



Rural Development
Curtis M. Anderson
Acting Administrator
Rural Housing Service

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Telephone: (202) 692-0268

April 13, 2018

TO: Selected State Directors*
*Florida, Puerto Rico & Texas
Rural Development

ATTN: Selected Program Directors
Multi-Family Housing

FROM: Curtis M. Anderson /s/ *Curtis M. Anderson*
Acting Administrator
Rural Housing Service

SUBJECT: Availability of Section 515 Funds for Disaster Assistance to
Projects Affected by Hurricane Harvey, Hurricane Irma and
Hurricane Maria

PURPOSE

The purpose of this Unnumbered Letter (UL) is to announce Rural Development's (RD) availability of funds to assist existing Multi-Family Housing (MFH) projects located within Presidentially declared disaster areas with repairs from damage caused from Hurricane Harvey, Hurricane Irma, and Hurricane Maria (collectively "Hurricanes").

BACKGROUND

The Bipartisan Budget Act of 2018 (P.L. 115-123, February 9, 2018) appropriated funds for the cost of direct loans to rehabilitate Section 515 rental housing in areas impacted by Hurricanes Harvey, Irma, and Maria where owners were not required to carry National Flood Insurance. Program funds available for disaster assistance are approximately \$70.97 million.

Pursuant to 44 C.F.R. part 65, if projects are located in a Special Flood Hazard Area (SPFHA), that project is required to obtain and carry National Flood Insurance. Projects not considered a SPFHA are not required to but may carry flood insurance. Unfortunately, many projects that were not required to carry flood insurance were damaged by these Hurricanes. As a result of the severe damage incurred, the impacted projects do not have the financial ability to make the necessary repairs to enable them to continue providing decent, safe and sanitary affordable housing in rural America.

EXPIRATION DATE:
April 30, 2019

FILING INSTRUCTIONS:
Housing Programs

IMPLEMENTATION RESPONSIBILITIES

The Agency received funding to specifically help projects damaged by these Hurricanes in areas where the owners were not required to carry flood insurance. This funding will also be available to projects that were not required to carry flood insurance but opted to do so when the insurance proceeds did not cover all costs to repair the damage.

Loan funds must be used for eligible RD MFH program purposes as outlined in 7 C.F.R. §3560.53 and may only be used for repairs caused by the hurricanes and certified as being actual costs associated with such repairs. While reimbursement to the project of project funds that were used for hurricane related repairs is allowable, reimbursement to the owner of deductibles is not (7 C.F.R. §3560.105(f)(10)).

In accordance with 7 C.F.R. §3560.67, loans made pursuant to this UL for repairs will be for a term of 30 years, amortized over 50 or the remaining economic life of the property, whichever is less. Loans will be closed at the lower of the interest rate in effect at the time of loan approval or that in effect at the time of loan closing. Interest credit will be provided to eligible borrowers.

Other funding tools such as reamortization of the existing Agency debt or participating in the MPR program may also be considered to keep rents affordable. If a borrower participates in the MPR program, in order to keep the rents affordable and prevent any rent overburden to the tenants, the Agency may consider debt deferral of the borrower's existing Agency debt for up to 20 years.

The deadline for submission of applications will be 5:00 P.M. eastern standard time May 31, 2019. Applications will be processed on a first-come/first-served basis. However, in the event that multiple applications are received on the same date, priority will be given to those projects with the largest number of displaced tenants and/or health and safety issues caused by the hurricanes. All funds must be obligated no later than September 30, 2019.

Note: If an affected property has already submitted an application under the current Multifamily Preservation and Revitalization (MPR) Notice of Solicitation of Applications, its current application may be modified to include disaster funding. An additional application will not be required.

State Offices will notify all eligible projects of the availability of funds by letter and invite them to submit applications. Applications submitted under this UL will need to include the following items to be considered complete:

1. Form SF 424 A – Application for Federal Assistance
2. Form RD 1924-13 – Estimate and Certificate of Actual Cost
3. List of Repairs

Forms may be found at: <https://forms.sc.egov.usda.gov/eForms/welcomeAction.do?Home>.

Additional documentation (e.g. drawings, specifications and contract documents) may be needed on a case-by-case basis depending on the type of repairs being funded as determined necessary by the State Office during the underwriting process.

No Capital Needs Assessment or appraisal will be required for subsequent loans for projects made under this UL. Applicants will not be required to an equity contribution and increased Return to Owner will not be authorized.

Applicants must meet eligibility requirements set forth in 7 C.F.R. §3560.55, including compliance with any existing loan or grant agreements as well as all legal and regulatory requirements. Alternatively the borrower must be in compliance with an Agency-approved workout agreement in effect for a minimum of 6 months. See 7 C.F.R. §3560.55(b)(1). However, if the property has physical and/or financial findings that were a direct result of the hurricanes, an Agency approved workout agreement would not be necessary to be eligible. Also, the Agency shall verify that the borrower is not on the Do Not Pay portal in compliance with the Improper Payments Information Act of 2002.

Except as noted in this UL, States will process applications as subsequent loans in accordance with 7 C.F.R. §3560.73 and Chapter 10 of HB-1-3560. States will underwrite each subsequent loan using the stay-in-owner portion of the Preliminary Assessment Tool. A summary of the proposed transaction along with a completed RD Form 1940-L will be submitted to your National Office Review Underwriter for review of feasibility and concurrence prior to submission to the National Office for funding.

If there are any questions, please contact your assigned Preservation and Direct Loan Division staff member Martha Hanson, at (717) 209-1205 or Tim Chandler, at (803) 543-1343.

Attachment – Eligibility Notification Letter

Dear Borrower:

Your Rural Development (RD) project is located in an area that is eligible for disaster assisted funds to repair damage directly caused by Hurricanes Harvey, Irma, or Maria. Eligible projects are limited to those located in areas impacted by Hurricanes Harvey, Irma, and Maria, where owners were not required to carry National Flood Insurance and that experienced damages from these storms.

RD has received disaster funding to help projects damaged by these hurricanes in areas where the owners were not required to carry flood insurance. This funding will also be available to projects that were not required to carry flood insurance but opted to do so, where the insurance proceeds did not cover all costs to repair the damage.

Loan funds must be used for eligible RD MFH program purposes as outlined in 7 C.F.R. §3560.53 and may only be used for repairs caused by the hurricanes and certified as being actual costs associated with such repairs. While reimbursement to the project of project funds that were used for hurricane related repairs is allowable, reimbursement to the owner of deductibles is not (7 C.F.R. §3560.105(f)(10)).

RD will underwrite every loan request. RD may suggest alternative financing structures to enable the project to maintain financial feasibility with the additional debt.

If you would like to file an application for funding, you may do so by completing and submitting the following documents to RD:

1. Form SF 424 A – Application for Federal Assistance
2. Form RD 1924-13 – Estimate and Certificate of Actual Cost
3. List of Repairs

Forms may be found at: <https://forms.sc.egov.usda.gov/eForms/welcomeAction.do?Home>.

Additional documentation (e.g. drawings, specifications and contract documents) may be needed on a case-by-case basis depending on the type of repairs being funded as determined necessary by the State Office during the underwriting process.

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Applications will be processed on a *first-come/first-served basis*. In the event that multiple applications are received on the same date, priority will be given to those projects with the largest number of displaced tenants and/or health and safety issues caused by the hurricanes. **Deadline for submission of applications will be 5:00 P.M. eastern standard time May 31, 2019.** All funds must be obligated no later than September 30, 2019. (Note: If an affected property has already submitted an application under the current Multifamily Preservation and Revitalization Notice of Solicitation of Applications, their current application may be modified to include disaster funding. No additional application will be necessary.)

If you have any questions, please do not hesitate to contact us at _____.

Sincerely,

State Director
Rural Development