

UNNUMBERED LETTERS ISSUED FOR THE SEPTEMBER OF 2014

Dated	Subject	Distribution
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09-23-14	Single Family Housing Guaranteed Loan Program Conditional Commitments during the Beginning of Fiscal Year 2015	S/D

September 1, 2014

TO: State Directors
Rural Development

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

SUBJECT: Protective Advance – Recoverable Cost Procedures for
Multi-Family Housing Loans

The purpose of this Unnumbered Letter (UL) is to address how to request protective advances for Multi-Family Housing (MFH) loans and when to implement protective advances.

Protective Advances are provided by the Agency when the borrower fails to meet their responsibilities to provide decent, safe, and sanitary housing, including payment of operating expenses. In some instances, a protective advance is absolutely imperative if the property's situation threatens the health and safety of the residents. Care must be taken to ensure that funds are used appropriately.

A protective advance is **not** a source of funds for the rehabilitation, general repair or routine operational expenses of MFH properties.

Effective with the issuance of this UL, a written request for a protective advance for MFH properties should be submitted from the State Office to the MFH Portfolio Management Division, (Attention: Ancil Green or e-mail ancil.green@wdc.usda.gov). The request should include but not limited to, a) a summary of events leading up to the request; b) current physical condition of the property; c) current financial status of the property; d) actions taken with the borrower to address the extant issue; e) recommendation why obtaining a protective advance is in the best interest of the Agency and how it will cure the immediate needs of the property. The request should also include the obligation date of the oldest outstanding loan on the property, as this will determine which type of program authority loan funds to be utilized (i.e. MFH loans made prior to Fiscal Year (FY) 1992 require "L" funds and MFH loans made after FY 1992 require "R" funds). MFH personnel will review the request to ensure the advances are reasonable and appropriate.

EXPIRATION DATE:
August 31, 2015

FILING INSTRUCTIONS:
Housing Programs

When requesting a protective advance that requires multiple and/or re-occurring advances, such as monthly utility expenses, please indicate the projected number of subsequent advances that will be needed, along with an estimated dollar amount for each additional advance. Your subsequent request(s) need only be followed-up with an e-mail to ancil.green@wdc.usda.gov, identifying the request and the exact dollar amount needed.

Protective advances should not be requested for property insurance. MFH will utilize forced placed insurance under a contract administered by the Customer Servicing Center (CSC). For additional information on forced placed insurance, State Officials should contact the Director of Escrow and Front End Management Branch at CSC at (314) 457-5864.

Protective advances are a recoverable expense when they are utilized to protect the security interest of the Government, and can be authorized for: (1) payment of real estate taxes and/or assessments, (2) essential maintenance and repairs needed to immediately remedy and/or prevent further damage, deterioration and devaluation of secured property, when the borrower possesses the title and is not adequately maintaining the property; or when the borrower has abandoned the property, (3) payment of utility bills in order to maintain/restore essential services such as heat, electricity, garbage, water, etc., and (4) eliminate health/safety violations, drugs and criminal activity which puts the Agency financial security at risk.

It should be further noted that a protective advance should **only** be considered after (1) the servicing office has demanded that the borrower cure the aforementioned deficiencies within the established timeframe, (2) tax bills are vouchered prior to the tax office executing steps to take possession of the property, and (3) when immediate repairs are needed to address imminent structural or health and safety concerns.

Recoverable cost in this context is defined as a cost charged to a borrower's account or incurred prior to the Government's acquisition/possession of title to the property. When Federal funds are extended to borrowers such as through a recoverable cost protective advance, Restrictive-Use Provisions are required to be put in place under the law. For restrictive-use purposes, such funds are treated in the same manner as subsequent loan funds.

Amortized recoverable costs Recoverable cost items may be amortized up to 5 years. This function will allow the servicing official to voucher recoverable cost items such as real estate taxes. For example, when a default or deficiency is identified and noted, it is the Servicing and State Office responsibility to inform the borrower of the finding(s) and demand that the borrower immediately cure any property default or deficiencies. If the cure does not occur within the timeframe established by the Servicing Office, the borrower may be informed of the Agency's authority to implement a protective advance in order to cure the default or deficiencies, and charge the expense as a recoverable cost against the borrower's account, and amortize the account for a period of up to 5 years.

- (1) Payment of real estate taxes. When a borrower's taxes are paid by voucher, the amortization period of the tax advance will be the number of months for which the taxes are being vouchered with a maximum of up to 5 years.

- (2) Costs other than real estate taxes will be amortized for 12 months or less, based on the borrower's repayment ability. An amortized period of more than 12 months may be used only when the cost is of a nonrecurring type.

Servicing Offices should remember that it is the borrower's responsibility to (1) make loan payments as agreed, (2) pay real estate taxes and/or assessments when due, (3) pay utility bills such as heat, electricity, garbage, and other essential services, (4) keep adequate property insurance(s) in force, or make scheduled escrow installments for taxes and insurance when required, and (5) prevent deterioration of secured property by immediately addressing and eliminating health and safety violations, drug and criminal activity issues, and deferred maintenance.

RD Instruction 2024-A, Exhibit D and the Program Authority Code (PAC):

Servicing Offices should reference RD Instruction 2024-A, Exhibit D, Table D-6, "Program Authority to Request Contract Services and Make Non-Contractual Payments - Recoverability of Program Loan Cost Expenses - Multi-Family Housing Programs". As a reminder, request for items such as Recording and Filing fees or related services need not be submitted to the National Office for approval. The Administrator may make written restrictions or revocations of any of the program authorities listed in Exhibit D at any time. An electronic copy of RD Instruction 2024-A can be downloaded from the Rural Development Internet Site.

If you have any questions, please contact Ancil Green, Loan Analyst, MFH Portfolio Management Division at (202) 690-0760.

September 3, 2014

TO: State Directors
Rural Development

ATTN: Program Directors
Single Family Housing

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

SUBJECT: Dedicated Loan Origination System (DLOS)
Annual Access Review

Certification of completion is required within 45 calendar days from the date of this memorandum.

PURPOSE:

This memorandum initiates the DLOS Annual Access Review for Fiscal Year 2014.

BACKGROUND:

To help effectively monitor DLOS access, Single Family Housing Program Directors are required to complete an annual review of DLOS user access within their respective state. The purpose of this review is to make sure user access is compliant with a “Least Privileged” state and ensure adequate separation of duties.

EXPIRATION DATE:
August 31, 2015

FILING INSTRUCTIONS:
Housing Programs

IMPLEMENTATION RESPONSIBILITIES:

Similar to last year's review, the Information Systems Security Staff (ISSS) user access verification reports will be used. Program Directors should ask their state's ISSS Point of Contact (POC) for a copy of their latest state reports. On the ISSS user access verification reports, Program Directors should refer to the sections that provide data on MortgageServ and UniFi users. If a change is needed to a user's access, the Program Director should submit the request through their ISSS POC.

Once the review is fully completed, the Program Director must complete a brief SharePoint survey. The survey, which is available at the link below, will serve as the certification of completion.

<https://rd.sc.egov.usda.gov/teamrd/hcftp/sfh/Lists/DLOS%20Annual%20Access%20Review/overview.aspx>

If the Program Director already thoroughly reviewed DLOS accesses as part of their ISSS POC's review of the subject reports (as directed in ISSS POC Bulletin LAC 14-18), they just need to complete the above survey.

The ISSS will send a bulletin to your state's ISSS POC so that they are aware of this project. If you have questions regarding this memorandum, please contact Scott Nista of the Single Family Housing Direct Loan Division at scott.nista@usda.gov.

Sent by Electronic Mail on September 3, 2014, at 11:15 a.m. by the Single Family Housing Direct Loan Division. The State Director should advise other personnel as appropriate.

September 16, 2014

TO: State Directors

ATTN: Area Directors
Area Specialist
Utilities Program Directors

FROM: Jacqueline M. Porti-Lazaruk
Acting Administrator
Rural Utilities Service

SUBJECT: Interest Rate Changes for Water and Waste Loans

Language in the Consolidated Farm and Rural Development Act requires that the poverty rate and the intermediate rate be determined based on the approval date of the loan. For those loans approved on or after May 23, 2008, the poverty rate will be set at 60 percent of the market rate and the intermediate rate set at 80 percent of the market rate, adjusted to the nearest one-eighth of one percent. Following are the new interest rates for water and waste disposal loans approved on or after May 23, 2008:

Poverty Line..... unchanged to.....2.375%
Intermediate..... unchanged to.....3.250%
Marketunchanged to.....4.000%

For loans approved but not closed on or before May 22, 2008, the poverty rate will remain fixed at 4.500 percent and the intermediate rate will continue to be set at one-half of the difference between the poverty line rate and the market rate. Following are the new interest rates for water and waste disposal loans approved on or before May 22, 2008:

Poverty Line..... unchanged at4.500%
Intermediate..... decreased to4.250%
Market..... decreased to.....4.000%

Due to the inversion of the rates, all loans may be obligated at the lower market rate for this quarter. These rates will be effective from October 1, 2014, through December 31, 2014.

EXPIRATION DATE:
December 31, 2014

FILING INSTRUCTIONS:
Administrative/Other Programs

Interest Rate Changes for Water
And Waste Loans

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Also, the rate for watershed protection and flood prevention loans and resource conservation and development loans is as follows:

CURRENT RATE	NEW RATE
4.000%	4.000%

Please notify appropriate personnel of these rates

September 19, 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 October 1, 2014, are reported as follows:

<u>Loan Type</u>	<u>Existing Rate</u>	<u>New Rate</u>
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ALL LOAN TYPES

Treasury Judgment Rate	0.110%	0.110%
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The new rate shown above is as of the week ending August 29, 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:
October 31, 2014

FILING INSTRUCTIONS:
Administrative/Other Programs

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

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

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Please notify appropriate personnel of these rates.

Sent by Electronic Mail on 9-19-14 at 9:00 am by Credit Reform Staff. State Directors should advise other personnel as appropriate.

September 19, 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 October 1, 2014, through December 31, 2014, the interest rates for direct community facility loans are as follows:

Poverty Line...unchanged at.....4.500%
Intermediate... unchanged to.....4.250%
Market..... unchanged to.....4.000%

Please notify appropriate personnel of these rates.

EXPIRATION DATE:
December 31, 2014

FILING INSTRUCTIONS:
Administrative/Other Programs

Sent by Electronic Mail 9-22-14 at 9:00 am by Credit Reform Staff. State Director should advise other personnel as appropriate.

September 22, 2014

TO: State Directors

ATTN: Area Specialist
Business Program Directors

FROM: Lillian Salero
Administrator
Rural Business-Cooperative Service

SUBJECT: Interest Rate Changes for Business and Industry Loans

The following interest rates, effective October 1, 2014, through December 31, 2014.

<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:
December 31, 2014

FILING INSTRUCTIONS:
Administrative/Other Programs

September 23, 2014

TO: State Directors
Rural Development

ATIN: Housing Program Directors
Guaranteed Loan Specialists,
Area Directors and Area Specialists

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

SUBJECT: Single Family Housing Guaranteed Loan Program
Conditional Commitments during the Beginning of Fiscal Year 2015

PURPOSE:

During the beginning of each Fiscal Year (FY), there is a brief period of time, typically not more than two weeks, during which commitment authority is unavailable. Commitment authority for the Single Family Housing Guaranteed Loan Program will be available by approximately October 17, 2014. During this timeframe, you may issue Conditional Commitments subject to the availability of funds. An upfront guarantee fee of 2 percent accompanied by an annual fee of 0.5 percent will apply to both purchase and refinance transactions in FY 2015.

EXPIRATION DATE:
September 30, 2015

FILING INSTRUCTIONS:
Housing Programs

PROCEDURE:

Conditional Commitments issued after September 30, 2014, prior to receipt of commitment authority must contain the following language as a condition of loan guarantee:

"Funds are not presently available for this Conditional Commitment. The Rural Housing Service's obligation under this Conditional Commitment is contingent upon the availability of an appropriation from which payment for contract purposes can be made. No legal liability on the part of the Rural Housing Service for any payment on this Conditional Commitment may arise until funds are made available to the Rural Housing Service State Office where the application was submitted for this Conditional Commitment and until the Lender receives notice of such availability, to be confirmed in writing by that Rural Housing Service State Office. More specifically, this Conditional Commitment is subject to the Rural Housing Service receiving sufficient funds (in the Program Financial Control System for the Single Family Housing Guaranteed Loan program for the Type of Assistance and State of application submission) to fund this and all prior eligible outstanding applications in their entirety in the time and date order received in the State of application submission. When such funds become available, Rural Development will notify the lender, and the guarantee process will continue subject to all applicable Agency regulations and conditions set forth in this Conditional Commitment. Rural Development will not reserve loan funds for applications in process during this timeframe. Lenders may close the loan as scheduled. The lender will assume all risk of loss for the loan until Rural Development obligates funds and the Loan Note Guarantee is subsequently issued. When the lender requests the Loan Note Guarantee, the lender must certify to the Agency, using the process provided in this commitment, that there have been no adverse changes to the borrower's financial condition since the date the Conditional Commitment was issued by the Agency. The lender will submit the appropriate guarantee fee at the time they request the Loan Note Guarantee. The loan will be subject to an annual fee of 0.5 percent over the average scheduled unpaid principal balance of the loan. The Agency will not be able to issue the Loan Note Guarantee until these conditions are met and funding is obligated."

STATE OFFICE TRACKING:

The State Office is responsible for tracking Conditional Commitments issued subject to the availability of funds. It is important to keep track of each request to expedite the obligation of funds once available. A tracking spreadsheet has been developed for this purpose and is located at the Agency's internal Share Point site; the web link is provided below.

<https://rd.sc.egov.usda.gov/teamrd/hcfp/sfh/Single%20Family%20Housing%20Information/Forms/Date%20View.aspx?RootFolder=%2fteamrd%2fhcfp%2fsfh%2fSingle%20Family%20Housing%20Information%2fGuar%5fProg%5fInfo%2fFunding&FolderCTID=0x012000FAEA09B3A193524AA6AAC002EF563C63>

Your support of the SFHGLP is appreciated. For questions regarding this notice, please contact the Single Family Housing Guaranteed Loan Division at (202) 720-1452.