USDA

United States Department of Agriculture

TO: State Directors
Rural Development

MAY 24 2016

FROM: Tony Hernandez
Administrator
Housing and Community Facilities Programs

SUBJECT: Management of Unused Rental Assistance

The purpose of this Unnumbered Letter (UL) is to advise Rural Development State Directors and Multi-Family Housing (MFH) program staff about the requirements for management of unused Rental Assistance (RA). Unused RA is RA that has not been used in the last six months in Section 515 properties and the last 12 months in Section 514 properties.

As a response to the budget reductions in the RA program in 2013, MFH issued guidance that required approval by the National Office for the transfer of all RA, including unused RA.

MFH is announcing a reversion of that policy, on a trial basis. Effective with the issuance of this UL, State Directors will be permitted to exercise RA transfer authority for unused RA, as outlined in HB-2-3560, Section 8.8 A5, without National Office approval. This trial period will be for one-year from the issuance of this UL.

For clarification purposes, RA units from properties that leave the Rural Development portfolio through prepayment, foreclosure, or natural maturity are **NOT** unused RA units. Those RA units and associated obligation balances will continue to be recaptured by the National Office for use by the Administrator. An exception to this policy is governed by 7 CFR Section 3560.259(c), which provides a 4-month period in which a tenant receiving RA may move to another Rural Development property, with the RA, in cases of prepayment, disaster, and foreclosure. In these situations, RA will remain available for such tenants.

EXPIRATION DATE:
May 31, 2017

FILING INSTRUCTIONS:
Housing Programs

USDA Rural Development
1400 Independence Ave, SW • Washington, DC 20250-0700
Web: http://www.rd.usda.gov

USDA is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form (PDF), found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

For Section 514 properties, transfers of unused RA continue to be restricted in accordance with the Consolidated Appropriations Act, 2016 (Public Law 114-113). The language is as follows:

> *"...Provided further, That Rental Assistance provided under agreements entered into prior to fiscal year 2016 for a Farm-Labor Multi-Family Housing project financed under Section 514 or Section 516 of the Act may not be recaptured for use in another project until such assistance has remained unused for a period of 12 consecutive months, if such project has a waiting list of tenants seeking such assistance or the project has Rental Assistance eligible tenants who are not receiving such assistance: provided further, that such recaptured Rental Assistance shall, to the extent practicable, be applied to another Farm Labor Multi-Family Housing project financed under Section 514 or Section 516 of the Act..."*

For Section 514 properties, Servicing Officials should determine if there are other Farm Labor properties in the State that can utilize the unused RA units. Only after it is determined that unused RA cannot be used by another Farm Labor property may it be transferred to a Section 515 property. File documentation must exist to support such a determination.

Unused RA is recommended to be used in the following priority order:

- National Emergency – Per Administrator's declaration
- State Emergency – Per State Director Declaration and National Office Concurrence
- Preservation – Sale to Non-Profit or Incentive RA (to be used within the quarter)
- Agency Credit Sales (to be funded in current fiscal year)
- Ownership Transfer (to close within the quarter)
- Agency Rehabilitation Loan (to be used within the quarter)
- Other Rehabilitation Funding (to close within the quarter)
- Workout Plan (to be used within the quarter)
- Rent Overburdened Tenants

States must continue to provide the required semi-annual report on unused RA. The management of unused RA is established in MFH's Asset Management Handbook, HB-2-3560, Chapter 9 section 9.15 "Unused Rental Assistance". The "Report of Status of Unused RA Units", Attachment 9-B, should be completed on the RA Monitoring SharePoint website. The next report is due November 1, 2016.

The National Office will monitor RA transfers monthly in conjunction with the National Finance and Accounting Operations Center. Units can *only* be transferred when they have been unused for six consecutive months for Section 515 or 12 consecutive months for Section 514. If activity is identified that does not adhere to this requirement, the State's authority to transfer unused RA may be revoked.

If you have any questions regarding this UL, please contact Stephanie White, Director of the Multi-Family Housing Portfolio Management Division, at (202) 720-1615.