UNNUMBERED LETTERS ISSUED FOR THE JULY OF 2014

Dated	Subject	Distribution
07-07-14	Temporary Authorizations Single Family Housing Direct Loan Program	S/D
07-11-14	Interest Rate Changes for Housing Programs and Credit Sales (Nonprogram)	S/D
07-11-14	Prepayment Incentives Processing Guidance	S/D
07-28-14	Electronic Submissions of CF Program Applications for National Office Review	S/D
07-30-14	Extensions and De-Obligations of Multi-Family Housing Section 515, Section 514, and Section 516 Unliquidated Obligations	S/D

July 7, 2014

TO: State Directors
Rural Development

ATTN: Program Directors
Single Family Housing

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

SUBJECT: Temporary Authorizations
Single Family Housing Direct Loan Program

PURPOSE:

The three temporary authorizations described in this memorandum are effective as of the date this memorandum and expire on September 30, 2014.

To promote full utilization of Single Family Housing (SFH) direct loan funds before the end of Fiscal Year 2014, this memorandum extends three temporary authorizations related to loan processing.

BACKGROUND:

As plainly and pointedly stated on the White House website, the Federal Government has a fundamental responsibility to be effective stewards of the taxpayers' money. For the SFH direct program, this means responsibly, effectively, and fully utilizing funds appropriated by Congress to address the housing needs of very low- and low-income persons in rural areas.

To promote full utilization of funds, temporary authorizations may be extended to create and/or advance funding opportunities when the pace of obligations is slower than expected. The three temporary authorizations described in this memorandum have been granted in the past.

EXPIRATION DATE:
September 30, 2014

FILING INSTRUCTIONS:
Housing Programs

IMPLEMENTATION RESPONSIBILITIES:

1st Temporary Authorization: Obligation Subject to Appraisal

Loan Approval Officials are authorized to approve and obligate SFH direct loans subject to the receipt of an acceptable appraisal. When approving and obligating direct loans subject to an appraisal, Form RD 3550-7, "Funding Commitment and Notification of Loan Closing," must contain the following language under the "Additional Items or Conditions" on page 2 for the applicant's review and acceptance by signature:

> "This commitment is contingent upon USDA, Rural Development obtaining an acceptable appraisal that adequately secures the loan and meets the requirements of 7 CFR Part 3550, Section 3550.62."

All loans obligated under this authorization must be for allowable loan purposes and the applicants must meet all eligibility criteria. Before closing the loan, the appraisal will need to be obtained and reviewed by the field staff in the manner prescribed in Handbook-1-3550, Paragraph 5.21, Reviewing Appraisals.

2nd Temporary Authorization: Section 502 New Rates and Terms Assumptions

Handbook-1-3550 prescribes the use of new rates and terms assumptions when an applicant is purchasing an existing borrower's property.

However, a transaction that would typically be processed as a new rates and terms assumption should be processed as an initial loan for the remainder of this fiscal year. In other words, existing loans would be paid in full with new loan proceeds.

3rd Temporary Authorization: Section 502 Refinancing

To promote refinancing opportunities this fiscal year, the Agency will temporarily relax the following refinancing provisions outlined in Handbook-1-3550, Paragraphs 6.5 B.1. and 2., Refinancing Non-Agency Debt:

- An increase in the interest rates or change in repayment terms for adjustable rate loans, interest-only loans, short-term rate locks and other forms of specialty lending are not considered to be beyond the borrower's control.
- The primary debt to be refinanced must have been made at rates and terms that were customary for long-term residential financing in the area at the time the debt was incurred.
- Periodic changes in the repayment terms of a loan should not be the focal point for consideration of the need to refinance.

All other refinancing stipulations outlined in Handbook-1-3550 and 7 CFR 3550 must be met.

As a point of clarification, the applicant does not have to be delinquent at the time of application in order to be considered "in danger of losing the property". The field staff must establish that there is a high risk of foreclosure because the applicant would not be able to continue making the payments for reasons beyond their control. It is critical that field staff establish and document the tie between the circumstance(s) and the need for the Agency to get involved with the refinance to demonstrate that the assistance will permanently alleviate the financial hardship and lead to successful homeownership.

Again, the three temporary authorizations described in this memorandum are effective as of the date this memorandum and expire on September 30, 2014.

To responsibly utilize funds, field staff are reminded:

- To keep abreast of updates and/or changes to the programs' guidance by:
  - Reading the monthly SFH Teleconference notes posted on SharePoint at: Rural Development Share Point Sites > TeamRD > Housing & Community Facilities Programs > Single Family Housing
  - Signing up to receive Regulation Update emails from the Regulations and Paperwork Management Branch. To be added, send an email to comments@wdc.usda.gov. (Note: This email distribution list is limited to Rural Development employees.)
- Of the availability of the Underwriting, Pre-Closing and Compliance Review Tool in SharePoint at: Rural Development Share Point Sites > TeamRD > Housing & Community Facilities Programs > Single Family Housing > Direct Program Information > HB-1-3550 > Chapter 6 > Underwriting and Compliance Review Tool Final

If you have any questions regarding the above, please contact Scott Nista at 804-287-1532 or scott.nista@wdc.usda.gov.

Sent by Electronic Mail on July 7, 2014, at 3:15 p.m. by Single Family Housing Direct Loan Division. The State Director should advise other personnel as appropriate.

July 11, 2014

TO: State Directors

ATTN: Area Directors
Area Specialist
Rural Housing Program Directors

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

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

The following interest rates, effective August 1, 2014, are reported as follows:

Loan Type	**Existing Rate**	**New Rate**
ALL LOAN TYPES		
Treasury Judgment Rate	0.100%	0.110%

The new rate shown above is as of the week ending June 27, 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	3.625	3.625
Single Family Housing (SFH) Nonprogram	4.125	4.125
Rural Housing Site (RH-524), Non-Self-Help	3.625	3.625
Rural Rental Housing and Rural Cooperative Housing	3. 625	3.625

EXPIRATION DATE:
August 31, 2014

FILING INSTRUCTIONS:
Administrative/Other Programs

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

Please notify appropriate personnel of these rates.

Sent by Electronic Mail on 7-17-14 at 8:30 am by Credit Reform Staff. State Directors should advise other personnel as appropriate.

July 11, 2014

TO:	Rural Development State Directors Rural Development Managers Area Directors
ATTENTION:	Multi-Family Housing Program Directors
FROM:	Tony Hernandez Administrator Housing and Community Facilities Programs
SUBJECT:	Prepayment Incentives Processing Guidance

The purpose of this Unnumbered Letter is to provide guidance on prepayment incentive offers.

Rural Development is sensitive to the need to provide prepayment incentives to maintain affordable housing in the communities with the greatest need. Rural Development recognizes that incentives provide a relatively inexpensive way of providing long-term affordable housing to support low and very-low income rural Americans.

However, as a result of the rescission in the FY 2013 budget and continued funding limitations in the FY 2014 budget, we are facing many challenges in meeting multi-family funding needs. This challenge is particularly acute in the Rental Assistance (RA) program. As Rural Development looks for ways to manage the RA program, it is becoming increasingly difficult to provide needed RA to renew agreements for the benefit of existing tenants.

In light of this difficulty, the use of additional RA to protect rent overburdened tenants or provide new units of RA to Rural Development multi-family properties as an incentive to remain in the Section 515 program presents a significant challenge to Rural Development. Therefore, the Office of Multi-Family Housing is putting in place certain measures to ensure that the award of prepayment incentives does not preclude existing program needs, especially in the RA program. These measures are an interim step while we process permanent changes to the regulation to incorporate a more effective process for developing and distributing equitable prepayment incentives.

EXPIRATION DATE: January 31, 2015	FILING INSTRUCTIONS: Housing Programs

State offices should continue to accept all eligible prepayment applications. The process for eligible applications for prepayment where the borrower _is not_ seeking any incentives remains the same. In situations when the borrower will not accept any incentives offered by the Agency, as stated in writing by the borrower, the borrower may take the next step in the prepayment process.

Per CFR 3560.656 Incentive Offers, the Agency may offer the following incentives:

1) The Agency may increase the borrower's annual return on equity;

2) The Agency may agree to convert projects without interest credit or with Plan I interest credit to Plan II interest credit or increase the interest credit subsidy for loans with Section 8 assistance to lower the interest rate on the loan and make basic rents more financially feasible;

3) The Agency may offer additional rental assistance or an increase in assistance;

4) The Agency may make an equity loan to the borrower;

5) The Agency will offer rental assistance to protect tenants from rent overburden caused by any rent increase as a result of a borrower's acceptance of an incentive offer or tenants who are currently overburdened; and

6) In housing projects with project-based Section 8 assistance, the Agency may permit the borrower to receive rents in excess of the amounts determined necessary by the Agency to defray the cost of long-term repair or maintenance of such a project.

Because of the funding situation, incentives (3), (4), and (5) shall not be offered to borrowers without the concurrence of the National Office. Concurrence from the National Office must be received prior to the states' formulation of the general offer to the borrower seeking to prepay. In order to offer incentives (3), (4) and (5), the state office must provide the National Office a justification that includes an explanation for the need to specifically offer RA incentives to retain that project and the importance of the affordable housing it provides in its community. Since additional equity loans may require additional RA to pay for the additional debt service, incentive (4) should only be offered when it is financially feasible without additional RA. As long as RA funding to a property does not increase as an immediate or future result of the offer, state offices may make specific incentives offers (1), (2), and (6) in accordance with CFR 3560.656 and with the State Director's approval.

For specific offers that require prior National Office concurrence, the state office should forward their recommendation(s) to the National Office along with the name(s) of the owner(s), project name(s), borrower ID and loan number(s) and total project units in these application(s).

All complete Prepayment Applications submitted by qualified borrowers should be processed via the MFH PRE-TRAC System to generate the General Incentive Offer.

Should you have any questions regarding the offering of incentives to prevent prepayment, please contact Tiffany Tietz at 616.942.4111 extension 126 or tiffany.tietz@wdc.usda.gov, of the Preservation and Direct Loan Division,

July 28, 2014

TO: State Directors

ATTENTION: Community Program Directors

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

SUBJECT: Electronic Submissions of CF Program Applications for National Office Review

The purpose of this unnumbered letter is to advise field staff of the implementation of an electronic loan approval process when requesting National Office concurrence. The new process will streamline and expedite the National Office review and concurrence on requests for loan approval actions. This process will also decrease the mailing costs and reduce the need for multiple paper copies of loan files. The new process is outlined below.

When submitting a loan file to the National Office for review, the documents that are required to be submitted in a paper docket may now be submitted in an electronic format through the use of our Community Programs Application Processing system (CPAP).

Beginning immediately, projects requiring National Office review for loan approval (projects exceeding State Office approval authority) will be given processing priority when submitted electronically. The list of required documents to be submitted is attached.

When you submit a project to the National Office using CPAP, you will need to send an email to: CommProgramReview@wdc.usda.gov. This will let us know you have officially submitted the project to the National Office for review. In the subject line of the email, please state the purpose of the email.

In the body of the email, please include the state, applicant name, amount of request and action required. Please advise the National Office if the project has any unusual circumstances or timing issues that should be addressed.

EXPIRATION DATE:
August 30, 2015

FILING INSTRUCTIONS:
Community/Business Programs

Internal documents requiring multiple signatures should be signed electronically, if and when possible. Please identify any draft documents within the submittals.

One paper copy of the file is required to be maintained at the servicing office. Please begin to implement these processes. This will help us to streamline and expedite the process for loan concurrence actions.

If you have any questions concerning this unnumbered letter, please contact Karen Safer, Community Programs Specialist at (202) 720-0974.

Attachment

National Office Requirements for Loan Concurrence

Item Name	Item Description
Eligibility	Memo to Director, Community Programs from State Office addressing the following: History Project Description: (Discuss size/scope/design of the project) Credit Available Elsewhere Legal Authority and Responsibility Applicant Type Facility Location
Financial Information	Operating History (5 years Audits or Financial Statements)
Evidence of Collateral Pledge	Security for Loan (actual document or a description of it, if unavailable)
Management	Proposed Lease Agreements, Management Agreements, if applicable
Other	Public Meeting information, Support Letter(s), Borrower Contribution, other Funding Sources, Test for Other Credit. If applicable, Resolutions, Draft Bond information.
Feasibility	Feasibility Report prepared in accordance with regulation
Credit Risk Analysis	Credit Analysis Guide, Risk Matrix; and Credit Risk Assessment Tool, if applicable.
Appraisal	Appraisal review comments, if applicable
Approval Letters	Letters from other regulatory bodies, if applicable
Architectural	Preliminary Architectural Report w/signatures, if applicable
State Review	State intergovernmental Review, if applicable
Environmental	Environmental Report and FONSI (if space is an issue, upload in sections) w/signatures, Flood Insurance documents, if applicable
Lender Documents	Lender Analysis, if applicable
Project Summary	Detailed Project Summary signed off by all parties, including Program Director
Civil Rights	Form RD 2006-38, Civil rights Impact Analysis, if applicable
Obligation Documents	LAPAS Sheet Draft Letter of Conditions

July 30, 2014

TO: State Directors
Rural Development

ATTN: Program Directors and Coordinators
Multi-Family Housing

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

SUBJECT: Extensions and De-Obligations of Multi-Family Housing Section 515, Section 514, and Section 516 Unliquidated Obligations

This Unnumbered Letter (UL) provides guidance on when and how to extend and or de-obligate Section 515, Section 514, and Section 516 unliquidated loans and grants obligations. This guidance was developed in response to the Government Accountability Office (GAO) report entitled "March 2011 GAO Report 10-329, Rural Housing Service – Opportunities Exist to Strengthen Farm Labor Housing Program Management and Oversight", that recommended the Rural Housing Service (RHS) issue guidance on this subject to all RHS staff in the State and local offices.

Although Section 515 loan obligations were not mentioned in the GAO report, the requirements of this UL will also apply to Section 515 unliquidated funds.

The Evaluation, Extension and/or Deobligation Process

Semi-annually, RHS staff in each State Office will carefully evaluate the status of all unliquidated multi-family (MFH) obligations to ensure the proper and efficient use of these funds. The process for reviewing unliquidated obligations is as follows:

EXPIRATION DATE:
July 31, 2015

FILING INSTRUCTIONS:
Housing Programs

STEP 1: STATE OFFICE REVIEW

Identify the unliquidated obligations in the semi-annual certification of reports. The Deputy Chief Financial Officer (DCFO) mails hardcopy reports to each State office. MFH reports are the following:

- Report Code 743, Report of Prior Years Unliquidated Obligations for Automated Multifamily Housing Accounting System (AMAS).
- Report Code 743, Report of Prior Year Unliquidated Obligations for rural housing grant programs maintained in the Program Loan Accounting System (PLAS).
- Report Code 743, Report of Inactive Prior Years Unliquidated Obligations for Non-Automated Loan and Grant Programs.

Review the unliquidated MFH obligations on the reports and provide an explanation for each. The following are the timelines to full closure of obligations:

- On-farm Farm Labor Housing (FLH) loans must be fully liquidated not more than 2 years from the date the loan funds were obligated.
- Off-farm FLH loans and grants must be fully liquidated not more than 3 years from the date the loan funds were obligated.
- Rural Rental Housing (RRH) loans that are not Multi-Family Housing Preservation and Revitalization (MPR) related must be fully liquidated not more than 3 years from the date the loan funds were obligated.
- RRH loans that are MPR related must be obligated and liquidated as per closing conditions stipulated by the MPR loan committee.

The State Director certifies unliquidated obligations.

Scan and save all Code 743 reports and the State Director certification as PDF files. Upload the files to the ULO Certification Sharepoint site by State. (You'll find specific instructions for these activities in an e-mail from the DCFO Program Reporting Branch dated April 4, 2010, titled "ULO SharePoint Instructions" and an October 6, 2011, UL titled "Report of Prior Year Unliquidated Obligations Due October 31, 2011".)

<u>State Office Special Reporting of Obligation Extensions</u>: In an email, submit a request for an extension for the following situations to the State's MFH Preservation Direct Loan Division (PDLD) Team Leader (TL) for review and concurrence and National Office approval;

- Request for time extension for an unliquidated obligation due to extenuating circumstances - An additional one-year extension may be permitted with the State Director’s recommendation, the review and concurrence of the Team Leader (TL) and the approval of the National Office. No more than two one-year extensions may be granted on any unliquidated obligation.

- TLs and the National Office may evaluate obligations that have unusual approval and obligation dates due to funding limitations imposed by budgetary and/or Notice of Funding Availability constraints on a case-by-case basis. No more than two one-year extensions may be granted on any unliquidated obligation.

STEP 2: TEAM LEADER REVIEW AND CONCURRANCE

- The TL reviews the Sharepoint site uploads of ULO PDF files.

- The TL contacts the State and requests documentation for those obligations noted as valid that verifies the continued need of the project at the location, current construction costs, and availability of all original award funding sources (and/or extensions) as necessary to complete the project as initially planned. (State Offices must keep an updated development plan with a revised closing/completion date concurred with the applicant/borrower and authorized State Rural Development approval official in its files.)

- The TL emails his/her recommendation for extension or de-obligation of unliquidated obligations to the National Office program leads (courtesy copies the State Office, the Deputy Director and the Director, MFH PDLD). The National Office RRH program lead is Melinda Price and the National Office FLH program lead is Mirna Reyes-Bible.

STEP 3: NATIONAL OFFICE APPROVAL

- Individually, the program leads and the Deputy Director MFH PDLD, are authorized to approve [or reject] the first and second extension requests. No more than two one-year extensions may be granted on any unliquidated obligation.

- The Director, MFH PDLD, is authorized to approve de-obligations and to approve [or reject] any extension request.

After five (5) years, we will process any outstanding unliquidated obligation in accordance with 31 U.S.C. section 1552(a) Procedure for appropriation accounts available for definite periods: On September 30th of the fifth fiscal year after the period of availability for obligation of a fixed appropriation account ends, the account shall be closed and any remaining balance (whether obligated or unobligated) in the account shall be canceled and thereafter shall not be available for obligation or expenditure for any purpose.

Questions regarding FLH Section 514 and Section 516 unliquidated obligations should be directed to Mirna Reyes-Bible at (202) 720-1753 or e-mail mirna.reysbible@wdc.usda.gov.

Questions regarding Section 515 unliquidated obligations should be directed to Melinda Price at (614) 255-2403 or e-mail melinda.price@wdc.usda.gov.