

UNNUMBERED LETTERS ISSUED FOR THE DECEMBER OF 2014

Dated	Subject	Distribution
12-16-14	Interest Rate Changes for Business and Industry Loans	S/D
12-17-14	Prepayment Guidance for Multi-Family Housing Properties	S/D
12-18-14	Interest Rate Changes for Housing Programs and Credit Sales (Nonprogram)	S/D
12-18-14	Interest Rate Changes for Community Facilities Programs	S/D

December 16, 2014

TO: State Directors

ATTN: Area Specialist
Business Program Directors

FROM: Lillian Salero (signed *Lillian Salero*)
Administrator
Rural Business-Cooperative Service

SUBJECT: Interest Rate Changes for Business and Industry Loans

The following interest rates, effective January 1, 2015, through March 30, 2015.

<u>Loan Type</u>	<u>Existing Rate</u>	<u>New Rate</u>
ALL LOAN TYPES		
Direct Business and Industry	3.250%	3.250%

Please notify appropriate personnel of this rate.

EXPIRATION DATE:
March 31, 2015

FILING INSTRUCTIONS:
Administrative/Other Programs

December 17, 2014

TO: State Directors
Program Directors

FROM: Tony Hernandez /s/ *David Lipsetz* for
Administrator
Housing and Community Facilities Programs

SUBJECT: Prepayment Guidance for Multi-Family Housing Properties

PURPOSE:

The purpose of this Unnumbered Letter (UL) is to remind Servicing Officials of the prepayment requirements of 7 CFR 3560 concerning the Rural Development Rural Rental Housing Program and Farm Labor Housing Program Direct Loan portfolios.

This guidance is intended to help Loan Servicers in State Offices and Field Offices perform consistent, effective reviews of prepayment requests of multi-family projects financed by the Agency to ensure they are conducted in accordance with applicable regulatory and administrative requirements.

BACKGROUND:

Rural Development's Multi-Family Housing (MFH) program provides decent, safe, and sanitary housing rental units for very low, low, and moderate-income households in rural areas. Regulations provide servicing options to assist borrowers in meeting their requirements to preserve these properties and keep them available in the MFH program. However, not all borrowers wish to remain in the MFH program.

Borrowers may wish to prepay their Agency loans and convert their properties to conventional use. To protect the supply of affordable housing and to ensure that tenants of MFH properties do not suffer from rent overburden or the loss of their units, the Agency requires borrowers to obtain approval before prepaying their loans (7 CFR part 3560, subpart N). The approval process allows the Agency to offer the borrower incentives to forgo prepayment and maintain the affordability of the housing, and offer other alternatives for a borrower to exit the program.

EXPIRATION DATE:
December 31, 2015

FILING INSTRUCTIONS:
Housing Programs

Certain restrictions may apply to the borrower's prepayment request depending on the date of the loan.

Loans with prepayment prohibitions include:

- (a) Initial Section 515 loans made on or after December 15, 1989; and
- (b) Subsequent loans made on or after December 15, 1989, for additional rental units.

The only option to exit the MFH program for these borrowers is to transfer their loans to other eligible borrowers in the Agency program or, in cases of properties that no longer meet the objectives of the program and find themselves in default, to liquidate through voluntary or involuntary liquidation.

Loans without prepayment prohibitions, but with restrictive-use provisions include:

- (a) All loans made after December 21, 1979, but prior to December 15, 1989;
- (b) Subsequent loans made on or after December 15, 1989, for purposes other than additional rental units; and
- (c) Loans subsequently restricted by servicing actions including transfers.

Borrowers of loans without prepayment prohibitions, restrictive-use provisions, or loans with expired restrictive-use provisions may apply to receive incentives under the prepayment process. They also may prepay their loans if another loan or grant from the Agency imposes the same or more stringent restrictive-use provisions on the housing project covered by the loan being prepaid. This means the property remains in the Agency program.

Prepayment or exiting the program

Borrowers with loans without prepayment prohibitions, but with restrictive-use provisions, have the option of either finding an eligible borrower to transfer the loan or filing a prepayment application that will provide additional options for exiting the program in accordance with the law. All prepayment requests must be submitted to the Agency in writing and the Agency must give approval for all prepayment requests.

In addition to ensuring that borrowers follow these regulations, Agency staff also must perform their due diligence in fully analyzing a property prior to accelerating a MFH loan, including consideration that the borrower is forcing an acceleration to circumvent the prepayment process. In such a case, the Agency will consider alternatives to acceleration, such as suing for specific performance under loan and management documents 7 CFR 3560.456(a).

PROCEDURES:

The Agency's primary responsibilities with the MFH program are to maintain the integrity of the program and keep MFH properties available per the intent of the law. When a borrower seeks to

exit the program by intentionally defaulting on the loan agreements, the Agency staff will advise the borrower of the terms of the loan agreement and the program regulations regarding prepayment or removal of properties from the Agency loan portfolio.

RESPONSIBILITIES:

State Directors will be responsible for implementing the provisions of this UL.

December 18, 2014

TO: State Directors

ATTN: Area Directors
Area Specialist
Rural Housing Program Directors

FROM: Tony Hernandez /s/ *Tony Hernandez*
Administrator
Housing and Community Facilities Programs

SUBJECT: Interest Rate Changes for Housing Programs
and Credit Sales (Nonprogram)

The following interest rates, effective January 1, 2015, are reported as follows:

<u>Loan Type</u>	<u>Existing Rate</u>	<u>New Rate</u>
ALL LOAN TYPES		
Treasury Judgment Rate	0.110%	0.140%

The new rate shown above is as of the week ending November 28, 2014. The actual judgment rate that will be used will be the rate for the calendar week preceding the date the defendant becomes liable for interest. This rate may be found by going to the Federal Reserve website for the weekly average 1-year Constant Maturity Treasury Yield *

RURAL HOUSING LOANS

Rural Housing (RH) 502 Very-Low or Low	3.375	3.375
Single Family Housing (SFH) Nonprogram	3.875	3.875
Rural Housing Site (RH-524), Non-Self-Help	3.375	3.375
Rural Rental Housing and Rural Cooperative Housing	3.375	3.375

EXPIRATION DATE:
January 31, 2015

FILING INSTRUCTIONS:
Administrative/Other Programs

* (http://www.federalreserve.gov/releases/h15/data/Weekly_Friday_/H15_TCMNOM_Y1.txt).

December 18, 2014

TO: State Directors

ATTN: Area Directors
Area Specialist
Community Facilities Program Directors

FROM: Tony Hernandez /s/ *Tony Hernandez*
Administrator
Housing and Community Facilities Programs

SUBJECT: Interest Rate Changes for Community
Facilities Programs

Effective from January 1, 2015, through March 31, 2015, the interest rates for direct community facility loans are as follows:

Poverty Line...unchanged at.....4.500%
Intermediate... unchanged to.....4.125%
Market..... unchanged to.....3.750%

For this quarter, all loans may be obligated at the lower market rate. Please notify appropriate personnel of these rates.

EXPIRATION DATE:
March 31, 2015

FILING INSTRUCTIONS:
Administrative/Other Programs

Sent by Electronic Mail on 12-22-14 at 10:00 am by Credit Reform Staff. State Directors should advise other personnel as appropriate.