UNUMBERED LETTERS ISSUED FOR THE MONTH OF JUNE 2009

Dated	Subject	Distribution
06/03/09	Fiscal Year 2009 Liquidating "L" Program Loan Cost Expense Funds Allocation Reduction	S/D
06/04/09	Rural Energy Plus Program	S/D
06/04/09	Allocation of Rental Assistance for Renewal Needs Multi-Family Housing Projects for Fiscal Year 2009	S/D
06/06/09	Intermediary Relending Program Mississippi Delta Region Counties Earmark	S/D
06/09/09	The American Recovery and Reinvestment Act 2009 Rural Business Enterprise Grant Program	S/D
06/09/09	Intermediary Relending Program Empowerment Zones/Enterprise Communities/Rural Economic Area Partnerships Earmark	S/D
06/09/09	Intermediary Relending Program Native American Earmark	S/D
06/11/09	Interest Rates for Community Facilities	S/D
06/12/09	Rural Economic Development Loan and Grant Program Projects Funded for Third Quarter Fiscal Year 2009	S/D
06/12/09	Community Facilities Guaranteed Loan Program Guidance on the Estimated Loss Claim in Liquidation Cases	S/D, RDM & AD

Dated	Subject	Distribution
06/14/09	Rural Business Enterprise Grant Program Presidential Designated Disaster Assistance Funding Selection	S/D
06/15/09	Interest Rates for Water and Waste Disposal Loans, Watershed Protection and Flood Prevention Loans, and Resource Conservation and Development Loans	S/D
06/16/09	Interest Rate for Direct Business and Industry Loans	S/D
06/18/09	Guidance on the Use of the Section 538 Guaranteed Rural Rental Housing Program with 515 Section Properties	S/D
06/18/09	Non-Traditional Lender Approval for Participation in the Community Facilities Guaranteed Loan Program	S/D
6/18/09	Statement of Work for Initial Program Suitability and New Construction Phase Inspections Contracts Funded with Recovery Act Allocations	S/D
6/25/09	Rural Business Enterprise Grant Program Empowerment Zones/Enterprise Communities and Rural Economic Area Partnerships Fiscal Year 2009	S/D
06/29/09	Guidance on Use of Rent Incentives in a Workout Plan for Section 515 Rural Rental Housing Programs and Section 514/516 Off-Farm Labor Housing Programs	S/D
06/29/09	Community Facilities Guaranteed Loan Processing Checklists	S/D
06/30/09	Interest Rate Changes for Housing Programs and Credit Sales (Nonprograms)	S/D

June 3, 2009

TO: Rural Development State Directors

ATTN: Rural Housing Program Directors,
Program Loan Cost Coordinators and
Contract Program Managers

FROM: James C. Alsop ***(Signed by James C. Alsop)***
Acting Administrator
Housing and Community Facilities Programs

SUBJECT: Fiscal Year 2009 Liquidating "L" Program Loan Cost
Expense Funds Allocation Reduction

All States' unobligated Fiscal Year (FY) 2009 Liquidating "L" Program Loan Cost Expense (PLCE) fund allocations will be significantly reduced COB, June 26, 2009. This action is necessary to acquire sufficient "L" fund National Office reserves needed for expenses for the remainder of the fiscal year. So far this year, only a few States have obligated a significant portion of their "L" fund allocations. Most States have not needed a significant portion of their "L" fund allocations in recent years with the repayment of many of their pre-FY 1992 housing loans.

Please expedite any planned obligations requiring your current "L" funds prior to the June 26 allocation reduction. Those States requiring "L" fund reserves after the June 26 allocation reduction should request them from Carl Muhlbauer, Program Support Staff, by memorandum or email. Carl Muhlbauer can be reached at (202) 690-2141 for any questions.

EXPIRATION DATE:
October 31, 2009

FILING INSTRUCTIONS:
Administrative/Other Programs

Sent by electronic mail on 6/3/09 at 12:30 p.m. by PSS. State Directors should notify other personnel as appropriate.

June 4, 2009

TO: State Directors
Rural Development

ATTENTION: Rural Housing Program Directors,
Area Directors and Area Specialists

FROM: James C. Alsop ***(Signed by James C. Alsop)***
Acting Administrator
Housing and Community Facilities Programs

SUBJECT: Rural Energy Plus Program

The purpose of this unnumbered letter is to announce that the Rural Energy Plus Pilot Program has been made a permanent part of the Direct and Guaranteed Single Family Loan Program. The nationwide pilot was originally announced in a memo dated June 8, 2006, under the subject "Home Energy Advantage Pilot Program."

This program allows both front and back ratios, used to determine an applicant's ability to repay a home loan, to be exceeded by up to two percentage points, if an energy-efficient home is purchased. Eligible applicants to Rural Development Section 502 Direct and Guaranteed homeownership loan programs will receive this increased flexibility, if they are purchasing a newer home that is energy efficient. In some cases, applicants will be able to afford a larger loan amount due to the qualifying flexibility because lower utility costs associated with newer homes equate to more income that can be applied to mortgage and other debt payment in a given month.

EXPIRATION DATE:
June 30, 2010

FILING INSTRUCTIONS:
Housing Programs

All homes that are built to meet the 2000 International Energy Conservation Code (IECC), or a subsequent comparable code, are considered energy efficient, and borrowers purchasing them are eligible for the two percentage point increase in the qualifying ratios. Existing homes that meet the same standard, or are being retrofitted to meet the same standard, are also eligible. New homes that are built to IECC codes offer considerable energy efficiency and save homeowners money in their utility costs. After the mortgage payment, utility bills are usually the largest housing-related expense for homeowners each month. But an energy-efficient home, with such features as proper insulation, high efficiency heating and cooling systems, and energy efficient windows, can significantly lower the utility bills.

Rural Development State Offices are responsible for determining to which loans the ratio flexibility may apply and if the 2000 IECC Code, or a comparable code, exists in their state. State architects and engineers, or the National Office Program Support Staff, will be able to help make technical interpretations.

For 502 Direct Loans, case files should be documented, if a ratio waiver is granted under the terms of the Energy Plus Program.

For 502 Guaranteed loans, the Ratio Waiver checkbox, in the Guaranteed Loan System (GLS) under the Financial Information section of the Add Application screen, should be checked. Comments must also be noted that a waiver has been granted under the terms of the Energy Plus Program by entering the comments in the Comments box of the Add Application screen.

For questions about this unnumbered letter, please call the Single Family Housing Direct Loan Division at 202-720-1474, or the Single Family Housing Guaranteed Loan Division at 202-720-1452.

June 4, 2009

TO: State Directors
Rural Development

FROM: James C. Alsop ***(James C. Alsop)***
Acting Administrator
Housing and Community Facilities Programs

SUBJECT: Allocation of Rental Assistance for Renewal Needs for Multi-Family Housing Projects for Fiscal Year 2009

This Unnumbered Letter provides the allocation of rental assistance (RA) renewal units for Multi-Family Housing (MFH) properties for Fiscal Year (FY) 2009.

Attachments A, B, and C provide the allocation of the FY 2009 RA renewal units for each state. The Attachments were developed from summarized data obtained from the State Office surveys.

RA for renewals for January 1, 2009, through June 30, 2009, has already been loaded on the Automated Multi-Housing Accounting System (AMAS) and ready for obligation. The remaining quarter will be loaded as follows:

RA Units Expiring during:	RA Units will be loaded into AMAS:
July – September 2009	June 17, 2009
October – December 2009	August 5, 2009

The AMAS Coordinator should regularly monitor the AMAS system to ensure that RA units are immediately obligated to the approved properties in order to alleviate an accumulation of unobligated RA units on the system. If any deviation from the allocation is necessary, the AMAS Coordinator must submit a "Request for RA Allocation and Renewals" using the RA share point web site https://mfhdemoteam.sc.egov.usda.gov/RA/default.aspx. Examples of necessary deviations may be quarter changes due to accelerated RA usage or mistakes in rental coding such as elderly, family or labor housing. All renewal units must be obligated by **August 26, 2009**.

EXPIRATION DATE:
September 30, 2009

FILING INSTRUCTIONS:
Housing Programs

Terms for FY 2009 RA Obligations.
This FY's appropriation language has established a set term of 1 year.

For example, renewal obligation for Borrower A is obligated on April 6, 2009, and the Form 3560-27, "Rental Assistance Agreement," is signed on April 10, 2009. The expiration of the obligation will be April 10, 2010.

Then if one unit of RA (from the FY 09 obligation) is transferred from Borrower A to Borrower B on August 15, 2009, then the Form 3560-27, "Rental Assistance Agreement" for Borrower B will have an expiration date of April 10, 2010, even though the borrower received the unit on August 15, 2009.

A servicing effort tracking item "FY 2009 RA Obligations" has been established in Multi-Family Housing Information System (MFIS) to assist in the monitoring of FY 09 RA obligations. The National Office will be monitoring this tracking item to assure that funds are properly managed.

Obligation of RA.
To obligate RA for a project, there must be a Project Rental Code (FA or EL) in the project record. "Mixed" projects, for the purpose of RA are coded as "Family," "Congregate" and "Group Homes" are coded as "Elderly." The Alpha Code for the RA must validate against the Project Rental Code before the obligation will process. The AMAS transaction M5S, "Record Project/Rental Code/Units" should be used to establish the project rental code. The allotment key for FY 2009 is 21092 2141437XXXX to access AMAS inquiries. As a reminder, the six digit number for the RA Agreement Number should be assigned as follows:

1. First 2 digits - fiscal year of obligation (09);
2. Second 2 digits - numbers(s) in sequential order for each fiscal year starting with 01 (Example 09-01, 09-02);
3. Third 2 digits - always use 00.

The National Office will be regularly monitoring AMAS to determine the obligation activity of each state. Do not wait until the end of the quarter to obligate the renewal units. A final clean up of the AMAS system will be performed on **August 26, 2009**. Be sure to obligate any RA needed by your state for renewal purposes prior to this date.

The RA per unit values have been established based on each state's RA average usage rate. In some cases, a property may have a higher usage rate and may need to be renewed twice this fiscal year. In these situations, we will be using a different "alpha" code to distinguish obligations that are the second obligation of this fiscal year called "re-renewals". (The coding information is available on the RA share point under "General Information".) If re-renewal units are needed, please use the same process of submitting a "Request for RA Allocation and Renewals" using the RA share point web site.

Transferred RA Units.
When transferring RA units from borrowers, a review of the list of renewal units will need to be done to determine if the transferring RA units are scheduled to be renewed in this fiscal year. Depending on the situation, units may or may not need to be renewed. If changes are needed, please submit a request through the RA share point site.

Special FY 2009 Appropriation Language
The FY 2009 appropriation language contains a special provision for Farm Labor Housing properties. The language reads as follows:

> *Provided further,* That rental assistance provided under agreements entered into prior to fiscal year 2009 for a farm labor multi-family housing project financed under section 514 or 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 516 of the Act.

FY 2005, 2007 & 2008 RA Agreements
RA obligations that were approved in FY 2005, FY 2007 (between February 15, 2007, and September 30, 2007) and FY 2008 will have their agreements expiring in FY 2009. In some cases, the term of the agreement will be expiring with funds remaining in the RA obligation. The existing Form RD 3560-27, "RA Agreement," will need to be revised to extend the agreement to September 30, 2009, for borrowers with funds remaining in their RA obligation. We anticipate a majority of the RA obligations will have depleted prior to September 30, 2009, and the renewal process will be initiated.

If you have any questions, please contact Janet Stouder, Multi-Family Housing Portfolio Management Division at (202) 720-9728.

Attachments

EXHIBIT A

FAMILY ALLOCATION - FISCAL YEAR 2009 (1 YR.)
O & E CODE: 21092 21414370021

	STATES	FAMILY VALUES	RENEWALS Expiring Jan. - Mar.	RENEWALS Expiring Apr. - June	RENEWALS Expiring July - Sept.	RENEWALS Expiring Oct. - Dec.	TOTAL UNITS	TOTAL DOLLARS NEEDED
1	ALABAMA	4,176	918	839	1,200	628	3,585	14,970,960
60	ALASKA	9,432	0	183	41	47	271	2,556,072
2	ARIZONA	4,812	115	538	400	460	1,513	7,280,556
3	ARKANSAS	4,320	1,138	844	655	218	2,855	12,333,600
4	CALIFORNIA	5,196	885	1,064	1,362	1,172	4,483	23,293,668
5	COLORADO	4,536	34	163	175	316	688	3,120,768
6	CONNECTICUT	4,128	49	122	107	0	278	1,147,584
7	DELAWARE	5,880	138	0	246	164	548	3,222,240
9	FLORIDA	4,152	938	1,258	839	977	4,012	16,657,824
10/11	GEORGIA	3,444	535	750	1,156	737	3,178	10,945,032
61	HAWAII	8,364	0	39	165	0	204	1,706,256
12	IDAHO	4,596	260	312	421	361	1,354	6,222,984
13/14	ILLINOIS	3,960	545	839	824	1,893	4,101	16,239,960
15	INDIANA	3,408	357	801	730	818	2,706	9,222,048
16	IOWA	4,116	499	767	806	239	2,311	9,512,076
18/19	KANSAS	3,600	221	481	379	255	1,336	4,809,600
20/21	KENTUCKY	3,072	444	821	1,560	168	2,993	9,194,496
22	LOUISIANA	4,560	554	1,351	2,571	460	4,936	22,508,160
23	MAINE	5,376	190	520	483	472	1,665	8,951,040
24	MARYLAND	4,992	181	314	639	392	1,526	7,617,792
25	MASSACHUSETTS	5,820	185	96	61	70	412	2,397,840
26	MICHIGAN	3,756	732	1,249	1,900	1,001	4,882	18,336,792
27	MINNESOTA	4,572	250	670	995	387	2,302	10,524,744
28	MISSISSIPPI	5,244	834	1,295	1,617	445	4,191	21,977,604
29/30	MISSOURI	3,144	959	846	945	742	3,492	10,978,848
31	MONTANA	3,684	50	255	344	60	709	2,611,956
32	NEBRASKA	3,564	89	271	342	257	959	3,417,876
33	NEVADA	5,436	36	184	408	112	740	4,022,640
34	NEW HAMPSHIRE	5,256	182	219	213	290	904	4,751,424
35	NEW JERSEY	4,800	184	65	131	126	506	2,428,800
36	NEW MEXICO	4,956	233	333	464	316	1,346	6,670,776
37	NEW YORK	4,908	205	456	665	473	1,799	8,829,492
38/39	NORTH CAROLINA	4,440	693	1,611	1,794	1,803	5,901	26,200,440
40	NORTH DAKOTA	3,684	147	261	182	182	772	2,844,048
41	OHIO	3,012	760	914	1,503	909	4,086	12,307,032
42	OKLAHOMA	4,080	449	913	635	676	2,673	10,905,840
43	OREGON	3,912	740	374	440	276	1,830	7,158,960
44	PENNSYLVANIA	4,212	304	273	716	402	1,695	7,139,340
63	PUERTO RICO	4,872	105	770	984	1,143	3,002	14,625,744
45	RHODE ISLAND	6,216	16	12	77	0	105	652,680
46	SOUTH CAROLINA	4,164	328	948	796	995	3,067	12,770,988
47	SOUTH DAKOTA	7,536	141	554	286	1,020	2,001	15,079,536
48	TENNESSEE	3,792	527	936	1,037	558	3,058	11,595,936
49/51	TEXAS	3,708	460	1,848	2,201	961	5,470	20,282,760
52	UTAH	5,472	70	191	376	104	741	4,054,752
53	VERMONT	6,444	144	133	86	90	453	2,919,132
64	VIRGIN ISLAND	11,748	119	52	92	110	373	4,382,004
54/55	VIRGINIA	3,912	739	755	672	581	2,747	10,746,264
56	WASHINGTON	4,452	218	667	431	511	1,827	8,133,804
57	WEST VIRGINIA	3,192	411	392	578	445	1,826	5,828,592
58	WISCONSIN	3,312	386	640	640	413	2,079	6,885,648
59	WYOMING	4,008	134	184	161	83	562	2,252,496
	NATIONAL TOTAL		18,831	30,373	36,531	25,318	111,053	475,227,504

EXHIBIT B

ELDERLY ALLOCATION - FISCAL YEAR 2009 (1 YR.)
O & E CODE: 21092 21414370081

	STATES	ELDERLY VALUES	RENEWALS Expiring Jan. - Mar.	RENEWALS Expiring Apr. - June	RENEWALS Expiring July - Sept.	RENEWALS Expiring Oct. - Dec.	TOTAL UNITS	TOTAL DOLLARS NEEDED
1	ALABAMA	4,176	233	490	616	278	1,617	6,752,592
60	ALASKA	9,432	0	15	16	10	41	386,712
2	ARIZONA	4,812	50	54	246	162	512	2,463,744
3	ARKANSAS	4,320	436	151	425	202	1,214	5,244,480
4	CALIFORNIA	5,196	159	522	216	871	1,768	9,186,528
5	COLORADO	4,536	50	104	147	184	485	2,199,960
6	CONNECTICUT	4,128	186	348	219	266	1,019	4,206,432
7	DELAWARE	5,880	0	0	59	121	180	1,058,400
9	FLORIDA	4,152	261	961	628	774	2,624	10,894,848
10/11	GEORGIA	3,444	278	357	390	697	1,722	5,930,568
61	HAWAII	8,364	31	58	54	135	278	2,325,192
12	IDAHO	4,596	86	111	232	115	544	2,500,224
13/14	ILLINOIS	3,960	49	210	112	635	1,006	3,983,760
15	INDIANA	3,408	120	287	399	359	1,165	3,970,320
16	IOWA	4,116	239	361	371	224	1,195	4,918,620
18/19	KANSAS	3,600	153	175	136	227	691	2,487,600
20/21	KENTUCKY	3,072	130	437	1,571	93	2,231	6,853,632
22	LOUISIANA	4,560	360	475	1,449	567	2,851	13,000,560
23	MAINE	5,376	323	664	944	809	2,740	14,730,240
24	MARYLAND	4,992	127	171	334	277	909	4,537,728
25	MASSACHUSETTS	5,820	230	290	165	144	829	4,824,780
26	MICHIGAN	3,756	134	261	381	246	1,022	3,838,632
27	MINNESOTA	4,572	72	263	257	262	854	3,904,488
28	MISSISSIPPI	5,244	252	382	434	322	1,390	7,289,160
29/30	MISSOURI	3,144	193	260	441	440	1,334	4,194,096
31	MONTANA	3,684	29	108	138	76	351	1,293,084
32	NEBRASKA	3,564	24	74	86	187	371	1,322,244
33	NEVADA	5,436	47	95	240	179	561	3,049,596
34	NEW HAMPSHIRE	5,256	113	72	154	208	547	2,875,032
35	NEW JERSEY	4,800	97	215	225	113	650	3,120,000
36	NEW MEXICO	4,956	0	40	79	112	231	1,144,836
37	NEW YORK	4,908	98	242	501	410	1,251	6,139,908
38/39	NORTH CAROLINA	4,440	629	931	927	661	3,148	13,977,120
40	NORTH DAKOTA	3,684	46	8	115	52	221	814,164
41	OHIO	3,012	262	548	647	569	2,026	6,102,312
42	OKLAHOMA	4,080	92	117	117	252	578	2,358,240
43	OREGON	3,912	295	234	329	285	1,143	4,471,416
44	PENNSYLVANIA	4,212	399	493	760	1,050	2,702	11,380,824
63	PUERTO RICO	4,872	0	32	56	16	104	506,688
45	RHODE ISLAND	6,216	0	51	0	24	75	466,200
46	SOUTH CAROLINA	4,164	135	401	461	264	1,261	5,250,804
47	SOUTH DAKOTA	7,536	72	143	144	213	572	4,310,592
48	TENNESSEE	3,792	115	422	405	199	1,141	4,326,672
49/51	TEXAS	3,708	275	476	568	891	2,210	8,194,680
52	UTAH	5,472	0	64	31	131	226	1,236,672
53	VERMONT	6,444	79	93	90	113	375	2,416,500
64	VIRGIN ISLAND	11,748	0	20	0	0	20	234,960
54/55	VIRGINIA	3,912	189	387	198	451	1,225	4,792,200
56	WASHINGTON	4,452	33	217	338	572	1,160	5,164,320
57	WEST VIRGINIA	3,192	135	245	241	207	828	2,642,976
58	WISCONSIN	3,312	96	335	460	402	1,293	4,282,416
59	WYOMING	4,008	63	16	169	46	294	1,178,352
	NATIONAL TOTAL		7,475	13,486	17,721	16,103	54,785	234,736,104

EXHIBIT C

LABOR HOUSING ALLOCATION - FISCAL YEAR 2009 (1 YR.)
O & E CODE: 21092 21414370032

	STATES	FAMILY VALUES	RENEWALS Expiring Jan. - Mar.	RENEWALS Expiring Apr. - June	RENEWALS Expiring July - Sept.	RENEWALS Expiring Oct. - Dec.	TOTAL UNITS	TOTAL DOLLARS NEEDED
1	ALABAMA	4,176	0	0	0	0	0	0
60	ALASKA	9,432	0	0	0	0	0	0
2	ARIZONA	4,812	40	0	16	18	74	356,088
3	ARKANSAS	4,320	0	0	0	0	0	0
4	CALIFORNIA	5,196	256	279	169	692	1,396	7,253,616
5	COLORADO	4,536	0	132	62	0	194	879,984
6	CONNECTICUT	4,128	0	0	0	0	0	0
7	DELAWARE	5,880	0	16	26	0	42	246,960
9	FLORIDA	4,152	716	212	619	81	1,628	6,759,456
10/11	GEORGIA	3,444	0	0	0	48	48	165,312
61	HAWAII	8,364	0	0	0	0	0	0
12	IDAHO	4,596	0	23	148	0	171	785,916
13/14	ILLINOIS	3,960	0	0	0	0	0	0
15	INDIANA	3,408	0	0	0	0	0	0
16	IOWA	4,116	0	0	0	0	0	0
18/19	KANSAS	3,600	0	0	0	0	0	0
20/21	KENTUCKY	3,072	0	0	0	0	0	0
22	LOUISIANA	4,560	39	0	0	0	39	177,840
23	MAINE	5,376	0	0	0	0	0	0
24	MARYLAND	4,992	24	0	0	0	24	119,808
25	MASSACHUSETTS	5,820	0	0	0	0	0	0
26	MICHIGAN	3,756	0	20	0	0	20	75,120
27	MINNESOTA	4,572	0	0	0	20	20	91,440
28	MISSISSIPPI	5,244	0	0	0	0	0	0
29/30	MISSOURI	3,144	0	0	0	0	0	0
31	MONTANA	3,684	0	0	0	0	0	0
32	NEBRASKA	3,564	0	8	16	0	24	85,536
33	NEVADA	5,436	0	0	0	0	0	0
34	NEW HAMPSHIRE	5,256	0	0	0	0	0	0
35	NEW JERSEY	4,800	0	0	0	0	0	0
36	NEW MEXICO	4,956	55	113	0	0	168	832,608
37	NEW YORK	4,908	0	0	0	0	0	0
38/39	NORTH CAROLINA	4,440	0	24	0	20	44	195,360
40	NORTH DAKOTA	3,684	0	0	0	0	0	0
41	OHIO	3,012	0	0	0	23	23	69,276
42	OKLAHOMA	4,080	0	10	0	0	10	40,800
43	OREGON	3,912	71	62	0	24	157	614,184
44	PENNSYLVANIA	4,212	12	0	0	0	12	50,544
63	PUERTO RICO	4,872	0	0	0	0	0	0
45	RHODE ISLAND	6,216	0	0	0	0	0	0
46	SOUTH CAROLINA	4,164	0	0	0	0	0	0
47	SOUTH DAKOTA	7,536	0	0	0	0	0	0
48	TENNESSEE	3,792	0	0	0	23	23	87,216
49/51	TEXAS	3,708	0	70	0	130	200	741,600
52	UTAH	5,472	13	0	0	0	13	71,136
53	VERMONT	6,444	0	0	0	0	0	0
64	VIRGIN ISLAND	11,748	0	0	0	0	0	0
54/55	VIRGINIA	3,912	0	0	0	34	34	133,008
56	WASHINGTON	4,452	0	0	39	110	149	663,348
57	WEST VIRGINIA	3,192	0	0	0	0	0	0
58	WISCONSIN	3,312	10	0	0	0	10	33,120
59	WYOMING	4,008	0	0	0	0	0	0
	NATIONAL TOTAL		1,236	969	1,095	1,223	4,523	20,529,276

June 6, 2009

TO: State Directors, Rural Development

ATTN: Business Programs Directors

SUBJECT: Intermediary Relending Program
Mississippi Delta Region Counties Earmark

This is the fiscal year 2009 funding cycle allocation for the Intermediary Relending Program (IRP) Mississippi Delta Region Counties Earmark. The priority points for these projects are inclusive of any Administrator points that were awarded. The allocations are as follows:

State	**Project Name**	**Amount**	**Priority Points**
IL	City of Metropolis	$ 750,000	151
AR	Alt.Consulting	$ 400,000	133
IL	Southern Illinois Coal Belt Champion Community, Inc.	$1,000,000	99
	Total	**$2,150,000**	

IRP Mississippi Delta Region Counties earmark funds should be obligated through the Guaranteed Loan System. Please ensure that type of assistance code 317 is used for this earmark to keep track of the use of these funds.

All requests received for this earmark were funded. This is the only round of funding for this earmark. Unused funds totaling $6,091,338.11 will revert to the regular reserve on June 30, 2009.

(Signed by Pandor Hadjy)

WILLIAM F. HAGY III
Deputy Administrator
Business Programs

EXPIRATION DATE:
September 30, 2009

FILING INSTRUCTIONS:
Community/Business Programs

June 9, 2009

TO: Acting State Directors, Rural Development

ATTN: Business Programs Directors

SUBJECT: The American Recovery and Reinvestment Act of 2009-
Rural Business Enterprise Grant Program

The American Recovery and Reinvestment Act of 2009 (ARRA) provides $19.4 million in Rural Business Enterprise Grant (RBEG) funding (in addition to Regular RBEG funding and RBEG Disaster funding), that can be used to fund projects that meet ARRA goals. This Un-numbered letter will assist in appropriately selecting and submitting projects for consideration under ARRA funding.

In accordance with the regulation, any project normally eligible under RBEG regulations may be submitted for consideration. However, when submitting RBEG-ARRA applications, the following should be taken into consideration:

- At least ten percent of ARRA funding must be used for projects in persistent poverty counties. Therefore, these projects will have priority until the 10 percent requirement is reached. States are required to indicate "Persistent Poverty County" on the submission template when the designation applies.
- While all eligible projects will be considered, those that will provide for revolving loan funds, adult job training, and technical assistance (including incubators and similar types of projects) will be strongly considered for priority points.
- Under ARRA, States may request priority points, but only the National Office may assign priority points. Additionally, the regulatory restriction on providing priority points only to initial requests remains applicable.
- States are required to populate the Submission Spreadsheet as indicated.
- Several attachments have been included to assist in ensuring that all necessary items are included in the packages:
    - Project submission template
    - ARRA Guidance for Identifying Persistent Poverty Counties
    - ARRA RBEG Project Priority Points System
    - RBEG ARRA Submission Checklist (updated as of May 27, 2009)
    - ARRA Submission Spreadsheet
    - May 5, 2009 e-mail for how to submit projects on SharePoint

EXPIRATION DATE:
June 30, 2010

FILING INSTRUCTIONS
Community/Business Programs

Applications must be submitted to the National Office on SharePoint in accordance with ARRA submission instructions of May 5, 2009 (as attached). As indicated during the video conference on May 27, the deadline for submission is **June 5, at 5:00 PM, LOCAL** time, to submit all projects for RBEG on SharePoint. The National Office will review all projects on SharePoint for ARRA compliance at time of submission. At time of submission to Sharepoint, States must also submit the following to Ken.Hennings@wdc.usda.gov with copies to Cindy.Mason@wdc.usda.gov and Melvin.Padgett@wdc.usda.gov.

- A copy of the Score Sheet
- A copy of the back-up documentation; and
- A copy of the Guaranteed Loan System Print Screen. (These items are noted on the spread sheet to remind you to submit.)

Upon receipt in the National Office, applications will be awarded discretionary points as appropriate, provided with final scores, sorted and ranked in accordance with ARRA procedures.

RBEG ARRA applications initially submitted but funded via disaster or regular funding must be removed from the SharePoint list by the State Office and re-submitted to fill the requirements for ARRA funding. The State Office must notify the National Office of same via e-mail to Ken Hennings, Cindy Mason, and Mel Padgett at the above e-mail addresses. Funding for approved projects will be moved into the appropriate State accounts. Obligation and closing of RBEG ARRA grants will follow the same procedures as for RBEG regular grants except that the
TOA code will be 310.

State Offices will be notified of the result of the ARRA review process once the projects have been reviewed by the Secretary's Office, the Office of Management, and Budget and the White House. As indicated above, funding will be allocated to States on a project- by-project basis for those applications selected to receive ARRA funding.

If you have any questions, please contact Ken Hennings, Cindy Mason, or Melvin Padgett at the above e-mail addresses.

Sincerely,

(Signed by William F. Hagy III)

WILLIAM F. HAGY III
Deputy Administrator
Business Programs

Attachments

RBEG State Compliance Form

PLEASE COMPLETE ALL THAT APPLY

State	Project Name	Persistent Poverty County	FIPS County Code	Out Migration	High Unemployment	Underserved/ Under-represented Group(s)	Score Sheet Sent to National Office	Back-up Documents Sent to National Office	GLS Print Screen Sent to National Office	Date Submitted on Sharepoint	States Scoring
GA	GA Business Indsutry	Clay County	13061	yes	no		yes	yes	yes	5/19/2009	

RBEG State Compliance Form

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Name of Rural Development Program:

Project Name:
City, County, State:
Benefits:
Number of Jobs (direct and indirect) Created or Saved:
ARRA Funds:
Leveraging:
Competitive Process: Yes or No (circle one)

How Rural Development Funds Will Be Used: (use bullet summary)

Example

- *This project will acquire a building in the Northside Industrial Park to be used as a business incubator which will immediately house two light manufacturing firms (a Stadium Sign and billboard manufacturer and an electronic component firm).*
- *Upon relocating to the incubator, both firms intend to expand their operations creating a total of 10 new jobs.*
- *In addition several currently home-based businesses are looking to relocate to accommodate growth creating an estimated 5 more jobs immediately.*
- *The incubator will have the capacity to house a total of approximately 15 businesses, depending upon the size of each. It will also house two classrooms for business training courses in self employment, to assist the tenants with business management skills, for tenant meetings, and so forth.*
- *Tenants will be allowed to occupy the incubator for up to 4 years or until they are able to relocate to commercial space.*

Background and Historical Data (Briefly describe what the project is, why it's important and explain what issues or concerns it is addressing.)

(Be descriptive enough so that someone not familiar with the project will understand why Rural Development is providing funding and what the benefits will be to the community)

EXAMPLE: Businesses in the community have traditionally been housed in the downtown district, on front porches, or outside the town limits. In addition, it has been difficult to fill the industrial park. This incubator will help to accomplish two goals. First, it will provide a space where new businesses can develop and grow and eventually move out of the incubator to available commercial space within the town limits, increasing the availability of jobs and increasing tax revenue. Second, it will put businesses and people into the industrial park, encouraging further population of the *park by other businesses, and hopefully grow a business corridor between downtown and the park.*

PHOTO: Please EMBED one photo of the project (ex., a "before" photo of the current landscape)

CONGRESSIONAL DISTRICT:

Senator (s): **[list Senior member first]**

Representative (s): **example: Fletcher (1)**

[member; District #]

Signature of State Rural Development Director or Designee **(Date)**

I hereby certify that the submitted project will expend funds in a responsible and transparent manner and will benefit the general public and not any special interests. I further certify that this specific project DOES NOT fund, in whole or part, any casino, or other gambling establishment, aquarium, zoo, golf course, or swimming pool as prohibited by the American Recovery and Reinvestment Act of 2009.

ARRA Guidance for Identifying Persistent Poverty Counties

When submitting an application for a persistent poverty county name the county on the application cover sheet and indicate “Persistent Poverty” in the right hand corner.

To ensure appropriate expenditures, ten percent of the available RBEG-ARRA funds will be segregated.

These projects will be provided with final scores, ranked, and given first priority in the selection process until the minimum level of ten percent is reached or exceeded.

“Persistent poverty counties” is defined in the Act as any county that has had 20 percent or more of its population living in poverty over the past 30 years, as measured by the 1980, 1990, and 2000 decennial censuses”.

This definitive list of Persistent Poverty Counties has been imbedded in the tracking sheet as a drop-down box.

ARRA RBEG Project Priority Points System

State Offices submitting Rural Business Enterprise Grant/American Recovery Reinvestment Act (RBEG/ARRA) applications, whether or not they are located in a persistent poverty county, may request Administrator Priority points, but may not consider the points as a part of the score before final approval for ARRA funds. Procedurally:

1) RBEG-ARRA applications will be accepted, reviewed, and scored at the State Offices.

2) In accordance with 1942.305(b)(3)(v), Administrator's discretionary points may be requested. When making such a request, State Offices are required to provide written justification as to the criteria used to support the request. Such justification must make a clear case as to why the points should be considered. Criteria which will result in substantial employment improvement or mitigation of economic distress through the creation or saving of jobs via adult distance learning/job training/job re-training projects, business incubator projects, technical assistance projects, and revolving loan fund projects will be strongly considered for discretionary points. Other project types will also be considered.

3) Applications, along with any requests for discretionary points, must be submitted to the National Office in accordance with ARRA and include the attached un-numbered letter and the May 5, 2009, Instruction e-mail. Applications will be awarded discretionary points as appropriate, by the Administrator, provided with final scores, and ranked in accordance with ARRA procedures.

RBEG-ARRA SUBMISSION CHECKLIST

If application is for casino or other gambling establishment, aquarium, zoo, golf course, swimming pool, or hotel with a swimming pool, **do not submit it for ARRA funding.**

Check the appropriate item: (you may check more than one)

Project is in an area of Outmigration _____ Project is in a Persistent Poverty County _____
Project is in a high Unemployment Area _____ Project will benefit an Underserved Area and/or Under represented group ____

You have submitted:

_____ Copy of the GLS Print Screen of "BP Fund Request View" e-mailed to SPD

_____ Copy of the Score Sheet e-mailed to SPD

_____ Copy of the usual Score Sheet back up documentation e-mailed to SPD.
*Note, SPD copies should be e-mailed to Ken.Hennings@wdc.usda.gov, Cindy.Mason@wdc.usda.gov, and Melvin.Padgett@wdc.usda.gov

All RBEG-ARRA Projects should be posted on Share Point and GLS under the RBEG folders

Name of Applicant
____

State _____ County ____________________

Grant Request $_____________________

Is this an Initial or Subsequent request for funding for the project? Initial _____
Subsequent_____

Purpose:
Revolving Fund _____
Technical Assistance/Training _____
Adult job related training _____
Business Incubator _____
Other _____

FOR NATIONAL OFFICE USE ONLY

Administrator's Priority Points Recommended _____________

Total Points Recommended ____________ + ____________ = ____________
Score Priority Points Total

Application Recommended for Funding __________ __________ __________
Specialist Branch Chief Director

ARRA Funding Guidance

Below please find a reference for approval of ARRA Projecting Funding – Refer to Tab 2 on Spreadsheet for Projects

For all RBEG programs Rural Development Staff will adhere to the guidelines below on how to identify and submit projects for persistent poverty counties:

Criteria 1: Quality of Jobs as defined by one of the following but not limited to,

- pays average wages that are at least 125 percent of the Federal minimum wage (http://www.dol.gov/esa/whd/minimumwage.html);
- Qualifies under the Work Opportunity Tax Credit Program (http://www.doleta.gov/business/incentives/opptax/); and
- Offers Healthcare to All employees (Please attach the Businesses Human Resources Policy to project Summary).

Criteria 2: Demographics that qualify:

- Persistent Poverty Counties as defined by ERS (20 percent or more of its population living in poverty over the past thirty years); (ERS designated Persistent Poverty Counties spreadsheet/ drop down menu available on the following website); http://www.ers.usda.gov/Briefing/IncomePovertyWelfare/HighPoverty/)
- Unemployment – Projects located in rural cities or counties with an unemployment rate that is 125 percent of the nationwide rate or greater. (http://data.bls.gov/PDQ/servlet/SurveyOutputServlet?data_tool=latest numbers&series_id=LNS14000000) (National unemployment rates – updated monthly); (http://www.bls.gov/lau/); (far right side of site indicates States unemployment rate) updated monthly as well

- "Persistent poverty counties" is defined in the Act as any county that has had 20 percent or more of its population living in poverty over the past 30 years, as measured by the 1980, 1990, and 2000 decennial censuses".
- A State by State listing of the persistent poverty counties is attached for your use.
- There are a number of States with no persistent poverty counties, so be sure to refer to the attachment.
- In addition, some the counties listed are not necessarily rural, so be sure that the counties submitting projects fall under the rural definition as well.
- When submitting an application for a persistent poverty county name the county on the application cover sheet and indicate "Persistent Poverty" in the right hand corner.

- To ensure appropriate expenditures, ten percent of the available RBEG-ARRA funds will be segregated.
- These projects will be provided with final scores, ranked, and given first priority in the selection process until the minimum level of ten percent is reached or exceeded.

For your convenience, a map of non-metropolitan persistent poverty counties can be viewed at the following link:
http://www.ers.usda.gov/Amberwaves/September04/Findings/persistentpoverty.htm
It will provide you with a visual depiction of the persistent poverty pattern. However, the attached list is the official determining set of data.

June 9, 2009

TO: State Directors, Rural Development

ATTN: Business Programs Directors

SUBJECT: Intermediary Relending Program
Empowerment Zones/Enterprise Communities/
Rural Economic Area Partnerships Earmark

These are the fiscal year 2009 funding cycle allocations for the Intermediary Relending Program (IRP) Empowerment Zones/Enterprise Communities/Rural Economic Area Partnerships (EZ/EC/REAP) Earmark. The priority points for this project are inclusive of any Administrator points that were awarded. The allocation is as follows:

State	**Project Name**	**Amount**	**Priority Points ----**
VT	Vermont Community Loan Fund	$ 500,000	153
	Total	**$ 500,000**	

IRP EZ/EC/REAP earmark funds should be obligated through the Guaranteed Loan System. Please ensure that **type of assistance code 144** is used for the EZ/EC/REAP earmark to keep track of the use of these funds.

All requests received for this earmark were funded. This is the only round of funding for this earmark. Unused funds totaling $1,602,747.91 will revert to the regular reserve on June 30, 2009.

(Signed by Pandor Hadjy)

WILLIAM F. HAGY III
Deputy Administrator
Business Programs

EXPIRATION DATE:
September 30, 2009

FILING INSTRUCTIONS:
Community/Business Programs

June 9, 2009

TO: State Directors, Rural Development

ATTN: Business Programs Director

SUBJECT: Intermediary Relending Program
Native American Earmark

This is the fiscal year 2009 funding cycle allocation for the Intermediary Relending Program (IRP) Native American Earmark. The priority points for this project are inclusive of any Administrator points that were awarded. The allocation is as follows:

State	Project Name	Amount	Priority Points
CA	Rural Community Assistance Corporation	$250,000	196
	Total	**$250,000**	

IRP Native American earmark funds should be obligated through the Guaranteed Loan System. Please ensure that **type of assistance code 316** is used for this earmark to keep track of the use of these funds.

All requests received for this cycle were funded. This is the only round of funding for this earmark. Unused funds totaling $4,119,474.31 will revert to the regular reserve on June 30, 2009.

(Signed by Pandor Hadjy)

WILLIAM F. HAGY III
Deputy Administrator
Business Programs

EXPIRATION DATE:
September 30, 200

FILING INSTRUCTIONS:
Community/Business Programs

June 11, 2009

SUBJECT: Interest Rates for Community Facilities

TO: Rural Development State Directors,
Rural Development Managers,
and Area Directors

Effective from July 1, 2009, through September 30, 2009, the interest rates for direct community facility loans are as follows:

Poverty Line...unchanged at............4.500%
Intermediate... decreased to............ .4.375%
Market......... decreased to............ .4.375%

For this quarter, all loans may be obligated at the lower market rate. Please notify appropriate personnel of these rates.

(Signed by Tammye H. Trevino)

TAMMYE H. TREVINO
Administrator
Housing and Community Facilities Programs

EXPIRATION DATE:
September 30, 2009

FILING INSTRUCTIONS:
Administrative/Other Programs

Sent by Electronic Mail on 6/16/09 at 8:00am by PAD.
State Directors should advise other personnel as appropriate.

June 12, 2009

TO: State Directors, Rural Development

ATTN: Business Programs Directors

SUBJECT: Rural Economic Development Loan and Grant Program
Projects Funded for Third Quarter
Fiscal Year 2009

Business Programs has announced loan and grant selections for the third quarter of fiscal year (FY) 2009 under the Rural Economic Development Loan and Grant (REDLG) program. A listing of loan and grant awards is attached for your information.

During the third quarter of FY 2009, twelve zero-interest loan applications totaling $7,244,400 were considered by Business Programs. Based on the availability of funds, all applications submitted were selected for funding. These funds will be leveraged by $16,771,359 of private and public financing, directly create 263 jobs in rural areas, and help save 63 existing positions.

In addition to the loan selections, seven grants totaling $2,003,000 to finance revolving loan fund programs that will be operated by rural electric utilities were selected for funding. The initial zero-interest loans from the revolving loan fund programs, leveraged by $8,493,475 in private and public financing, will provide financing to construct a 3,200 sq. ft. network operations center, a new clinic in connection with an existing hospital facility, community center/clubhouse, extend water and sewer lines in an industrial park, purchase technology and energy efficiency equipment, a Class A pumper fire truck, a rapid attach/wildland fire fighting vehicle and equipment for a 17,868 sq. ft. educational training facility. An estimated 58 new jobs will be created and 247 existing jobs retained as a result of these grants.

EXPIRATION DATE:
September 30, 2009

FILING INSTRUCTIONS:
Community/Business Programs

If you have any questions, please contact Melvin Padgett, Loan Specialist, at (202) 720-1495 or Cindy Mason, Loan Specialist, at (202) 690-1433, Specialty Programs Division, Processing Branch.

(***Signed by William F. Hagy III)***

WILLIAM F. HAGY III
Deputy Administrator
Business Programs

Attachments

Attachment

RURAL ECONOMIC DEVELOPMENT LOAN AND GRANT PROGRAM
REQUEST FOR LOAN FUNDS – Third Quarter FY 2009

Total Available FY 2009	$ 37,515,315.94
Less 1st Quarter FY 2009	$ 14,232,000.00
Less 2nd Quarter FY 2009	$ 12,028,720.00
Less 3rd Quarter FY 2009	$ 7,244,400.00
Balance Remaining	$ 4,010,195.94

State	Project	Loan Amount	REDL Number
GA 31	Upson Electric Membership Corporation	$ 740,000	1216
TN 34	Tennessee Valley Electric Cooperative	$ 450,000	1217
MS 22	Central Electric Power Association	$ 740,000	1218
TN 20	Gibson Membership Electric Corporation	$ 740,000	1219
TN 61	Powell Valley Electric Cooperative	$ 740,000	1220
KY 54	South Kentucky Rural Electric Cooperative Corporation (SKYRECC)	$ 740,000	1221
MS 39	Singing River Electric Power Association	$ 740,000	1222
MO 46	White River Valley Electric Cooperative, Inc.	$ 300,000	1223
KS 19	Butler Rural Electric Cooperative	$ 354,400	1224
OK 06	Caddo Electric Cooperative, Inc.	$ 400,000	1225
MN 537	Consolidated Telephone Company	$ 740,000	1226
MN 537	Consolidated Telephone Company	$ 560,000	1227

12 Loans Total $7,244,400.00

Balance of Loan Funds After Above Request: $4,010,195.94

Attachment

RURAL ECONOMIC DEVELOPMENT LOAN AND GRANT PROGRAM
REQUEST FOR GRANT FUNDS – Third Quarter FY 2009

Total Available FY 2009	$10,000,000
Less 1st Quarter FY 2009	$ 3,900,000
Less 2nd Quarter FY 2009	$ 2,990,000
Less 3rd Quarter FY 2009	$ 2,003,000
Balance Remaining	$ 1,107,000

State	Project	Grant Amount	REDG Number
ND 527	Polar Communications Mutual Aid Corporation	$ 300,000	467
IA 84	Corn Belt Power Cooperative	$ 300,000	468
IA 101	City of Pocahontas	$ 300,000	469
KY 54	South Kentucky Rural Electric Cooperative Corporation (SKYRECC)	$ 300,000	470
MS 39	Singing River Electric Power Association	$ 300,000	471
WI 519	Citizens Telephone Cooperative, Inc.	$ 203,000	472
SD 06	Union County Electric Cooperative, Inc.	$ 300,000	473
	7 Grants Total	**$2,003,000**	

Balance of Grant Funds After Above Request: $1,107,000

TO: State Directors
Rural Development

June 12, 2009

ATTN: Community Programs Directors

FROM: Tammye H. Trevino ***(Signed by Tammye H. Trevino)***
Administrator
Housing and Community Facilities Program

SUBJECT: Community Facilities Guaranteed Loan Program
Guidance on the Estimated Loss Claim in Liquidation Cases

The purpose of this unnumbered letter is to provide guidance to the Rural Development Community Programs Director and staff for actively pursuing submission of an estimated loss claim when a loss is expected to occur in connection with liquidation of a loan. Early payment of the estimated loss claim reduces the amount of accrued interest, due to the reduction of principal, if a final loss claim is paid. It improves case management and recovery on the debt through periodic evaluations and facilitates needed modifications to the liquidation plan.

It is the nature of community facility type loans that lenders participating in the program may only be financing one or two projects. While they may be active in other agency programs, they may not be familiar with Rural Development regulations as they pertains to the Community Facilities (CF) program. It is the Agency's responsibility to educate the lender in anticipation of intensive servicing situations. The Agency should build a working relationship with the lender by meeting frequently and discussing the lender's and the Agency's responsibilities under the CF program.

Section 3575.94 of RD Instruction 3575-A authorizes the payment of an estimated loss claim based on the collateral value in a liquidation situation. Payment of the estimated loss claim will be based upon the fair market value of the collateral determined by a current appraisal of the collateral and only after the lender's liquidation plan has been submitted and approved by the Agency.

The lender's liquidation plan includes some important components that include obtaining a current valuation or appraisal and providing an estimate of expenses to be incurred in a liquidation situation. A guide to assist in the development of a liquidation plan is attached to this unnumbered letter as "Attachment A". The lender's liquidation plan is required within 30 days after the lender and Rural Development agree to liquidate the guaranteed loan. The lender and the agency should be able to recognize, at that time, the possibility of the collateral being acquired by the lender. The liquidation plan must adequately address that

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possibility and include an aggressive marketing strategy to resell the acquired collateral. A more thorough discussion of the liquidation plan is contained in RD Instruction 3575-A, Section 3575.81(c).

When the lender has submitted and obtained approval of its liquidation plan, it may submit the estimated report of loss claim to the Agency for processing. Payment of the estimated loss claim to the lender should be made within 10 days of receipt of the claim.

The time period between payment of the estimated loss claim and submission of the final loss is critical to successful resolution of a problem loan. The Agency's relationship with the lender must be intensified to avoid drift and insure that the lender is moving forward according to the liquidation plan. The lender must actively market the collateral for a reasonable period of time, but no less than 6 months. The liquidation plan should be revisited as often as necessary but no less than every 90 days, by the lender and the State servicing official and amended, if necessary. If after a reasonable period of time, but no less than 6 months, the lender is unable to sell the collateral, then consideration should be given to holding discussions with the lender regarding submission of a final loss claim to the Agency based on the fair market value of the collateral prior to its ultimate disposition. The final loss claim will be based upon the lender's actual cost and expense of acquiring, maintaining and marketing the property.

The loss occasioned by accruing interest will be covered to the extent of the guarantee to the date of final settlement provided the lender proceeds expeditiously with the liquidation plan approved by the Agency. Prompt payment of the estimated loss claim will substantially reduce the amount of any final loss claim paid.

Please distribute this unnumbered letter to your participating lenders. If you have any questions concerning this issue, please contact Kendra Doedderlein at (202) 720-1503.

Attachment

Attachment A

GUIDE FOR DEVELOPING A LIQUIDATION PLAN

This guide was developed to assist in the interpretation of the requirements of RD Instruction 3575-A, Section 3575.81(c). This format may not be all inclusive of information necessary to a liquidation plan. The agency must determine for each loan situation additional information required in the liquidation plan.

1) Such proof as the Agency requires to establish the lender's ownership of the guaranteed loan notes and related security instruments, a copy of the payment ledger or other documentation which reflects the outstanding loan balance and accrued interest to date, and the method of computing the interest.

   The lender should provide as an attachment to the liquidation plan, a copy of the executed notes; copies of mortgages or deeds of trusts showing recordation in the appropriate jurisdiction; and the transaction history for the loan, showing the application of interest for each transaction based on when the payment was received. If the interest rate was a variable rate, the lender must include documentation of changes in the selected base rate and when the changes in the loan rate became effective. If any special accommodation was made to the borrower such as payment deferrals or interest only payments, they should be explained in this section and supported with copies of any executed agreements between the lender and the borrower.

2) A complete list of collateral.

   The lender must identify the real property and personal property pledged as collateral.

3) The recommended liquidation methods for making the maximum collection possible on the indebtedness and the justification for such methods, including the recommended action for acquiring and disposing of all collateral.

   The lender and the agency should have discussed prior to submission of this plan the best method for maximizing collection on the loan. This may include a voluntary transfer to an eligible or ineligible applicant or foreclosure by the lender to obtain title *with extensive marketing to other interested parties. The lender should discuss why a particular method may be preferable, which may be due to cost, the amount of time it may take to accomplish or the unique nature of the project or situation.*

4) Necessary steps for preservation of the collateral.

The lender should identify any additional cost or security requirements to protect the real or personal property from physical damage, theft or vandalism. There may also be expenses for utilities or continued maintenance to insure preservation.

5) Copies of the borrower's latest available financial statements.

The lender must provide the borrower's latest financial statements with the lender's written analysis as an attachment to the liquidation plan. If the financial statements are old, the lender should have been in contact with the borrower and can provide in a written discussion on the financial condition of the borrower.

6) An itemized list of estimated liquidation expenses expected to be incurred and justification for each expense.

The lender should have obtained estimates by attorneys, auctioneers and any other professionals with whom they will need to contract to maximize recovery on the loan. The expenses may not be limited to transfer or foreclosure on the property, but could include the cost of legal representation to protect our joint interest in bankruptcy or receivership. If bankruptcy or receivership is a consideration, then the agency should obtain guidance for their Regional Office of General Counsel.

7) A schedule to periodically report to the Agency on the progress of the liquidation.

The periods between payment of the estimated loss claim, foreclosure or transfer and the submission of the final loss claim is very critical. Now that the agency has paid the estimated loss claim, the lender must still move forward expediously to recover on the loan. The agency must maintain frequent contact with the lender and amend the liquidation plan, if necessary, due to a change in circumstances.

8) Estimated protective advance amounts with justification

> *Protective advances include, but are not limited to, advances made for taxes, annual assessments, ground rent, hazard and flood insurance premiums affecting the collateral (including any other expenses necessary to protect the collateral). The lender must provide written identification of any advances necessary to maintain services or address unique situations, and why the advance was necessary. If the lender has advanced funds without agency approval previously during the life of this loan, a written explanation should be provided, even though such expenditures or loans will not be guaranteed.*

9) Proposed protective bid amounts on collateral to be sold at auction and a discussion of how the amounts were determined.

> *The lender should provide a detailed explanation of how protective bids were calculated. Copies of current appraisals or valuations must be attached to the liquidation plan and any deductions made to the fair market value of the collateral explained.*

10) If a voluntary conveyance is considered, the proposed amount to be credited to the guaranteed debt.

> *The lender must provide a written discussion of the proposed amount to be credit to the guaranteed debt. This is especially important if the credit is for less than the outstanding balance on the loan.*

11) Legal opinions, as needed.

> *Most often the lender will rely on their counsel to initiate foreclosure proceedings and to protect the lender's interest in other legal proceedings. The attorney, in preparation for any legal proceeding will verify lien positions which will show the priority of liens and encumbrances against the property. He will often provide a written legal opinion to the lender. The lender must provide a copy of their counsel's legal opinion as an attachment to the liquidation plan.*

12) If the outstanding balance of principal and interest is less than $250,000, the lender will obtain an estimate of fair market and potential liquidation value of the collateral. If the outstanding balance of principal and interest is $250,000 or more, the lender will obtain an independent appraisal report on all collateral securing the loan which will reflect the fair market value and potential liquidation value. The independent appraiser's fee will be shared equally by the Agency and the lender.

> *The lender must provide a copy of the appraisal or valuation as an attachment to the liquidation plan. If the outstanding balance (principal & interest) is less than $250,000 and the lender is providing a valuation, the lender should discuss how the valuation was determined and the expertise of the individual that is providing the valuation.*

June 14, 2009

TO: State Directors, Rural Development

ATTENTION: Business Programs Directors

SUBJECT: Rural Business Enterprise Grant Program
Presidential Designated Disaster Assistance
Funding Selections

We have recently completed the first round for the Presidential Designated Disaster Assistance funding opportunity. We are pleased to announce that the following requests were selected for a funding total of $4,709,899**.**

State	Applicant	Amount
IA	Poweshiek Iowa Development	$ 99,000
WA	Neah Bay Chamber of Commerce	$ 76,220
ME	Piscataquis County	$ 45,000
TN	Haywood County	$ 25,000
TN	Town of Bethel Springs	$ 16,000
TN	Town of Linden	$ 20,000
WI	Benton Community Development Corporation	$ 30,000
MN	Spring Valley EDA	$ 20,000
MA	Field to Table, Inc.	$ 16,720
NH	New Hampshire Stories, Inc. d/b/a NH Made	$ 59,567
WV	Philippi/Barbour County Regional Airport Authority	$ 200,000
LA	Town of Delhi	$ 175,000
IL	City of Lawrenceville	$ 98,000
OR	CCD Business Development Corporation	$ 250,000
VT	Vermont State College	$ 200,000
VT	Northern Community Investment Corporation	$ 114,000
VT	Community Capital of Vermont, Inc. (CCV)	$ 99,000
VT	Vermont Maple Sugar Makers' Association (VMSMA)	$ 99,500
AR	Monticello Economic Development Commission	$ 98,000
IA	Howard County Board of Supervisors	$ 99,900

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TN	Columbia State Community College (CSCC)		$ 25,000
WA	Shoalwater Bay Tribe		$ 200,000
WA	Jefferson Land Trust		$ 88,825
ME	Town of Van Buren		$ 99,800
MN	Grand Meadow EDA		$ 89,437
MA	Three County Fair Redevelopment Corporation		$ 50,000
WI	Greater Mauston Area Development Corporation		$ 30,000
WV	Adaland Mansion Development, Inc.		$ 99,000
IL	City of Prophetstown		$ 99,500
OR	Mercy Corps Northwest		$ 99,999
LA	Trailblazer RC&D, Inc.		$ 98,775
NH	Northern Community Investment Corporation (NCIC)		$ 50,750
VT	Vermont Agency of Agriculture, Food and Markets (VAAFM)		$ 40,000
AR	City of Hoxie		$ 238,939
IA	Southwestern Community College (SWCC)		$ 49,910
TN	Haywood County		$ 60,000
ME	Border Riders Sportsman Club, Inc.		$ 90,000
MN	Greater Jobs, Inc.		$ 75,000
WA	Port of Klickitat		$ 99,000
MA	Community Involved in Sustaining Agriculture (CISA)		$ 34,999
MA	Franklin County Community Development Corporation		$ 35,000
WV	The Center for Rural Health Department, Inc.		$ 95,000
IL	Community College District No. 539: aka – John Wood Community College		$ 40,000
OR	Sustainable Northwest		$ 99,999
WI	ADVOCAP, Inc.		$ 60,560
LA	Iberville Chamber of Commerce		$ 99,500
VT	VT Housing Conservation Board (VHCB)		$ 199,999
AR	City of London		$ 120,000
NH	Northern Community Investment Corporation (NCIC)		$ 400,000
	Total	49	$4,709,899

All awardees should be notified and the projects obligated as soon as possible. Your efforts and continued support for the Rural Business Enterprise Grant program is appreciated.

(Signed by William F. Hagy III)

WILLIAM F. HAGY III
Deputy Administrator
Business Programs

June 15, 2009

SUBJECT: Interest Rates for Water and Waste Disposal Loans, Watershed Protection and Flood Prevention Loans, and Resource Conservation and Development Loans

TO: Rural Development State Directors,
Rural Development Managers,
and Area Directors

Language in the Consolidated Farm and Rural Development Act requires that the poverty rate and the intermediate rate be determined based on the approval date of the loan. For those loans approved on or after May 23, 2008, the poverty rate will be set at 60 percent of the market rate and the intermediate rate set at 80 percent of the market rate, adjusted to the nearest one-eight of one percent. Following are the new interest rates for water and waste disposal loans approved on or after May 23, 2008:

Poverty Line...decreased to.......2.625%
Intermediate...decreased to.......3.500%
Market............decreased to.......4.375%

For loans approved but not closed on or before May 22, 2008, the poverty rate will remain fixed at 4.500 percent and the intermediate rate will continue to be set at one-half of the difference between the poverty line rate and the market rate. Following are the new interest rates for water and waste disposal loans approved on or before May 22, 2008:

Poverty Line...unchanged at.....4.500%
Intermediate...decreased to.......4.375%
Market............decreased to.......4.375%

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For this quarter, all loans may be obligated at the lower market rate. These rates will be effective from July 1, 2009, through September 30, 2009.

Also, the rate for watershed protection and flood prevention loans and resource conservation and development loans is as
follows:

CURRENT RATE	NEW RATE
4.625%	4.375%

Please notify appropriate personnel of these rates.

(Signed by James R. Newby)

JAMES R. NEWBY
Acting Administrator
Utilities Programs

Sent by Electronic Mail on 6/15/09_ at 11:30 am by PAD.
State Directors should advise other personnel as appropriate.

June 16, 2009

SUBJECT: Interest Rate for Direct Business and Industry Loans

TO: Rural Development State Directors, Rural Development Managers, and Area Directors

The following interest rate is in effect July 1, 2009, through September 30, 2009.

Loan Type	**Existing Rate**	**New Rate**
Direct Business and Industry	3.250%	3.250%

Please notify appropriate personnel of this rate.

(Signed by Judith A. Canales)

JUDITH A. CANALES
Administrator
Business and Cooperative Programs

EXPIRATION DATE:
September 30, 2009

FILING INSTRUCTIONS:
Administrative/Other Programs

Sent by Electronic Mail on 6/30/09 at 9:00am by PAD.
State Directors should advise other personnel as appropriate.

June 18, 2009

TO: State Directors
Rural Development

ATTN: Multi-Family Housing Program Directors

FROM: Tammye H. Trevino (Signed by Tammye H. Trevino)
Administrator
Housing and Community Facilities Programs

SUBJECT: Guidance on the Use of the Section 538 Guaranteed Rural Rental Housing Program with Section 515 Properties

The intent of this unnumbered letter (UL) is to clarify issues concerning the use of Section 538 loan guarantees with existing affordable housing properties financed with Section 515 direct loans, and to provide guidance when using the Section 538 program in the revitalization and preservation of these Section 515 properties. It is written for the sole use of State Office staff and area offices involved in processing Section 538 guaranteed loan applications for existing Section 515 properties.

The use of the Section 538 program as a third-party funding source for Section 515 Multi-Family Preservation and Revitalization (MPR) Program revitalizations increased significantly in recent funding cycles. In fiscal year (FY) 2008 over 37 percent of Section 538 obligations were used to support Section 515 MPR revitalizations. The use of the Section 538 program enhances Rural Development's capacity to attract private capital to support the Section 515 portfolio's revitalization. The Section 515 MPR program and the Section 538 Guaranteed Rural Rental Housing Program (GRRHP) have different regulatory frameworks and this UL intends to reconcile the procedural differences between the two programs.

This paragraph will describe the Matrix attached to this UL. Attachment "A" titled "SECTION 538/515 PROGRAM REQUIREMENTS MATRIX," contains four columns. Column A contains 17 program requirements that are addressed in this UL. Column B contains an overview of the program requirement from the Section 538 perspective. Column C contains an overview of the program requirement from the Section 515 perspective. It should be noted that both Column B and Column C are only summary statements. Reviewers should rely on the respective regulations and handbooks for each program for detailed program guidance. Column D outlines that program requirements Rural Development staff should utilize for each program requirement contained in Column A. The guidance provided generally directs the user to utilize the guidance from either the Section 538 or the Section 515 program.

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Housing Programs

If you have any questions regarding this UL, please contact James F. Carey of the Guaranteed Multi-Family Loan Division at (202) 401-2307 or james.carey@wdc.usda.gov.

Attachments

ATTACHMENT "A"
SECTION 538/SECTION 515 PROGRAM REQUIREMENTS MATRIX

COLUMN A Program Requirements	COLUMN B Section 538 Requirements	COLUMN C Section 515 Requirements	COLUMN D 538/515 Projects Recommended Approach
1. Equity	For profit – 10% of the total development cost. Non Profit – 3% of the total development cost.	For profit – 3% not receiving LIHTC. For profit – 5% if receiving LIHTC. Nonprofit – 0%; can loan 100%. *Waived for properties in the MPR*	• Section 515 processes will be used for determining owner equity and eligible distributions. • There will be a one time equity calculation for the purposes of the Section 538 program which will take place at loan closing when the lender and owner will document to RD that they have satisfied the Section 538 required equity contribution requirement.
	Cash or contribution of land value or other eligible project costs can be used to meet this requirement.	Cash, land value or principal reduction can be used to meet this requirement.	
2. Lease up Guarantees/ Construction Contingencies	a. Lease up reserve in lieu of 90/90 • Lender and/or developer must elect to use a lease up reserve prior to the start of construction. • Required only if the permanent guarantee issued prior to achievement of 90% occupancy for 90 days (90/90 test). • Borrower must fund reserve with a non mortgageable cash contribution. • Reserve funded prior to issuance of permanent guarantee. • At least 2% of the greater of appraised value or Total Development Cost. • Unused funds transferred to a 538 O&M (separate account)	a. Initial Operating Capital Generally not required for MPR projects involving rehabilitation. When underwriting an MPR transaction, the underwriter may recommend using MPR funds to fund an Operating Deficit Account (ODE) when the need is documented.	When the lender and/or developer opts to use the lease up reserve in lieu of the 90/90 requirement the lease up reserve will be managed pursuant to the 538 requirements. When lender elects to use a 538 lease up reserve; the lender will control the account and its distributions. If a 538 lease up reserve is not used; the project must meet the 90/90 test in the 120 day period immediately prior to the issuance of the permanent guarantee.

COLUMN A Program Requirements	COLUMN B Section 538 Requirements	COLUMN C Section 515 Requirements	COLUMN D 538/515 Projects Recommended Approach
	reserve then returned to the borrower as a cash distribution at the end of the year and only if the requirements of Handbook 3565, Paragraph 7.6 E. have been met.		
	b. Construction Contingency Reserve • At least 2% of total construction costs. • Borrower must fund reserve with a non mortgagable cash contribution. Unused funds transferred to O&M reserve then returned to the borrower at completion of construction, achievement of 90/90 and full funding of required reserves. • May accept Letter of Credit (LOC) in lieu of cash.	b. Construction Contingency • Required for all 515 transactions. • 7-10% and may be funded with 515/MPR funds. • Unused funds deposited into projects capital reserve account.	b. Construction Contingency • For projects using the 538 Construction Guarantee, 538 requirements apply. • For projects financed without a 538 construction guarantee, 515 requirements will govern the amount and use of the construction contingency regardless of the source of the funds for the construction/rehabilitation. Lender will have primary construction oversight responsibility as outlined in 7CFR 3560 and Handbook 3560. Lender will not delegate this responsibility to RD. • State Offices must approve all change orders for 515/538 construction contracts.

ATTACHMENT "A"
SECTION 538/SECTION 515 PROGRAM REQUIREMENTS MATRIX

COLUMN A Program Requirements	COLUMN B Section 538 Requirements	COLUMN C Section 515 Requirements	COLUMN D 538/515 Projects Recommended Approach
3. Occupancy & Rent Restrictions	**Tenant Income Restriction** • At initial occupancy, tenancy restricted to individuals & families whose incomes do not exceed 115% of area median income.	**Tenant Income Restriction** • At initial occupancy, and at least annually, must qualify as a very low-low or moderate income household.	The most restrictive occupancy and rent restrictions will be used. Generally 538 income requirements and rent levels are significantly higher than 515 levels. At initial rent-up and annually thereafter the management agent will compare the current 538 income requirements and rent levels with the current 515 income requirements and rent levels. In the event that 515 income requirements and/or rent levels exceed the 538 levels the state office will refer the matter to the national office for resolution.
	Rent Restriction • At rent up and on a continuing basis, rents including tenant utility allowances may not exceed 30 percent of 115 percent of area median income adjusted for family size. • Average rent for all units in a project cannot exceed 30% of 100% of area median income adjusted for family size.	**Rent Restriction** • At approval of new loans and servicing actions, transfers, prepayments, etc. rents cannot exceed the Conventional Rents for Comparable Units (CRCU) standard. • Ongoing basis, rents remain budget based. CRCU standard does not apply to annual budget submissions.	
4. Construction Monitoring, Inspections, Payouts	• New construction, rehab, modular and manufactured structures must meet RD 1924-A. • Actual work inspected by or on behalf of the lender. • Minimum 3 inspections. • In addition to the 3 inspections;	• Agency to inspect all work completed and materials suitably stored on site. • Minimum 3 inspections at key times. • In addition to the 3 required inspections; Agency encouraged to make monthly inspections if time and resources permit.	• For 515/538 projects financed with a 538 construction guarantee, follow the applicable provisions of HB 3565 for construction monitoring. If time and resources permit, state offices are encouraged to monitor the construction through on site reviews/inspections. State office staff

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COLUMN A Program Requirements	COLUMN B Section 538 Requirements	COLUMN C Section 515 Requirements	COLUMN D 538/515 Projects Recommended Approach
	lender inspections must be done prior to each payment to the contractor. • Lender must coordinate final inspection. • Agency must approval all change orders.	• Prior Agency concurrence in each pay request and proposed change order.	should review, but not sign, the contractor's payment requests. • For projects financed without a 538 construction guarantee, state staff will follow the applicable provisions of 7 CFR part 1924, subpart A. Lender will have primary construction oversight responsibility as outlined in 7CFR 3560 and Handbook 3560. Lender will not delegate this responsibility to RD.
5. Mortgage Terms	Term of not less than 25 years and not more than 40 years.	Third party loans must: • be fully amortized; or • have a maturity date that is after the RD/Section 515 debt matures; or • include a written agreement with 3rd party lender to extend scheduled maturity through re-amortization or whatever means available to them on terms that do not require rents to exceed CRCU.	In 515 transactions the 538 loan term must exceed the term of the 515 subordinate financing. The minimum term of the 538 loan will be 25 years or the term of the 515 subordinate debt whichever is greater. The maximum term of the 538 loan is 40 years.
6. Debt Service Coverage	Debt Service • Requires DSC of at least 1.15 unless Agency approves lower DSC.	Debt Service • No published standard; currently underwriting for a 1.10 DSC.	All transactions will be underwritten with a DSC of 1.15. In the event that rents needed to achieve the 1.15 DSC exceed the CRCU; the project will be submitted to the national office for a waiver.
7. Interest Credit	If funding available interest credit is limited to the first $1.5M loan amount.	Reduction in the effective interest rate for the Agency's entire loan down as low as 1%.	Interest Credit eligibility for 515/538 transactions will be contained in the annual NOFA publication.
8. O&M Reserve/ Initial Operating	O&M Reserve • All borrowers must contribute	Initial Operating Account • See #2 above.	O&M Reserve for a Guaranteed Loan is not required when state office

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SECTION 538/SECTION 515 PROGRAM REQUIREMENTS MATRIX

COLUMN A Program Requirements	COLUMN B Section 538 Requirements	COLUMN C Section 515 Requirements	COLUMN D 538/515 Projects Recommended Approach
Capital (IOC)	from their own resources at least 2% of the loan amount as IOC. • Funds may be provided in cash or LOC. • Reserve to be funded upon closing of the permanent loan. • Unused funds released to the borrower as a cash distribution at the end of first year of operation and only if the requirements of Handbook 3565, Paragraph 7.6 E. have been met.	• Working Capital -- 515 does not require a separate working capital account and an Initial Operating Account; Only require an Initial Operating Account (IOC) for new construction or a subsequent loan to complete the original project; not required for subsequent loans to repair or improve an existing housing project.	multifamily staff concurs that the 515 General Operating Account (GOA) is sufficient to cover projected expenses. When 538 O&M Reserve is required (i.e. when the 515 General Operating Account (GOA) is not sufficient to cover projected expenses) the lender will control the account and its distributions.
9. Guarantee During Construction	Acceptable credit enhancements include: • Surety bonding or a Payment and Performance (P&P) bond (preferred). • An irrevocable Letter of Credit (LOC) 25% of contract. • A pledge by the lender of acceptable collateral.	Acceptable credit enhancements include: • Surety bonding or a P&P Bond (preferred). • An irrevocable LOC, RD is named as Beneficiary – 100% of contract. • Cash deposit in amount of contract.	• For projects financed with a 538 construction guarantee, the applicable provisions of HB 3565 Section 3 will be used to establish the acceptable credit enhancements to protect the guarantee. o Surety bonding or a P&P bond (preferred). o An irrevocable Letter of Credit (LOC) 25% of contract. o A pledge by the lender of acceptable collateral. • For projects financed without a 538 construction guarantee, the following outlines the construction guarantee requirements o Surety bonding or a P&P Bond (preferred) - 100% of the contract;

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SECTION 538/SECTION 515 PROGRAM REQUIREMENTS MATRIX

COLUMN A Program Requirements	COLUMN B Section 538 Requirements	COLUMN C Section 515 Requirements	COLUMN D 538/515 Projects Recommended Approach
			or o An irrevocable LOC, RD is named as Beneficiary – 100% of contract or o Cash deposit in amount of contract.
10. Developer Fee	**Developer fee is an eligible use of loan proceeds.**	**Allow reasonable developer fee for 538 loans *only* used with existing 515 properties.**	**Developer fee will be an allowed cost with 538 loan proceeds. The developer fee will be disbursed at closing. The disbursement of any deferred developer fee will be subject to the 515 limitations on annual distributions.**
	Deferred developer fee can be repaid from surplus cash at year end.	**Deferred developer fees cannot be repaid except as part of the approved annual return on investment.**	**515 distribution requirements limit payment of a deferred developer fee. (i.e. deferred developer fee payments are restricted by annual return to owner (RTO).**
11. Reserve Account	• **Lender holds funds.** • **Lender approves all release of funds.** • **Deposits based on capital needs assessment.** • **At least every 5 years the lender must review the capital needs assessment as part of adjusting the replacement reserve deposit.**	• **Funds required to be held in a supervised account.** • **Agency concurrence required to release funds.** • **Prior Agency approval required – for emergency situations post approval may be requested.** • **Minimum 2 bids required when costs are more than $3500; when IOI involved bid submitted directly to state office prior to requesting bids from other firms.** • **Currently, the reserve account is to be sized to meet the 20 year inflated**	• **Release of funds will require approval of agency, lender and borrower.** • **Funds may be held by the Guaranteed Lender in a supervised account so long as requirements of 3560, Sections 3560.302 & 3560.306 are met.** • **The development will maintain initial and ongoing reserve levels at the greater of the Section 515 or 538 requirements.**

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COLUMN A Program Requirements	COLUMN B Section 538 Requirements	COLUMN C Section 515 Requirements	COLUMN D 538/515 Projects Recommended Approach
		needs of the property as determined by an approved Capital Needs Assessment (CNA). • Agency may require a new CNA be commissioned at 5 years or later.	
12. One time 538 distribution	Lender may release surplus cash to borrowers. No Restrictions on amount of annual distribution.	There is no statutory authority in the 515 program to allow for a cash distribution of surplus cash.	Use 515 program requirements to define amount of the annual distributions. Lender will maintain any surplus funds from owner funded reserves (construction contingency, lease up and O&M reserve) in an 538 Surplus Reserve Account separate from the 515 General Operating Account. Lender may release unused funds in this Surplus Reserve Account only if the requirements of Handbook 3565 Paragraph 7.6 E. have been met.

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SECTION 538/SECTION 515 PROGRAM REQUIREMENTS MATRIX

COLUMN A Program Requirements	COLUMN B Section 538 Requirements	COLUMN C Section 515 Requirements	COLUMN D 538/515 Projects Recommended Approach
13. Definition of Total Development Cost (TDC)	**Total cost of project construction cost, financing fees, professional fees and profit.**	**The cost of construction, purchasing, improving, altering or repairing MFH and related facilities, and purchasing or improving the necessary land, including architectural, engineering, or legal fees and charges and other technical and professional fees and charges, but excluding fees, charges or commissions such as payments to brokers, negotiators or other persons for the referral of prospective applicants or solicitations of loans.**	**Definition of TDC is similar – Use 515 definition as follows:** *"The cost of constructing, purchasing, improving, altering, or repairing MFH and purchasing or improving the necessary land, including architectural, engineering, or legal fees, and charges and other technical and professional fees and charges, but excluding fees, charges, or commissions such as payments to brokers, negotiators, or other persons for the referral of prospective applicants or solicitations of loans.*
14. Use Restrictions			**In 515-538 transactions, the 515 and 538 use restrictions will be recorded. In general, 515 use restrictions are more restrictive than the 538 restrictions and will control during the term of the 515 loan. When the term of the 538 use restrictions are greater than the term of the 515 restrictions, they will survive the 515 restrictions.**
15. Subordination of 515 loan		**515 Properties selected into the MPR Program must use the Restrictive Use Subordination Agreement approved by OMB No. 0575-0190 which is posted to the MPR Website.**	**For Section 515/538 Properties participating in the MPR program, both the Subordination Agreement in HB -3-3560 dated 12/17/08 PN 425 or any updates will be used along with the Restrictive Use Subordination Agreement approved by OMB No. 0575-0190.**

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COLUMN A Program Requirements	COLUMN B Section 538 Requirements	COLUMN C Section 515 Requirements	COLUMN D 538/515 Projects Recommended Approach
16. Appraisal	Timing of Appraisal - 538 • Appraisal must completed within 12 months of issuance of loan guarantee	Timing of Appraisal 515 • In 515/MPR transactions, whenever an appraisal is required, the appraisal must be completed prior to approval and obligation of the loan.	Section 538 staff are revising 3565.303(d)(1) of regulation 7 CFR 3565 to revise the updated appraisal requirement. The change should address the issue of multiple appraisal values.
17. Cost Certification	A cost certification is required that represents the actual cost of the work performed in connection with the construction. However, if a cost certification is prepared for any other funding source (e.g., an agency providing Low-Income Housing Tax Credits), then a copy of that cost certification is acceptable. The cost certification must be audited for Identify of Interest (IOI) contractors.	Actual construction costs must be reported. In the instance of an IOI contractor the costs must be certified and audited as outlined on Form RD 1924-13 Estimate and Certificate of Actual Cost.	• For projects with Section 538 guarantees of construction advances the project will use the cost certification requirements outlined in Handbook 3565. However if there is a IOI contractor the certified and audited costs will be presented in the format contained on Form RD 1924-13, Estimate and Certificate of Actual Cost. • For projects financed without a 538 construction guarantee, the project will use the cost certification requirements outlined in Handbook 3565. However if there is an IOI contractor the costs must be certified and audited. In all instances the cost certification will be presented in the format contained on Form RD 1924-13, Estimate and Certificate of Actual Cost.

June 18, 2009

TO: State Directors

Rural Development

ATTN: Community Programs Staff

FROM: Tammye H. Trevino ***(Signed by Tammye H. Trevino***)
Administrator
Housing and Community Facilities Programs

SUBJECT: Non-Traditional Lender Approval for Participation in the Community Facilities Guaranteed Loan Program

In accordance with the administrative language contained in RD Instruction 3575-A, section 3575.27(a)(6), non-conventional lenders must be approved by the National Office.

The purpose of this unnumbered letter and attachment is to provide guidance to State Offices when requesting lender approval for participation in the Community Facility Guaranteed Loan Program.

The attached checklist is to be used as a guide when requests for lender approval are submitted to the National Office. Please note that all prior approved non-traditional lenders must demonstrate that they meet these requirements for future funding consideration.

Please review the attachment with your staff and emphasize the need to use this checklist as a guide when requesting lender approval in order to help expedite the review process. A Lender's file is to be maintained in each Rural Development State Office with copies of the Lender's documentation.

If you have any questions, please contact Shirley J. Stevenson, Loan Specialist at
(202) 205-9685.

Attachment

EXPIRATION DATE:
June 30, 2010

FILING INSTRUCTION:
Community/Business Programs

Attachment 1

COMMUNITY FACILITIES GUARANTEED LOAN PROGRAM
NON-CONVENTIONAL LENDER APPROVAL CHECKLIST

Identify Lender.

a) Lender's name, address and telephone number.
b) State where the Lender is incorporated. (if applicable)
c) Lender's Tax Identification Number.
d) Lender's proposed geographical area of operations.
e) The name of an official who will serve as a contact for Rural Development regarding the Lender's Community Facilities Guaranteed loans.

The organizational structure of the lender to include a list of names, titles and responsibilities of the Lender's principal officers; experience of management and loan officers; and description and background of loan committee members and frequency of loan committee meetings.

Copy of Lender's organizational documents and any license, charter, or other evidence of authority to engage in the proposed loan making and servicing activities. If licensing by the State is not required, an attorney's opinion to this effect must be submitted.

Copy of Lender's most recent audited financial statement, sources of funds for proposed loans, and capital and reserves for loan losses, based on most recent annual and quarterly reports to stockholders.

a) Have tangible balance sheet equity of at least 7% of tangible assets and sufficient funds available to disburse the guaranteed loans it proposes to approve within the first 6 months of being approved as a guaranteed lender.
b) The Lender will re-certify biannually to this requirement.

Evidence of Lender's regulatory oversight. Lender must be subject to credit examination and supervision by either an appropriate agency of the United States or a State that supervises and regulates credit institutions. Only regulated lenders that are subject to both examination and supervision may participate in the Community Facilities Guaranteed Program. Examination

will normally include a review of the lenders' asset quality, management practices, financial conditions, and compliance with applicable laws and regulations. Supervision gives the regulator the authority to require that the lender make changes to ensure safety and soundness. The Lender must provide a copy of their most recent credit examination, with any deficiencies identified, by the appropriate United States or State agency, and with the contact information of the examiner.

Acceptable agencies and their web sites that in some cases identify enforcement actions as well as other activities associated with a lender, include, but are not limited to, the following:

- Federal Deposit Insurance Company – for state chartered banks that are not members of the Federal Reserve System and for insured branches of foreign banks.
  http://www.fdic.gov/bank/individual/enforcement/index.html

- Office of Comptroller of the Currency – for national banks and federally chartered branches and agencies of foreign banks.
  http://www.occ.treas.gov/index.htm

- Office of Thrift Supervision - for savings and loan or savings associations and thrift holding companies.
  http://www.ots.treas.gov/enforcement/default.cfm?catNumber=41

- Federal Reserve Board – for state-chartered banks that are members of the Federal Reserve System, bank holding companies and their non-bank subsidiaries, Edge Act and agreement corporations, and branches and agencies of foreign banking organizations operating in the United States and their parent banks.
  http://www.federalreserve.gov/boarddocs/enforcement/

- FCA – Federal agency responsible for examining and regulating the Farm Credit System
  http://www.fca.gov/FCA-Homepage.htm

- National Credit Union Administration – for credit unions
  http://www.ncua.gov/administrative_orders/Index.htm

- State banking commissions – regulate and supervise state-charted banks. Many of them handle or refer to problems and complaints about other types of financial institutions as well. http://consumeraction.gov/banking.shtml

A sample of Lender's lending policies and procedures, including delegated authority and loan approval process, loan underwriting standards, risk rating system, and loan workout and collection process.

- The contracting or assignment of servicing responsibility to another organization is prohibited.

Lender's proposed rates and fees, including loan origination, loan preparation, and servicing fees.

- Such fees must not be greater that those charged by similarly local lenders for community development type projects.

Information regarding Lender’s experience in making and servicing Community Development type loans, to include the length of time in the lending business; range and volume of lending and servicing activity; status of loan portfolio including delinquency rate, loss rate as a percentage of loan amounts, and other measures of success; and, a representative sample of such recent financing.

a) Lenders must have a record of making at least three commercial and/or community development type loans annually for at least the most recent three years.
b) Delinquent loans will not exceed 5% of total loans outstanding.
c) Historical losses cannot exceed 7% of total dollars loaned, including government guaranteed loans.

The Lender must provide evidence of fidelity bond insurance.

An executed Form AD 1047, “Certification Regarding Debarment, Suspension, and Other Responsibility Matters – Primary Covered Transactions.”

June 18, 2009

TO: State Directors
Rural Development

ATTN: Program Directors
Single Family Housing

FROM: Philip H. Stetson ***(Signed by Phillip H. Stetson)***
Acting Deputy Administrator
Single Family Housing

SUBJECT: Statement of Work for Initial Program Suitability and New Construction Phase Inspections Contracts Funded with Recovery Act Allocations

Through the American Recovery and Reinvestment Act of 2009 (here within referred to as the Recovery Act), the Rural Housing Service (RHS) received net appropriations of approximately $967 million for the Section 502 Direct Loan Program. As a result of the additional 502 Direct loan funds available through the Recovery Act, field offices are expected to work with a higher volume of loan applications. The increase in loan making activities, along with other competing Agency priorities, will impact the availability to perform initial program suitability and new construction phase inspections in a timely manner. Contracting these services will allow RD field staff to focus their time on loan origination and processing efforts. Each state should examine their staffing and program needs to determine whether they need or wish to contract out these services. Funds to pay for these services would be from the Recovery Act allocations received from the Under Secretary's office, therefore the following guidance must be considered.

Expiration Date:	Filing Instructions:
June 30, 2010	Housing Programs

Responsible Spending of Recovery Act Funds and Contract Selection Process

States must ensure that Recovery Act funds are only used for eligible purposes and are distributed in a responsible manner. States should develop a transparent, competitive, and merit-based process that will guide the selection process for these inspection contracts. It is the State's responsibility to ensure that Recovery Act funds are distributed on the basis of merit rather than historical relationships or oral promises. In addition, Recovery Act funds should not be used for any purpose that is imprudent, or that does not achieve economic recovery by optimizing the jobs created or saved. Funds to pay for these services may only be used for Recovery Act loans.

Ensuring Transparency

The National Office will be requesting periodic reports on the use of Recovery Act funds for inspection contracts. Reporting requirements will include: name and credentials of the inspector, cost per inspection, number of inspections completed for the reporting period, state monitoring activities and success stories.

Statement of Work

The attached Statement of Work (SOW) for initial program suitability and new construction phase inspections is being provided as a template for states in need of securing these services. This document has been prepared by the National Office to include the requirements in a SOW for the aforementioned inspection services. Each state should customize a SOW that is unique to their market and circumstances. However, states should not make modifications to the actual SOW but may limit which things they choose to implement based on the state needs. States should be mindful of the compliance requirements established in procurement and contract regulations when developing a SOW and contract agreement.

If you have any further questions or inquiries, please send your e-mail to the single family direct mailbox at sfhdirectprogram@wdc.usda.gov.

Attachment

US DEPARTMENT OF AGRICULTURE, RURAL DEVELOPMENT
STATEMENT OF WORK (SOW)

Single Family Housing Direct Loan Program
Section 502-Direct Loans using American Recovery and Reinvestment Act funds
Initial Program Suitability and New Construction Phase Inspection Services

I. BACKGROUND

Section 502 Single Family Housing Direct Loan Program

USDA, Rural Development (RD) provides Section 502 Single Family Housing Direct Loans to very-low and low-income customers in rural areas for the purchase of decent, safe and sanitary housing. Customers may purchase existing or new construction dwellings. Existing dwellings must be structurally sound and functionally adequate, and must be in good repair or can be placed in good repair with loan funds. New construction dwellings must meet construction standards established by the Agency. All dwellings must be inspected to ensure that Agency standards are met prior to final disbursal of loan funds.

Existing dwellings require a property visit for initial program suitability. If repairs are necessary additional inspections (Repair/Rehabilitation Inspection) will be required. A new construction dwelling requires a minimum of three inspections (footing, framed-in and final), but could require more depending on the nature of the construction contract.

II. PROBLEM STATEMENT AND OBJECTIVE

Currently RD local office employees conduct the initial program suitability inspections, repair progress inspections, and new construction phase inspections. However, due to the staffing limitations, it has become extremely difficult to complete these inspections in a timely manner. Moreover, the additional 502-Direct loan funds available through the American Recovery and Reinvestment Act will increase loan making activities in the field offices, further limiting the time available to conduct inspections. Contracting inspection services will allow RD field staff to focus their time in loan origination and processing efforts. The objective of this SOW is to seek bids from contractors that provide inspection services, which encompass the above inspection requirements. RD intends to use the inspection report for the purpose of making loans and assuring that construction is completed.

III. CONTRACTOR REQUIREMENTS

1. Initial Program Site Suitability Inspection - HB-1-3550, Attachment 5-A, “Single Family Housing Site Checklist” and attachment 5-B “Initial Assessment of Existing Housing”, are utilized to complete program suitability inspections as follows:

    A. Section 502 Existing Dwelling – Evaluate the dwelling and/or site to determine whether, with any planned construction or rehabilitation, it appears the property will meet the Agency’s site and dwelling requirements.

    B. Color photos of the interior, exterior and street scene of all properties must be attached to the inspection report.

2. New Construction Inspections – For new dwellings and additions to existing dwelling. Inspections must be documented on Form RD, 1924-12, Inspection Report, with a photo attached. The form must also indicate the percentage of work completed in the designated box. For guidance in completing the percentage section of this form, refer to RD instruction 1924-A, Exhibit A provided in section XI of this SOW. Phase inspections are required as follows:

    A. Footings – The initial inspection made just prior to or during the placement of concrete footings or monolithic footings and floor slabs.

    B. Framed-in – The inspection will be made when the building is enclosed, structural members are still exposed, roughing in for heating, plumbing, and electrical work is in place and visible, and wall insulation and vapor barriers are installed.

    C. Final Inspection – The inspection will be made when all on-site and off-site development has been completed and the dwelling is ready for occupancy. The property owner is required to be at this inspection.

3. Repair / Rehabilitation Inspection – 502 Existing Dwellings inspection of completed repair work.

    A. Form 1924-12, Inspection Report, must be completed to document completion of required repairs. Several inspections may be required, but at a minimum a final inspection of all repair work is required. The final inspection report must be signed by the inspector and the RD customer.

    B. Clear color photos must be provided showing evidence that repair items have been completed.

It is anticipated that the inspections for items 2 and 3 would only be needed in areas where it would not be feasible to obtain a county or local government code inspection. When local county or city inspections are not available or acceptable to Rural Development, a contract may be issued under this SOW to expedite the use of the American Recovery and Reinvestment Act funds.

IV. GEOGRAPHICAL AREA TO BE COVERED:

States should insert the area to be covered under the SOW.

V. REQUIRED PROFESSIONAL EXPERTISE AND EVIDENCE OF:

For property evaluators, it is preferable that the individual be one with specialized experience such as real property appraisers, insurance inspectors, or other acceptable trade professionals.

For construction inspectors, it is preferable that the inspector be a State-licensed inspector, and that the inspector is a member of one of the following: (1) American Society of Home Inspectors (ASHI); (2) National Association of Certified Home Inspectors (NACHI); or (3) the National Association of Home Inspectors (NAHI).

It is also preferable that inspectors of New Construction dwellings be State-licensed and inspect properties according to a model code acceptable to the Agency, and is certified by one of the following: (1) International Congress of Building Officials (ICBO); (2) Southern Building Code Congress International, Inc. (SBCCI); (3) Building Officials and Code Administrators International, Inc. (BOCA); and/or (4) Council of American Building Officials (CABO).

In cases where local county or city inspections are not available or acceptable to Rural Development, or the state does not license inspectors, or the use of State-licensed inspectors is not feasible, the State Director may approve someone else under this SOW. This could be an individual or organization determined to have equivalent specialized experience such as FHA roster appraisers, local building officials, architectural and engineering professionals, and other acceptable trade professionals.

VI. MEETINGS:

Post-Award conference with the Inspector: Once a contractor is selected, the Contract Officer (CO) or Contracting Officer Representative (COR) should arrange a post-award meeting with the contractor, before authorizing the contractor to start work, to discuss the contract SOW with the inspector to ensure that the work to be performed is well understood. This may be done by telephone or in a face-to-face meeting. The inspector should be provided with instructions for accessing, via the internet, the items listed in section XI of this SOW.

Quarterly Meetings: Meet on a quarterly basis, with the COR, to discuss the Agency's needs and quality control issues. At the discretion of the COR, these meetings may be conducted in person, or by other forms of communication agreeable, such as teleconference, letter, etc.

VII. **KEY PERSONNEL:**

The selected contractor shall assign a contact person to this contract.

VIII. **TRAVEL AND OTHER COSTS:**

All travel and other costs related to this SOW shall be included in the proposed price of the inspection services. Please use the attached bid sheet for your proposal.

IX. **HOURS OF WORK:**

Rural Development resources will be available during normal duty hours, 8:00 a.m. – 4:30 p.m., Monday through Friday, except Federal holidays. Rural Development will provide the contractor the name of the person to contact in order to gain entry to the property. The contractor will be responsible for scheduling the inspection with the appropriate party.

X. **DELIVERY SCHEDULE (see section III for details on type of inspection)**

1.	Initial / Program Site Suitability Inspection (502 New or Existing)	_ business days after receipt of assignment
2.	New Construction Dwellings	
	A. Footings	_ business days after receipt of assignment
	B. Framed- in	_ business days after receipt of assignment
	C. Final	_ business days after receipt of assignment
3.	Repair / Rehabilitation	_ business days after receipt of assignment

A line item price for each deliverable is requested. Repair / Rehabilitation Inspection may require multiple visits. Therefore, a line item must also be provided for multiple inspections to one location.

XI. GOVERNMENT FURNISHED INFORMATION:

1. HB-1-3550, Attachment 5-A, Inspection Certification for Existing Housing.

2. HB-1-3550, Attachment 5-B, Single Family Housing Site Checklist & Initial Assessment of Existing Housing.

   http://www.rurdev.usda.gov/regs/handbook/hb-1-3550/1chap05.pdf

3. Form RD, 1924-12, Inspection Report.

   https://formsadmin.sc.egov.usda.gov/efcommon/eFileServices/Forms/RD1924-0012.pdf

4. RD instruction 1924-A, Exhibit A

   http://www.rurdev.usda.gov/regs/regs/doc/1924a.doc

XII. MONITORING:

Inspection reports may be reviewed for accuracy through a combination of administrative review and field reviews (random spot-checks) by the Rural Development Field Staff who have been assigned to monitor this task. If an inspection is found to be unacceptable by the review, other than a post review, the inspector can make corrections or a new inspection can be ordered. The inspector should be available to meet, other than the regularly scheduled quarterly meetings, with the designated Rural Development staff to discuss and resolve any adverse findings.

USDA-RD OFFICE NAME / ADDRESS / PHONE / CONTACT PERSON

Opening Date :	**Closing Date:**
Term of Contract: length / area covered	
Initial Program Suitability and New Construction Phase Inspection Services. **502-Direct Loans using American Recovery and Reinvestment Act funds.**	**Bidder: Name / Address / Phone**
Bidder Contact Person:	

Please refer to the enclosed Statement Of Work (SOW) for bidding information.

Type of Inspection	Estimated Number Required	Bid Amount	Total Amount
Initial / Program Site Suitability Inspection			**$**
Footing Inspection			
Framed- in Inspection			
Final Inspection			
Repair Inspection			
			Total Bid Amount
			$

June 25, 2009

TO: State Directors, Rural Development

ATTN: Business Programs Directors

SUBJECT: Rural Business Enterprise Grant Program Empowerment Zones/Enterprise Communities and Rural Economic Area Partnerships
Fiscal Year 2009

We have recently completed the Empowerment Zones/Enterprise Communities (EZ/EC) and Rural Economic Area Partnerships (REAP) funding cycle. The National Office received 39 requests for funds totaling $6,458,704. We are pleased to announce that all projects were selected for funding. Attached is the list of awardees.

This completes the EZ/EC and REAP funding cycle for fiscal year 2009 established in RD Instruction 1940-L. All earmarked funds allocated must have an obligation date of no later than June 30, 2009. Any funds not obligated by that date will be pooled and used as unrestricted reserves in the July 2009 National Office Reserve funding cycle.

(Signed by William F. Hagy III)

WILLIAM F. HAGY III
Deputy Administrator
Business Programs

Attachment

EXPIRATION DATE:
September 30, 2009

FILING INSTRUCTIONS:
Community/Business Programs

Attachment

Rural Business Enterprise Grant Program Empowerment Zones/Enterprise Communities and Rural Economic Area Partnerships

Fiscal Year 2009

State	Applicant	Amount Awarded
GA	Cordele-Crisp Chamber of Commerce, Inc.	$99,999
MI	Clare County	$30,500
MI	Clare County	$99,500
NY	Greater Wawarsing Local Development Corporation	$99,000
ND	Adams County Development Corporation	$99,211
ME	Heritage Hall	$500,000
IL	City of Mounds	$77,185
WI	NiiJii Capital Partners, Inc.	$65,762
CA	Desert Alliance for Community Empowerment (Cahuilla Village Retail Center)	$200,000
KY	Wayne County EZ Industrial Development Authority	$199,000
VT	Northeast Kingdom Travel & Tourism Association	$102,990
TX	Maverick County Development Corp.	$95,000
GA	City of Vienna	$99,999
ME	Town of Frenchville	$63,224
NY	Sullivan County IDA	$295,000
CA	Desert Alliance for Community Empowerment (Blythe Village Retail Center)	$200,000
IL	Shawnee College	$90,000
ND	Community Learning and Technology Center	$16,000
WI	Menominee Indian Tribe of Wisconsin	$29,659
KY	Kentucky Highlands Investment Corporation	$299,000
MI	Middle Michigan Development Corporation	$55,520
VT	Lyndon State College	$250,000
VT	Northern Community Investment Corporation	$286,000
VT	Northern Forest Canoe Trail, Inc.	$50,000
TX	The Development Corp. of Mercedes	$500,000
ME	Museum L-A	$500,000
CA	Desert Alliance for Community Empowerment (Valley Estrellas Retail Center)	$200,000
IL	Pulaski County Development Assn.	$150,000
IL	Southern Illinois Stimulus Corporation	$83,640
VT	Vermont Community Loan Fund	$50,000
VT	Vermont Maple Sugar Makers Association	$99,500
ME	Town of Limestone	$112,291

CA	Westside Tule Enterprise Community	$99,335
IL	Shawnee College	$97,209
VT	Vermont Sustainable Jobs Fund	$45,000
ME	Northern Maine Finance Corporation	$350,000
CA	Redevelopment Agency of Riverside County	$675,000
VT	Vermont WoodNet, Inc.	$12,250
CA	Westside Housing & Economic Network	$81,930
		$6,458,704

June 29, 2009

TO: State Directors
Rural Development

ATTN: Multi-Family Housing Program Directors

FROM: Tammye H. Trevino ***(Signed by Tammye H. Trevino)***
Administrator
Housing and Community Facilities Programs

SUBJECT: Guidance on Use of Rent Incentives in a Workout Plan for
Section 515 Rural Rental Housing Programs and
Section 514/516 Off-Farm Labor Housing Programs

<u>PURPOSE</u>:

The purpose of this Unnumbered Letter is to provide guidance in the development of rent incentive servicing work out plans (SWOP) in situations where multi-family properties are experiencing high vacancies. Servicing workout agreements are cited in 7 CFR part 3560 at §3560.453. Guidance on this issue was previously issued in February 2008.

<u>BACKGROUND</u>:

Many Rural Development Multi-Family Housing (MFH) properties that experience high vacancies need to attract applicants in order to improve cash flow and maintain financial viability. In some rental markets, this may mean charging less than basic rent for an apartment unit. Short-term (no more than three months) rent concessions such as one month free rent or no security deposit are immediate fixes that do not require Rural Development approval. However, Borrowers should discuss implementing these concessions with their servicing official. For some properties, a short-term rent incentive SWOP may be the answer. In these situations, a SWOP agreement with the Borrower must be in place prior to the implementation of rent incentives. However, reduced rents are not a cure for long-term soft market conditions. This SWOP is temporary in nature to help in determining a long-term strategy for managing the asset.

In the rent incentive SWOP, the Borrower will utilize funds that would otherwise constitute his return on investment (return to owner or RTO) to pay the project the difference between the basic rent and the rent incentive rent (the amount of rent incentives). There should be no negative financial impact on the MFH property by implementation of this SWOP and no project

EXPIRATION DATE:
July 31, 2010

FILING INSTRUCTIONS
Housing Programs

funds should be used to fund rent incentives. These SWOPs must be carefully monitored and controlled using the approval conditions listed below. Any variation from these conditions must be approved by the National Office.

CRITERIA:

A MFH property may utilize a rent incentive SWOP if the property has a 12-month historical vacancy rate of 10 percent or more for properties of 16 or more units, or 15 percent or more for properties of fewer than 16 units. Once approved, the rent incentives will only be offered to new applicants.

CONDITIONS:

1. SWOP rental incentives will be limited to a per unit dollar amount as well as a project-budgeted dollar amount;
2. Incentives generally may not exceed the amount of the Borrower's RTO, unless approved by the State Director. Incentives larger than RTO may be permitted on an exception basis with no rent increase and all of the following conditions being met;
3. SWOP will require the Borrower to forego RTO, without exception;
4. SWOP with rental incentives will be limited to a maximum two-year term with a market survey completed after the initial 10-month period to determine level of need;
5. SWOP will identify the other types of aggressive marketing efforts being made to improve occupancy;
6. SWOP should be budgeted and the budgeted vacancy allowance should not be artificially inflated;
7. Assignment of rental assistance must follow 7 CFR 3560.257(a) through (d) and HB-2-3560, Chapter 8, paragraph 8.10;
8. Security deposits must follow 7 CFR 3560.204 and HB-2-3560, Chapter 7, paragraph 7.8 with payment plans not to exceed three months;
9. SWOP will be cancelled if the project undergoes other servicing efforts, including receipt of tax credits, a rural rental housing rehab loan, tools from the Multi-family Preservation and Revitalization program, or if the project falls out of compliance with one of the above conditions, or no longer meets the criteria for a rent incentive SWOP;
10. Lease agreements with incentive allowances will identify the full basic rent with an addendum allowing an incentive discount for the first year only;
11. SWOP will require quarterly financial reports, Form RD 3560-7, "*Multi Family Housing Project Budget/Utility Allowance*," with a narrative that identifies the breakdown of incentives by tenant, amount and month for the previous three-month period submitted to the appropriate Rural Development State/area/field office, as directed.

Questions concerning the implementation of the rent incentive servicing work out plans should be directed to the Multi-Family Housing Portfolio Management Division at 202-690-1436.

June 29, 2009

TO: State Directors
Rural Development

ATTN: Community Programs Staff

FROM: Tammye H. Trevino ***(Signed by Tammye H. Trevino)***
Administrator
Housing and Community Facilities Programs

SUBJECT: Community Facilities Guaranteed Loan Processing Checklists

The purpose of this unnumbered letter and attachments is to provide guidance to State Offices on preparing well-documented loan dockets.

In the interest of assisting State Office staff in the development of well-documented loan guarantee applications, we have developed processing checklists as shown as attachments 1, 2 and 3 of this letter.

The attached checklists may be modified as needed to include requirements specific to your state. State Program Directors are encouraged to prepare State Office checklists based on your state's requirements utilizing the attached as guidance.

If you have any questions, please contact Shirley Stevenson, Loan Specialist at (202) 205-9685.

Attachments

EXPIRATION DATE:
June 30, 2010

FILING INSTRUCTIONS:
Community/Business Programs

Attachment 1

COMMUNITY FACILITIES GUARANTEED LOAN PROGRAM
PREAPPLICATION PROCESSING CHECKLIST

1. **Application for Federal Assistance (SF 424)**

2. **State Intergovernmental Clearinghouse Comments**

3. **List of Board of Directors/Officers**

4. **Supporting documentation necessary to make an eligibility determination such as financial statements, audits, copies of organizational documents, existing debt instruments, etc.**

5. **Evidence of Significant Community Support**

6. **Lender Eligibility**

7. **Availability of Conventional Financing without a Guarantee**

Attachment 2

COMMUNITY FACILITIES GUARANTEED LOAN PROGRAM
APPLICATION PROCESSING CHECKLIST

1. Application for Loan and Guarantee (Form RD 3575-1)

2. Financial feasibility analysis/ report

3. Preliminary architectural or engineering report

4. Cost estimates

5. Intergovernmental review and state clearinghouse comments or recommendations, if applicable

6. Request for Environmental Information (Form RD 1940-20)

7. Standard Flood Hazard Determination - (FEMA Form 81-93)

8. Regulatory Certifications (Certificate of Need, etc.)

9. Lender's financial analysis

10. Lender Certification

11. Project Summary (from Guaranteed Loan System (GLS))

12. Fund Analysis (from GLS)

13. List of Board of Directors/Officers

14. Supporting documentation necessary to make an eligibility determination such as financial statements, audits, copies of organizational documents, existing debt instruments, etc.

15. Evidence of Significant Community Support, if not previously provided.

16. Affirmative Fair Housing Marketing Plan (if applicable)

17. Civil Rights Impact Analysis Certification (Form RD 2006-38)

18. Credit report

19. Appraisal reports

20. Site information (maps, pictures, etc.)

21. Lender’s commitment to Borrower

22. Environmental Assessment for Class I Action (Form RD 1940-21) or Environmental Checklist for Category Exclusions (Form RD 1940-22)

23. Findings of No Significant Impact (FONSI)

24. Clean Air/Water Pollution Compliance

25. Building Permits

26. Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transaction (AD-1047)

27. Other documents used by Lender that are material to making a credit decision

Attachment 3

COMMUNITY FACILITIES GUARANTEED LOAN PROGRAM
NATIONAL OFFICE APPROVAL CONCURRENCE CHECKLIST

(a) Transmittal memorandum including:

    (1) Recommendation and comments by the State Program Director

    (2) Date of expected obligation

    (3) Security available for the loan

    (4) Any unusual circumstances

(b) Complete Preapplication package (based on State's processing checklist), if applicable

(c) Complete Application package (based on State's processing checklist)

(d) Current and previous year's financial and income statements

(e) Operating budget for current operating cycle

(f) Project summary

(g) Credit analysis - The CF Loan Specialist should conduct a prudent financial credit analysis when evaluating guaranteed loan requests, formulating detailed loan packages based on historical performance and future profitability and providing a clear and prudent assessment of proposed loan requests.

(h) Proposed loan agreement

(i) Draft Conditional Commitment for Guarantee

(j) Environmental Analysis file

(k) Financial Feasibility Report

(l) Preliminary Architectural/Technical Report

(m) Copies of any other document that significantly impacts the proposed loan such as leases, third party management agreements, etc.

June 30, 2009

SUBJECT: Interest Rate Changes for Housing Programs and Credit Sales (Nonprogram)

TO: Rural Development State Directors, Rural Development Managers, and Area Directors

ATTN: Rural Housing Program Directors

The following interest rates, effective July 1, 2009, are changed as follows:

Loan Type	Existing Rate	New Rate
ALL LOAN TYPES		
Treasury Judgement Rate	0.500%	0.490%

The new rate shown above is as of the week ending May 29, 2009. The actual judgement rate that will be used will be the rate for the calendar week preceding the date the defendant becomes liable for interest. This rate may be found by going to the Federal Reserve website for the weekly average 1-year Constant Maturity Treasury Yield (http://www.federalreserve.gov/releases/h15/data/Weekly_Friday_/H15_TCMNOM_Y1.txt).

RURAL HOUSING LOANS		
Rural Housing (RH) 502 Very-Low or Low	4.625	4.875

EXPIRATION DATE:
July 31, 2009

FILING INSTRUCTIONS:
Administrative/Other Programs

Single Family Housing (SFH) Nonprogram	5.125	5.375
Rural Housing Site (RH-524), Non-Self-Help	4.625	4.875
Rural Rental Housing and Rural Cooperative Housing	4.625	4.875

Please notify appropriate personnel of these rates.

(Signed by Tammye H.Trevino)

TAMMYE H. TREVINO
Administrator
Housing and Community Facilities Programs

Sent by electronic mail on 6/30/09 at 12:00 by PAD.
State Directors should advise other personnel as appropriate.