UPS or Federal Express), or (iii) by e-mail or facsimile transmission. Any notice shall be deemed effective for the purposes of this MOU at the date of delivery (if hand delivered), or one (1) business day after being deposited with a recognized overnight delivery service, or the day sent (if sent by e-mail or facsimile transmission).

V. APPROVALS

Now, therefore, the Parties hereto consent to the provisions of this MOU.
MEMORANDUM OF UNDERSTANDING

BY AND BETWEEN

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
AND THE MINNESOTA HOUSING FINANCE AGENCY AND THE
U.S. DEPARTMENT OF AGRICULTURE, RURAL DEVELOPMENT

SIGNATURE PAGE

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

By: Antonio Riley, Regional Director  
Date: 11/14/2011

MINNESOTA HOUSING FINANCE AGENCY

By: Mary Tingerthal, Commissioner  
Date: 11/14/2011

U.S. DEPARTMENT OF AGRICULTURE/RURAL DEVELOPMENT

By: Colleen Landkamer, State Director  
Date: 11/14/2011
## MORTGAGEE INITIATED REAC Inspections

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<th>FHA Insurance</th>
<th>Previous Inspection</th>
<th>Score</th>
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### HUD Initiated REAC Inspections

#### HU03

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*Note: The universe for the Inspections should be 100% of the units, not 100% of the MF assisted units.

## Rural Development is Lead Agency

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<tr>
<th>HU03</th>
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<th>Risk Share</th>
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### Grand Manor I and II

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<th>Score</th>
<th>Next RD Inspection</th>
<th>Next HUD Inspection</th>
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