

May 9, 2016

TO: State Directors  
Rural Development

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

SUBJECT: Processing Section 533 Housing Preservation Grant Program  
Requests for Fiscal Year 2016

**Purpose/Intended Outcome:**

This Unnumbered Letter (UL) and the attached information provide guidance on processing Section 533 grant requests in accordance with RD Instruction 1944-N, the Notice of Funds Availability (Notice) that was published in the Federal Register on December 29, 2015.

**Implementation Responsibilities:**

Section 533 Housing Preservation Grant (HPG) requests must be processed in accordance with RD Instruction 1944-N and the Notice entitled "Notice of Funds Availability for the Section 533 Housing Preservation Grants for Fiscal Year (FY) 2016".

National Office reserve funds will be retained and allocated on a project-by-project basis. Upon closing of the application period, applications should be processed to the point of approval. The priority scoring information and a narrative addressing each of the criteria listed should be submitted to the National Office, Multi-Family Housing Preservation and Direct Loan Division, Attention: Bonnie Edwards-Jackson, STOP 0781 by **June 3, 2016**.

**However**, States that submit an application for a project for funds from the Rural Economic Area Partnership (REAP) set-asides must submit these applications no later than **April 15, 2016**, to the National Office to allow sufficient time for processing. Due to limited dollars this Fiscal Year, submit the highest two priority scored projects for funding as it is our goal to fund at least one set-aside REAP project and one non set-aside project for each State. In the event any additional amount of funding is available, the National Office will allocate these funds to as many remaining highly scored project applicants as feasible. **All requests must be submitted using Exhibit G to RD Instruction 1944-N, which State Offices should have on file.**

EXPIRATION DATE:  
May 31, 2016

FILING INSTRUCTIONS:  
Housing Programs

REAP applications for HPG assistance will be selected on a competitive basis using the criteria in RD Instruction 1944-N, 7 C.F.R part 1944, subpart N, and the Notice.

Depending upon the funding available in reserves this FY the National Office reserve funds may be used for States that have received an allocation under \$100,000. These States may have the option of, (a) using their allocation to make two grants so that no one grantee receives more than 50 percent of the State allocation, or, (b) returning their allocation to the National Office pool. Once the State returns their allocation to the National Office, they may request one grant of no more than **up to \$40,000** from the National Office pool, provided only one eligible application was received.

Section 533 (c) of the Housing Act of 1949, as amended (42 U.S.C. §1490m (c)) gives RD the discretion to transfer unobligated HPG funds to the Section 504 Rural Housing Grant program. For FY 2016, State Directors will have the flexibility to transfer budget authority that is unobligated from the Section 533 HPG program to the Section 504 Rural Housing Grant program. Because of the way the accounting system is currently configured, the Budget Office will have to make these transfers.

The RHAG transfers cannot be referred to the National Office until after the last day for receipt of HPG pre-applications in order to allow time to determine if funds are available for transfer. The transfer of funds should be requested only when there is no demand for the funds in the HPG program. Requests for transfer of funds should be submitted to the National Office between by **August 5, 2016**, to ensure adequate processing time.

Attachment A to this UL contains additional information for processing FY 2016 pre-applications. Attachment B, "Critical Dates – FY 2016," contains a list of critical dates necessary for the timely administration of the program. **Please indicate on Exhibit G the anticipated leveraging for each proposal. Additionally, for tracking purposes please indicate on Exhibit G if the applicant is a Faith-Based or community non-profit organization.**

Please review this material carefully. If you have any questions, please contact Bonnie Edwards-Jackson, Multi-Family Housing Preservation and Direct Loan Division, (202) 690-0759.

Attachments

## ADDITIONAL INFORMATION

### Current Activities

The Section 533 Housing Preservation Grant (HPG) program funds are provided to grantees to conduct housing preservation programs benefitting very-low and low income rural residents. Non-profit organizations, (which include but are not limited to, faith-based and neighborhood partnerships), public bodies, and Native American tribes receive grants to repair these properties, improve the living conditions, remove or correct health or safety hazards and bring them up to code. Financial assistance for repairs and rehabilitation include loans, grants, and/or interest reduction payments, or other applicable assistance.

### Pre-application Notice

The State Office should notify all field offices and publish a Notice about the HPG program in the local media. The Notice should include the field offices where a pre-application package may be obtained and submitted, questions answered, and the open dates that pre-applications may be received. States that will be using their State allocation should be aware that the 50 percent rule is (holding that the State Director or approval official may not approve more than 50 percent of the State's allocation to a single entity) mandated by 7 CFR Section 1944.680. You should note that only a certain dollar amount was allocated to your State. Depending upon the funding available in reserves this FY, States that intend to return their allocation to the National Office and would like to request funds from the National Office pool must indicate this information in their notice, so that applicants are aware of the amount of grant they may request. The notice should also state that the pre-application must be either to assist individual homeowners or rental properties or cooperative housing projects. Any combination pre-application will not be accepted. However, an applicant may submit more than one type of pre-application. State offices are required to submit Exhibit G to RD Instruction 1944-N to the National Office.

### Application and Submission Information

**The applicants must announce the availability of their statement of activities for review in a newspaper of general circulation in the project area and allow at least 15 calendar days for public comment.** The start of this 15-day period must occur no later than 16 days prior to the last day for acceptance of pre-applications by the Agency. Applicants cannot pre-select how their funds will be used because they must make their statement of activities available to the public for comment. Making their statement of activities available for review provides an opportunity for the public to respond and apply for the HPG funds.

### Additional Grants

Information about the status of prior grants should be made available to State Office approving officials when applications for additional grants are made. Pursuant to 7 CFR 1944.686, an additional grant may be made to a grantee when it has achieved or nearly achieved the goals established for the previous or existing grant. Grantees who have submitted incomplete or untimely reports will likely be deemed high risk and subject to more Agency requirements. Grantees who have failed to properly monitor their own programs, or lack the ability to run their own programs would not qualify for additional grants. Documentation is essential in order to deny continuation under this provision.

### Administrative Costs Budgeted or Charged as Program Costs

The HPG program is somewhat unique in that administrative costs must not exceed 20 percent of the HPG funds awarded to the grantee pursuant to 7 CFR Section 1944.666. The indirect cost ratio applies to the total cost of the project. Therefore, HPG administrative costs cannot be more than 20 percent of the total HPG funds.

### National Office Reserve

Depending upon the funding available in reserves this FY, reserve funds may be used so that States with an allocation under \$100,000 that choose to return their funds to the National Office may be able to receive one grant from the National Office pool for not more than \$50,000. The National Office reserve will also be used for natural disasters and targeted areas. Priority use will be for natural disasters. However, States may nominate one targeted area for use of reserve funds, which may be **up to \$40,000**. Such proposals may be part of a housing strategy in a targeted area. The State Director must select the proposal that will best serve the community that is in the greatest need of the HPG program. The applicant must provide sufficient documentation in the proposal that indicates there is a great need.

Please list any proposal that is nominated for National Office reserve funds along with the pre-applications in Exhibit G. State Directors may request reserve funds by including sufficient documentation to support the reasons why it is in the Government's best interest to consider the request.

After the National Office selects HPG applicants to receive funds for their requests based on the States recommendation of the highest scoring HPG applicants for funding, an additional amount of HPG funding may remain available. To spend the HPG funds, the National Office will then continue to review each of the State Office Listing of HPG Pre-applications using the Exhibit G, to determine how to further allocate the remaining HPG funding to the HPG applicants who were recommended following the highest scoring HPG applicants who would be able to utilize the funds. These HPG applicants will be selected to receive funding.

Applications for reserve funds for housing preservation in areas that have experienced a natural disaster may be accepted during the fiscal year prior to **August 5, 2016**, which is the HPG pooling date. Applications for a natural disaster are subject to the same requirements under our review and evaluation procedures as other pre-applications; however, they do not need to be ranked.

Pre-applications for reserve funds other than natural disaster assistance must be received during the announced HPG application period that ended **March 15, 2016**. Applications nominated for the reserve funds must be submitted along with other information requested on Exhibit G by **June 3, 2016**, along with a short justification for the nomination. The amount of funding remaining in the reserve for these nominated HPG proposals will not be known until after the **August 5, 2016**, pooling.

## CRITICAL DATES – FISCAL YEAR 2016

December 29, 2015	Notice of Funds Availability published in the <u>Federal Register</u>
<b>March 15, 2016</b>	<b>Closing date for receipt of pre-applications</b> (15-days public comment period closed on or before this date).
April 15, 2016	Last day for receipt by National Office of REAP pre-applications with the priority scoring information. REAP set-aside funds must be obligated by May 16, 2016.
April 22, 2016	National Office notification to State Offices for issuance of AD-622 to REAP applicants selected for funding.
April 29, 2016	Deadline for Area Office/State Office review of pre-applications. Issuance of AD-622's, "Notice of Pre-application Review Action," to rejected or incomplete pre-applications.
May 16, 2016	Last day for obligation REAP set-aside funds.
June 3, 2016	Last day for receipt by National Office of Exhibit G listing all pre-applications received, reviewed, ranked, amount applied for, number proposed units, and amount recommended by the State Office. Must include nominations for reserve funds.
July 19, 2016	National Office selection of pre-applications to be funded. Notification to State Office for issuance of AD-622's.
August 5, 2016	<ol style="list-style-type: none"><li>1. Issuance of AD-622's to selected and non-selected applicants.</li><li>2. Last day for requests for transfer of funds from Section 533 and Section 504.</li><li>3. Pooling date of all unobligated funds and authorization of funds for proposals.</li></ol>

August 10, 2016

1. Last day for obligation of HPG funds and notifications per RD Instruction 2016-C. (Copy sent to PDL).