



Stakeholder Information Session: Availability of FY2023 Section 515 Subsequent Loan Funds



Multifamily Housing Production and Preservation Division
March 30, 2023

Meeting Agenda

- Overview of Multifamily Housing Section 515 subsequent loan program
- Priority loan purposes
- Loan terms and requirements
- Application requirements and timeframes
- Application review process and contact info
- Q&A

MFH 515 Subsequent Loans Overview

- In accordance with 7 CFR 3560.73 and Handbook-1-3560 Chapter 10, the Agency is accepting applications for Section 515 Rural Rental Housing subsequent loans. The Agency may make a subsequent loan to a borrower for the following purposes:
 - To complete, improve, repair, or make modifications to multi-family housing initially financed by the Agency.
 - For preservation purposes.
- Only available for projects that have an existing Section 515 loan or loan commitment.
- \$70 million of 515 subsequent loan funding available for FY2023.
- Two ways for borrowers to submit subsequent loan applications in FY2023:
 - Pipeline application process, with a priority review of applications submitted by April 30, 2023 (process we are reviewing today).
 - Submission under the SuperNOFA (expected announcement in May/June, will be a training after the SuperNOFA is published).
- GovDelivery announcing the pipeline application process was sent on March 3, 2023.

Priority Loan Purposes

For applications received by April 30, 2023, priority consideration will be given to applications that address at least one of the following needs:

- Repairs or modifications to address health and safety findings or violations previously identified and documented by an Agency or Agency-authorized inspection or a code-enforcement agency, including the Agency's recently launched Multifamily Housing Physical Inspection Pilot Program (MPIPP).
- Repairs or modifications to comply with accessibility requirements previously identified and documented by the Agency or an Agency-authorized inspector.
- Loan requests for nonprofit acquisition associated with prepayment applications already in process and/or approved by the Agency to support preservation of the Section 515 portfolio under the requirements of 7 CFR 3560 Subpart N—Housing Preservation.
- Transfer applications currently in process and/or approved by the Agency that require additional funding to address financing gaps and/or meet Agency underwriting requirements.
- Loan requests to address financing gaps in previously approved or closed preservation transactions that are near or under construction.

Loan Terms and Requirements

Rate, Amortization Period and Term

Subsequent loans have an effective interest rate of 1%. The amortization period is the lesser of 50 years or the remaining economic life of the housing. The loan term is the lesser of 30 years or the remaining economic life of the housing.

Borrower Equity Contribution

Loan applicants who receive a subsequent loan, with the exception of nonprofit organizations, consumer cooperatives, or state or local public agencies who will not be receiving tax credits, must make an equity contribution from their own resources in accordance with 7 CFR 3560.63. If receiving tax credits, the equity contribution is 5% of agency loan amount, otherwise it is 3%.

Restrictive-Use Provisions

Subsequent loans are subject to restrictive-use provisions as outlined in §3560.662(a) and borrowers must execute a new restrictive-use covenant in accordance with §3560.72(a)(2). A new 20-year restrictive-use covenant will be required for projects receiving 515 subsequent loans unless additional restrictions are required due to other funding sources.

Application Requirements

The agency requires complete submission of the following items as part of the initial application response due by April 30, 2023. Applicants who do not provide all the required items by April 30, 2023, will not be considered in the initial round of application reviews. If applicants are submitting funding requests for multiple projects, a separate application package must be submitted for each project. Submission requirements follow HB-1-3560 Exhibit 10-2.

- Form SF 424 A, Application for Federal Assistance
- Form RD 1944-37, Previous Participation Certification
- The method of financing construction
- Drawings, specifications, and a contract document that meets the requirements of Handbook-1-3560 Paragraph 9.10 B
- The estimated total development cost, the cost per unit and the estimated loan amount (Form RD 1924-13, Estimate and Certificate of Actual Cost)
- Scope of work
- Signed statement regarding cost overruns

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Application Requirements, cont.

- Information on architectural, engineering, and legal services and proposed contractor
- Forms RD 3560-30, Certification of No Identity of Interest (IOI) and RD 3560-31, Identity of Interest Disclosure/Qualification Certificate
- Detailed operating budget (Form RD 3560-7, Multiple Family Housing Project Budget/Utility Allowance) that includes proposed subsequent loan
- Demonstrated ability of cooperative to self-manage, if applicable
- Updated financial statements
- Form RD 1910-11, Applicant Certification Federal Collection Policies for Consumer or Commercial Debts

Applications must be submitted to the appropriate Processing and Report Review Branch in the MFH Production and Preservation Division. Applications must be submitted based on the state in which the project is located. Applications should not be submitted to the FOD Servicing Specialist.

Application Requirements, cont.

Processing and Report Review Branch 1 covers the following states in the Northeast and Midwest: CT, DE, IA, IL, IN, KS, MA, MD, ME, MI, MN, MO, ND, NE, NH, NJ, NY, OH, PA, RI, SD, VA, VT, WI, WV. Applications for these states must be submitted to: MFHprocessing1@usda.gov

Processing and Report Review Branch 2 covers the following states in the South and West: AK, AL, AR, AZ, CA, CO, FL, GA, HI, ID, KY, LA, MS, MT, NC, NM, NV, OK, OR, PR, SC, TN, TX, UT, VI, WA, WY. Applications for these states must be submitted to: MFHprocessing2@usda.gov

All applications submitted prior to April 30, 2023, will be considered in the first round of application reviews. Applicants who previously submitted 515 subsequent loan applications in FY2022 or FY2023 may contact the agency to determine if there are missing or additional items to be submitted. For applications previously submitted in FY2022 or FY2023 where the Agency has already provided a list of missing or additional items required, the applicant must provide those items by the date provided in their application response letter. Any 515 subsequent loan applications submitted prior to FY2022 (October 1, 2021) must be resubmitted to the Agency in accordance with the application instructions in this announcement.

Application Review Process

- The agency plans to complete an initial review of applications submitted by April 30, 2023, within 60 days.
- Following agency review, additional application items or clarifications may be required based on the applicant's funding request. The Agency will notify applicants by letter if additional items or clarifications are required for the application, along with the date by which those items must be submitted.
- Borrowers may apply for 515 subsequent loan funds after April 30, 2023. However, those applications will be reviewed after all applications submitted on or before April 30, 2023. Borrowers may also apply under the SuperNOFA after it is published. However, funding may be limited based on the demand for funds
- Subsequent loans made using FY2023 appropriations must be obligated prior to September 30, 2023.

Contact Information and Questions

General Program Questions/Webinar Follow-up: Please send your questions to MFH.ProgramSupport@usda.gov.

Project-Specific Application Questions: Borrowers may send an email to the assigned Processing and Report Review Branch that covers the state in which their property is located. Please include the project name, city, and state in your email.

Northeast and Midwest: MFHprocessing1@usda.gov

South and West: MFHprocessing2@usda.gov



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