



Rural Development

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NEWSFLASH – 05/22/13

Sequester and Across the Board Cuts Affect Rental Assistance

As you are aware, mandated budget reductions known as sequester, and two further across-the-board reductions (rescission) for USDA discretionary funding, have impacted the Rental Assistance program. As the Agency continues to work to find ways to mitigate the impact of the cuts as much as possible, **we have suspended the monthly transfer of Rental Assistance (RA) units until further notice.** If there are *extenuating* circumstances, National Office approval must be obtained before the transfer of the unused RA unit(s) from one project to another can occur.

National Office approval will also be required for the transfer of all RA in conjunction with rehabs, ownership transfers, equity loans, and MPR transactions. For your reference, attached is the Stakeholder letter sent out in April, and the May Un-Numbered Letter outlining changes to the management of RA transfers can be accessed on the RD regulation website:

<http://www.rurdev.usda.gov/SupportDocuments/ulmay13.pdf>.

In addition to the suspending of routine monthly transfers of unused RA units, we do anticipate the budget constraints may have an impact on contracts that are due for funding in late August or September in particular. Please note, we have been advised by Office of General Counsel that RD will not be able to make up the loss of RA during the period of time that RA is not received. This means, for example, that the RA not received for September, will never be received. RD does intend to work with those potentially impacted borrowers to reduce project operating expenses that RD can control through use of servicing tools that would normally be available in a workout plan, and other servicing options outlined in HB-3-3560, Chapter 10. The objective will be to reduce operating costs equivalent to the temporary loss of RA to make sure the project gets the relief it needs, while minimizing the impact of the actions on the reserve funds and operating account.

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