

2015 Explanatory Notes  
Rural Housing Service

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## **RURAL DEVELOPMENT HOUSING PROGRAMS**

### Purpose Statement

Rural Development Housing Programs provide affordable housing to rural communities. The agency goal is to improve the quality of life in Rural America by: 1) providing decent, safe, and affordable housing; and 2) developing community infrastructure. Rural Development delivers housing programs authorized by the Housing Act of 1949, as amended. Community facilities programs are authorized by the Consolidated Farm and Rural Development Act, as amended.

### Authorization and Program Descriptions

Section 502 Guaranteed Single Family Housing. Through USDA's guaranteed rural housing loan program, low- and moderate-income people can qualify for mortgages even without a down payment. Loans through this program may be for up to 100 percent of appraised value or for the acquisition cost, and the guarantee fee may be added to increase the loan amount. Mortgages are 30-year fixed rate at market interest rates. Homebuyers apply with participating lenders. Guaranteed loans may also be made to refinance either existing guaranteed housing loans or Section 502 direct housing loans. Families served through the guarantee program in 2013 had an average annual income of around \$48,000.

Section 502 Direct Single Family Housing. The Direct Single Family Housing Program provides loans to low- and very low-income families to purchase, build, or rehabilitate modest homes in rural areas. Financing is 100 percent with payments subsidized to between 22 percent and 26 percent of the applicant's income. The subsidy, which is recaptured when the loan is paid off or refinanced, allows this program to reach a credit-worthy sector of the population whose income is too low to obtain credit elsewhere, even with a government guarantee. The families served through the direct program in 2013 had an average annual income of \$28,268.

Section 504 Housing Repair and Rehabilitation Loans. Loans are available to very low-income applicants who live in rural areas and own and occupy their dwelling, which is in need of repairs. Loans of up to \$20,000 may be made to repair, modernize or to remove health and safety hazards. Loans are amortized at 1 percent for up to 20 years.

Section 504 Housing Repair Grants. Grants are available to very low-income elderly families who own and occupy a rural home and cannot afford a loan. Grants of up to \$7,500 are available to improve accessibility or to remove health and safety hazards. Grants must be repaid to the government if the property is sold within three years.

Section 523 Mutual Self-Help Grants. Grants are available to rural public and private not-for-profit organizations, local governments and Tribal organizations to provide technical assistance to low- and very-low income families to build their homes through the mutual self-help method. Grant terms are for 2 years and funds may be used, among other things, to pay salaries, office rent and expenses associated with operating the organization.

Section 524 Site Development Loans. Available to public and private non-profit organizations, local governments and tribal organizations to buy and develop building sites, including construction of access roads, street, and utilities in rural areas. Organizations receiving site loans must make the sites available to low- to moderate-income families using Section 502 or similar affordable mortgage financing programs that serve lower-income families.

Single Family Housing Credit Sales. Available to individuals to purchase inventory property at non-program rates and terms. Loan terms range from ten years for investors to a maximum of 30 years if the buyer occupies the property. Down payment of two percent to five percent of the purchase price is required.

Section 515 Rural Rental Housing Program. The Rural Rental Housing Program provides funds for the construction and rehabilitation of affordable rental housing for rural families and elderly residents who have very low-, low- and moderate-incomes.

Section 514/516 Farm Labor Housing Loan and Grant Program. The Farm Labor Housing Loan And Grant Program provides decent, safe, and sanitary housing for farm workers by providing loans to farmers for small, on-farm housing or loans and grants for off-farm multi-family developments.

Section 521 Rental Assistance Program. The rental assistance program provides assistance to eligible tenants in section 515 and section 514/516 assisted housing to allow them to pay no more than 30 percent of their incomes for rent.

Section 538 Guaranteed Loan Program. Provides loan guarantees on loans made by public and private approved lenders to build or preserve affordable housing. Loans made for the construction, acquisition, or rehabilitation of rural multi-family housing can be guaranteed up to 90 percent of principal and interest. Loans guaranteed by this program are generally sold in the secondary market. These sales in the secondary market enable greater capital to flow through these rural communities.

Section 542 Rural Housing Voucher Program. The Rural Housing Voucher Program, authorized under Section 542 of the Housing Act of 1949, is designed to provide tenant protections in properties that prepay their mortgages after September 30, 2005. These vouchers are portable and will enable tenants to continue to access affordable housing without benefit of the traditional rental assistance program.

MFH Preservation and Revitalization Demonstration Program. Funding for the multi-family housing revitalization program rehabilitates housing, rental properties, or co-ops owned and/or occupied by very low- and low-income rural persons. The revitalization tools are critical to attract capital market investment into rural communities through the revitalization of existing Rural Development housing. RHS uses the revitalization tools to provide gap financing not covered through Low-Income Housing Tax Credit (LIHTC) or other State or Federal programs.

Community Facilities Direct and Guaranteed Loans and Grants. The community programs loans and grants provide financing to units of local government, nonprofit corporations, or Federally-recognized Indian tribes for the development of essential community facilities in rural areas. Eligible purposes include health care facilities; fire, rescue, and public safety buildings, vehicles, and equipment; educational and cultural facilities; town halls, community centers, and libraries; and adult and child day care facilities. There are no set minimum or maximum loan amounts with the community facilities direct and guaranteed loan programs; however, limits may exist depending on the availability of funds and/or the project's feasibility. The loan repayment term is limited to the useful life of the facility, State statute or 40 years.

Rural Community Development Initiative Grants. The purpose of this initiative is to provide a program of technical assistance to recipients to develop or increase their capacity to undertake projects in the areas of housing, community facilities, and community and economic development in rural areas.

Tribal College Grants. The Tribal College Grant program provides grants to tribal colleges and universities (land grant status under the 1994 Native American Education Act) to help defray the cost to develop or improve specific tribal colleges and universities.

#### Geographic dispersion of offices and employees

Rural Development programs are administered by the three programs representing Rural Development: Housing and Community Facilities, Utilities, Business and Cooperative Development. Rural Development headquarters is located in Washington, D.C. As of September 30, 2012, there were 4,863 permanent full-time employees, including 1,439 in the headquarters and 3,424 in the field offices.

#### OIG Reports – Completed

|                  |  |
|------------------|--|
| #04703-003-KC    | Final – ARRA Single-Family Housing Direct Loans Recovery Act Controls – Phase II Compliance Review of Borrowers Eligibility Determinations (Report Date: 06/13/2012; Fast Report (1) issued 08/19/2011) – Total Recommendations: 4; Closed: 2; Pending: 2. All recommendations were addressed. Audit closed out August 27, 2013. |
| #50024-001-FM-11 | IPERA Compliance Review (Report Date: 11/21/2011) – This is a Department wide audit and RHS has been/is working with the Department to implement all recommendations. Additional compliance related reviews were implemented, as directed. RHS recommendations were completed 10/30/2013.  |
| #50601-014-AT    | Effectiveness and Enforcement of Suspension and Debarment Regulations in USDA – Remaining recommendation (Rec 23) specific to Rural Development were closed on   |

8/23/2013. Rural Development specific recommendations were closed 8/23/2013. The report contains recommendations to other USDA Agencies that are still pending.

#50024-002-FM-11 Reducing Improper Payments – High Dollar Report Review (Report Date: 11/21/2011) – This is a Department-wide audit. RHS program recommendations were incorporated into the early corrective action plan for its high dollar program. In FY 2013, RHS surpassed their target reduction goals for Rental Assistance High Dollar program.

#04601-009-SF Final Report – Lender’s Making and Servicing of a Guaranteed Rural Rental Housing Loan in Mississippi (Blues Alley Estates -- Allied Mortgage) (Report Date: 09/28/2007). Audit closed on 5/21/2013.

OIG Reports – Open

#04601-018-CH Rural Rental Housing Program Project Costs and Inspection Procedures (Cross Reference: 04601-020-CH) (Report Date: 09/27/2012) -- Recommendations: 7; Closed: 0; Pending: 7. RHS is diligently working on recommendations. Resolution of some issues will be resolved by the standardization of processes through the White House Domestic Policy Council efforts.

#04601-020-CH Final – Rural Rental Housing Program – Midwest Apartment and Management Group, Inc. (Cross Reference: 04601-018-CH) (Report Date: 05/19/2011) -- Recommendations: 5; Closed: 3; Pending: 2. It is expected that this report will close during FY 2014.

#04703-002-CH Final – ARRA – Controls Over Eligibility Determinations for Single Family Housing Guaranteed Loan Recovery Act Funds (Phase 2) (Report Date: 9/30/2011) – Recommendations: 29; Closed: 6; Pending: 23. The rule to resolve the pending recommendations was published on December 9, 2013. Staff is working on requesting final action for the pending recommendations.

#04703-003-HY Loss Claims Related to Single Family Housing Loans Guaranteed With Recovery Act Funds (Report Date: 2/25/2013) Single Family Housing is working with the IG to implement changes which include a new regulations and procedures. All actions are scheduled to be completed by the end of 2014.

#04601-001-31-KC Survey: Single Family Housing Direct Loan Servicing and Payment Assistance Recapture (Report Date: 10/22/2012). Single Family Housing is working with the IG to implement their recommendation.

GAO Reports – Completed

GAO-13-226 Flood Insurance: Participation of Indian Tribes in Federal And Private Programs (Report Date: 1/4/2013). No recommendations were issued for RHS.

GAO-13-542 Federal Housing Administration: Improving Disposition of Oversight Practices May Increase Returns on Foreclosed Property Sales. (Report Date: 6/20/2013). No recommendations were issued for RHS.

GAO Reports – In Progress/Report Date

GAO-11-329 Final Report – Rural Housing Service: Opportunities Exist to Strengthen Farm Labor Housing Program Management and Oversight (Report Date: 07/13/2011). Recommendations: 6; Completed: 4; Pending: 2. Staff is working to implement pending recommendations including the issuance civil penalties.

GAO-12-296 Final Report – Foreclosure Mitigation: Agencies Could Improve Effectiveness of Federal Efforts with Additional Data Collection and Analysis (Report Date: 06/01/2012). The report contains two recommendations to RHS to increase efforts to analyze loan servicer data to assess the effectiveness of RHS’ loss mitigation policies, and to analyze the effectiveness and long-term costs and benefits of its loss mitigation strategies. RHS expects to complete these tasks by March 31, 2015.

GAO-12-554 Final Report – Housing Assistance: Opportunities Exist to Increase Collaboration and Consider Consolidation (Report Date: 08/16/2012). The report contains three recommendations to USDA, HUD, and others to continue efforts to consolidate and align housing program policies and services that serve similar populations and purposes. These

GAO-12-624 evaluation efforts are ongoing. The White House Working Group is addressing this issue and the outcome may include addressing program statutory and regulatory adjustments. Final Report – Rural Housing Service: Efforts to Identify and Reduce Improper Rental Assistance Payments Could Be Enhanced (Report Date: 07/03/2012). RHS responded to the audit on 5/21/2012. Staff is working to implement recommendations. Proposed legislation for access to the IRS and HHS New Hires Database is being proposed in the 2015 budget and final closeout will also be dependent upon the outcome of the White House Working Group’s final recommendations.

240698 Regulation of Manufactured Housing. GAO is in the process of completing their review and will issue a report upon completion.

250712 Tribal Housing Challenges. GAO is in the process of completing their review and will issue a report upon completion.

## RURAL HOUSING SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

### Rural Community Facilities Program Account (including transfer of funds)

- 1 For gross obligations for the principal amount of direct [and guaranteed] loans as authorized by section 306 and described in section 381E(d)(1) of the Consolidated Farm and Rural Development Act, \$2,200,000,000 for
- 2 direct loans [and \$59,543,000 for guaranteed loans].
- 3 [For the cost of guaranteed loans, including the cost of modifying loans, as defined in section 502 of the Congressional Budget Act of 1974, \$3,775,000, to remain available until expended.]

- For the cost of grants for rural community facilities programs as authorized by section 306 and described in section 381E(d)(1) of the Consolidated Farm and Rural Development Act, [~~\$28,745,000,~~]\$21,000,000, to
- 4 remain available until expended: *Provided*, [That \$5,967,000 of the amount appropriated under this heading shall be available for a Rural Community Development Initiative: *Provided further*, That such funds shall be used solely to develop the capacity and ability of private, nonprofit community-based housing and community development organizations, low-income rural communities, and Federally Recognized Native American Tribes to undertake projects to improve housing, community facilities, community and economic development projects in rural areas: *Provided further*, That such funds shall be made available to qualified private, nonprofit and public intermediary organizations proposing to carry out a program of financial and technical assistance: *Provided further*, That such intermediary organizations shall provide matching funds from other sources, including Federal funds for related activities, in an amount not less than funds provided: *Provided further*, That \$5,778,000 of the amount appropriated under this heading shall be to provide grants for facilities in rural communities with extreme unemployment and severe economic depression (Public Law 106-387), with up to 5 percent for administration and capacity building in the State rural development offices: *Provided further*,] That \$4,000,000 of the amount appropriated under this heading shall be available for community facilities grants to tribal colleges, as authorized by section 306(a)(19) of such Act: *Provided further*, That sections 381E-H and 381N of the Consolidated Farm and Rural Development Act are not applicable to the funds made available under this heading.

The first change removes the reference to guaranteed because no funding is proposed for the community facility guaranteed loan program.

The second change modifies the language for community facility loan programs, removing the guaranteed language as funding is not proposed in 2015 for this program.

The third change removes the language for loan subsidy for the community facility guaranteed loan program as funding is not proposed in 2015 for this program.

The fourth change removes the language for rural community development initiative as funding is proposed for this program in the rural business and cooperative grant account. In addition, this change removes the language for the economic impact initiative grants as funding is not proposed for this program in 2015.

RURAL HOUSING SERVICE

RURAL COMMUNITY FACILITIES PROGRAM ACCOUNT

Lead-Off Tabular Statement

|                              | <u>Loan Level</u>  | <u>Subsidy</u>   | <u>Grants</u>     |
|------------------------------|--------------------|------------------|-------------------|
| Budget Estimate, 2015.....   | \$2,200,000,000    | -                | \$21,000,000      |
| 2014 Enacted.....            | 2,274,750,000      | \$3,775,000      | 28,745,000        |
| Change in Appropriation..... | <u>-74,750,000</u> | <u>3,775,000</u> | <u>-7,745,000</u> |

Summary of Increases and Decreases  
(Dollars in thousands)

| <u>Program</u>                                | <u>2012<br/>Actual</u> | <u>2013<br/>Change</u> | <u>2014<br/>Change</u> | <u>2015<br/>Change</u> | <u>2015<br/>Estimate</u> |
|---|------------------------|------------------------|------------------------|------------------------|--------------------------|
| <u>Discretionary Appropriations:</u>          |                        |                        |                        |                        |                          |
| Community facility guaranteed loans.....      | \$5,000                | -\$1,402               | +\$177                 | -\$3,775               | -                        |
| Community facility grants.....                | 11,363                 | +692                   | +945                   | +4,000                 | \$17,000                 |
| Rural community devel. initiative grants..... | 3,621                  | +2,055                 | +291                   | -5,967                 | -                        |
| Economic impact initiative grants.....        | 5,938                  | -432                   | +272                   | -5,778                 | -                        |
| Tribal college grants.....                    | 3,369                  | -245                   | +876                   | -                      | 4,000                    |
| Subtotal.....                                 | 29,291                 | +669                   | +2,560                 | -11,520                | 21,000                   |
| Total.....                                    | <u>29,291</u>          | <u>+669</u>            | <u>+2,560</u>          | <u>-11,520</u>         | <u>21,000</u>            |

RURAL HOUSING SERVICE

RURAL COMMUNITY FACILITIES PROGRAM ACCOUNT

Project Statement  
Adjusted Appropriations Detail and Staff Years (SYs)  
(Dollars in thousands)

| Program  | 2012 Actual   |                  |     | 2013 Actual   |                  |     | 2014 Estimate |                  |     | Inc. or Dec.  |                  |          | 2015 Estimate |                  |          |     |
|--|---------------|------------------|-----|---------------|------------------|-----|---------------|------------------|-----|---------------|------------------|----------|---------------|------------------|----------|-----|
|  | Program Level | Budget Authority | SYs      | Program Level | Budget Authority | SYs      |     |
| Discretionary Appropriations:                    |               |                  |     |               |                  |     |               |                  |     |               |                  |          |               |                  |          |     |
| Community facility direct loans..... a/          | \$1,300,000   | -                | -   | \$2,200,000   | -                | -   | \$2,200,000   | -                | -   | -             | (1)              | -        | -             | \$2,200,000      | -        | -   |
| Community facility guaranteed loans.....         | 105,708       | \$5,000          | -   | 53,303        | \$3,598          | -   | 74,750        | \$3,775          | -   | -\$74,750     | (2)              | -\$3,775 | -             | -                | -        | -   |
| Community facility grants.....                   | 11,363        | 11,363           | -   | 12,055        | 12,055           | -   | 13,000        | 13,000           | -   | +4,000        | (3)              | +4,000   | -             | 17,000           | \$17,000 | -   |
| Rural community devel. initiative grants.....    | 3,621         | 3,621            | -   | 5,676         | 5,676            | -   | 5,967         | 5,967            | -   | -5,967        | (4)              | -5,967   | -             | -                | -        | -   |
| Economic impact initiative grants.....           | 5,938         | 5,938            | -   | 5,506         | 5,506            | -   | 5,778         | 5,778            | -   | -5,778        | (5)              | -5,778   | -             | -                | -        | -   |
| Tribal college grants.....                       | 3,369         | 3,369            | -   | 3,124         | 3,124            | -   | 4,000         | 4,000            | -   | -             | (6)              | -        | -             | 4,000            | 4,000    | -   |
| Subtotal.....                                    | 1,429,999     | 29,291           | 869 | 2,279,664     | 29,960           | 752 | 2,303,495     | 32,520           | 772 | -82,495       | -                | -11,520  | 19            | 2,221,000        | 21,000   | 791 |
| Total Adjusted Approp.....                       | 1,429,999     | 29,291           | 869 | 2,279,664     | 29,960           | 752 | 2,303,495     | 32,520           | 772 | -82,495       | -                | -11,520  | 19            | 2,221,000        | 21,000   | 791 |
| Rescissions, Transfers, and Seq. (Net)..... b/c/ |               |                  |     |               |                  |     |               |                  |     |               |                  |          |               |                  |          |     |
| Total Appropriation.....                         | 1,429,999     | 29,291           | 869 | 2,285,908     | 32,308           | 752 | 2,303,495     | 32,520           | 772 | -82,495       | -                | -11,520  | 19            | 2,221,000        | 21,000   | 791 |
| Rescission..... b/                               | -             | -                | -   | -2,326        | -875             | -   | -             | -                | -   | -             | -                | -        | -             | -                | -        | -   |
| Sequestration..... c/                            | -             | -                | -   | -3,918        | -1,474           | -   | -             | -                | -   | -             | -                | -        | -             | -                | -        | -   |
| Bal. Available, SOY.....                         | 96,557        | 13,583           | -   | 57,149        | 10,509           | -   | 27,695        | 16,256           | -   | -2,800        | -                | -4,907   | -             | 24,895           | 11,349   | -   |
| Recoveries, Other (Net).....                     | 86,314        | 9,598            | -   | 132,715       | 5,089            | -   | 27,390        | 6,985            | -   | -27,390       | -                | -6,985   | -             | -                | -        | -   |
| Total Available.....                             | 1,612,870     | 52,472           | 869 | 2,469,528     | 45,559           | 752 | 2,358,580     | 55,761           | 772 | -112,685      | -                | -23,412  | 19            | 2,245,895        | 32,349   | 791 |
| Lapsing Balances.....                            | -29,482       | -                | -   | -883,305      | -                | -   | -             | -                | -   | -             | -                | -        | -             | -                | -        | -   |
| Unobligated balances rescinded..... d/           | -508          | -508             | -   | -             | -                | -   | -             | -                | -   | -             | -                | -        | -             | -                | -        | -   |
| Bal. Available, EOY.....                         | -78,509       | -10,509          | -   | -146,009      | -16,256          | -   | 65,050        | -11,349          | -   | -67,624       | -                | +10,096  | -             | -2,574           | -1,253   | -   |
| Total Obligations.....                           | 1,504,371     | 41,455           | 869 | 1,440,214     | 29,303           | 752 | 2,423,630     | 44,412           | 772 | -180,309      | -                | -13,316  | 19            | 2,243,321        | 31,096   | 791 |

RURAL HOUSING SERVICE

RURAL COMMUNITY FACILITIES PROGRAM ACCOUNT

Project Statement  
Obligations Detail and Staff Years (SYs)  
(Dollars in thousands)

| Program                                       | 2012 Actual   |                  |     | 2013 Actual   |                  |     | 2014 Estimate |                  |     | Inc. or Dec.  |                  |     | 2015 Estimate |                  |     |
|---|---------------|------------------|-----|---------------|------------------|-----|---------------|------------------|-----|---------------|------------------|-----|---------------|------------------|-----|
|   | Program Level | Budget Authority | SYs |
| Discretionary Obligations:                    |               |                  |     |               |                  |     |               |                  |     |               |                  |     |               |                  |     |
| Community facility direct loans..... a/       | \$1,270,518   | -                | -   | \$1,316,695   | -                | -   | \$2,200,000   | -                | -   | -             | -                | -   | \$2,200,000   | -                | -   |
| Community facility guaranteed loans.....      | 201,950       | \$9,552          | -   | 101,036       | \$6,820          | -   | 188,591       | \$9,373          | -   | -\$175,752    | -\$8,759         | -   | 12,839        | \$614            | -   |
| Community facility grants.....                | 11,150        | 11,150           | -   | 12,181        | 12,181           | -   | 17,060        | 17,060           | -   | +298          | +298             | -   | 17,358        | 17,358           | -   |
| Rural community devel. initiative grants..... | 8,959         | 8,959            | -   | -             | -                | -   | 5,233         | 5,233            | -   | +2,703        | +2,703           | -   | 7,936         | 7,936            | -   |
| Rural coop. home based health care demo.....  | -             | -                | -   | -             | -                | -   | -             | -                | -   | +583          | +583             | -   | 583           | 583              | -   |
| Hazardous weather early warning grants.....   | 60            | 60               | -   | -             | -                | -   | 41            | 41               | -   | -34           | -34              | -   | 7             | 7                | -   |
| Economic impact initiative grants.....        | 8,029         | 8,029            | -   | 7,289         | 7,289            | -   | 8,808         | 8,808            | -   | -8,578        | -8,578           | -   | 230           | 230              | -   |
| Tribal college grants.....                    | 3,705         | 3,705            | -   | 3,013         | 3,013            | -   | 3,897         | 3,897            | -   | +471          | +471             | -   | 4,368         | 4,368            | -   |
| Subtotal.....                                 | 1,504,371     | 41,455           | 869 | 1,440,214     | 29,303           | 752 | 2,423,630     | 44,412           | 772 | -180,309      | -13,316          | 19  | 2,243,321     | 31,096           | 791 |
| Total Obligations.....                        | 1,504,371     | 41,455           | 869 | 1,440,214     | 29,303           | 752 | 2,423,630     | 44,412           | 772 | -180,309      | -13,316          | 19  | 2,243,321     | 31,096           | 791 |
| Lapsing Balances.....                         | 29,482        | -                | -   | 883,305       | -                | -   | -             | -                | -   | -             | -                | -   | -             | -                | -   |
| Unobligated balances rescinded.....           | 508           | 508              | -   | -             | -                | -   | -             | -                | -   | -             | -                | -   | -             | -                | -   |
| Bal. Available, EOY.....                      | 78,509        | 10,509           | -   | 146,009       | 16,256           | -   | -65,050       | 11,349           | -   | +67,624       | -10,096          | -   | 2,574         | 1,253            | -   |
| Total Available.....                          | 1,612,870     | 52,472           | 869 | 2,469,528     | 45,559           | 752 | 2,358,580     | 55,761           | 772 | -112,685      | -23,412          | 19  | 2,245,895     | 32,349           | 791 |
| Rescission..... b/                            | -             | -                | -   | 2,326         | 875              | -   | -             | -                | -   | -             | -                | -   | -             | -                | -   |
| Sequestration..... c/                         | -             | -                | -   | 3,918         | 1,474            | -   | -             | -                | -   | -             | -                | -   | -             | -                | -   |
| Bal. Available, SOY.....                      | -96,557       | -13,583          | -   | -57,149       | -10,509          | -   | -27,695       | -16,256          | -   | +2,800        | +4,907           | -   | -24,895       | -11,349          | -   |
| Other Adjustments (Net).....                  | -86,314       | -9,598           | -   | -132,715      | -5,089           | -   | -27,390       | -6,985           | -   | +27,390       | +6,985           | -   | -             | -                | -   |
| Total Appropriation.....                      | 1,429,999     | 29,291           | 869 | 2,285,908     | 32,308           | 752 | 2,303,495     | 32,520           | 772 | -82,495       | -11,520          | 19  | 2,221,000     | 21,000           | 791 |

NOTE: Numbers may not add down due to rounding.

Project Statement Footnotes

- a/ Negative subsidy rate of 3.03%, 2.08%, 13.21%, and 12.41% was calculated for 2012, 2013, 2014, and 2015, respectively. Therefore, corresponding budget authority is not required to support the loan levels.
- b/ The amounts are pursuant to the Consolidated and Further Continuing Appropriations Act, 2013, Public Law 113-6, signed March 26, 2013, including 2.513 percent rescission in accordance with section 3001(b)(1)(A) and .2 percent rescission in accordance with section 3004(c)(1).
- c/ The amounts are pursuant to the sequestration order signed by the President on March 1, 2013, in accordance with section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.
- d/ Natural disaster unobligated available as of August 10, 2010, rescinded in accordance with the Education Jobs and Medicaid Assistance Act, P.L. 111-226, signed on August 10, 2010.

### Justification of Increases and Decreases

- (1) No change in funding for the direct community facilities loans (\$2,200,000,000 available in 2014).

Base funding of \$2,200,000,000 for 2015 will allow the Community Facilities (CF) direct loan program to create/retain 52,140 jobs and support approximately 841 direct loans.

The community facility direct loan program assists rural municipalities, non-profit organizations, and Federally-recognized Indian tribes in financing the most essential community facilities to improve the quality of life for their residents. These facilities help achieve the Department's Strategic Goal of assisting rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving. Direct loans are primarily targeted to health care; fire/rescue/and public safety facilities and equipment; and educational facilities. The performance of these loans coupled with the current economic assumptions projecting low interest rates has made the subsidy cost for this program negative.

CF creates and leverages partnerships to maximize its ability to invest and strengthen rural America's community and social infrastructure. Several examples of our collaboration efforts include:

*Public Private Partnerships:* CF is building relationships with institutional investors, the capital credit markets and investment bankers interested in long-term investment opportunities in rural community/social infrastructure. This effort will be a key component to improve rural America's access to capital and leveraging CF funding to better manage credit risk.

*CF Investments in Mental Health Care Facilities:* CF is building relationships with the National Rural Health Resource Center, the National Association of Rural Mental Health of Minnesota, Health and Human Service's Health Resources and Services Administration, the Office of the National Coordinator for Health Information Technology, and the Environment Protection Agency to partner with USDA RD to help implement and support this important initiative and explore opportunities for collaboration to improve access to mental health care facilities and services.

*Memorandum of Understanding (MOU) between USDA and the Department of Health and Human Services (HHS):* As one of the top employers in the rural market, healthcare facilities will continue to receive strategic support from the CF program. The MOU between RD and HHS to improve collaboration and to strengthen the healthcare infrastructure in rural communities serves as the basis for CF's commitment to ensuring rural America has access to quality health care and to attract new business, quality jobs and improve the economic growth and sustainability of rural communities.

*The MOU with the Rural Community College Alliance and the American Association of Community Colleges:* CF funding assists in facilitating access to capital for rural community college infrastructure projects, increased cooperation between RD and rural community colleges, and to work more effectively together.

*Know Your Farmer, Know Your Food (KYF):* KYF is USDA-wide initiative to strengthening local and regional food systems. The CF program is able to fund farmer's markets, food hubs, people's gardens, and other facilities that support local food initiatives to strengthen local food systems throughout rural America.

- (2) A decrease of \$74,750,000 for the guaranteed community facility loan program (\$74,750,000 available in 2014).

This program originated as an inexpensive alternative to the equivalent direct loan program and to stimulate additional assistance to moderate income communities in rural areas. However, the defaults in the program have been higher than initially projected, making it more expensive than the direct loan program. The guaranteed loan program serves the same organizations and purposes as the direct loan funding, the primary difference being that the guaranteed loans are made and serviced by a bank or other commercial lender and guaranteed by the Federal government. The subsidy rate for the guaranteed program is higher than the subsidy

rate for direct loan program. With a program level of \$2.2 billion in the community facility direct loan program, communities will still have access to funding for eligible facilities.

(3) An increase of \$4,000,000 for the community facilities grant program (\$13,000,000 available in 2014).

Base funding for this program continues to create/save jobs. By the end of 2014, CF expects to create/save 263 jobs and assist 487 community facilities with the \$13 million in funding.

In 2015, funding is proposed at \$17 million to allow CF to continue assisting rural communities to reach the goal of creating prosperity so they are self-sustaining, repopulating, and economically thriving. With this funding, CF also expects to create/save an estimated 667 jobs and improve access to quality health care, education, public safety, and other community infrastructure services by investing in 749 community facilities. Funding at the proposed level will also allow the agency to continue meeting the critical needs in the most rural and economically stressed communities.

The CF grant program improves the access to quality public infrastructure related services such as health care, education, and public safety to improve rural economic vitality, access to capital markets, enhance rural-urban economies of scale and create jobs, which help improve the overall rural outlook. Investments made in the community facilities grant program enhance employment opportunities for rural residents, improve quality of education and health care for rural communities, and provide for a safer rural America allowing for further business development and economic growth, and upgrade community infrastructure needed to improve the quality of all life for the entire rural community.

Under this program, priority for funding is given to applicants in rural communities with populations of 5,000 or less and low to medium household incomes.

(4) A decrease of \$5,967,000 for the community facility rural community development initiative grants (RCDI) (\$5,967,000 available in 2014).

The RCDI program provides technical assistance and training funds to qualified intermediary organizations to develop their capacity to undertake housing, community facilities, and community and economic development projects in rural areas. RCDI supports regional innovation efforts and regional economic development, which can bring together multiple units of government and nonprofit organizations, developing their capacities to collaborate to create needed jobs and economic hubs through increased development.

For the 2015 budget proposal, the Department is proposing a new economic development grant program that is intended to consolidate several technical assistance and training programs, including the RCDI program. The new program is designed to target small and emerging private businesses and cooperatives in rural areas with populations of 50,000 or less. This new program will award funding to grantees that meet or exceed minimum performance targets, and that agree to be tracked against those performance targets. This consolidation will utilize all existing authorities available under the Rural Business Opportunity Grant, Rural Business Enterprise Grant, Rural Microenterprise Assistance Grant, Rural Cooperative Development Grant, and Rural Community Development Initiative Grant programs. Doing so will enable RBS to leverage resources to create greater wealth, improve quality of life, and sustain and grow the regional economy. The new program is also expected to improve the agency's current grant allocation and evaluation process.

(5) A decrease of \$5,778,000 for the community facility economic impact initiative (EII) grant program (\$5,778,000 available in FY 2014).

The EII program assists rural municipalities and non-profit organizations in areas with severe economic depression finance the most essential community facilities to improve the quality of life for their residents. Eligible purposes include: health care; fire, rescue, and public safety facilities and equipment; and educational facilities.

This grant program provides assistance to rural communities with extreme unemployment and severe economic depression. The regular CF grant program can be used to fund these projects; therefore, funding is not proposed for this program.

- (6) No change in funding for the community facilities tribal college grants (\$4,000,000 available in 2014).

Base funding for the tribal college grant program provides grants to tribal colleges and universities (land grant status under the 1994 Native American Education Act) to help defray the cost to develop or improve specific tribal colleges and universities. Awarded funds help to improve and construct tribal college facilities providing access to post-secondary education in remote areas.

RURAL HOUSING SERVICE  
Rural Community Facility Loan Program - Direct  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory       | 2012             | 2013             | 2014               | 2015               |
|-----------------------|------------------|------------------|--------------------|--------------------|
|                       | Actual<br>Amount | Actual<br>Amount | Estimate<br>Amount | Estimate<br>Amount |
| Alabama.....          | \$2,440          | \$8,431          | -                  | -                  |
| Alaska.....           | 2,900            | -                | -                  | -                  |
| Arizona.....          | 15,264           | 7,754            | -                  | -                  |
| Arkansas.....         | 23,117           | 20,560           | -                  | -                  |
| California.....       | 30,522           | 33,676           | -                  | -                  |
| Colorado.....         | 2,806            | 20,432           | -                  | -                  |
| Connecticut.....      | 12,164           | 13,460           | -                  | -                  |
| Delaware.....         | 5,600            | 16,550           | -                  | -                  |
| Florida.....          | 4,298            | 20,265           | -                  | -                  |
| Georgia.....          | 11,893           | 14,913           | -                  | -                  |
| Hawaii.....           | 29,646           | 20,697           | -                  | -                  |
| Idaho.....            | 12,810           | 6,465            | -                  | -                  |
| Illinois.....         | 15,660           | 47,166           | -                  | -                  |
| Indiana.....          | 81,651           | 2,439            | -                  | -                  |
| Iowa.....             | 65,456           | 51,912           | -                  | -                  |
| Kansas.....           | 21,500           | 23,415           | -                  | -                  |
| Kentucky.....         | 110,660          | 49,630           | -                  | -                  |
| Louisiana.....        | 15,598           | 39,182           | -                  | -                  |
| Maine.....            | 7,875            | 9,281            | -                  | -                  |
| Maryland.....         | 11,671           | 9,148            | -                  | -                  |
| Massachusetts.....    | 9,878            | 20,439           | -                  | -                  |
| Michigan.....         | 37,763           | 34,195           | -                  | -                  |
| Minnesota.....        | 82,980           | 66,931           | -                  | -                  |
| Mississippi.....      | 498              | 41,567           | -                  | -                  |
| Missouri.....         | 52,158           | 38,110           | -                  | -                  |
| Montana.....          | 20,107           | 6,551            | -                  | -                  |
| Nebraska.....         | 43,768           | 30,895           | -                  | -                  |
| Nevada.....           | 548              | 18,117           | -                  | -                  |
| New Hampshire.....    | 6,190            | 2,157            | -                  | -                  |
| New Jersey.....       | 10,706           | 1,906            | -                  | -                  |
| New Mexico.....       | 15,224           | 2,435            | -                  | -                  |
| New York.....         | 6,740            | 11,298           | -                  | -                  |
| North Carolina.....   | 56,896           | 92,440           | -                  | -                  |
| North Dakota.....     | 6,407            | 30,471           | -                  | -                  |
| Ohio.....             | 5,650            | 21,828           | -                  | -                  |
| Oklahoma.....         | -                | 132              | -                  | -                  |
| Oregon.....           | 3,639            | 9,432            | -                  | -                  |
| Pennsylvania.....     | 42,438           | 108,261          | -                  | -                  |
| Rhode Island.....     | 3,370            | 454              | -                  | -                  |
| South Carolina.....   | 37,934           | 78,397           | -                  | -                  |
| South Dakota.....     | 27,643           | 6,265            | -                  | -                  |
| Tennessee.....        | 92,710           | 45,640           | -                  | -                  |
| Texas.....            | 32,147           | 8,178            | -                  | -                  |
| Utah.....             | 30,531           | 12,605           | -                  | -                  |
| Vermont.....          | 3,983            | 1,351            | -                  | -                  |
| Virginia.....         | 44,664           | 47,477           | -                  | -                  |
| Washington.....       | 8,853            | 16,708           | -                  | -                  |
| West Virginia.....    | 63,589           | 72,272           | -                  | -                  |
| Wisconsin.....        | 21,664           | 56,386           | -                  | -                  |
| Wyoming.....          | 2,993            | -                | -                  | -                  |
| Guam.....             | 3,500            | -                | -                  | -                  |
| Puerto Rico.....      | 11,817           | 18,421           | -                  | -                  |
| Undistributed.....    | -                | -                | \$2,200,000 a/     | \$2,200,000 a/     |
| Obligations.....      | 1,270,518        | 1,316,695        | 2,200,000          | 2,200,000          |
| Lapsing Balances..... | 29,482           | 883,305          | -                  | -                  |
| Total, Available..... | 1,300,000        | 2,200,000        | 2,200,000          | 2,200,000          |

a/ Totals cannot be distributed at this time.

RURAL HOUSING SERVICE  
Rural Community Facility Loan Program - Guaranteed  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory     | 2012          | 2013          | 2014                | 2015               |
|---------------------|---------------|---------------|---------------------|--------------------|
|                     | <u>Actual</u> | <u>Actual</u> | <u>Estimate</u>     | <u>Estimate</u>    |
|                     | Amount        | Amount        | Amount              | Amount             |
| Alabama.....        | -             | \$9,360       | -                   | -                  |
| Arizona.....        | \$1,180       | -             | -                   | -                  |
| California.....     | 4,870         | 855           | -                   | -                  |
| Florida.....        | 2,800         | 3,000         | -                   | -                  |
| Hawaii.....         | 1,300         | -             | -                   | -                  |
| Idaho.....          | 1,224         | -             | -                   | -                  |
| Illinois.....       | -             | 9,679         | -                   | -                  |
| Indiana.....        | 10,000        | -             | -                   | -                  |
| Iowa.....           | 5,000         | 3,000         | -                   | -                  |
| Kansas.....         | 4,450         | -             | -                   | -                  |
| Maine.....          | 8,106         | 5,040         | -                   | -                  |
| Maryland.....       | -             | 5,092         | -                   | -                  |
| Massachusetts.....  | 400           | 1,865         | -                   | -                  |
| Michigan.....       | 2,100         | -             | -                   | -                  |
| Minnesota.....      | 12,862        | 4,750         | -                   | -                  |
| Mississippi.....    | -             | 10,000        | -                   | -                  |
| Montana.....        | 21,550        | -             | -                   | -                  |
| Nebraska.....       | 20,000        | -             | -                   | -                  |
| Nevada.....         | -             | 2,449         | -                   | -                  |
| New York.....       | 4,418         | -             | -                   | -                  |
| North Carolina..... | 28,811        | 15,320        | -                   | -                  |
| North Dakota.....   | 2,607         | 1,875         | -                   | -                  |
| Oklahoma.....       | 250           | -             | -                   | -                  |
| Pennsylvania.....   | 14,834        | -             | -                   | -                  |
| Rhode Island.....   | -             | 384           | -                   | -                  |
| South Carolina..... | -             | 9,986         | -                   | -                  |
| South Dakota.....   | 10,700        | -             | -                   | -                  |
| Texas.....          | 1,030         | 346           | -                   | -                  |
| Utah.....           | 7,950         | 11,860        | -                   | -                  |
| Vermont.....        | 1,700         | -             | -                   | -                  |
| Washington.....     | -             | 3,675         | -                   | -                  |
| West Virginia.....  | 13,800        | -             | -                   | -                  |
| Wisconsin.....      | 8,108         | 2,500         | -                   | -                  |
| Guam.....           | 11,900        | -             | -                   | -                  |
| Undistributed.....  | -             | -             | \$188,591 <u>a/</u> | \$12,839 <u>a/</u> |
| Obligations.....    | 201,950       | 101,036       | 188,591             | 12,839             |

a/ Totals cannot be distributed at this time.

RURAL HOUSING SERVICE  
Rural Community Facility Grants  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory         | 2012   | 2013   | 2014                   | 2015                   |
|-------------------------|--------|--------|------------------------|------------------------|
|                         | Actual | Actual | Estimate               | Estimate               |
|                         | Amount | Amount | Amount                 | Amount                 |
| Alabama.....            | \$338  | \$261  | -                      | -                      |
| Alaska.....             | 73     | 72     | -                      | -                      |
| Arizona.....            | 176    | 170    | -                      | -                      |
| Arkansas.....           | 353    | 329    | -                      | -                      |
| California.....         | 357    | 313    | -                      | -                      |
| Colorado.....           | 178    | 105    | -                      | -                      |
| Connecticut.....        | 79     | 86     | -                      | -                      |
| Delaware.....           | 184    | 319    | -                      | -                      |
| Florida.....            | 296    | 295    | -                      | -                      |
| Georgia.....            | 328    | 379    | -                      | -                      |
| Hawaii.....             | 61     | 64     | -                      | -                      |
| Idaho.....              | 101    | 106    | -                      | -                      |
| Illinois.....           | 189    | 218    | -                      | -                      |
| Indiana.....            | 166    | 165    | -                      | -                      |
| Iowa.....               | 186    | 524    | -                      | -                      |
| Kansas.....             | 122    | 289    | -                      | -                      |
| Kentucky.....           | 502    | 423    | -                      | -                      |
| Louisiana.....          | 201    | 214    | -                      | -                      |
| Maine.....              | 126    | 131    | -                      | -                      |
| Maryland.....           | 272    | 434    | -                      | -                      |
| Massachusetts.....      | 88     | 143    | -                      | -                      |
| Michigan.....           | 377    | 542    | -                      | -                      |
| Minnesota.....          | 228    | 182    | -                      | -                      |
| Mississippi.....        | 336    | 641    | -                      | -                      |
| Missouri.....           | 337    | 369    | -                      | -                      |
| Montana.....            | 101    | 79     | -                      | -                      |
| Nebraska.....           | 97     | 85     | -                      | -                      |
| Nevada.....             | 89     | 102    | -                      | -                      |
| New Hampshire.....      | 122    | 100    | -                      | -                      |
| New Jersey.....         | 90     | 92     | -                      | -                      |
| New Mexico.....         | 110    | 116    | -                      | -                      |
| New York.....           | 286    | 339    | -                      | -                      |
| North Carolina.....     | 350    | 315    | -                      | -                      |
| North Dakota.....       | 159    | 100    | -                      | -                      |
| Ohio.....               | 288    | 326    | -                      | -                      |
| Oklahoma.....           | 452    | 474    | -                      | -                      |
| Oregon.....             | 57     | 83     | -                      | -                      |
| Pennsylvania.....       | 293    | 334    | -                      | -                      |
| Rhode Island.....       | 56     | 59     | -                      | -                      |
| South Carolina.....     | 302    | 282    | -                      | -                      |
| South Dakota.....       | 250    | 123    | -                      | -                      |
| Tennessee.....          | 299    | 319    | -                      | -                      |
| Texas.....              | 462    | 393    | -                      | -                      |
| Utah.....               | 118    | 68     | -                      | -                      |
| Vermont.....            | 103    | 121    | -                      | -                      |
| Virginia.....           | 543    | 742    | -                      | -                      |
| Washington.....         | 83     | 145    | -                      | -                      |
| West Virginia.....      | 188    | 179    | -                      | -                      |
| Wisconsin.....          | 246    | 217    | -                      | -                      |
| Wyoming.....            | 45     | 52     | -                      | -                      |
| Guam.....               | -      | 50     | -                      | -                      |
| N. Mariana Islands..... | 40     | -      | -                      | -                      |
| Puerto Rico.....        | 267    | 112    | -                      | -                      |
| Undistributed.....      | -      | -      | \$17,060 <sup>a/</sup> | \$17,358 <sup>a/</sup> |
| Obligations.....        | 11,150 | 12,181 | 17,060                 | 17,358                 |

<sup>a/</sup> Totals cannot be distributed at this time.

RURAL HOUSING SERVICE  
Rural Community Development Initiative Grants  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory     | 2012   | 2013   | 2014       | 2015       |
|---------------------|--------|--------|------------|------------|
|                     | Actual | Actual | Estimate   | Estimate   |
|                     | Amount | Amount | Amount     | Amount     |
| Alaska.....         | \$334  | -      | -          | -          |
| Arkansas.....       | 214    | -      | -          | -          |
| California.....     | 562    | -      | -          | -          |
| Colorado.....       | 174    | -      | -          | -          |
| Connecticut.....    | 201    | -      | -          | -          |
| Delaware.....       | 400    | -      | -          | -          |
| Georgia.....        | 250    | -      | -          | -          |
| Idaho.....          | 74     | -      | -          | -          |
| Indiana.....        | 100    | -      | -          | -          |
| Iowa.....           | 200    | -      | -          | -          |
| Kansas.....         | 415    | -      | -          | -          |
| Kentucky.....       | 95     | -      | -          | -          |
| Maine.....          | 200    | -      | -          | -          |
| Maryland.....       | 400    | -      | -          | -          |
| Massachusetts.....  | 200    | -      | -          | -          |
| Minnesota.....      | 943    | -      | -          | -          |
| Mississippi.....    | 215    | -      | -          | -          |
| Missouri.....       | 200    | -      | -          | -          |
| Montana.....        | 170    | -      | -          | -          |
| Nevada.....         | 215    | -      | -          | -          |
| New Mexico.....     | 145    | -      | -          | -          |
| New York.....       | 200    | -      | -          | -          |
| North Carolina..... | 1,056  | -      | -          | -          |
| Ohio.....           | 385    | -      | -          | -          |
| South Carolina..... | 150    | -      | -          | -          |
| South Dakota.....   | 200    | -      | -          | -          |
| Tennessee.....      | 150    | -      | -          | -          |
| Virginia.....       | 415    | -      | -          | -          |
| West Virginia.....  | 598    | -      | -          | -          |
| Puerto Rico.....    | 97     | -      | -          | -          |
| Undistributed.....  | -      | -      | \$5,233 a/ | \$7,936 a/ |
| Obligations.....    | 8,959  | -      | 5,233      | 7,936      |

Rural Cooperative Home-Based Health Care Demo  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory    | 2012   | 2013   | 2014     | 2015     |
|--------------------|--------|--------|----------|----------|
|                    | Actual | Actual | Estimate | Estimate |
|                    | Amount | Amount | Amount   | Amount   |
| Undistributed..... | -      | -      | -        | \$583 a/ |
| Obligations.....   | -      | -      | -        | 583      |

Hazardous Weather Early Warning Grants  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory    | 2012   | 2013   | 2014     | 2015     |
|--------------------|--------|--------|----------|----------|
|                    | Actual | Actual | Estimate | Estimate |
|                    | Amount | Amount | Amount   | Amount   |
| Colorado.....      | \$60   | -      | -        | -        |
| Undistributed..... | -      | -      | \$41 a/  | \$7 a/   |
| Obligations.....   | 60     | -      | 41       | 7        |

a/ Totals cannot be distributed at this time.

RURAL HOUSING SERVICE  
Economic Impact Initiative Grants  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory           | 2012   | 2013   | 2014       | 2015     |
|---------------------------|--------|--------|------------|----------|
|                           | Actual | Actual | Estimate   | Estimate |
|                           | Amount | Amount | Amount     | Amount   |
| Alabama.....              | \$142  | \$20   | -          | -        |
| Alaska.....               | 59     | 62     | -          | -        |
| Arizona.....              | 98     | 79     | -          | -        |
| Arkansas.....             | 653    | 613    | -          | -        |
| California.....           | 182    | 197    | -          | -        |
| Colorado.....             | 80     | 73     | -          | -        |
| Connecticut.....          | 61     | 68     | -          | -        |
| Delaware.....             | 56     | 60     | -          | -        |
| Florida.....              | 143    | 101    | -          | -        |
| Georgia.....              | 162    | 232    | -          | -        |
| Hawaii.....               | 54     | 57     | -          | -        |
| Idaho.....                | 69     | 81     | -          | -        |
| Illinois.....             | 54     | 102    | -          | -        |
| Indiana.....              | 84     | -      | -          | -        |
| Iowa.....                 | 261    | 275    | -          | -        |
| Kansas.....               | 75     | 90     | -          | -        |
| Kentucky.....             | 394    | 387    | -          | -        |
| Louisiana.....            | 106    | 141    | -          | -        |
| Maine.....                | 79     | 220    | -          | -        |
| Maryland.....             | 73     | 87     | -          | -        |
| Massachusetts.....        | 65     | 74     | -          | -        |
| Michigan.....             | 274    | 289    | -          | -        |
| Minnesota.....            | 136    | 128    | -          | -        |
| Mississippi.....          | 639    | 624    | -          | -        |
| Missouri.....             | 149    | 164    | -          | -        |
| Montana.....              | 30     | 47     | -          | -        |
| Nebraska.....             | 184    | 79     | -          | -        |
| Nevada.....               | 16     | 69     | -          | -        |
| New Hampshire.....        | 65     | 75     | -          | -        |
| New Jersey.....           | 65     | 102    | -          | -        |
| New Mexico.....           | 73     | 87     | -          | -        |
| New York.....             | 130    | 179    | -          | -        |
| North Carolina.....       | 162    | 75     | -          | -        |
| North Dakota.....         | 26     | -      | -          | -        |
| Oklahoma.....             | 149    | 247    | -          | -        |
| Pennsylvania.....         | 142    | 200    | -          | -        |
| Rhode Island.....         | -      | 54     | -          | -        |
| South Carolina.....       | 508    | 324    | -          | -        |
| South Dakota.....         | 65     | 74     | -          | -        |
| Tennessee.....            | 174    | 202    | -          | -        |
| Utah.....                 | 97     | -      | -          | -        |
| Vermont.....              | 103    | 102    | -          | -        |
| Virginia.....             | 365    | 415    | -          | -        |
| Washington.....           | 57     | 18     | -          | -        |
| West Virginia.....        | 91     | 117    | -          | -        |
| Wisconsin.....            | 145    | 69     | -          | -        |
| District of Columbia..... | 1,119  | 398    | -          | -        |
| Guam.....                 | 40     | 34     | -          | -        |
| Puerto Rico.....          | 75     | 88     | -          | -        |
| Other Countries.....      | -      | 12     | -          | -        |
| Undistributed.....        | -      | -      | \$8,808 a/ | \$230 a/ |
| Obligations.....          | 8,029  | 7,289  | 8,808      | 230      |

Tribal College Grants  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory    | 2012   | 2013   | 2014       | 2015       |
|--------------------|--------|--------|------------|------------|
|                    | Actual | Actual | Estimate   | Estimate   |
|                    | Amount | Amount | Amount     | Amount     |
| Alaska.....        | \$159  | \$126  | -          | -          |
| Arizona.....       | -      | 126    | -          | -          |
| Michigan.....      | 159    | 251    | -          | -          |
| Minnesota.....     | 317    | 251    | -          | -          |
| Montana.....       | 952    | 879    | -          | -          |
| Nebraska.....      | 317    | 126    | -          | -          |
| New Mexico.....    | 215    | -      | -          | -          |
| North Dakota.....  | 793    | 502    | -          | -          |
| Oklahoma.....      | -      | 126    | -          | -          |
| South Dakota.....  | 476    | 377    | -          | -          |
| Washington.....    | 159    | 126    | -          | -          |
| Wisconsin.....     | 159    | 126    | -          | -          |
| Undistributed..... | -      | -      | \$3,897 a/ | \$4,368 a/ |
| Obligations.....   | 3,705  | 3,013  | 3,897      | 4,368      |

a/ Totals cannot be distributed at this time.

RURAL HOUSING SERVICE

RURAL COMMUNITY FACILITIES PROGRAM ACCOUNT

Classification by Objects

(Dollars in thousands)

|  | 2012          | 2013          | 2014            | 2015            |
|--|---------------|---------------|-----------------|-----------------|
|  | <u>Actual</u> | <u>Actual</u> | <u>Estimate</u> | <u>Estimate</u> |
| 41.0 Grants, subsidies, and contributions..... | \$41,455      | \$29,303      | \$44,412        | \$31,096        |
| 99.9 Total, new obligations.....               | <u>41,455</u> | <u>29,303</u> | <u>44,412</u>   | <u>31,096</u>   |

## RURAL HOUSING SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

### Rural Housing Insurance Fund Program Account (including transfers of funds)

1 For gross obligations for the principal amount of direct and guaranteed loans as authorized by title V of the Housing Act of 1949, to be available from funds in the rural housing insurance fund, as follows: [~~\$900,000,000~~]\$360,000,000 shall be for direct loans and \$24,000,000,000 shall be for unsubsidized guaranteed loans; [~~\$26,280,000~~]\$26,279,000 for section 504 housing repair loans; \$28,432,000 for section 515 rental housing; \$150,000,000 for section 538 guaranteed multi-family housing loans; \$10,000,000 for credit sales of single family housing acquired property; [~~\$5,000,000~~] for section 523 self-help housing land development loans;] and \$5,000,000 for section 524 site development loans.

2 For the cost of direct and guaranteed loans, including the cost of modifying loans, as defined in section 502 of the Congressional Budget Act of 1974, as follows: section 502 loans [~~\$24,480,000~~]\$26,568,000 shall be for direct loans; section 504 housing repair loans, [~~\$2,176,000~~]\$3,687,000; and repair, rehabilitation, and new construction of section 515 rental housing, [~~\$6,656,000~~]\$9,812,000: *Provided*, That to support the loan program level for section 538 guaranteed loans made available under this heading the Secretary may charge or adjust any fees to cover the projected cost of such loan guarantees pursuant to the provisions of the Credit Reform Act of 1990 (2 U.S.C. 661 et seq.), and the interest on such loans may not be subsidized[: *Provided further*, That applicants in communities that have a current rural area waiver under section 541 of the Housing Act of 1949 (42 U.S.C.1490q) shall be treated as living in a rural area for purposes of section 502 guaranteed loans provided under this heading; *Provided further*, That of the amounts available under this paragraph for section 502 direct loans, no less than \$5,000,000 shall be available for direct loans for individuals whose homes will be built pursuant to a program funded with a mutual and self-help housing grant authorized by section 523 of the Housing Act of 1949 until June 1, 2014].

In addition, for the cost of direct loans, grants, and contracts, as authorized by 42 U.S.C. 1484 and 1486, [~~\$13,992,000~~]\$16,017,000, to remain available until expended, for direct farm labor housing loans and domestic farm labor housing grants and contracts: *Provided*, That any balances available for the Farm Labor Program Account shall be transferred to and merged with this account.

3 In addition, for administrative expenses necessary to carry out the direct and guaranteed loan programs, [~~\$415,100,000~~]\$397,296,000 shall be [transferred to and merged with]paid to the appropriation for “Rural Development, Salaries and Expenses”.

The first change removes the language for the section 523 self-help housing land development loans as funding for the program is not proposed in 2015.

The second change removes the language concerning rural area waiver for section 502 guaranteed loans as the Agriculture Act of 2014 addressed the issue. In addition, the language is removed for the section 502 direct loan set aside for applicants working with the mutual and self-help housing grant recipient.

The third change adds language simplifying the transfer and consolidation of funds from the individually appropriated administrative expense accounts to the Rural Development, Salaries and Expense account.

RURAL HOUSING SERVICE

RURAL HOUSING INSURANCE FUND PROGRAM ACCOUNT

Lead-Off Tabular Statement

|                              | <u>Loan Level</u>   | <u>Subsidy</u>   | <u>Grants</u> | <u>Administrative Expenses</u> |
|------------------------------|---------------------|------------------|---------------|--------------------------------|
| Budget Estimate, 2015.....   | \$24,603,565,000    | \$47,748,000     | \$8,336,000   | \$397,296,000                  |
| 2014 Enacted.....            | 25,148,567,000      | 38,968,000       | 8,336,000     | 415,100,000                    |
| Change in Appropriation..... | <u>-545,002,000</u> | <u>8,780,000</u> | <u>-</u>      | <u>-17,804,000</u>             |

Summary of Increases and Decreases  
(Dollars in thousands)

| <u>Programs</u>                                  | <u>2012 Actual</u> | <u>2013 Change</u> | <u>2014 Change</u> | <u>2015 Change</u> | <u>2015 Estimate</u> |
|--|--------------------|--------------------|--------------------|--------------------|----------------------|
| Discretionary Appropriations:                    |                    |                    |                    |                    |                      |
| Sec. 502 single family housing direct loans..... | \$42,570           | +\$7,583           | -\$25,673          | +\$2,088           | \$26,568             |
| Sec. 515 rural rental housing direct loans.....  | 22,000             | -11,732            | -3,612             | +3,156             | 9,812                |
| Sec. 504 housing repair direct loans.....        | 1,421              | +2,146             | -1,391             | +1,511             | 3,687                |
| Sec. 514 farm labor housing loans.....           | 7,100              | +48                | -1,492             | +2,025             | 7,681                |
| Sec. 516 farm labor housing grants.....          | 7,100              | +1,178             | +58                | -                  | 8,336                |
| Administrative expenses.....                     | 430,800            | -47,507            | +31,807            | -17,804            | 397,296              |
| Total.....                                       | <u>510,991</u>     | <u>-48,285</u>     | <u>-302</u>        | <u>-9,024</u>      | <u>453,380</u>       |

RURAL HOUSING SERVICE

RURAL HOUSING INSURANCE FUND PROGRAM ACCOUNT

Project Statement  
Adjusted Appropriations Detail and Staff Years (SYs)  
(Dollars in thousands)

| Program  | 2012 Actual   |                  |       | 2013 Actual   |                  |       | 2014 Estimate |                  |       | Inc. or Dec.  |                  |           | 2015 Estimate |                  |           |          |     |
|--|---------------|------------------|-------|---------------|------------------|-------|---------------|------------------|-------|---------------|------------------|-----------|---------------|------------------|-----------|----------|-----|
|  | Program Level | Budget Authority | SYs       | Program Level | Budget Authority | SYs       |          |     |
| Discretionary Appropriations:                          |               |                  |       |               |                  |       |               |                  |       |               |                  |           |               |                  |           |          |     |
| Sec. 502 single family housing direct loans.....       | \$900,000     | \$42,570         | 546   | \$840,090     | \$50,153         | 479   | \$900,000     | \$24,480         | 491   | -\$540,000    | (1)              | +\$2,088  | (11)          | +12              | \$360,000 | \$26,568 | 503 |
| Sec. 502 SFH guaranteed loans - blended..... a/        | 24,000,000    | -                | 781   | 24,000,000    | -                | 684   | 24,000,000    | -                | 702   | -             | (2)              | -         | +17           | 24,000,000       | -         | 719      |     |
| Sec. 515 rural rental housing direct loans.....        | 59,496        | 20,300           | 703   | 29,195        | 10,268           | 239   | 28,432        | 6,656            | 246   | -             | (3)              | +3,156    | (11)          | +6               | 28,432    | 9,812    | 252 |
| Sec. 538 multi-family housing guaranteed loans..... b/ | 130,000       | -                | 195   | 150,000       | -                | 171   | 150,000       | -                | 175   | -             | (4)              | -         | +5            | 150,000          | -         | 180      |     |
| Sec. 504 housing repair direct loans.....              | 10,000        | 1,421            | 78    | 14,341        | 1,960            | 41    | 26,280        | 2,176            | 42    | -1            | (5)              | +1,511    | (11)          | +1               | 26,279    | 3,687    | 43  |
| Sec. 524 direct site dev. loans..... c/                | -             | -                | -     | -             | -                | -     | 5,000         | -                | -     | -             | (6)              | -         | -             | 5,000            | -         | -        |     |
| Sec. 523 self-help housing land dev. loans..... d/     | 5,000         | -                | -     | 5,000         | -                | 17    | 5,000         | -                | 18    | -5,000        | (7)              | -         | -             | -                | -         | 18       |     |
| Single-family housing credit sales..... e/             | 10,000        | -                | 39    | 10,000        | -                | 34    | 10,000        | -                | 35    | -             | (8)              | -         | +1            | 10,000           | -         | 36       |     |
| Sec. 514 farm labor housing loans.....                 | 20,791        | 7,100            | 234   | 21,440        | 7,148            | 103   | 23,855        | 5,656            | 105   | -1            | (9)              | +2,025    | (11)          | +3               | 23,854    | 7,681    | 108 |
| Sec. 516 farm labor housing grants.....                | 7,100         | 7,100            | -     | 8,278         | 8,278            | 103   | 8,336         | 8,336            | 105   | -             | (10)             | -         | +3            | 8,336            | 8,336     | 108      |     |
| Administrative expenses..... f/                        | -             | 430,800          | -     | -             | 383,293          | -     | -             | 415,100          | -     | -             | -                | -\$17,804 | -             | -                | 397,296   | -        |     |
| Subtotal.....  | 25,142,387    | 509,291          | 2,576 | 25,078,343    | 461,100          | 1,871 | 25,156,903    | 462,404          | 1,919 | -545,001      | -9,024           | +48       | 24,611,902    | 453,380          | 1,967     |          |     |
| Total Adjusted Approp.....                             | 25,142,387    | 509,291          | 2,576 | 25,078,343    | 461,100          | 1,871 | 25,156,903    | 462,404          | 1,919 | -545,001      | -9,024           | +48       | 24,611,902    | 453,380          | 1,967     |          |     |
| Recessions, Transfers and Seq. (Net).....              | 4,982         | 1,700            | -     | 77,722        | 34,604           | -     | 1,314         | 1,314            | -     | -1,314        | -1,314           | -         | -             | -                | -         |          |     |
| Total Appropriation.....                               | 25,147,369    | 510,991          | 2,576 | 25,195,200    | 495,704          | 1,871 | 25,158,217    | 463,718          | 1,919 | -546,315      | -10,338          | +48       | 24,611,902    | 453,380          | 1,967     |          |     |
| Transfers Out:   |               |                  |       |               |                  |       |               |                  |       |               |                  |           |               |                  |           |          |     |
| Working capital transfer.....                          | -4,982        | -1,700           | -     | -11,750       | -1,606           | -     | -             | -                | -     | -             | -                | -         | -             | -                | -         |          |     |
| Subtotal.....  | -4,982        | -1,700           | -     | -11,750       | -1,606           | -     | -             | -                | -     | -             | -                | -         | -             | -                |           |          |     |
| Rescission..... g/                                     | -             | -                | -     | -26,838       | -13,424          | -     | -1,314        | -1,314           | -     | +1,314        | +1,314           | -         | -             | -                |           |          |     |
| Sequestration..... h/                                  | -             | -                | -     | -39,135       | -19,574          | -     | -             | -                | -     | -             | -                | -         | -             | -                |           |          |     |
| Bal. Available, SOY.....                               | 1,717         | 1,717            | -     | 44,567        | 23,205           | -     | 85,650        | 22,946           | -     | -57,279       | -7,482           | -         | -             | 28,371           | 15,464    | -        |     |
| Unobligated balances transferred in.....               | 8,557         | 4,344            | -     | -             | -                | -     | -             | -                | -     | -             | -                | -         | -             | -                |           |          |     |
| Recoveries, Other (Net).....                           | 11,570        | 6,930            | -     | 416           | 165              | -     | 8,147         | 6,504            | -     | -8,147        | -6,504           | -         | -             | -                |           |          |     |
| Total Available.....                                   | 25,164,230    | 522,282          | 2,576 | 25,162,461    | 484,470          | 1,871 | 25,250,701    | 491,854          | 1,919 | -610,428      | -23,010          | +48       | 24,640,273    | 468,844          | 1,967     |          |     |
| Lapsing Balances.....                                  | -4,826,443    | -5               | -     | -1,774,648    | -794             | -     | -             | -                | -     | -             | -                | -         | -             | -                |           |          |     |
| Unobligated balances rescinded..... i/                 | -427          | -427             | -     | -             | -                | -     | -             | -                | -     | -             | -                | -         | -             | -                |           |          |     |
| Bal. Available, EOY.....                               | -43,798       | -23,205          | -     | -85,400       | -22,946          | -     | -55,977       | -15,484          | -     | +55,238       | +14,745          | -         | -             | -739             | -739      | -        |     |
| Total Obligations.....                                 | 20,293,563    | 498,645          | 2,576 | 23,302,412    | 460,731          | 1,871 | 25,194,724    | 476,369          | 1,919 | -555,190      | -8,264           | +48       | 24,639,534    | 468,105          | 1,967     |          |     |

RURAL HOUSING SERVICE

RURAL HOUSING INSURANCE FUND PROGRAM ACCOUNT

Project Statement  
Obligations Detail and Staff Years (SYs)  
(Dollars in thousands)

| Program  | 2012 Actual   |                  |       | 2013 Actual   |                  |       | 2014 Estimate |                  |       | Inc. or Dec.  |                  |      | 2015 Estimate |                  |       |
|--|---------------|------------------|-------|---------------|------------------|-------|---------------|------------------|-------|---------------|------------------|------|---------------|------------------|-------|
|  | Program Level | Budget Authority | SYs   | Program Level | Budget Authority | SYs   | Program Level | Budget Authority | SYs   | Program Level | Budget Authority | SYs  | Program Level | Budget Authority | SYs   |
| Discretionary Appropriations:                              |               |                  |       |               |                  |       |               |                  |       |               |                  |      |               |                  |       |
| Sec. 502 single family housing direct loans.....           | \$899,998     | \$42,570         | 546   | \$827,165     | \$49,382         | 479   | \$900,000     | \$24,480         | 491   | -\$540,000    | \$2,088          | \$12 | \$360,000     | \$26,568         | 503   |
| Sec. 502 SFH guaranteed loans - blended..... a/            | 19,213,344    | -                | 781   | 22,350,462    | -                | 684   | 24,000,000    | -                | 702   | -             | -                | +17  | 24,000,000    | -                | 719   |
| Sec. 515 rural rental housing direct loans.....            | 59,481        | 20,295           | 703   | 29,135        | 10,247           | 239   | 28,432        | 6,656            | 246   | -             | +3,156           | +6   | 28,432        | 9,812            | 252   |
| Sec. 538 multi-family housing guaranteed loans..... b/     | 104,255       | -                | 195   | 52,227        | -                | 171   | 150,000       | -                | 175   | -             | -                | +5   | 150,000       | -                | 180   |
| Sec. 504 housing repair direct loans.....                  | 9,998         | 1,421            | 78    | 14,335        | 1,960            | 41    | 26,280        | 2,176            | 42    | -1            | +1,511           | +1   | 26,279        | 3,687            | 43    |
| Sec. 504 housing repair direct loans natural disaster..... | -             | -                | -     | -             | -                | -     | 16            | 1                | -     | -16           | -1               | -    | -             | -                | -     |
| Sec. 524 direct site dev. loans..... c/                    | -             | -                | -     | -             | -                | -     | 5,000         | -                | -     | -             | -                | -    | 5,000         | -                | -     |
| Sec. 523 self-help housing land dev. loans..... d/         | -             | -                | -     | -             | -                | 17    | 5,000         | -                | 18    | -5,000        | -                | -    | -             | -                | 18    |
| Single-family housing credit sales..... e/                 | 975           | -                | 39    | 653           | -                | 34    | 10,000        | -                | 35    | -             | -                | +1   | 10,000        | -                | 36    |
| Sec. 514 farm labor housing loans.....                     | 2,962         | 1,012            | 234   | 18,881        | 6,295            | 103   | 55,472        | 13,292           | 105   | -12,581       | +519             | +3   | 42,892        | 13,811           | 108   |
| Sec. 516 farm labor housing grants.....                    | 2,548         | 2,548            | -     | 9,555         | 9,555            | 103   | 14,524        | 14,664           | 105   | +2,407        | +2,267           | +3   | 16,931        | 16,931           | 108   |
| Administrative expenses..... f/                            | -             | 430,800          | -     | -             | 383,293          | -     | -             | 415,100          | -     | -             | -17,804          | -    | -             | 397,296          | -     |
| Subtotal.....  | 20,293,563    | 498,645          | 2,576 | 23,302,412    | 460,731          | 1,871 | 25,194,724    | 476,369          | 1,919 | -555,190      | -8,264           | +48  | 24,639,534    | 468,105          | 1,967 |
| Total Obligations.....                                     | 20,293,563    | 498,645          | 2,576 | 23,302,412    | 460,731          | 1,871 | 25,194,724    | 476,369          | 1,919 | -555,190      | -8,264           | +48  | 24,639,534    | 468,105          | 1,967 |
| Recoveries, Other (Net).....                               | -11,570       | -6,930           | -     | -416          | -165             | -     | -8,147        | -6,504           | -     | +8,147        | +6,504           | -    | -             | -                | -     |
| Lapsing Balances.....                                      | 4,826,443     | 5                | -     | 1,774,648     | 794              | -     | -             | -                | -     | -             | -                | -    | -             | -                | -     |
| Unobligated balances rescinded..... i/                     | 427           | 427              | -     | -             | -                | -     | -             | -                | -     | -             | -                | -    | -             | -                | -     |
| Bal. Available, EOY.....                                   | 43,798        | 23,205           | -     | 85,400        | 22,946           | -     | 55,977        | 15,484           | -     | -55,238       | -14,745          | -    | 739           | 739              | -     |
| Total Available.....                                       | 25,152,661    | 515,352          | 2,576 | 25,162,045    | 484,305          | 1,871 | 25,242,553    | 485,350          | 1,919 | -602,281      | -16,506          | +48  | 24,640,273    | 468,844          | 1,967 |
| Transfers Out.....   | 4,982         | 1,700            | -     | 11,750        | 1,606            | -     | -             | -                | -     | -             | -                | -    | -             | -                | -     |
| Recission..... g/  | -             | -                | -     | 26,838        | 13,424           | -     | 1,314         | 1,314            | -     | -1,314        | -1,314           | -    | -             | -                | -     |
| Sequestration..... h/                                      | -             | -                | -     | 39,135        | 19,574           | -     | -             | -                | -     | -             | -                | -    | -             | -                | -     |
| Bal. Available, SOY.....                                   | -1,717        | -1,717           | -     | -44,567       | -23,205          | -     | -85,650       | -22,946          | -     | +57,279       | +7,482           | -    | -28,371       | -15,464          | -     |
| Unobligated balances transferred in.....                   | -8,557        | -4,344           | -     | -             | -                | -     | -             | -                | -     | -             | -                | -    | -             | -                | -     |
| Total Appropriation.....                                   | 25,147,369    | 510,991          | 2,576 | 25,195,200    | 495,704          | 1,871 | 25,158,217    | 463,718          | 1,919 | -546,315      | -10,338          | +48  | 24,611,902    | 453,380          | 1,967 |

Project Statement Footnotes

- a/ Negative subsidy rates of 0.03%, 0.25%, 0.14%, and 0.58% were calculated for 2012, 2013, 2014, and 2015, respectively. Therefore, corresponding budget authority is not required to support the loan levels.
- b/ Negative subsidy rates of 0.06%, 0.04%, 0.19%, and 1.27% were calculated for 2012, 2013, 2014, and 2015, respectively. Therefore, corresponding budget authority is not required to support the loan levels.
- c/ Negative subsidy rates of 5.95% and 4.82% were calculated for 2014 and 2015, respectively. Therefore, corresponding budget authority is not required to support the loan levels.
- d/ Negative subsidy rates of 1.01%, 2.15%, and 4.51% were calculated for 2012, 2013, and 2014, respectively. Therefore, corresponding budget authority is not required to support the loan levels.
- e/ Negative subsidy rates of 16.85%, 8.97%, 8.97%, and 6.41% were calculated for 2012, 2013, 2014, and 2015, respectively. Therefore, corresponding budget authority is not required to support the loan levels.
- f/ In 2012, funding of \$430,800,000 was appropriated and transferred to the Rural Development Salaries and Expense Account. In 2013, funding of \$383,292,764 was appropriated and transferred to the Rural Development Salaries and Expense Account. In 2014, funding of \$415,100,000 was appropriated and transferred to the Rural Development Salaries and Expense Account. In 2015, funding of \$397,296,000 is requested and will be paid to the Rural Development Salaries and Expense Account.
- g/ The amounts are rescinded pursuant to the Consolidated and Further Continuing Appropriations Act, 2013, Public Law 113-6, signed March 26, 2013, including 2.513 percent rescission in accordance with section 3001(b)(1)(A) and .2 percent rescission in accordance with section 3004(c)(1).
- h/ The amounts are pursuant to the sequestration order signed by the President on March 1, 2013, in accordance with section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.
- i/ The amounts are pursuant to Division B, Title I, Section 1119 of the Department of Defense and Full-Year Continuing Appropriations Act, 2011, P.L. 112-10.

### Justification of Increases and Decreases

- (1) A decrease of \$540,000,000 for the section 502 direct single family housing loans (\$900,000,000 available in 2014).

Base funding allows the agency to continue offering homeownership opportunities to low- and very low-income families in rural America. Continued funding at \$360 million will provide an estimated 2,912 homeownership opportunities in rural America by providing direct loans with subsidized financing to income-eligible borrowers who are creditworthy.

One of the ways Rural Development (RD) will achieve its goal of strengthening rural communities' capacity to create prosperity to assist in becoming self-sustaining, re-populating, and economically thriving is through the direct single family housing loan program. This subsidized housing mortgage program is vital to those unable to access financial resources necessary to invest in one of the most widely accepted long-term wealth creation options available, especially for young families and single parents.

In 2015, this program will continue assisting homebuyers to improve their living conditions and financial footing through investment in neighborhoods; creating/preserving over 5,000 residential construction and other housing-related jobs that will help invigorate local rural economies.

The agency partners with outside entities for additional leverage. For the past 5 years, almost 20 percent of homes under this program were leveraged.

To better serve our customers, RHS published a proposed regulation in 2013 for the section 502 direct single family housing loan program to create a certified loan application packaging process for eligible loan application packagers. Loan application packagers, who are separate and independent from the agency, provide an optional service to parties seeking mortgage loans by helping them navigate the loan application process. Currently, packagers assisting parties applying for section 502 direct loans do so under an informal arrangement, which is free from agency oversight or minimum competency standards. This rule, when final, will impose experience, training, proficiency, and structure requirements on eligible service providers. This rule will also regulate the packaging fee that will be allowed under this process and is expected to be final by September 30, 2014.

By establishing a vast network of competent, experienced, and committed agency-certified packagers, this action is intended to benefit low- and very low-income people who wish to achieve homeownership in rural areas by educating the public about the housing programs, increasing specialized support available to them to complete the application for assistance, and improving the quality of loan application packages submitted on their behalf. The proposed rule will also streamline application processing and reduce the burden placed on the reduced agency staffing levels.

Continuation of the direct program is critical because:

- Despite record low interest rates in the private lending sector and the availability of the section 502 guaranteed single family housing loan program, the very low- and low-income borrowers served under the direct program have no other options available to them to obtain homeownership at rates and terms they can reasonably afford and maintain.
- The unique servicing options available under the direct program help borrowers facing temporary challenges remain in their homes while those challenges are overcome.
- While private interest rates remain at record low levels allowing RHS to provide more affordable housing for millions of rural Americans through the guaranteed loan program, the guaranteed loans do not meet the needs of lower income families who require payment assistance offered in the direct program to become successful homeowners. Without the benefit of payment assistance, low income

applicants are unable to overcome the barriers of unaffordable payments, even at today's low interest rates.

RHS also seeks to address the needs of low- and very low-income borrowers through partnerships with other agencies. In response to a White House initiative setting aggressive goals for eliminating military veteran and chronic family homelessness, RD is actively involved with the U.S. Interagency Council on Homelessness (USICH). The agency is supporting USICH efforts by: studying means to make MFH units more readily accessible for homeless families; working with the Food and Nutrition Service and Health and Human Services to increase participation by those eligible for health care benefits; and, establishing a partnership with Veterans Affairs, assuring VA and RD field staff are aware of programs available to serve rural veterans – with the goal of increasing participation by veterans in RD programs.

(2) No change in funding for section 502 guaranteed single family housing loans (\$24,000,000,000 available in 2014).

The section 502 single family housing guaranteed loan program's (GLP) activity continues to increase within the mortgage industry. Continued weakness in the housing markets has made lenders reluctant to extend credit without government backing, thereby giving this program an important role in contributing to liquidity of the capital markets. The GLP promotes mortgage lending in rural areas by requiring minimal upfront costs and a 30-year fixed rate loan term. Without these guarantees, thousands of creditworthy low and moderate-income households will not be able to achieve the dream of homeownership because they do not have the resources to make the down payment required by other loan programs.

Proposed base funding of \$24 billion will allow approximately 163,443 homeownership opportunities in 2015. This estimate is based on a projected average of \$138,059 for 152,109 purchase loans and an average of \$152,928 for 19,617 loans for refinancing.

To help mitigate recent staffing losses and streamline our guaranteed loan processing, the agency proposes to implement a Guaranteed Underwriting User Fee (User Fee) and a direct endorsement/preferred lender loan approval process. The User Fee will support the cost of developing and maintaining the agency's underwriting platform to include system enhancements and maintenance costs and enable critical future automation development and enhancements, ensuring that the systems are maintained with current technology, as well as enabling enhanced loan and lender oversight reporting capabilities, which will be critical to monitoring direct endorsement lenders and protecting the governments' interests.

The GLP has numerous partnerships with private and public sector entities. In the private sector, the program has participating lenders across the Nation. Private sector partnerships also include mortgage industry groups like the Mortgage Bankers Association, the National Association of Realtors, and the National Association of Home Builders.

In the public sector, the GLP partners with local governments like State-based housing finance agencies and their association, the National Council of State Housing Agencies.

At the Federal level, the GLP participates in the Joint Federal Housing Agencies working group which includes participants from Veteran Affairs, Ginnie Mae, and the Federal Housing Administration. This working group is designed to increase cooperation amongst the Federal housing agencies in pooling resources and to achieve uniform regulations and practices whenever possible. Other Federal partnership activities include:

- An agreement with the Department of Housing and Urban Development to use a modified version of their credit scorecard in the GLP's automated underwriting system (GUS);
- An agreement with Ginnie Mae to share risk management data electronically;
- An agreement with Fannie Mae to use their credit report interface in the GLP's automated underwriting system (GUS); and
- An agreement with the Department of Homeland Security's Citizenship and Immigration Service to check the status of immigrants to ensure they are qualified to receive federal benefits.

(3) No change in funding for section 515 direct rural rental housing loans (\$28,432,000 available in 2014).

The section 515 program has been the traditional way to fund both new construction and revitalization of existing multi-family housing in USDA's multi-family direct loan program. Recognizing limited funding opportunities within direct loan programs, USDA plans to focus its multi-family direct loan funding on the revitalization and repair of the section 515 loan portfolio through the multi-family preservation and revitalization demonstration program. The focus on revitalization is consistent with RD's priority of maintaining and servicing its existing multi-family housing portfolio, rather than creating additional housing through new construction. New construction also creates additional needs for long-term commitments of section 521 rental assistance payments to ensure the stability of new projects. This new commitment of RA affects RHS' ability to renew its rental assistance commitments with existing projects.

Funding for the Section 515 Direct Rural Rental Housing Loan program contributes to USDA's strategic goal of enhancing rural prosperity by expanding the government's investment in rural America through the preservation and modernization of affordable multi-family housing. The 515 program will leverage capital markets, particularly through the use of Low-income Housing Tax Credits, at a minimum ratio of 3 dollars to every dollar of Section 515 money. Funding will allow RD to preserve and revitalize 1,391 units of affordable multi-family housing, allowing families and their communities to enjoy modern housing and build a sense of pride in their neighborhoods. The Section 515 program also promotes property upgrades to promote the efficient use of energy, reduce energy consumption or create zero net energy usage, thus mitigating the impact of the property on climate change.

The primary program partner is the Low-income Housing Tax Credit (LIHTC) program, which provides equity capital for project preservation and reduces debt service, requiring less rental assistance to support the affordable housing. LIHTC also facilitates the use of additional third-party financing. RD continues to collaborate with HUD and Treasury to improve the operation of all Federal rental housing programs, including the section 515 program. These initiatives are aimed at reducing program costs and streamlining multi-family requirements from RD, HUD and the LIHTC program. The initiatives include: establishing uniform guidance for market studies, capital needs assessments, subsidy reviews, and appraisal reviews. RD also is collaborating with the Department of Energy for alternative approaches to facilitate energy conservation at RD rental housing projects.

(4) No change in funding for the section 538 guaranteed multi-family housing loans (\$150,000,000 available in 2014).

The guaranteed multi-family housing program aims to provide a loan guarantee to approved lenders to develop and repair apartments for tenants of very low-, low-, or moderate-income households, elderly, or disabled.

Base funding for the negative subsidy section 538 program will encourage the new construction and rehabilitation of rural rental housing and support the USDA strategic goal of assisting rural communities to create prosperity so they are self-sustaining, re-populating, and economically thriving.

Section 538 loans usually leverage third party investment through the LIHTC. RD partners with many State tax credit allocating agencies to include the use of tax credits for rural rental housing preservation and construction in those states' Qualified Allocation Plans. A higher level of leveraged funding increases the number of projects that may be rehabilitated or constructed using section 538 funds.

The budget request of \$150,000,000 will support the development or rehabilitation of 5,194 units, although the number of units will depend upon the amount of third-party funding leverage and ratio of revitalization to new construction for projects awarded section 538 funding.

(5) A decrease of \$1,000 for the section 504 housing repair loans (\$26,280,000 available in 2014).

Section 504 housing repair loans are available to very low-income applicants who live in rural areas and own and occupy their dwelling. Loans up to \$20,000 may be made to repair, modernize or to remove health and safety hazards. Loans are amortized at 1 percent for up to 20 years. This program provides much needed funding for rural very low-income homeowners to make the essential repairs needed to keep their properties decent, safe, and sanitary.

Continuation of this program is critical because it provides:

- Much needed funding for rural very low-income homeowners to make essential repairs to keep their properties decent, safe, and sanitary;
- A great funding source of loans up to \$20,000 for very low-income homeowners to repair, modernize or remove health and safety hazards from their homes. Loans are amortized at 1 percent for up to 20 years; and
- Support of USDA's Strategic Goal of assisting rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

The budget request of \$26,279,000 will support approximately 4,250 very low-income homeowners in receiving necessary repairs, based on an average loan amount of \$6,183.

(6) No change in funding for the section 524 direct site development loans (\$5,000,000 available in 2014).

The section 524 direct site development loan program provides loans to non-profit entities to purchase and develop land which will be subdivided into adequate building sites and sold on a non-profit basis to low income families. There is no restriction as to the method of construction (i.e., contractor built or self-help method). The program has a negative subsidy rate and requires no budget authority.

Requested base funding will allow eligible non-profit entities to purchase and develop land for low income families. This program supports USDA's Strategic Goal of assisting rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

(7) A decrease of \$5,000,000 for the Section 523 self-help land development housing loans (\$5,000,000 available in 2014).

Section 523 Self-Help Land Development Loans provide funds to non-profit entities to purchase and develop land which will be subdivided into adequate building sites and sold on a nonprofit basis to low-income families who will construct their homes through the self-help method.

Because the section 523 self-help land development loan program has had low demand primarily due to the two-year term of these loans and the restriction that the method of construction be self-help. No funding is proposed for 2015.

(8) No change in funding for single family housing credit sales (non-program) (\$10,000,000 available in 2014).

Base funding of \$10 million supports the sale of Real Estate Owned (REO) properties. Non-program Single Family Housing Credit Sales provide funding for the purchase of agency REO properties. Non-program credit terms are offered when the buyer is not eligible for Section 502 assistance or the property does not qualify as a program property. Inventory of REO properties has been increasing and now exceeds 1,500 properties. This funding will allow agency staff to expedite the sale and dispose of REO properties, thereby, saving the government the cost of maintaining these properties.

Continuation of the program is critical because:

- Timely sales of REO properties help reduce the agency's custodial costs and potential losses.

- For borrowers that are not program eligible, the agency's credit sales program provides financing at reasonable rates and terms.
- For properties that are not program eligible, the agency's credit sales program provides an alternative means of financing.
- This program supports USDA's Strategic Goal of assisting rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

(9) A decrease of \$1,000 for section 514 farm labor housing loans (\$23,855,000 available in 2014).

The section 514 farm labor housing loan program provides decent, safe, and sanitary housing for farmers for small, on-farm housing or loans for off-farm multi-family developments.

Base funding for the section 514 program will encourage new construction and rehabilitation of farmworker rural rental housing and support communities with agricultural or food processing industries as they work to increase local economic prosperity.

The use of third-party funds and Section 516 Farm Labor Housing grants provides additional leverage to minimize the cost of new construction, and allows the projects to maintain rents at affordable levels. A key program used to access capital markets to leverage RD's section 514 and 516 funding is the LIHTC program. A few States also provide assistance through grant programs designed to attract farm labor housing development opportunities; RD works very closely with those States to coordinate its efforts with the States. Projects awarded funding in the most recent Farm Labor Notice of Funding Availability were supported by additional leveraged funds from third-party sources of more than 2.1 times RHS' investment.

The budget request of \$23,854,000 will fund approximately 840 units of farm labor housing projects.

(10) No change in funding for section 516 farm labor housing grants (\$8,336,000 available in 2014).

The Section 516 Farm Labor Housing grant program provides farmworkers with decent, safe, and sanitary housing for off-farm multi-family farm labor housing developments.

Funding for the Section 516 program will encourage new construction and rehabilitation of farmworker rural rental housing and support communities with agricultural or food processing industries as they work to increase local economic prosperity.

Section 516 grants are limited to off-farm housing and RHS typically provides a combination of section 514 loans and section 516 grants to fund these projects. Section 516 grants are critical to off-farm multi-family housing because they reduce the amount of debt service, reducing project expenses and the amount of RA needed to support the project. The use of third-party funding and section 514 Farm Labor Housing loans provides additional leverage to minimize the cost of new construction, and allows projects to maintain rents at affordable levels.

No change over base funding in the section 516 program will work in combination with section 514 loans to fund approximately 840 units of farmworker housing.

(11) An increase of \$8,870,000 in direct loan subsidy (\$38,968,000 available in 2014).

The increase in subsidy budget authority is related primarily to the increase in the subsidy rates. The subsidy amount is necessary to support the estimated loan obligations associated with the requested 2015 loan levels for these programs.

## Summary of Proposed Legislation

- Program:** Section 502 Single Family Housing Guaranteed Loan Program
- Proposal:** This proposal will (1) charge a Guaranteed Underwriting User Fee; and (2) allow the User Fee to be retained for Administrative purposes such as enhancement and maintenance costs for the Guaranteed Underwriting System (GUS) and supporting systems.
- Rationale:** This proposal will support the cost of developing and maintaining the Single Family Housing Guaranteed Loan Program (SFHGLP) automated underwriting platform and allow the program to be effectively administered with a reduction in staff. GUS development will assist both field staff and private sector lenders with underwriting SFHGLP loans more quickly and efficiently while increasing the quality of loans guaranteed by the program. Equally important, this proposal will enable critical future automation development and enhancements, ensuring that the systems are maintained with current technological capabilities, as well as enabling enhanced loan and lender oversight, metrics, and programmatic controls.
- Goal:** The goal of this proposal is enhanced information technology capabilities that will allow for expanded system usage and program oversight and improved application processing.
- Legislative Language:** The proposed language for the GUS fee is requested in the 2015 budget general provisions. In tandem with that, RHS will put forward a legislative proposal to codify the fee authority permanently.

**General Provision Language:**

Section 724. The Secretary may charge a fee for lenders to access Department loan guarantee systems in connection 'with such lenders' participation in loan guarantee programs of the Rural Housing Service: Provided, That the funds collected from such fees shall be made available to the Secretary without further appropriation and such funds shall be deposited into the Rural Development Salaries and Expense Account and shall remain available until expended for obligation and expenditure by the Secretary for administrative expenses of the Rural Housing Service Loan Guarantee Program in addition to other available funds: Provided further, That such fees collected shall not exceed \$50 per loan.

|                                | 2015 | 2016 | 2017 | 2018 |
|--------------------------------|------|------|------|------|
| Discretionary Budget Authority | -9   | -9   | -9   | -9   |
| Discretionary Outlays          | +9   | +9   | +9   | +9   |

## Summary of Proposed Legislation

- Program:** Section 502 Single Family Housing Guaranteed Loan Program – Direct Endorsement/Preferred Lenders
- Proposal:** This proposal is to provide statutory authority for the Section 502 Single Family Housing Guaranteed Loan Program (GLP) to delegate loan approval authority to preferred lenders. This is similar to current practices at the Federal Housing Administration (FHA) and is already available in the Section 538 Multifamily Guaranteed Loan Program statute. The proposed legislative language is as follows: “In carrying out subsection (h) of section 502 of the Housing Act of 1949, the Secretary may use the authority described in subsections (h) and (j) of section 538 of such Act.”
- Rationale:** For the RHS guaranteed loan program, lenders submit application packages requesting permission to close the guaranteed loan. At current application volumes, it takes RHS one to ten days to review the lender’s request and grant or deny permission. Once permission is granted, the lender can then close the loan.
- FHA and VA have a different process in which, for their preferred lenders in good standing, there is no agency review prior to loan closing. FHA and VA have the authority to allow lenders in good standing to endorse the loan insurance or guarantee on the Federal Government’s behalf without the underwriting agency approving the loan.
- If RHS had direct endorsement authority, the average loan closing time would be improved. The benefits to the lenders would be twofold. Preferred lenders would not have to seek RHS’s approval, freeing up their time, and traditional lenders would see fewer loans in the queue for RHS to approve, making that process faster as well. This would provide some relief to borrowers as well, who have a set timeframe during the loan making process, like when locking into an interest rate for 60 days. In addition, this would free up RHS staff time to focus on the approvals of remaining loans.
- Moreover, this change would allow RHS to engage in what is considered a “best practice” for Federal home loan guarantee programs, and it would make RHS consistent with VA and FHA in that practice.
- Goal:** To delegate loan approval authority to preferred lenders while continuing to also closely supervise other lenders participating in the GLP. To increase loan making efficiency while reducing the amount of staff time needed per loan, and to be consistent with the other major Federal housing and loan guarantee programs.

### General Provision Language:

General Provision 722. In carrying out subsection (h) of section 502 of the Housing Act of 1949 (42 U.S.C. 1472(h)), the Secretary may use the authority described in subsections (h) and (j) of section 538 of such Act (42 U.S.C. 1490p-2(h) and (j)).

RURAL HOUSING SERVICE  
Section 502 Direct Single Family Housing Loans  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory       | 2012                    | 2013                    | 2014                      | 2015                      |
|-----------------------|-------------------------|-------------------------|---------------------------|---------------------------|
|                       | <u>Actual</u><br>Amount | <u>Actual</u><br>Amount | <u>Estimate</u><br>Amount | <u>Estimate</u><br>Amount |
| Alabama.....          | \$16,022                | \$17,216                | -                         | -                         |
| Alaska.....           | 5,052                   | 8,947                   | -                         | -                         |
| Arizona.....          | 16,237                  | 8,161                   | -                         | -                         |
| Arkansas.....         | 21,532                  | 18,039                  | -                         | -                         |
| California.....       | 57,058                  | 70,279                  | -                         | -                         |
| Colorado.....         | 12,162                  | 12,287                  | -                         | -                         |
| Connecticut.....      | 3,476                   | 4,179                   | -                         | -                         |
| Delaware.....         | 5,717                   | 5,968                   | -                         | -                         |
| Florida.....          | 22,009                  | 20,710                  | -                         | -                         |
| Georgia.....          | 14,423                  | 11,456                  | -                         | -                         |
| Hawaii.....           | 12,557                  | 12,020                  | -                         | -                         |
| Idaho.....            | 9,473                   | 10,736                  | -                         | -                         |
| Illinois.....         | 17,442                  | 21,190                  | -                         | -                         |
| Indiana.....          | 25,305                  | 23,865                  | -                         | -                         |
| Iowa.....             | 15,455                  | 8,536                   | -                         | -                         |
| Kansas.....           | 9,823                   | 9,601                   | -                         | -                         |
| Kentucky.....         | 32,232                  | 26,339                  | -                         | -                         |
| Louisiana.....        | 20,931                  | 16,181                  | -                         | -                         |
| Maine.....            | 26,676                  | 22,197                  | -                         | -                         |
| Maryland.....         | 5,620                   | 3,714                   | -                         | -                         |
| Massachusetts.....    | 7,169                   | 6,035                   | -                         | -                         |
| Michigan.....         | 25,049                  | 22,553                  | -                         | -                         |
| Minnesota.....        | 15,660                  | 13,286                  | -                         | -                         |
| Mississippi.....      | 26,296                  | 21,554                  | -                         | -                         |
| Missouri.....         | 32,182                  | 21,263                  | -                         | -                         |
| Montana.....          | 12,360                  | 14,686                  | -                         | -                         |
| Nebraska.....         | 7,682                   | 4,804                   | -                         | -                         |
| Nevada.....           | 8,993                   | 6,787                   | -                         | -                         |
| New Hampshire.....    | 13,221                  | 8,828                   | -                         | -                         |
| New Jersey.....       | 7,428                   | 8,221                   | -                         | -                         |
| New Mexico.....       | 8,655                   | 15,467                  | -                         | -                         |
| New York.....         | 15,043                  | 15,628                  | -                         | -                         |
| North Carolina.....   | 40,819                  | 32,479                  | -                         | -                         |
| North Dakota.....     | 4,908                   | 5,531                   | -                         | -                         |
| Ohio.....             | 23,438                  | 27,248                  | -                         | -                         |
| Oklahoma.....         | 14,791                  | 16,278                  | -                         | -                         |
| Oregon.....           | 10,866                  | 6,111                   | -                         | -                         |
| Pennsylvania.....     | 21,825                  | 19,894                  | -                         | -                         |
| Rhode Island.....     | 2,815                   | 3,945                   | -                         | -                         |
| South Carolina.....   | 23,535                  | 21,530                  | -                         | -                         |
| South Dakota.....     | 10,883                  | 7,050                   | -                         | -                         |
| Tennessee.....        | 24,098                  | 23,205                  | -                         | -                         |
| Texas.....            | 55,726                  | 50,414                  | -                         | -                         |
| Utah.....             | 34,130                  | 26,712                  | -                         | -                         |
| Vermont.....          | 8,648                   | 6,326                   | -                         | -                         |
| Virginia.....         | 14,903                  | 8,328                   | -                         | -                         |
| Washington.....       | 32,364                  | 34,502                  | -                         | -                         |
| West Virginia.....    | 11,839                  | 10,465                  | -                         | -                         |
| Wisconsin.....        | 14,613                  | 16,135                  | -                         | -                         |
| Wyoming.....          | 4,304                   | 3,668                   | -                         | -                         |
| Guam.....             | 1,839                   | 3,429                   | -                         | -                         |
| Puerto Rico.....      | 12,825                  | 11,208                  | -                         | -                         |
| Virgin Islands.....   | 1,041                   | 1,969                   | -                         | -                         |
| Other Countries.....  | 848                     | -                       | -                         | -                         |
| Undistributed.....    | -                       | -                       | \$900,000 <u>a/</u>       | \$360,000 <u>a/</u>       |
| Obligations.....      | 899,998                 | 827,165                 | 900,000                   | 360,000                   |
| Lapsing Balances..... | 2                       | 12,924                  | -                         | -                         |
| Total, Available..... | 900,000                 | 840,090                 | 900,000                   | 360,000                   |

a/ Totals cannot be distributed at this time.

RURAL HOUSING SERVICE  
Section 502 Guaranteed Single Family Housing Loans  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory       | 2012             | 2013             | 2014                       | 2015                       |
|-----------------------|------------------|------------------|----------------------------|----------------------------|
|                       | Actual<br>Amount | Actual<br>Amount | Estimate<br>Amount         | Estimate<br>Amount         |
| Alabama.....          | \$470,646        | \$528,189        | -                          | -                          |
| Alaska.....           | 68,146           | 81,490           | -                          | -                          |
| Arizona.....          | 350,878          | 451,571          | -                          | -                          |
| Arkansas.....         | 463,001          | 464,512          | -                          | -                          |
| California.....       | 864,906          | 892,191          | -                          | -                          |
| Colorado.....         | 292,816          | 318,660          | -                          | -                          |
| Connecticut.....      | 129,964          | 168,069          | -                          | -                          |
| Delaware.....         | 132,676          | 158,841          | -                          | -                          |
| Florida.....          | 800,868          | 817,891          | -                          | -                          |
| Georgia.....          | 446,004          | 560,287          | -                          | -                          |
| Hawaii.....           | 295,824          | 326,976          | -                          | -                          |
| Idaho.....            | 183,915          | 252,745          | -                          | -                          |
| Illinois.....         | 450,244          | 461,361          | -                          | -                          |
| Indiana.....          | 526,779          | 594,028          | -                          | -                          |
| Iowa.....             | 224,108          | 269,086          | -                          | -                          |
| Kansas.....           | 201,223          | 216,158          | -                          | -                          |
| Kentucky.....         | 444,073          | 532,570          | -                          | -                          |
| Louisiana.....        | 773,345          | 820,275          | -                          | -                          |
| Maine.....            | 281,802          | 322,934          | -                          | -                          |
| Maryland.....         | 453,829          | 550,402          | -                          | -                          |
| Massachusetts.....    | 230,723          | 272,538          | -                          | -                          |
| Michigan.....         | 680,650          | 769,362          | -                          | -                          |
| Minnesota.....        | 443,778          | 575,272          | -                          | -                          |
| Mississippi.....      | 336,238          | 405,881          | -                          | -                          |
| Missouri.....         | 552,603          | 650,687          | -                          | -                          |
| Montana.....          | 211,710          | 243,855          | -                          | -                          |
| Nebraska.....         | 115,759          | 124,229          | -                          | -                          |
| Nevada.....           | 108,336          | 142,720          | -                          | -                          |
| New Hampshire.....    | 162,090          | 180,892          | -                          | -                          |
| New Jersey.....       | 253,730          | 283,756          | -                          | -                          |
| New Mexico.....       | 49,129           | 61,751           | -                          | -                          |
| New York.....         | 217,969          | 278,959          | -                          | -                          |
| North Carolina.....   | 1,026,962        | 1,169,789        | -                          | -                          |
| North Dakota.....     | 50,077           | 64,251           | -                          | -                          |
| Ohio.....             | 477,888          | 556,490          | -                          | -                          |
| Oklahoma.....         | 295,428          | 329,192          | -                          | -                          |
| Oregon.....           | 411,504          | 503,073          | -                          | -                          |
| Pennsylvania.....     | 651,798          | 771,475          | -                          | -                          |
| Rhode Island.....     | 33,251           | 46,091           | -                          | -                          |
| South Carolina.....   | 427,197          | 610,679          | -                          | -                          |
| South Dakota.....     | 153,657          | 195,359          | -                          | -                          |
| Tennessee.....        | 649,549          | 846,124          | -                          | -                          |
| Texas.....            | 973,306          | 1,134,561        | -                          | -                          |
| Utah.....             | 411,685          | 445,398          | -                          | -                          |
| Vermont.....          | 101,838          | 114,166          | -                          | -                          |
| Virginia.....         | 475,321          | 664,846          | -                          | -                          |
| Washington.....       | 655,916          | 733,370          | -                          | -                          |
| West Virginia.....    | 222,026          | 272,566          | -                          | -                          |
| Wisconsin.....        | 414,211          | 486,522          | -                          | -                          |
| Wyoming.....          | 252,062          | 262,027          | -                          | -                          |
| Guam.....             | 8,007            | 8,071            | -                          | -                          |
| Puerto Rico.....      | 303,428          | 357,573          | -                          | -                          |
| Virgin Islands.....   | 471              | 703              | -                          | -                          |
| Undistributed.....    | -                | -                | \$24,000,000 <sup>a/</sup> | \$24,000,000 <sup>a/</sup> |
| Obligations.....      | 19,213,344       | 22,350,462       | 24,000,000                 | 24,000,000                 |
| Lapsing Balances..... | 4,786,656        | 1,649,538        | -                          | -                          |
| Total, Available..... | 24,000,000       | 24,000,000       | 24,000,000                 | 24,000,000                 |

<sup>a/</sup> Totals cannot be distributed at this time.

RURAL HOUSING SERVICE  
Section 515 Rural Rental Housing Direct Loans  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory       | 2012    | 2013   | 2014        | 2015        |
|-----------------------|---------|--------|-------------|-------------|
|                       | Actual  | Actual | Estimate    | Estimate    |
|                       | Amount  | Amount | Amount      | Amount      |
| Colorado.....         | \$1,524 | -      | -           | -           |
| Connecticut.....      | 1,552   | \$380  | -           | -           |
| Florida.....          | 10,692  | 3,026  | -           | -           |
| Illinois.....         | 1,108   | 255    | -           | -           |
| Indiana.....          | -       | 333    | -           | -           |
| Iowa.....             | 448     | 263    | -           | -           |
| Kentucky.....         | -       | 703    | -           | -           |
| Maine.....            | 250     | 504    | -           | -           |
| Maryland.....         | 258     | 525    | -           | -           |
| Massachusetts.....    | 284     | 2,082  | -           | -           |
| Michigan.....         | 1,566   | 2,929  | -           | -           |
| Minnesota.....        | 2,640   | -      | -           | -           |
| Mississippi.....      | 234     | -      | -           | -           |
| Montana.....          | -       | 506    | -           | -           |
| Nebraska.....         | 239     | -      | -           | -           |
| New Hampshire.....    | 2,479   | -      | -           | -           |
| New Jersey.....       | 4,265   | 5,040  | -           | -           |
| New York.....         | 1,509   | 3,867  | -           | -           |
| North Carolina.....   | 15,703  | 5,467  | -           | -           |
| North Dakota.....     | 338     | 443    | -           | -           |
| Ohio.....             | 658     | 1,004  | -           | -           |
| Oregon.....           | 1,625   | -      | -           | -           |
| South Carolina.....   | 1,138   | -      | -           | -           |
| South Dakota.....     | 785     | -      | -           | -           |
| Tennessee.....        | -       | 1,359  | -           | -           |
| Texas.....            | 331     | -      | -           | -           |
| Utah.....             | 993     | -      | -           | -           |
| Vermont.....          | 1,636   | -      | -           | -           |
| Virginia.....         | 755     | -      | -           | -           |
| Wisconsin.....        | 2,728   | -      | -           | -           |
| Wyoming.....          | 3,743   | 447    | -           | -           |
| Undistributed.....    | -       | -      | \$28,432 a/ | \$28,432 a/ |
| Obligations.....      | 59,481  | 29,135 | 28,432      | 28,432      |
| Lapsing Balances..... | 15      | 60     | -           | -           |
| Total, Available..... | 59,496  | 29,195 | 28,432      | 28,432      |

Section 538 Multi-Family Housing Guaranteed Loans - Annual  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory       | 2012    | 2013     | 2014         | 2015         |
|-----------------------|---------|----------|--------------|--------------|
|                       | Actual  | Actual   | Estimate     | Estimate     |
|                       | Amount  | Amount   | Amount       | Amount       |
| Arizona.....          | \$333   | -        | -            | -            |
| California.....       | 43,587  | \$21,240 | -            | -            |
| Florida.....          | 5,990   | -        | -            | -            |
| Idaho.....            | 750     | 2,250    | -            | -            |
| Illinois.....         | 15,747  | -        | -            | -            |
| Indiana.....          | 1,576   | 224      | -            | -            |
| Iowa.....             | 5,250   | -        | -            | -            |
| Kentucky.....         | -       | 2,814    | -            | -            |
| Louisiana.....        | 400     | -        | -            | -            |
| Maryland.....         | -       | 1,420    | -            | -            |
| Michigan.....         | 345     | 3,150    | -            | -            |
| Nebraska.....         | -       | 807      | -            | -            |
| North Carolina.....   | 10,031  | 3,655    | -            | -            |
| North Dakota.....     | 1,473   | 1,607    | -            | -            |
| Ohio.....             | 1,050   | 1,000    | -            | -            |
| Pennsylvania.....     | 1,000   | -        | -            | -            |
| South Carolina.....   | -       | 460      | -            | -            |
| Tennessee.....        | 3,470   | 1,763    | -            | -            |
| Texas.....            | 3,085   | 10,079   | -            | -            |
| Washington.....       | 8,959   | -        | -            | -            |
| West Virginia.....    | 1,210   | 1,759    | -            | -            |
| Undistributed.....    | -       | -        | \$150,000 a/ | \$150,000 a/ |
| Obligations.....      | 104,255 | 52,227   | 150,000      | 150,000      |
| Lapsing Balances..... | 25,745  | 97,773   | -            | -            |
| Total, Available..... | 130,000 | 150,000  | 150,000      | 150,000      |

a/ Totals cannot be distributed at this time.

RURAL HOUSING SERVICE  
Section 504 Direct Housing Repair Loans  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory       | 2012   | 2013   | 2014 Estimate | 2015        |
|-----------------------|--------|--------|---------------|-------------|
|                       | Actual | Actual |               | Estimate    |
|                       | Amount | Amount | Amount        | Amount      |
| Alabama.....          | \$290  | \$491  | -             | -           |
| Alaska.....           | 19     | 13     | -             | -           |
| Arizona.....          | 136    | 33     | -             | -           |
| Arkansas.....         | 170    | 257    | -             | -           |
| California.....       | 30     | 129    | -             | -           |
| Colorado.....         | 10     | 3      | -             | -           |
| Connecticut.....      | 6      | 59     | -             | -           |
| Delaware.....         | 7      | 10     | -             | -           |
| Florida.....          | 459    | 336    | -             | -           |
| Georgia.....          | 445    | 320    | -             | -           |
| Hawaii.....           | 163    | 119    | -             | -           |
| Idaho.....            | 51     | 63     | -             | -           |
| Illinois.....         | 604    | 893    | -             | -           |
| Indiana.....          | 209    | 302    | -             | -           |
| Iowa.....             | 162    | 331    | -             | -           |
| Kansas.....           | 64     | 172    | -             | -           |
| Kentucky.....         | 616    | 1,443  | -             | -           |
| Louisiana.....        | 318    | 484    | -             | -           |
| Maine.....            | 218    | 351    | -             | -           |
| Maryland.....         | 13     | 63     | -             | -           |
| Massachusetts.....    | 22     | 31     | -             | -           |
| Michigan.....         | 349    | 607    | -             | -           |
| Minnesota.....        | 146    | 401    | -             | -           |
| Mississippi.....      | 562    | 714    | -             | -           |
| Missouri.....         | 310    | 484    | -             | -           |
| Montana.....          | 7      | 56     | -             | -           |
| Nebraska.....         | 40     | 42     | -             | -           |
| Nevada.....           | 51     | 72     | -             | -           |
| New Hampshire.....    | 52     | 215    | -             | -           |
| New Jersey.....       | 23     | 49     | -             | -           |
| New Mexico.....       | 65     | 185    | -             | -           |
| New York.....         | 224    | 202    | -             | -           |
| North Carolina.....   | 768    | 991    | -             | -           |
| North Dakota.....     | 63     | 40     | -             | -           |
| Ohio.....             | 217    | 272    | -             | -           |
| Oklahoma.....         | 165    | 187    | -             | -           |
| Oregon.....           | 81     | 85     | -             | -           |
| Pennsylvania.....     | 250    | 314    | -             | -           |
| Rhode Island.....     | 25     | 4      | -             | -           |
| South Carolina.....   | 313    | 382    | -             | -           |
| South Dakota.....     | 53     | 71     | -             | -           |
| Tennessee.....        | 391    | 458    | -             | -           |
| Texas.....            | 751    | 866    | -             | -           |
| Utah.....             | 34     | 58     | -             | -           |
| Vermont.....          | 80     | 134    | -             | -           |
| Virginia.....         | 206    | 201    | -             | -           |
| Washington.....       | 135    | 144    | -             | -           |
| West Virginia.....    | 266    | 371    | -             | -           |
| Wisconsin.....        | 126    | 293    | -             | -           |
| Wyoming.....          | 28     | 17     | -             | -           |
| Guam.....             | -      | 389    | -             | -           |
| Puerto Rico.....      | 80     | 129    | -             | -           |
| Virgin Islands.....   | 7      | -      | -             | -           |
| Other Countries.....  | 118    | -      | -             | -           |
| Undistributed.....    | -      | -      | \$26,280 a/   | \$26,279 a/ |
| Obligations.....      | 9,998  | 14,335 | 26,280        | 26,279      |
| Lapsing Balances..... | 2      | 6      | -             | -           |
| Total, Available..... | 10,000 | 14,341 | 26,280        | 26,279      |

Section 504 Direct Housing Repair Loans Natural Disaster  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory    | 2012   | 2013   | 2014 Estimate | 2015     |
|--------------------|--------|--------|---------------|----------|
|                    | Actual | Actual |               | Estimate |
|                    | Amount | Amount | Amount        | Amount   |
| Undistributed..... | -      | -      | \$16 a/       | -        |
| Obligations.....   | -      | -      | 16            | -        |

a/ Total cannot be distributed at this time.

RURAL HOUSING SERVICE  
Section 524 Direct Site Development Loans  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory       | 2012          | 2013          | 2014              | 2015              |
|-----------------------|---------------|---------------|-------------------|-------------------|
|                       | <u>Actual</u> | <u>Actual</u> | <u>Estimate</u>   | <u>Estimate</u>   |
|                       | Amount        | Amount        | Amount            | Amount            |
| Undistributed.....    | -             | -             | \$5,000 <u>a/</u> | \$5,000 <u>a/</u> |
| Obligations.....      | -             | -             | 5,000             | 5,000             |
| Lapsing Balances..... | -             | -             | -                 | -                 |
| Total, Available..... | -             | -             | 5,000             | 5,000             |

Section 523 Self-Help Housing Land Development Loans  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory       | 2012          | 2013          | 2014              | 2015            |
|-----------------------|---------------|---------------|-------------------|-----------------|
|                       | <u>Actual</u> | <u>Actual</u> | <u>Estimate</u>   | <u>Estimate</u> |
|                       | Amount        | Amount        | Amount            | Amount          |
| Undistributed.....    | -             | -             | \$5,000 <u>a/</u> | -               |
| Obligations.....      | -             | -             | 5,000             | -               |
| Lapsing Balances..... | \$5,000       | \$5,000       | -                 | -               |
| Total, Available..... | 5,000         | 5,000         | 5,000             | -               |

Single Family Housing Credit Sales  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory       | 2012          | 2013          | 2014               | 2015               |
|-----------------------|---------------|---------------|--------------------|--------------------|
|                       | <u>Actual</u> | <u>Actual</u> | <u>Estimate</u>    | <u>Estimate</u>    |
|                       | Amount        | Amount        | Amount             | Amount             |
| Arkansas.....         | \$53          | -             | -                  | -                  |
| California.....       | 163           | -             | -                  | -                  |
| Florida.....          | 24            | \$64          | -                  | -                  |
| Georgia.....          | 26            | -             | -                  | -                  |
| Idaho.....            | 199           | 126           | -                  | -                  |
| Oregon.....           | 201           | 358           | -                  | -                  |
| Utah.....             | 63            | -             | -                  | -                  |
| Washington.....       | 178           | 105           | -                  | -                  |
| Wisconsin.....        | 70            | -             | -                  | -                  |
| Undistributed.....    | -             | -             | \$10,000 <u>a/</u> | \$10,000 <u>a/</u> |
| Obligations.....      | 975           | 653           | 10,000             | 10,000             |
| Lapsing Balances..... | 9,025         | 9,347         | -                  | -                  |
| Total, Available..... | 10,000        | 10,000        | 10,000             | 10,000             |

a/ Totals cannot be distributed at this time.

RURAL HOUSING SERVICE  
Section 514 Farm Labor Housing Loans  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory    | 2012          | 2013          | 2014                   | 2015                   |
|--------------------|---------------|---------------|------------------------|------------------------|
|                    | <u>Actual</u> | <u>Actual</u> | <u>Estimate</u>        | <u>Estimate</u>        |
|                    | Amount        | Amount        | Amount                 | Amount                 |
| Arkansas.....      | \$436         | \$533         | -                      | -                      |
| California.....    | -             | 8,500         | -                      | -                      |
| Colorado.....      | -             | 2,000         | -                      | -                      |
| Illinois.....      | -             | 1,456         | -                      | -                      |
| Iowa.....          | 116           | -             | -                      | -                      |
| Kansas.....        | -             | 500           | -                      | -                      |
| Massachusetts..... | 265           | -             | -                      | -                      |
| Michigan.....      | 146           | 134           | -                      | -                      |
| New Jersey.....    | -             | 325           | -                      | -                      |
| Oregon.....        | -             | 3,000         | -                      | -                      |
| Texas.....         | 500           | -             | -                      | -                      |
| Vermont.....       | -             | 125           | -                      | -                      |
| Washington.....    | 1,500         | 2,308         | -                      | -                      |
| Undistributed..... | -             | -             | \$55,472 <sup>a/</sup> | \$42,892 <sup>a/</sup> |
| Obligations.....   | 2,962         | 18,881        | 55,472                 | 42,892                 |

Section 516 Farm Labor Housing Grants  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory     | 2012          | 2013          | 2014                   | 2015                   |
|---------------------|---------------|---------------|------------------------|------------------------|
|                     | <u>Actual</u> | <u>Actual</u> | <u>Estimate</u>        | <u>Estimate</u>        |
|                     | Amount        | Amount        | Amount                 | Amount                 |
| Arizona.....        | -             | \$128         | -                      | -                      |
| California.....     | \$600         | 2,346         | -                      | -                      |
| Colorado.....       | -             | 1,250         | -                      | -                      |
| Kansas.....         | -             | 965           | -                      | -                      |
| Massachusetts.....  | 405           | -             | -                      | -                      |
| Michigan.....       | -             | 1,209         | -                      | -                      |
| New Mexico.....     | -             | 210           | -                      | -                      |
| North Carolina..... | -             | 250           | -                      | -                      |
| Oregon.....         | 634           | 3,004         | -                      | -                      |
| Texas.....          | 409           | -             | -                      | -                      |
| Washington.....     | 500           | 193           | -                      | -                      |
| Undistributed.....  | -             | -             | \$14,664 <sup>a/</sup> | \$16,931 <sup>a/</sup> |
| Obligations.....    | 2,548         | 9,555         | 14,664                 | 16,931                 |

<sup>a/</sup> Totals cannot be distributed at this time.

RURAL HOUSING SERVICE

RURAL HOUSING INSURANCE FUND PROGRAM ACCOUNT

Classification by Objects

(Dollars in thousands)

|   | <u>2012</u>           | <u>2013</u>           | <u>2014</u>           | <u>2015</u>           |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | Actual                | Actual                | Estimate              | Estimate              |
| 25.0 Other purchases of goods and<br>services from government accounts..... | \$430,800             | \$383,293             | \$415,100             | \$397,296             |
| 41.0 Grants, subsidies, and contributions.....                              | <u>67,845</u>         | <u>77,438</u>         | <u>61,269</u>         | <u>70,809</u>         |
| 99.9 Total, new obligations.....  | <u><u>498,645</u></u> | <u><u>460,731</u></u> | <u><u>476,369</u></u> | <u><u>468,105</u></u> |

## RURAL HOUSING SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

### Rental Assistance Program

1 For rental assistance agreements entered into or renewed pursuant to the authority under section 521(a)(2) or  
2 agreements entered into in lieu of debt forgiveness or payments for eligible households as authorized by  
3 section 502(c)(5)(D) of the Housing Act of 1949, [~~\$1,100,000,000~~]\$1,088,500,000; and, in addition, such  
4 sums as may be necessary, as authorized by section 521(c) of the Act, to liquidate debt incurred prior to fiscal  
5 year 1992 to carry out the rental assistance program under section 521(a)(2) of the Act: *Provided*, That rental  
6 assistance agreements entered into or renewed during the current fiscal year shall be funded [for a 1-year  
7 period] up to one year: *Provided further*, That rental assistance contracts will not be renewed within the 12-  
8 month contract period: *Provided further*, That rental assistance will be renewed at the discretion of the  
9 Secretary: *Provided further*, That tenants in projects financed under section 514 and 515 shall contribute a  
10 minimum of \$50 per month towards the rent, as determined by the Secretary, unless the Secretary determines  
11 a lower amount because the tenant qualifies for a hardship exemption, which shall, to the extent possible and  
12 practical, be consistent with similar hardship exemption requirements and conditions established by the  
13 Secretary of Housing and Urban Development for similar programs: *Provided further*, That any unexpended  
14 balances remaining at the end of such 1-year agreements may be transferred and used for the purposes of any  
15 debt reduction; maintenance, repair, or rehabilitation of any existing projects; preservation; and rental  
16 assistance activities authorized under title V of the Act: *Provided further*, That rental assistance provided  
17 under agreements entered into prior to fiscal year [2014]2015 for a farm labor multi-family housing project  
18 financed under section 514 or 516 of the Act may not be recaptured for use in another project until such  
19 assistance has remained unused for a period of 12 consecutive months, if such project has a waiting list of  
20 tenants seeking such assistance or the project has rental assistance eligible tenants who are not receiving such  
21 assistance: *Provided further*, That such recaptured rental assistance shall, to the extent practicable, be applied  
22 to another farm labor multi-family housing project financed under section 514 or 516 of the Act.

The first change removes a required timeframe for which the contracts must be renewed. (Funding is based on an assumed contract for 12 months.)

The second change removes the automatic renewal of rental assistance contracts that occur within the 12-month contract period.

The third change authorizes the Secretary to prioritize funding to the most need projects.

The fourth change requires a minimum rent for tenants in projects financed under section 514 and 516 or allow the Secretary to determine a lower amount with hardship exemptions similar to those used by the Secretary of Housing and Urban Development.

The fifth change modifies the fiscal year from 2014 to 2015 concerning the recapture limitations on rental assistance agreements made for the farm labor multi-family housing projects financed under section 514 or 516 of the Housing Act of 1949, as amended.

RURAL HOUSING SERVICE  
 RENTAL ASSISTANCE PROGRAM  
Lead-Off Tabular Statement

|                              |                           |
|------------------------------|---------------------------|
| Budget Estimate, 2015.....   | \$1,088,500,000           |
| 2014 Enacted.....            | <u>1,110,000,000</u>      |
| Change in Appropriation..... | <u><u>-21,500,000</u></u> |

Summary of Increases and Decreases  
 (Dollars in thousands)

| Program  | 2012<br>Actual | 2013<br>Change | 2014<br>Change  | 2015<br>Change | 2015<br>Estimate |
|--|----------------|----------------|-----------------|----------------|------------------|
| Discretionary Appropriations:                            |                |                |                 |                |                  |
| Rental assistance (sec. 521).....                        | \$900,653      | -\$66,368      | +\$275,715      | -\$21,500      | \$1,088,500      |
| Rental assistance - new construction (sec. 515).....     | 1,500          | -1,500         | -               | -              | -                |
| Rental assistance - new construction (sec. 514/516)..... | 2,500          | +268           | -2,768          | -              | -                |
| Total.....   | <u>904,653</u> | <u>-67,599</u> | <u>+272,946</u> | <u>-21,500</u> | <u>1,088,500</u> |

RURAL HOUSING SERVICE

RENTAL ASSISTANCE PROGRAM

Project Statement

Adjusted Appropriations Detail and Staff Years (SYs)

(Dollars in thousands)

| Program  | 2012 Actual |     | 2013 Actual |     | 2014 Estimate |     | Inc. or Dec. |     | 2015 Estimate |             |   |
|--|-------------|-----|-------------|-----|---------------|-----|--------------|-----|---------------|-------------|---|
|  | Amount      | SYs | Amount      | SYs | Amount        | SYs | Amount       | SYs | Amount        | SYs         |   |
| Discretionary Appropriations:                            |             |     |             |     |               |     |              |     |               |             |   |
| Rental assistance (sec.521).....                         | \$900,653   | -   | \$834,285   | -   | \$1,110,000   | -   | -\$21,500    | (1) | -             | \$1,088,500 | - |
| Rental assistance - new construction (sec. 515).....     | 1,500       | -   | -           | -   | -             | -   | -            | -   | -             | -           | - |
| Rental assistance - new construction (sec. 514/516)..... | 2,500       | -   | 2,768       | -   | -             | -   | -            | -   | -             | -           | - |
| Subtotal.....  | 904,653     | 156 | 837,054     | 137 | 1,110,000     | 140 | -21,500      | 4   | 1,088,500     | 144         |   |
| Total Adjusted Approp.....                               | 904,653     | 156 | 837,054     | 137 | 1,110,000     | 140 | -21,500      | 4   | 1,088,500     | 144         |   |
| Rescissions, Transfers, and Seq. (Net)..... <u>a/b/</u>  | -           | -   | 70,074      | -   | -             | -   | -            | -   | -             | -           | - |
| Total Appropriation.....                                 | 904,653     | 156 | 907,128     | 137 | 1,110,000     | 140 | -21,500      | 4   | 1,088,500     | 144         |   |
| Rescission..... <u>a/</u>                                | -           | -   | -24,565     | -   | -             | -   | -            | -   | -             | -           | - |
| Sequestration..... <u>b/</u>                             | -           | -   | -45,509     | -   | -             | -   | -            | -   | -             | -           | - |
| Total Available.....                                     | 904,653     | 156 | 837,054     | 137 | 1,110,000     | 140 | -21,500      | 4   | 1,088,500     | 144         |   |
| Total Obligations.....                                   | 904,653     | 156 | 837,054     | 137 | 1,110,000     | 140 | -21,500      | 4   | 1,088,500     | 144         |   |

a/ The amounts are pursuant to the Consolidated and Further Continuing Appropriations Act, 2013, Public Law 113-6, signed March 26, 2013, including 2.513 percent rescission in accordance with section 3001(b)(1)(A) and .2 percent rescission in accordance with section 3004(c)(1).

b/ The amounts are pursuant to the sequestration order signed by the President on March 1, 2013, in accordance with section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

### Justification of Increases and Decreases

- (1) A decrease of \$21,500,000 for section 521 rental assistance program grants (\$1,110,000,000 available in 2014).

Base funding for the rental assistance (RA) program provides assistance to eligible tenants in section 515 and section 514/516 assisted housing so that they pay no more than 30 percent of their incomes for rent. The average RA contract provides approximately \$4,474 per unit per year in assistance, although the actual amount varies depending on many factors including each tenant's income.

RA is vital to beneficiaries by providing tenants with the financial support to remain in their home, providing a stable home life to support the tenant and their family. This stability is critical to elderly and disabled tenants without the means to otherwise live on their own. Rural Development (RD) is working to collaborate with other agencies to search for ways to increase opportunities for tenants to improve their skill sets to obtain more rewarding employment, while maintaining a secure home life.

The Rural Housing Service (RHS) will continue to improve program efficiencies by working with other Federal housing agencies to eliminate duplication that increases project operating costs, thus reducing the need for rental assistance. These steps include: 1) developing inter-agency MOUs to eliminate duplication of property physical inspections; 2) creating uniform property financial reporting requirements with the Department of Housing and Urban Development (HUD) to reduce property audit expenses; and 3) establishing standard tenant income definitions used to determine tenant assistance, and establishing consistent utility allowance standards. RD also is working on the Do-Not-Pay initiative and a recovery audit. These efforts will reduce the potential for erroneous payments of rental assistance for ineligible tenants. RD expects to benefit from the results of these efforts through recommendations that will further ensure only eligible tenants receive the benefit, thereby increasing the efficiency of the rental assistance program, and reducing costs. Finally, the agency has revised its policies to more effectively use its existing rental assistance.

The request of \$1.089 billion is sufficient to fund anticipated renewals of long-term rental assistance contracts that are expected to need funding in 2015. Funding levels in 2014 were higher than normal due to the transition of funding of some rental assistance agreements from 2013 into 2014 as a result of budget sequestration and rescission. This transition resulted in a one-time impact to 2014 funding needs.

Base funding reflects savings from implementation of a minimum rent of \$50 per month and the elimination of re-renewals of RA agreements that exhaust funding within 12 months of the agreement being funded. These two proposals will increase responsibility within the program by requiring projects to operate within their budgets, allowing RA to be distributed more fairly to all program participants, and provide more stability to the funding needs of the RA program."

RD is committed to maintaining a sustainable rental assistance program. This budget includes general provisions and legislative proposals for access to the Department of Health and Human Services and the Internal Revenue Service new hires databases to help achieve this objective. The budget will provide funding for 243,295 units of assistance to very-low and low-income tenants enabling them to afford safe and decent housing.

#### Explanation of Programmatic Changes: Rental Assistance Payments

RA is a rent subsidy program for the benefit of tenants in RD-financed multi-family housing properties. RA pays the difference between the rent and the tenant's contribution to rent. About 85 percent of all Multifamily Housing (MFH) properties have RA and approximately 286,000 tenants receive the benefit.

The RA budget consists of funds to replenish money for contracts expected to exhaust funds in the upcoming year. Funds are estimated to last one year but may last a shorter or longer period, depending on changes in rent or tenant incomes.

In 2013, RD was unable to fund RA contract renewals in September after program funding was exhausted. To mitigate the problem, “relief plans” were developed to allow borrowers whose contracts would not be renewed on time to retain funds in their operating account by deferring the RD mortgage payment or suspending required payments to their reserve account. Several other tools were also used – all in an effort to help borrowers get over a one-month loss of RA income. In the relief plan, RD agreed to fund these September and October contracts first with 2014 funds.

Due to the impact of the sequestration, the agency has undertaken a strategic review of the overall RA program to a long-term strategy that will ensure the sustainability of this program. The annual amount of renewal needs has exceeded \$1 billion. The program continues to increase due to regular rent increases, routine renewals, and older contracts coming up for renewal. In order to develop a sustainable program within reasonable budgetary projections, the agency intends to implement a wide-range of measures designed to manage program costs.

The 2015 budget proposes various changes through appropriations language, which will provide increased management flexibility and embarks on a larger effort to reengineer the program. The agency is also seeking authority to better manage the program in times of reduced budgetary funding or funding uncertainty. Having flexibility in renewal amounts and timing will extend the available funding to as many properties as possible.

Legislative changes will ensure that the Rental Assistance program continues to provide a safety net that assists the neediest rural residents and ensures the program’s long-term sustainability. The budget includes five legislative changes through the budget process. Four of these changes will also be requested in tandem with legislative proposals that will make those same authorities including in permanent law. The proposals are as follows:

#### Selective Renewals Authority

RD is seeking authority to selectively renew RA agreements which will be a helpful management tool during periods of funding uncertainty such as short-term continuing resolutions (CRs). In addition, this authority will help establish clear priority order of funding in situations similar to the recent sequestration, when funding was substantially reduced. Current appropriation language required the agency to provide full funding to agreements on a first-come-first-served basis, until all RA funds were exhausted. The agency had no ability to prioritize or determine renewals for properties where the need may surpass that of other properties. This authority will provide RD a mechanism to manage funding shortages. Priority funding will be based on one or more of the following selection criteria:

- Only RA units used within the prior 12 months will be renewed;
- Properties where more than 50 percent of the units are covered by RA;
- Properties located in rural areas;
- All Farm Labor Housing properties.

RD believes tenants in rural communities will continue to receive the benefit of RA without interruption. The ability to target renewals creates funding certainty for critical projects in rural communities. In times of funding shortages, this action provides flexibility that will allow the agency to prioritize funding for the properties best serving RD’s mission in rural America.

#### Partial Year Funding

The 2015 appropriations language does not set a required timeframe for which the contracts must be renewed. Current appropriation language requires Rural Development (RD) to obligate the entire 12-month estimated amount of RA funding at the time the agreement is renewed. While the 2015 budget request still assumes all renewals on a 12-month basis, the removal of the timeframe as a requirement will ensure flexibility when determining the amount of renewal funding, in times such as when the Federal government is operating on a short term CR, sequesters, and other budget uncertainties. With this authority, the agency can ultimately continue to meet its mission of providing affordable housing to residents in times of funding shortages.

### Authority to Require a Minimum Rent

The agency evaluated the tenant base of 420,000 in the Direct Loan properties and approximately 42,000 households pay less than \$50 per month toward rent. Requiring these households to pay up to \$50 a month would reduce the amount of RA subsidy need to fill the rent payment gap between the amount of the rent and the tenant contribution. MFH estimates a potential reduction of about \$19-\$20 million in the cost of RA if a \$50 minimum rent is introduced. This authority is similar to authorities for similar rental assistance programs in HUD.

HUD instituted a minimum rent requirement in 2000. The amount of HUD's minimum rent varies by HUD program type, but is in the \$25-\$50 range. RD is seeking authority to implement a minimum rent amount of \$50 a month for all its Multi-family Housing program, in order to provide flexibility for any future increases. HUD's minimum rent guidelines provide for hardship exemptions for applicants and tenants who cannot pay the minimum, and eviction of tenants is prohibited if they cannot pay the minimum rent. The agency intends to adopt similar exceptions. The agency believes this change will encourage financial responsibility in tenants, increasing their opportunity for success on the path to homeownership.

MFH estimates that the first year a minimum rent is introduced, RHS will save \$5 million. Over time, once the policy has normalized and worked its way through all the renewals on an annual basis, it is expected that it would save \$20 million per year.

### Eliminate Automatic Renewals -- RA Agreements

The Housing Act (at 521(d)(1)(a)) and the Regulation language at 7 CFR 3560.255(a) both direct the agency to automatically replenish RA agreements to the extent that sufficient funds are available. While providing this flexibility made sense when the contracts were for long periods of time (20 years and then 5 years), now that RHS has gone to one-year contracts, property owners should be able to make an accurate projection of their RA needs. However, the agency has experienced a second obligation in the same 12-month period in 3 – 5 percent of the renewals in a fiscal year.

Having to fund these second renewals means some properties receive a disproportionate share of RA funds, to the detriment of other properties. Renewals are staggered throughout the year based on how long funding lasts, so it is not possible to assure owners whose properties may not be due for renewal funding until later in the fiscal year that funding will be available when a renewal is needed. Further, the actions of automatic and re-renewals reward properties that do not take steps to rein in expenses and reduce their RA need. The Agency seeks to eliminate the automatic renewal; properties will receive an allocation for up to a one year period and will be renewed on the funding anniversary date. Having this authority will allow the agency to more efficiently utilize the RA resource; these actions will also eliminate the uncertainty of future program costs and provide budget predictability for the RA Program.

MFH estimates that the first year the re-renewals policy is stopped, RHS will save \$15M. Overtime, once the policy has normalized and property owners have adjusted their budget plans to incorporate this change, it is expected that the proposal will save \$32 million per year.

Borrowers will be encouraged to manage within their RA budget by creating greater efficiency in project operations, reducing operating costs. In addition, the RA program will be fairer to all recipients because it will prevent inefficient RA users from enjoying greater RA benefits than efficient users.

### Improved Income Verification and Fraud Prevention

Included in the general provisions of the 2015 budget is a section that authorizes the Secretary of Agriculture to obtain the same authorities granted to the Secretary of HUD for income verification information from the IRS and HHS to be used for income verification in USDA's means-tested multi-family and single-family housing programs.

USDA's Office of Inspector General (OIG) has identified cases of fraud, waste and abuse in the multi-family housing program. Some applicants or grantees that had not provided accurate household income information were not eligible for all or part of the financial assistance they received. OIG found that the primary cause for payment errors are tenants not accurately reporting their incomes, and household circumstances on their tenant certifications and apartment managers not having an independent source, such as wage matching, to verify tenants' income. In response, USDA's OIG recommended that RD seek the same authorities that HUD has to access Federal income and benefits database and implement wage matching of tenants applying for rental subsidies.

Gaining these authorities will also be a successful strategy for complying with the Improper Payments Elimination and Recovery Act, which was signed by President Barack Obama on July 24, 2010, by using and sharing relevant, reliable, and timely information to reduce the number of improper payments made, including both payments that should not have been made or were made for incorrect amounts.

It is expected that as part of a broader reinvention and reengineering multi-family housing legislative package that this proposal will be pursued as a permanent authorization change as well.

## Summary of Legislation

- Program:** Rental Assistance Program – Selective Renewal of Rental Assistance Agreements
- Proposal:** The agency is seeking authority to selectively renew RA agreements during Continuing Resolutions and uncertain budget situations. The agency will clearly establish priority order of funding in situations similar to the recent sequestration, when funding was substantially reduced. Current appropriation language required the agency to provide full funding (one year's estimate of need) to agreements on a first-come-first-served basis, until all Rental Assistance funds were exhausted. The agency had no ability to prioritize or determine renewals for properties where the need may surpass that of other properties.
- Rationale:** This authority will provide RD with some fiscal relief in the short term should the agency be again faced with a funding shortage. Priority funding will be based on one or more of the following selection criteria:
- Only RA units used within the prior 12 months will be renewed;
  - Properties where more than 50 percent of the units are covered by RA;
  - Properties located in rural areas; and
  - All Farm Labor Housing properties.
- There is no existing statutory or regulatory language that addresses this issue.
- Goal:** To most effectively utilize RA resources during times of budget uncertainty.
- Budget Impact:** None

### Summary of Proposed Legislation

**Program:** Rental Assistance Program – Minimum Rent Requirement

**Proposal:** This proposal will allow multi-family to charge a minimum rent of \$50 for all of its multi-family housing programs.

**Rationale:** A minimum rent requirement is beneficial for several reasons -- it will reduce the burden on the rental assistance program, provide exemptions for hardship cases, and foster tenant responsibility for program residents. The agency believes this change will encourage financial responsibility in tenants, increasing their opportunity for success on the path to homeownership, a major goal of RD's programs.

Staff evaluated its tenant base of approximately 430,000 in its direct loan properties. Approximately 42,000 households pay less than \$50 per month toward rent. MFH estimates that the first year a minimum rent is implemented, RHS will save \$5 million. Over time, once the policy has normalized and worked its way through all the renewals on an annual basis, it is expected that it would save \$20 million per year.

This authority is similar to minimum rent authorities rental assistance programs offered by HUD. HUD instituted a minimum rent requirement in 2000 following the suggestions of the Government Accounting Office in report numbers: GAO-13-439T and GAO-12-300. HUD's minimum rent varies by program type, but is in the \$25-\$50 range. HUD's minimum rent guidelines provide for hardship exemptions for applicants and tenants unable to pay the minimum, and eviction of tenants is prohibited if they cannot pay the minimum rent. RD intends to adopt similar exceptions.

The agency believes this change will encourage financial responsibility in tenants, increasing their opportunity for success on the path to homeownership.

**Goal:** Establish housing programs consistently across the government that will stand the test of time, as well as meet the needs of our customers where they are and help them move towards future homeownership and financial prosperity.

|                  | 2014 | 2015 | 2016  | 2017  | 2018  |
|------------------|------|------|-------|-------|-------|
| Budget Authority | N/A  | \$5M | \$20M | \$20M | \$20M |
| Outlays          | N/A  | \$5M | \$20M | \$20M | \$20M |

### Summary of Legislation

**Program:** Rental Assistance Program – Elimination of Automatic Agreement Renewals

**Proposal:** Both the Housing Act (at 521(d)(1)(a)) and the Regulation language in 7 CFR 3560.255(a) direct the RD to automatically replenish RA Agreements to the extent that sufficient funds are available. While providing this flexibility made sense when the contracts were for long period of time (20 years and then 5 years), now that RHS has gone to one-year contracts, property owners should be able to make an accurate projection of their RA needs. However, the Agency has experienced a second obligation in the same 12-month period in 3 – 5 percent of the renewals in a fiscal year. Having to fund these second renewals means some properties receive a disproportionate share of RA funds, to the detriment of other properties. Renewals are staggered throughout the year based on how long funding lasts, so it is not possible to assure owners whose properties may not be due for renewal funding until later in the fiscal year that funding will be available when a renewal is needed. Further, automatic and re-renewals reward properties that do not take steps to rein in expenses and reduce their RA need. With this proposal, the agency seeks to eliminate the automatic renewal process. Properties will then receive an allocation for up to a one-year period and will be renewed on the funding anniversary date.

**Rationale:** This authority will allow the agency to more efficiently utilize the RA resources and will eliminate the uncertainty of future program costs and provide budget predictability for the RA Program.

**Goal:** To most effectively utilize RA resources to meet the needs all Multi-Family Housing properties.

|                  | 2014 | 2015  | 2016 | 2017 | 2018 |
|------------------|------|-------|------|------|------|
| Budget Authority | N/A  | \$15M | \$0  | \$0  | \$0  |
| Outlays          | N/A  | \$15M | \$0  | \$0  | \$0  |

## Summary of Proposed Legislation

**Program:** Means Tested RHS Programs: Sections 502 Single Family Housing, 502 Housing Repair, and 521 Rental Assistance

**Proposal:** In response to the Inspector General's findings of fraud, waste and abuse within the multi-family housing program, Rural Development is requesting the authority to access both the IRS and HHS income verification databases for use by the multi-family and single family housing programs. Because the primary cause for errors is related to information received from applicants which cannot be verified by an independent source, the agency needs access to such on-time data sources to effectively manage its programs.

**Rationale:** Gaining these authorities will be a successful strategy for complying with the Improper Payments Elimination and Recovery Act. By sharing readily available government data, RD will save the Department both time and money and reduce improper payment rates for its programs.

**Goal:** Ensure the agency provides assistance to eligible program participants within their qualification boundaries. Over time this proposal is expected to save \$20 million a year, once only fully implemented.

### Legislative Proposal:

#### General Provision Language:

*Section 725. The Secretary of Agriculture and the Secretary's designees are hereby granted the same access to information and subject to the same requirements applicable to the Secretary of Housing and Urban Development as provided in section 453 (j) of the Social Security Act (42 U.S.C. 653 (j)) and section 6103 (l)(7)(D)(ix) of the Internal Revenue Code of 1986 (26 U.S.C. 6103 (l)(7)(D)(ix)) to verify the income for individuals, participating in sections 502, 504, or 521 of the Housing Act of 1949 (42 U.S.C. 1472, 1474, and 1490a).*

RURAL HOUSING SERVICE  
Rural Rental Assistance Grants  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory     | 2012     | 2013     | 2014                      | 2015                      |
|---------------------|----------|----------|---------------------------|---------------------------|
|                     | Actual   | Actual   | Estimate                  | Estimate                  |
|                     | Amount   | Amount   | Amount                    | Amount                    |
| Alabama.....        | \$24,977 | \$22,088 | -                         | -                         |
| Alaska.....         | 5,617    | 3,954    | -                         | -                         |
| Arizona.....        | 13,810   | 11,002   | -                         | -                         |
| Arkansas.....       | 17,297   | 16,721   | -                         | -                         |
| California.....     | 64,766   | 64,493   | -                         | -                         |
| Colorado.....       | 8,798    | 10,526   | -                         | -                         |
| Connecticut.....    | 5,689    | 5,311    | -                         | -                         |
| Delaware.....       | 5,730    | 4,971    | -                         | -                         |
| Florida.....        | 47,615   | 42,187   | -                         | -                         |
| Georgia.....        | 23,895   | 20,596   | -                         | -                         |
| Hawaii.....         | 7,011    | 5,418    | -                         | -                         |
| Idaho.....          | 12,188   | 10,465   | -                         | -                         |
| Illinois.....       | 19,810   | 19,360   | -                         | -                         |
| Indiana.....        | 16,471   | 15,618   | -                         | -                         |
| Iowa.....           | 17,375   | 16,937   | -                         | -                         |
| Kansas.....         | 9,390    | 7,689    | -                         | -                         |
| Kentucky.....       | 16,914   | 14,629   | -                         | -                         |
| Louisiana.....      | 26,732   | 28,852   | -                         | -                         |
| Maine.....          | 27,099   | 22,837   | -                         | -                         |
| Maryland.....       | 13,378   | 13,096   | -                         | -                         |
| Massachusetts.....  | 8,857    | 7,916    | -                         | -                         |
| Michigan.....       | 28,358   | 22,132   | -                         | -                         |
| Minnesota.....      | 16,577   | 15,735   | -                         | -                         |
| Mississippi.....    | 38,237   | 33,157   | -                         | -                         |
| Missouri.....       | 16,660   | 15,430   | -                         | -                         |
| Montana.....        | 5,492    | 5,345    | -                         | -                         |
| Nebraska.....       | 5,775    | 5,826    | -                         | -                         |
| Nevada.....         | 7,012    | 6,434    | -                         | -                         |
| New Hampshire.....  | 9,801    | 8,125    | -                         | -                         |
| New Jersey.....     | 8,467    | 7,225    | -                         | -                         |
| New Mexico.....     | 12,081   | 12,027   | -                         | -                         |
| New York.....       | 18,245   | 18,571   | -                         | -                         |
| North Carolina..... | 56,953   | 53,419   | -                         | -                         |
| North Dakota.....   | 3,520    | 3,524    | -                         | -                         |
| Ohio.....           | 19,426   | 17,193   | -                         | -                         |
| Oklahoma.....       | 14,829   | 14,895   | -                         | -                         |
| Oregon.....         | 14,436   | 14,745   | -                         | -                         |
| Pennsylvania.....   | 21,330   | 20,555   | -                         | -                         |
| Rhode Island.....   | 2,086    | 1,538    | -                         | -                         |
| South Carolina..... | 23,201   | 22,273   | -                         | -                         |
| South Dakota.....   | 9,833    | 13,221   | -                         | -                         |
| Tennessee.....      | 24,152   | 19,738   | -                         | -                         |
| Texas.....          | 41,630   | 37,629   | -                         | -                         |
| Utah.....           | 7,678    | 6,170    | -                         | -                         |
| Vermont.....        | 6,173    | 5,516    | -                         | -                         |
| Virginia.....       | 24,165   | 20,953   | -                         | -                         |
| Washington.....     | 22,530   | 20,441   | -                         | -                         |
| West Virginia.....  | 11,013   | 11,291   | -                         | -                         |
| Wisconsin.....      | 14,246   | 14,025   | -                         | -                         |
| Wyoming.....        | 3,989    | 4,283    | -                         | -                         |
| Puerto Rico.....    | 17,848   | 15,520   | -                         | -                         |
| Virgin Islands..... | 3,991    | 4,383    | -                         | -                         |
| Undistributed.....  | -        | -        | \$1,110,000 <sup>a/</sup> | \$1,088,500 <sup>a/</sup> |
| Obligations.....    | 903,153  | 835,989  | 1,110,000                 | 1,088,500                 |

<sup>a/</sup> Totals cannot be distributed at this time.

RURAL HOUSING SERVICE  
Rural Rental Assistance Grants - New Construction Section 515  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory     | 2012          | 2013          | 2014            | 2015            |
|---------------------|---------------|---------------|-----------------|-----------------|
|                     | <u>Actual</u> | <u>Actual</u> | <u>Estimate</u> | <u>Estimate</u> |
|                     | Amount        | Amount        | Amount          | Amount          |
| Arizona.....        | \$264         | -             | -               | -               |
| California.....     | 867           | -             | -               | -               |
| Idaho.....          | 13            | -             | -               | -               |
| Maine.....          | 26            | -             | -               | -               |
| Maryland.....       | 110           | -             | -               | -               |
| New Hampshire.....  | 13            | -             | -               | -               |
| New York.....       | 31            | -             | -               | -               |
| North Carolina..... | 79            | -             | -               | -               |
| Oklahoma.....       | 13            | -             | -               | -               |
| Vermont.....        | 57            | -             | -               | -               |
| Washington.....     | 27            | -             | -               | -               |
| Obligations.....    | 1,500         | -             | -               | -               |

Rural Rental Assistance Grants - New Construction Section 514/516  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory  | 2012          | 2013          | 2014            | 2015            |
|------------------|---------------|---------------|-----------------|-----------------|
|                  | <u>Actual</u> | <u>Actual</u> | <u>Estimate</u> | <u>Estimate</u> |
|                  | Amount        | Amount        | Amount          | Amount          |
| Alabama.....     | -             | \$88          | -               | -               |
| California.....  | -             | 484           | -               | -               |
| Colorado.....    | -             | 216           | -               | -               |
| Illinois.....    | -             | 48            | -               | -               |
| Kansas.....      | -             | 44            | -               | -               |
| Oregon.....      | -             | 185           | -               | -               |
| Obligations..... | -             | 1,065         | -               | -               |

RENTAL ASSISTANCE PROGRAM  
Classification by Objects  
(Dollars in thousands)

|  | 2012           | 2013           | 2014             | 2015             |
|--|----------------|----------------|------------------|------------------|
|  | <u>Actual</u>  | <u>Actual</u>  | <u>Estimate</u>  | <u>Estimate</u>  |
|  |                |                |                  |                  |
| 41.0 Grants, subsidies, and contributions..... | \$904,653      | \$837,054      | \$1,110,000      | \$1,088,500      |
| 99.9 Total, new obligations.....               | <u>904,653</u> | <u>837,054</u> | <u>1,110,000</u> | <u>1,088,500</u> |

## RURAL HOUSING SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

### Multi-family Housing Revitalization Program Account

For the rural housing voucher program as authorized under section 542 of the Housing Act of 1949, but notwithstanding subsection (b) of such section, and for additional costs to conduct a demonstration program for the preservation and revitalization of multi-family rental housing properties described in this paragraph, [~~\$32,575,000~~]\$28,000,000, to remain available until expended: *Provided*, That of the funds made available under this heading, [~~\$12,575,000~~]\$8,000,000, shall be available for rural housing vouchers to any low-income household (including those not receiving rental assistance) residing in a property financed with a section 515 loan which has been prepaid after September 30, 2005: *Provided further*, That the amount of such voucher shall be the difference between comparable market rent for the section 515 unit and the tenant paid rent for such unit: *Provided further*, That funds made available for such vouchers shall be subject to the availability of annual appropriations: *Provided further*, That the Secretary shall, to the maximum extent practicable, administer such vouchers with current regulations and administrative guidance applicable to section 8 housing vouchers administered by the Secretary of the Department of Housing and Urban Development: *Provided further*, That if the Secretary determines that the amount made available for vouchers in this or any other Act is not needed for vouchers, the Secretary may use such funds for the demonstration program for the preservation and revitalization of multi-family rental housing properties described in this paragraph: *Provided further*, That of the funds made available under this heading, \$20,000,000 shall be available for a demonstration program for the preservation and revitalization of the sections 514, 515, and 516 multi-family rental housing properties to restructure existing USDA multi-family housing loans, as the Secretary deems appropriate, expressly for the purposes of ensuring the project has sufficient resources to preserve the project for the purpose of providing safe and affordable housing for low-income residents and farm laborers including reducing or eliminating interest; deferring loan payments, subordinating, reducing or reamortizing loan debt; and other financial assistance including advances, payments and incentives (including the ability of owners to obtain reasonable returns on investment) required by the Secretary: *Provided further*, That the Secretary shall as part of the preservation and revitalization agreement obtain a restrictive use agreement consistent with the terms of the restructuring: *Provided further*, That if the Secretary determines that additional funds for vouchers described in this paragraph are needed, funds for the preservation and revitalization demonstration program may be used for such vouchers: *Provided further*, That if Congress enacts legislation to permanently authorize a multi-family rental housing loan restructuring program similar to the demonstration program described herein, the Secretary may use funds made available for the demonstration program under this heading to carry out such legislation 1,2 with [the prior approval of] notice to the Committees on Appropriations of both Houses of Congress: *Provided further*, That in addition to any other available funds, the Secretary may expend not more than \$1,000,000 total, from the program funds made available under this heading, for administrative expenses for activities funded under this heading.

The first change removes the language that requires the Secretary of Agriculture to receive prior approval of the Committees on Appropriations of both Houses of Congress before using funds appropriated to a demonstration program for any program which receives enacted legislation permanently authorizing a restructuring program similar to the demonstration program.

The second change adds language that requires the Secretary of Agriculture to provide notice to the Committees on Appropriations of both Houses of Congress before using funds appropriated to a demonstration program for any program which receives enacted legislation permanently authorizing a multi-family rental housing loan restructuring program similar to the demonstration program.

RURAL HOUSING SERVICE

MULTI-FAMILY HOUSING REVITALIZATION PROGRAM ACCOUNT

Lead-Off Tabular Statement

|                              | <u>Loan Level</u> | <u>Subsidy</u>  | <u>Grants</u>     | <u>Vouchers</u> |
|------------------------------|-------------------|-----------------|-------------------|-----------------|
| Budget Estimate, 2015.....   | \$30,379,000      | \$17,900,000    | \$8,000,000       | \$2,100,000     |
| 2014 Enacted.....            | 35,835,000        | 18,000,000      | 12,575,000        | 2,000,000       |
| Change in Appropriation..... | <u>-5,456,000</u> | <u>-100,000</u> | <u>-4,575,000</u> | <u>100,000</u>  |

Summary of Increases and Decreases

(Dollars in thousands)

| <u>Program</u>  | <u>2012</u>   | <u>2013</u>    | <u>2014</u>   | <u>2015</u>   | <u>2015</u>     |
|---|---------------|----------------|---------------|---------------|-----------------|
|   | <u>Actual</u> | <u>Change</u>  | <u>Change</u> | <u>Change</u> | <u>Estimate</u> |
| <u>Discretionary Appropriations:</u>                  |               |                |               |               |                 |
| Rural housing voucher program and administrative..... | \$11,000      | -1,506         | +3,081        | -4,575        | \$8,000         |
| MFH revitalization zero percent (Sec. 515).....       | -             | +6,000         | +1,478        | -678          | 6,800           |
| MFH revitalization soft seconds (Sec. 515).....       | -             | +8,882         | +1,640        | +578          | 11,100          |
| MFH revitalization grants (Sec. 515).....             | 2,000         | -              | -             | +100          | 2,100           |
| Total.....  | <u>13,000</u> | <u>+13,376</u> | <u>+6,199</u> | <u>-4,575</u> | <u>28,000</u>   |

RURAL HOUSING SERVICE

MULTI-FAMILY HOUSING REVITALIZATION PROGRAM ACCOUNT

Project Statement  
Adjusted Appropriations Detail and Staff Years (SYs)  
(Dollars in thousands)

| Program   | 2012 Actual   |                  | 2013 Actual   |                  |     | 2014 Estimate |                  |     | Inc. or Dec.  |                  |          | 2015 Estimate |                  |         |     |
|---|---------------|------------------|---------------|------------------|-----|---------------|------------------|-----|---------------|------------------|----------|---------------|------------------|---------|-----|
|   | Program Level | Budget Authority | Program Level | Budget Authority | SYs | Program Level | Budget Authority | SYs | Program Level | Budget Authority | SYs      | Program Level | Budget Authority | SYs     |     |
| Discretionary Appropriations:                         |               |                  |               |                  |     |               |                  |     |               |                  |          |               |                  |         |     |
| Rural housing voucher program and administrative..... | \$11,000      | \$11,000         | \$9,494       | \$9,494          | 34  | \$12,575      | \$12,575         | 35  | -\$4,575      | (1)              | -\$4,575 | 1             | \$8,000          | \$8,000 | 36  |
| MFH revitalization zero percent (Sec. 515).....       | -             | -                | 10,295        | 6,000            | -   | 15,304        | 7,478            | -   | -3,209        | (2)              | -678     | -             | 12,095           | 6,800   | -   |
| MFH revitalization soft seconds (Sec. 515).....       | -             | -                | 14,456        | 8,882            | -   | 20,531        | 10,522           | -   | -2,247        | (2)              | +578     | -             | 18,284           | 11,100  | -   |
| MFH revitalization grants (Sec. 515).....             | 2,000         | 2,000            | 2,000         | 2,000            | -   | 2,000         | 2,000            | -   | +100          | (2)              | +100     | -             | 2,100            | 2,100   | -   |
| Subtotal.....   | 13,000        | 13,000           | 36,245        | 26,376           | 376 | 50,410        | 32,575           | 386 | -9,931        |                  | -4,575   | 10            | 40,479           | 28,000  | 396 |
| Total Adjusted Approp.....                            | 13,000        | 13,000           | 36,245        | 26,376           | 376 | 50,410        | 32,575           | 386 | -9,931        |                  | -4,575   | 10            | 40,479           | 28,000  | 396 |
| Rescissions, Transfers, and Seq. (Net)..... a/        | -             | -                | 1,406         | 1,406            | -   | -             | -                | -   | -             |                  | -        | -             | -                | -       | -   |
| Total Appropriation.....                              | 13,000        | 13,000           | 37,651        | 27,782           | 376 | 50,410        | 32,575           | 386 | -9,931        |                  | -4,575   | 10            | 40,479           | 28,000  | 396 |
| Rescission..... a/b/                                  | -             | -                | -752          | -752             | -   | -             | -                | -   | -             |                  | -        | -             | -                | -       | -   |
| Sequestration..... b/                                 | -             | -                | -654          | -654             | -   | -             | -                | -   | -             |                  | -        | -             | -                | -       | -   |
| Bal. Available, SOY.....                              | 36,317        | 26,646           | 28,427        | 22,823           | -   | 56,483        | 32,232           | -   | +4,546        |                  | +5,062   | -             | 61,029           | 37,294  | -   |
| Recoveries, Other (Net).....                          | 5,642         | 5,642            | 6,427         | 6,427            | -   | 2,464         | 2,622            | -   | -2,464        |                  | -2,622   | -             | -                | -       | -   |
| Total Available.....                                  | 54,959        | 45,288           | 71,099        | 55,626           | 376 | 109,357       | 67,429           | 386 | -7,849        |                  | -2,135   | 10            | 101,508          | 65,294  | 396 |
| Bal. Available, EOY.....                              | -28,635       | -22,823          | -42,178       | -32,210          | -   | -71,997       | -37,294          | -   | +71,541       |                  | +36,838  | -             | -456             | -456    | -   |
| Total Obligations.....                                | 26,324        | 22,465           | 28,921        | 23,416           | 376 | 37,360        | 30,135           | 386 | +63,692       |                  | +34,703  | 10            | 101,052          | 64,838  | 396 |

a/ The amounts are pursuant to the Consolidated and Further Continuing Appropriations Act, 2013, Public Law 113-6, signed March 26, 2013, including 2.513 percent rescission in accordance with section 3001(b)(1)(A) and .2 percent rescission in accordance with section 3004(c)(1).

b/ The amounts are pursuant to the sequestration order signed by the President on March 1, 2013, in accordance with section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

RURAL HOUSING SERVICE

MULTI-FAMILY HOUSING REVITALIZATION PROGRAM ACCOUNT

Project Statement  
Obligations Detail and Staff Years (SYs)  
(Dollars in thousands)

| Program  | 2012 Actual   |                  | 2013 Actual   |                  |     | 2014 Estimate |                  |     | Inc. or Dec.  |                  |     | 2015 Estimate |                  |     |
|--|---------------|------------------|---------------|------------------|-----|---------------|------------------|-----|---------------|------------------|-----|---------------|------------------|-----|
|  | Program Level | Budget Authority | Program Level | Budget Authority | SYs |
| Discretionary Appropriations:                                      |               |                  |               |                  |     |               |                  |     |               |                  |     |               |                  |     |
| Rural housing voucher program and admin.....                       | \$11,622      | \$11,622         | \$14,138      | \$14,138         | 34  | \$16,356      | \$16,356         | 35  | -\$7,012      | -\$7,012         | 1   | \$9,344       | \$9,344          | 36  |
| MFH revitalization modifications (Sec. 515).....                   | -             | 3,206            | -             | 714              | -   | -             | 4,217            | -   | -             | -4,217           | -   | -             | -                | -   |
| MFH revitalization zero percent (Sec. 515).....                    | 5,613         | 3,047            | 10,290        | 5,997            | -   | 7,916         | 3,868            | -   | +15,641       | +9,376           | -   | 23,557        | 13,244           | -   |
| MFH revitalization soft seconds (Sec. 515).....                    | 4,950         | 3,056            | 3,339         | 2,051            | -   | 8,604         | 4,410            | -   | +42,632       | +26,696          | -   | 51,236        | 31,106           | -   |
| MFH revitalization grants (Sec. 515).....                          | 14            | 14               | 155           | 155              | -   | 150           | 150              | -   | +7,832        | +7,832           | -   | 7,982         | 7,982            | -   |
| Multi-family housing preservation<br>demo revolving loan fund..... | 4,125         | 1,520            | 1,000         | 362              | -   | 4,334         | 1,134            | -   | +4,599        | +2,029           | -   | 8,933         | 3,163            | -   |
| Subtotal.....  | 26,324        | 22,465           | 28,921        | 23,416           | 376 | 37,360        | 30,135           | 386 | +63,692       | +34,703          | 10  | 101,052       | 64,838           | 396 |
| Total Obligations.....   | 26,324        | 22,465           | 28,921        | 23,416           | 376 | 37,360        | 30,135           | 386 | +63,692       | +34,703          | 10  | 101,052       | 64,838           | 396 |
| Bal. Available, EOY.....   | 28,635        | 22,823           | 42,178        | 32,210           | -   | 71,997        | 37,294           | -   | -71,541       | -36,838          | -   | 456           | 456              | -   |
| Total Available.....   | 54,959        | 45,288           | 71,099        | 55,626           | 376 | 109,357       | 67,429           | 386 | -7,849        | -2,135           | 10  | 101,508       | 65,294           | 396 |
| Rescission..... <u>a/</u>  | -             | -                | 752           | 752              | -   | -             | -                | -   | -             | -                | -   | -             | -                | -   |
| Sequestration..... <u>b/</u>                                       | -             | -                | 654           | 654              | -   | -             | -                | -   | -             | -                | -   | -             | -                | -   |
| Bal. Available, SOY.....   | -36,317       | -26,646          | -28,427       | -22,823          | -   | -56,483       | -32,232          | -   | -4,546        | -5,062           | -   | -61,029       | -37,294          | -   |
| Other Adjustments (Net).....                                       | -5,642        | -5,642           | -6,427        | -6,427           | -   | -2,464        | -2,622           | -   | +2,464        | +2,622           | -   | -             | -                | -   |
| Total Appropriation.....   | 13,000        | 13,000           | 37,651        | 27,782           | 376 | 50,410        | 32,575           | 386 | -9,931        | -4,575           | 10  | 40,479        | 28,000           | 396 |

a/ The amounts are pursuant to the Consolidated and Further Continuing Appropriations Act, 2013, Public Law 113-6, signed March 26, 2013, including 2.513 percent rescission in accordance with section 3001(b)(1)(A) and .2 percent rescission in accordance with section 3004(c)(1).

b/ The amounts are pursuant to the sequestration order signed by the President on March 1, 2013, in accordance with section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

### Justification of Increases and Decreases

- (1) A decrease of \$4,575,000 in the section 542 rural housing voucher program (\$12,575,000 available in 2014).

Base funds for the section 542 rural housing voucher program will continue to provide tenant protections in properties that are foreclosed by Rural Development or that prepay their mortgages after September 30, 2005. These vouchers are portable and will enable tenants to continue to access affordable housing without benefit of traditional rental assistance program.

This program provides:

- Recipients of vouchers are low- and very low-income households that may otherwise be unable to afford higher market rents they may be forced to pay as the property shifts from affordable to market rate housing; and
- The voucher assistance allows needy tenants time to find other affordable housing, such as section 515 rural rental housing that may not be immediately available.

The average voucher pays approximately \$271 per month per household. Because some of the properties are in suburban areas, alternative housing opportunities may include affordable housing developed through the Low Income Housing Tax Credit program or housing with available HUD Section 8 or Vouchers. These alternatives include partnering with other agencies to search for ways to increase opportunities for former tenants to ensure they remain in the community, supporting USDA's strategic goal of self-sustaining and repopulating rural communities.

On August 14, 2013, RHS published a proposed rule to formalize the housing voucher program and provide greater public transparency by allowing for public comment on the program. Comments were received and staff is preparing the final rule. After publication of a final rule, RHS believes it will be able to streamline the program, allowing it to serve a greater number of former tenants most in need of immediate and transitional assistance with their rent.

The funding request for 2015 will support 2,460 vouchers for low- and very low-income households.

- (2) A decrease of \$5,356,000 for the section 515 multi-family housing revitalization program level (\$37,835,000 was available in 2014).

Base funding for the multi-family housing revitalization program rehabilitates housing, rental properties, or co-ops owned and/or occupied by very low- and low-income rural persons. In 2013, RHS preserved section 515 and section 514/516 properties consisting of 2,403 units of housing through the section 515 multi-family housing revitalization demonstration program. Most, if not all, of the preservation was completed using multiple revitalization strategies. Funding of the Multi-Family Housing Revitalization program will provide RHS with an appropriate mix of funds that can be used according to whichever program best suits the individual needs of each revitalization transaction.

The average age of the section 515 assisted housing portfolio is approximately 26 years; much of the housing is in need of revitalization, and projects do not have sufficient reserves to fund ongoing rehabilitation. The zero-percent loan program provides an inexpensive source of funding to preserve and modernize RHS' direct loan housing, increasing the value of the property.

The revitalization tools are critical to attract capital market investment into rural communities through the revitalization of existing RHS portfolio. RHS uses the revitalization tools to provide gap financing not covered through Low-Income Housing Tax Credit (LIHTC) or other State or Federal programs. As a result, RHS is able to leverage approximately three times its funds in investments from LIHTC and other sources. A close partnership with State tax credit allocating agencies is critical, because without a financial commitment

by RHS through the revitalization tools, the credits and other third-party funding will decrease and rehabilitation of RHS' aging stock of rural rental housing is less likely to occur.

For the 2015 request, the budget authority has been split between the various revitalization programs according to a general trend of use of those programs; however, these levels are estimates and are not binding. Actual funding for each strategy will be based on the demand and restructuring needs of each project approved for funding. The 2015 budget authority request will support up to \$32.5 million in program level for preservation activities, which is expected to be leveraged into a greater amount of assistance based on how it is disbursed between the various strategies approved under the pilot program.

Preservation and revitalization projects usually involve more than one revitalization strategy. Therefore, it is not possible to define the impact of an increase in one of the revitalization strategies on the number of units of section 515 or section 514/516 rental housing that will benefit from the revitalization. However, in its entirety, the increase in funding across all of the revitalization strategies is expected to support the revitalization of approximately 5,279 units in 2015.

The subsidy amount is necessary to support the estimated loan obligations associated with the requested 2015 loan levels for these programs. The budget is proposing legislation to make the program authority permanent.

## Summary of Proposed Legislation

Program: 515 Revitalization Program

Proposal: The agency seeks permanent authority for the program, which has been a demonstration program since 2006. The Preservation and Revitalization (MPR) program is an effective tool to modernize RD's existing Multi-Family housing portfolio. The average age of rental housing in the section 515 portfolio is approximately 26 years; much of the housing is in need of revitalization, and projects do not have sufficient reserves to fund ongoing rehabilitation.

The MPR program uses a variety of financing options to successfully preserve the housing in the most flexible manner possible. MPR is also effective attracting capital market investment into rural communities through the revitalization of existing Rural Development housing, particularly through Low-Income Housing Tax Credit (LIHTC) or other State or Federal programs. As a result, RHS is able to leverage approximately three times its funds in investments from LIHTC and other sources. This leverage reduces the cost of project preservation, especially the cost of additional debt service to finance the rehabilitation. By reducing preservation costs, MPR helps reduce the need to invest additional RA to support the project's additional debt service needs.

- Advantage for Tenant: A permanent program will provide greater certainty in program funding to provide tenants with decent, safe, sanitary and modern affordable housing.
- Advantage for Borrowers: A permanent program will provide borrowers with a certain funding source to fund rehabilitation and repairs.
- Advantage for Agency: A permanent program will enable the Agency to make long-term strategic plans for the Direct Loan portfolio, continue to meet the mission of providing affordable housing, and modernize its rental housing stock.

Rationale: Adding authority for current MPR tools to existing direct loan statutory authority will provide financing flexibility not currently available in the direct loan program.

Goal: The Section 515 direct loan program does not contain authority to utilize many of the revitalization tools available in the MPR demonstration program. The MPR demonstration program is not currently contained in the statute, and the agency risks not having these critical tools to provide financial support for existing multi-family housing in need of preservation and revitalization if the MPR demonstration program is not re-authorized and the authority for these tools is not added to the direct loan program.

Budget Impact: None

RURAL HOUSING SERVICE  
Rural Housing Voucher Program  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory           | 2012             | 2013             | 2014               | 2015               |
|---------------------------|------------------|------------------|--------------------|--------------------|
|                           | Actual<br>Amount | Actual<br>Amount | Estimate<br>Amount | Estimate<br>Amount |
| Alabama.....              | \$64             | \$72             | -                  | -                  |
| Alaska.....               | 32               | 31               | -                  | -                  |
| Arizona.....              | 39               | 21               | -                  | -                  |
| Arkansas.....             | 21               | 28               | -                  | -                  |
| California.....           | 42               | 47               | -                  | -                  |
| Colorado.....             | 18               | 24               | -                  | -                  |
| Delaware.....             | 30               | 35               | -                  | -                  |
| Florida.....              | 847              | 907              | -                  | -                  |
| Georgia.....              | 313              | 272              | -                  | -                  |
| Idaho.....                | 260              | 232              | -                  | -                  |
| Illinois.....             | 305              | 531              | -                  | -                  |
| Indiana.....              | 168              | 306              | -                  | -                  |
| Iowa.....                 | 636              | 915              | -                  | -                  |
| Kansas.....               | 93               | 289              | -                  | -                  |
| Kentucky.....             | 114              | 152              | -                  | -                  |
| Louisiana.....            | 6                | 6                | -                  | -                  |
| Maine.....                | 134              | 148              | -                  | -                  |
| Maryland.....             | 14               | 14               | -                  | -                  |
| Massachusetts.....        | 11               | 92               | -                  | -                  |
| Michigan.....             | 508              | 654              | -                  | -                  |
| Minnesota.....            | 355              | 393              | -                  | -                  |
| Mississippi.....          | 52               | 32               | -                  | -                  |
| Missouri.....             | 1,180            | 1,310            | -                  | -                  |
| Montana.....              | 339              | 245              | -                  | -                  |
| Nebraska.....             | 238              | 376              | -                  | -                  |
| Nevada.....               | 3                | 3                | -                  | -                  |
| New Hampshire.....        | 80               | 73               | -                  | -                  |
| New Jersey.....           | 416              | 330              | -                  | -                  |
| New Mexico.....           | 146              | 133              | -                  | -                  |
| New York.....             | 522              | 1,246            | -                  | -                  |
| North Carolina.....       | 148              | 173              | -                  | -                  |
| North Dakota.....         | 89               | 151              | -                  | -                  |
| Ohio.....                 | 108              | 187              | -                  | -                  |
| Oklahoma.....             | 210              | 166              | -                  | -                  |
| Oregon.....               | 57               | 54               | -                  | -                  |
| Pennsylvania.....         | 9                | 7                | -                  | -                  |
| Rhode Island.....         | -                | 16               | -                  | -                  |
| South Carolina.....       | 656              | 563              | -                  | -                  |
| South Dakota.....         | 168              | 300              | -                  | -                  |
| Tennessee.....            | 124              | 164              | -                  | -                  |
| Texas.....                | 771              | 669              | -                  | -                  |
| Utah.....                 | 9                | 8                | -                  | -                  |
| Virginia.....             | 31               | 60               | -                  | -                  |
| Washington.....           | 624              | 908              | -                  | -                  |
| West Virginia.....        | 16               | 9                | -                  | -                  |
| Wisconsin.....            | 373              | 640              | -                  | -                  |
| Wyoming.....              | 115              | 107              | -                  | -                  |
| District of Columbia..... | 1,112            | 945              | -                  | -                  |
| Puerto Rico.....          | 16               | 95               | -                  | -                  |
| Undistributed.....        | -                | -                | \$16,356 a/        | \$9,344 a/         |
| Obligations.....          | 11,622           | 14,138           | 16,356             | 9,344              |

Multi-Family Housing Revitalization Zero Percent Loans  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory     | 2012             | 2013             | 2014               | 2015               |
|---------------------|------------------|------------------|--------------------|--------------------|
|                     | Actual<br>Amount | Actual<br>Amount | Estimate<br>Amount | Estimate<br>Amount |
| Georgia.....        | \$730            | -                | -                  | -                  |
| Idaho.....          | 633              | -                | -                  | -                  |
| Louisiana.....      | 2,999            | -                | -                  | -                  |
| New Hampshire.....  | 221              | -                | -                  | -                  |
| North Carolina..... | -                | \$8,814          | -                  | -                  |
| Ohio.....           | 960              | -                | -                  | -                  |
| Pennsylvania.....   | 70               | -                | -                  | -                  |
| Wisconsin.....      | -                | 1,476            | -                  | -                  |
| Undistributed.....  | -                | -                | \$7,916 a/         | \$23,557 a/        |
| Obligations.....    | 5,613            | 10,290           | 7,916              | 23,557             |

a/ Totals cannot be distributed at this time.

RURAL HOUSING SERVICE  
Multi-Family Housing Revitalization Soft Seconds Loans  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory     | 2012          | 2013          | 2014            | 2015            |
|---------------------|---------------|---------------|-----------------|-----------------|
|                     | <u>Actual</u> | <u>Actual</u> | <u>Estimate</u> | <u>Estimate</u> |
|                     | Amount        | Amount        | Amount          | Amount          |
| Arizona.....        | -             | \$25          | -               | -               |
| Colorado.....       | \$95          | -             | -               | -               |
| Connecticut.....    | 157           | -             | -               | -               |
| Florida.....        | 521           | -             | -               | -               |
| Georgia.....        | 483           | -             | -               | -               |
| Idaho.....          | 269           | -             | -               | -               |
| Indiana.....        | -             | 291           | -               | -               |
| Louisiana.....      | 1,131         | -             | -               | -               |
| Maine.....          | 662           | -             | -               | -               |
| Michigan.....       | -             | 22            | -               | -               |
| New Hampshire.....  | 97            | -             | -               | -               |
| New Mexico.....     | -             | 951           | -               | -               |
| Ohio.....           | 628           | 803           | -               | -               |
| Pennsylvania.....   | 270           | -             | -               | -               |
| South Carolina..... | -             | 977           | -               | -               |
| Virginia.....       | 637           | -             | -               | -               |
| Washington.....     | -             | 269           | -               | -               |
| Undistributed.....  | -             | -             | \$8,604 a/      | \$51,236 a/     |
| Obligations.....    | 4,950         | 3,339         | 8,604           | 51,236          |

Multi-Family Housing Revitalization Grants  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory    | 2012          | 2013          | 2014            | 2015            |
|--------------------|---------------|---------------|-----------------|-----------------|
|                    | <u>Actual</u> | <u>Actual</u> | <u>Estimate</u> | <u>Estimate</u> |
|                    | Amount        | Amount        | Amount          | Amount          |
| Maine.....         | -             | \$26          | -               | -               |
| Montana.....       | -             | 49            | -               | -               |
| Nebraska.....      | -             | 80            | -               | -               |
| Wisconsin.....     | \$14          | -             | -               | -               |
| Undistributed..... | -             | -             | \$150 a/        | \$7,982 a/      |
| Obligations.....   | 14            | 155           | 150             | 7,982           |

Multi-Family Housing Preservation Demonstration Revolving Loans  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory    | 2012          | 2013          | 2014            | 2015            |
|--------------------|---------------|---------------|-----------------|-----------------|
|                    | <u>Actual</u> | <u>Actual</u> | <u>Estimate</u> | <u>Estimate</u> |
|                    | Amount        | Amount        | Amount          | Amount          |
| Maryland.....      | \$1,000       | \$1,000       | -               | -               |
| Minnesota.....     | 1,000         | -             | -               | -               |
| Washington.....    | 2,125         | -             | -               | -               |
| Undistributed..... | -             | -             | \$4,334 a/      | \$8,933 a/      |
| Obligations.....   | 4,125         | 1,000         | 4,334           | 8,933           |

a/ Totals cannot be distributed at this time.

MULTI-FAMILY HOUSING REVITALIZATION PROGRAM ACCOUNT  
Classification by Objects  
(Dollars in thousands)

|  | 2012          | 2013          | 2014            | 2015            |
|--|---------------|---------------|-----------------|-----------------|
|  | <u>Actual</u> | <u>Actual</u> | <u>Estimate</u> | <u>Estimate</u> |
| 41.0 Grants, subsidies, and contributions..... | \$22,465      | \$23,416      | \$30,135        | \$64,838        |
| 99.9 Total, new obligations.....               | <u>22,465</u> | <u>23,416</u> | <u>30,135</u>   | <u>64,838</u>   |

## RURAL HOUSING SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted Matter enclosed in brackets):

### Rural Housing Assistance Grants

For grants for very low-income housing repair [and rural housing preservation] made by the Rural Housing Service, as authorized by 42 U.S.C. 1474, [and 1490m, \$32,239,000]\$25,000,000, to remain available until expended.

The first change removes reference to housing preservations grants as the program is not receiving funding in 2015.

The second change removes authorizing legislation reference for the housing preservation grants program as the is no proposed program in 2015.

RURAL HOUSING SERVICE

RURAL HOUSING ASSISTANCE GRANTS

Lead-Off Tabular Statement

|                              |                          |
|------------------------------|--------------------------|
| Budget Estimate, 2015.....   | \$25,000,000             |
| 2014 Enacted.....            | 32,239,000               |
| Change in Appropriation..... | <u><u>-7,239,000</u></u> |

Summary of Increases and Decreases

(Dollars in thousands)

| Program                                    | 2012<br>Actual | 2013<br>Change | 2014<br>Change | 2015<br>Change | 2015<br>Estimate |
|--|----------------|----------------|----------------|----------------|------------------|
| Discretionary Appropriation:               |                |                |                |                |                  |
| Very low-income housing repair grants..... | \$29,500       | -\$2,283       | +\$1,484       | -\$3,701       | \$25,000         |
| Rural housing preservation grants.....     | 3,636          | -281           | +183           | -3,538         | -                |
| Total Discretionary Appropriations.....    | <u>33,136</u>  | <u>-2,564</u>  | <u>+1,667</u>  | <u>-7,239</u>  | <u>25,000</u>    |

RURAL HOUSING SERVICE

RURAL HOUSING ASSISTANCE GRANTS

Project Statement

Adjusted Appropriations Detail and Staff Years (SYs)  
(Dollars in thousands)

| Program   | 2012 Actual |     | 2013 Actual |     | 2014 Estimate |     | Inc. or Dec. |     | 2015 Estimate |     |
|---|-------------|-----|-------------|-----|---------------|-----|--------------|-----|---------------|-----|
|   | Amount      | SYs | Amount      | SYs | Amount        | SYs | Amount       | SYs | Amount        | SYs |
| Very low-income housing repair grants.....            | \$29,500    | -   | \$27,217    | -   | \$28,701      | -   | -3,701 (1)   | -   | \$25,000      | -   |
| Rural housing preservation grants.....                | 3,636       | -   | 3,355       | -   | 3,538         | -   | -3,538 (2)   | -   | -             | -   |
| Subtotal.....   | 33,136      | 273 | 30,572      | 27  | 32,239        | 28  | -7,239       | +1  | 25,000        | 29  |
| Total Adjusted Approp.....                            | 33,136      | 273 | 30,572      | 27  | 32,239        | 28  | -7,239       | +1  | 25,000        | 29  |
| Rescissions, Transfers, and Seq. (Net)..... <u>a/</u> | -           | -   | 2,564       | -   | -             | -   | -            | -   | -             | -   |
| Total Appropriation.....                              | 33,136      | 273 | 33,136      | 27  | 32,239        | 28  | -7,239       | +1  | 25,000        | 29  |
| Rescission..... <u>a/</u>                             | -           | -   | -897        | -   | -             | -   | -            | -   | -             | -   |
| Sequestration..... <u>b/</u>                          | -           | -   | -1,667      | -   | -             | -   | -            | -   | -             | -   |
| Bal. Available, SOY.....                              | 3,905       | -   | 3,389       | -   | 3,578         | -   | -1,411       | -   | 3,247         | -   |
| Recoveries, Other (Net).....                          | 1,541       | -   | 882         | -   | 642           | -   | -            | -   | -             | -   |
| Total Available.....                                  | 38,582      | 273 | 34,843      | 27  | 36,459        | 28  | -8,650       | +1  | 28,247        | 29  |
| Unobligated balances rescinded..... <u>c/</u>         | -201        | -   | -           | -   | -             | -   | -            | -   | -             | -   |
| Bal. Available, EOY.....                              | -3,389      | -   | -3,578      | -   | -3,247        | -   | -            | -   | -             | -   |
| Total Obligations.....                                | 34,992      | 273 | 31,264      | 27  | 33,212        | 28  | -8,650       | +1  | 28,247        | 29  |

a/ The amounts are pursuant to the Consolidated and Further Continuing Appropriations Act, 2013, Public Law 113-6, signed March 26, 2013, including 2.513 percent rescission in accordance with section 3001(b)(1)(A) and .2 percent rescission in accordance with section 3004(c)(1).

b/ The amounts are pursuant to the sequestration order signed by the President on March 1, 2013, in accordance with section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

c/ Natural disaster unobligated available as of August 10, 2010, rescinded in accordance with the Education Jobs and Medicaid Assistance Act, P.L. 111-226, signed on August 10, 2010.

RURAL HOUSING SERVICE

RURAL HOUSING ASSISTANCE GRANTS

Project Statement

Obligations Detail and Staff Years (SYs)

(Dollars in thousands)

| Program                                       | 2012 Actual |     | 2013 Actual |    | 2014 Estimate |    | Inc. or Dec. |    | 2015 Estimate |    |
|---|-------------|-----|-------------|----|---------------|----|--------------|----|---------------|----|
|   | Amount      | SY  | Amount      | SY | Amount        | SY | Amount       | SY | Amount        | SY |
| Discretionary Obligations:                    |             |     |             |    |               |    |              |    |               |    |
| Very low-income housing repair grants.....    | \$30,316    | -   | \$27,168    | -  | \$29,526      | -  | -\$4,250     | -  | \$25,276      | -  |
| Compensation for construction defects.....    | 75          | -   | 10          | -  | 60            | -  | 280          | -  | 341           | -  |
| Rural housing preservation grants.....        | 4,601       | -   | 4,086       | -  | 3,626         | -  | -3,163       | -  | 463           | -  |
| Processing workers housing grants.....        | -           | -   | -           | -  | -             | -  | 2,167        | -  | 2,167         | -  |
| Subtotal.....                                 | 34,992      | 273 | 31,264      | 27 | 33,212        | 28 | -4,966       | 1  | 28,247        | 29 |
| Total Obligations.....                        | 34,992      | 273 | 31,264      | 27 | 33,212        | 28 | -4,966       | 1  | 28,247        | 29 |
| Recoveries, Other (Net).....                  | -1,541      | -   | -882        | -  | -642          | -  | 642          | -  | -             | -  |
| Unobligated balances rescinded..... <u>c/</u> | 201         | -   | -           | -  | -             | -  | -            | -  | -             | -  |
| Bal. Available, EOY.....                      | 3,389       | -   | 3,578       | -  | 3,247         | -  | -3,247       | -  | -             | -  |
| Total Available.....                          | 37,041      | 273 | 33,961      | 27 | 35,817        | 28 | -7,571       | 1  | 28,247        | 29 |
| Rescission..... <u>a/</u>                     | -           | -   | 897         | -  | -             | -  | -            | -  | -             | -  |
| Sequestration..... <u>b/</u>                  | -           | -   | 1,667       | -  | -             | -  | -            | -  | -             | -  |
| Bal. Available, SOY.....                      | -3,905      | -   | -3,389      | -  | -3,578        | -  | 332          | -  | -3,247        | -  |
| Total Appropriation.....                      | 33,136      | 273 | 33,136      | 27 | 32,239        | 28 | -7,239       | 1  | 25,000        | 29 |

a/ The amounts are pursuant to the Consolidated and Further Continuing Appropriations Act, 2013, Public Law 113-6, signed March 26, 2013, including 2.513 percent rescission in accordance with section 3001(b)(1)(A) and .2 percent rescission in accordance with section 3004(c)(1).

b/ The amounts are pursuant to the sequestration order signed by the President on March 1, 2013, in accordance with section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

c/ Natural disaster unobligated available as of August 10, 2010, rescinded in accordance with the Education Jobs and Medicaid Assistance Act, P.L. 111-226, signed on August 10, 2010.

### Justification of Increases and Decreases

- (1) A decrease of \$3,701,000 for section 504 housing repair grants (\$28,701,000 available in 2014).

Grants are available to very low-income elderly families who own and occupy a rural home and cannot afford a loan. Grants up to \$7,500 are available to improve accessibility or to remove health and safety hazards. Grants must be repaid to the government if the property is sold within three years.

These grants allow very low-income elderly homeowners on a fixed budget to remain at home and independent, improving their quality of life by assuring a safe and functional environment. These rural homeowners that receive grant assistance have no other recourse of getting the necessary repairs completed on their homes.

The requested funding will provide assistance to the neediest elderly rural families for essential repairs. With an average grant of \$5,900 it is estimated that approximately 4,237 elderly homeowners will benefit from the program in 2015.

- (2) A decrease of \$3,538,000 for the housing preservation section 533 grants (\$3,538,000 available in 2014).

The program allows the agency to continue helping to improve the quality of existing multi-family housing and some single family housing units through partnerships with various local public bodies and non-profit organizations. Grants of approximately \$4.1 million were made to non-profit and public entities improving the housing quality of approximately 1,241 families in 2013.

For 2015, preservation activities are being prioritized through the multi-family revitalization program account funding and 515 funding, where budget authority can be leveraged into providing more assistance than these preservation grants can.

RURAL HOUSING SERVICE  
Section 504 Very Low-Income Housing Repair Grants  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory      | 2012 Actual | 2013 Actual | 2014 Estimate          | 2015 Estimate          |
|----------------------|-------------|-------------|------------------------|------------------------|
|                      | Amount      | Amount      | Amount                 | Amount                 |
| Alabama.....         | \$836       | \$845       | -                      | -                      |
| Alaska.....          | 65          | 70          | -                      | -                      |
| Arizona.....         | 804         | 412         | -                      | -                      |
| Arkansas.....        | 787         | 506         | -                      | -                      |
| California.....      | 232         | 328         | -                      | -                      |
| Colorado.....        | 184         | 141         | -                      | -                      |
| Connecticut.....     | 99          | 129         | -                      | -                      |
| Delaware.....        | 7           | 44          | -                      | -                      |
| Florida.....         | 785         | 783         | -                      | -                      |
| Georgia.....         | 1,411       | 1,137       | -                      | -                      |
| Hawaii.....          | 198         | 268         | -                      | -                      |
| Idaho.....           | 301         | 141         | -                      | -                      |
| Illinois.....        | 1,020       | 920         | -                      | -                      |
| Indiana.....         | 762         | 722         | -                      | -                      |
| Iowa.....            | 432         | 411         | -                      | -                      |
| Kansas.....          | 505         | 396         | -                      | -                      |
| Kentucky.....        | 1,706       | 1,127       | -                      | -                      |
| Louisiana.....       | 828         | 860         | -                      | -                      |
| Maine.....           | 643         | 558         | -                      | -                      |
| Maryland.....        | 111         | 165         | -                      | -                      |
| Massachusetts.....   | 161         | 181         | -                      | -                      |
| Michigan.....        | 888         | 1,009       | -                      | -                      |
| Minnesota.....       | 615         | 656         | -                      | -                      |
| Mississippi.....     | 1,265       | 1,011       | -                      | -                      |
| Missouri.....        | 999         | 828         | -                      | -                      |
| Montana.....         | 133         | 145         | -                      | -                      |
| Nebraska.....        | 189         | 231         | -                      | -                      |
| Nevada.....          | 107         | 183         | -                      | -                      |
| New Hampshire.....   | 426         | 288         | -                      | -                      |
| New Jersey.....      | 82          | 147         | -                      | -                      |
| New Mexico.....      | 248         | 375         | -                      | -                      |
| New York.....        | 826         | 737         | -                      | -                      |
| North Carolina.....  | 1,542       | 1,670       | -                      | -                      |
| North Dakota.....    | 178         | 95          | -                      | -                      |
| Ohio.....            | 875         | 659         | -                      | -                      |
| Oklahoma.....        | 688         | 413         | -                      | -                      |
| Oregon.....          | 184         | 172         | -                      | -                      |
| Pennsylvania.....    | 1,319       | 1,067       | -                      | -                      |
| Rhode Island.....    | 45          | 60          | -                      | -                      |
| South Carolina.....  | 1,015       | 1,041       | -                      | -                      |
| South Dakota.....    | 115         | 196         | -                      | -                      |
| Tennessee.....       | 1,151       | 1,051       | -                      | -                      |
| Texas.....           | 2,083       | 1,724       | -                      | -                      |
| Utah.....            | 159         | 169         | -                      | -                      |
| Vermont.....         | 245         | 219         | -                      | -                      |
| Virginia.....        | 914         | 708         | -                      | -                      |
| Washington.....      | 271         | 396         | -                      | -                      |
| West Virginia.....   | 596         | 475         | -                      | -                      |
| Wisconsin.....       | 662         | 702         | -                      | -                      |
| Wyoming.....         | 47          | 19          | -                      | -                      |
| Guam.....            | 8           | 8           | -                      | -                      |
| Puerto Rico.....     | 315         | 296         | -                      | -                      |
| Virgin Islands.....  | 45          | 37          | -                      | -                      |
| Other Countries..... | 204         | 239         | -                      | -                      |
| Undistributed.....   | -           | -           | \$29,526 <sup>a/</sup> | \$25,276 <sup>a/</sup> |
| Obligations.....     | 30,316      | 27,168      | 29,526                 | 25,276                 |

<sup>a/</sup> Totals cannot be distributed at this time.

RURAL HOUSING SERVICE  
 Compensation for Construction Defects  
Geographic Breakdown of Obligations  
 (Dollars in thousands)

| State/Territory    | 2012 Actual | 2013 Actual | 2014 Estimate | 2015 Estimate |
|--------------------|-------------|-------------|---------------|---------------|
|                    | Amount      | Amount      | Amount        | Amount        |
| Colorado.....      | \$36        | -           | -             | -             |
| Michigan.....      | 24          | -           | -             | -             |
| Virginia.....      | -           | \$10        | -             | -             |
| Undistributed..... | -           | -           | 60            | 341           |
| Obligations.....   | 75          | 10          | 60            | 341           |

Section 533 Rural Housing Preservation Grants  
Geographic Breakdown of Obligations  
 (Dollars in thousands)

| State/Territory      | 2012 Actual | 2013 Actual | 2014 Estimate         | 2015 Estimate       |
|----------------------|-------------|-------------|-----------------------|---------------------|
|                      | Amount      | Amount      | Amount                | Amount              |
| Alabama.....         | \$92        | \$83        | -                     | -                   |
| Alaska.....          | 50          | 50          | -                     | -                   |
| Arizona.....         | 55          | 50          | -                     | -                   |
| Arkansas.....        | 71          | 65          | -                     | -                   |
| California.....      | 461         | 421         | -                     | -                   |
| Colorado.....        | 50          | -           | -                     | -                   |
| Connecticut.....     | 50          | 50          | -                     | -                   |
| Delaware.....        | 50          | 50          | -                     | -                   |
| Florida.....         | 100         | 82          | -                     | -                   |
| Georgia.....         | 130         | 109         | -                     | -                   |
| Hawaii.....          | 50          | 50          | -                     | -                   |
| Idaho.....           | 50          | 50          | -                     | -                   |
| Illinois.....        | 100         | 60          | -                     | -                   |
| Indiana.....         | 67          | 61          | -                     | -                   |
| Iowa.....            | 50          | 38          | -                     | -                   |
| Kansas.....          | 50          | 50          | -                     | -                   |
| Kentucky.....        | 120         | 99          | -                     | -                   |
| Louisiana.....       | 98          | 89          | -                     | -                   |
| Maine.....           | 56          | 50          | -                     | -                   |
| Maryland.....        | 50          | 50          | -                     | -                   |
| Massachusetts.....   | -           | 50          | -                     | -                   |
| Michigan.....        | 100         | 98          | -                     | -                   |
| Minnesota.....       | 52          | 47          | -                     | -                   |
| Mississippi.....     | 108         | 90          | -                     | -                   |
| Missouri.....        | 76          | 69          | -                     | -                   |
| Montana.....         | 70          | 30          | -                     | -                   |
| Nebraska.....        | 50          | -           | -                     | -                   |
| Nevada.....          | 100         | 50          | -                     | -                   |
| New Hampshire.....   | 100         | 50          | -                     | -                   |
| New Jersey.....      | 100         | 50          | -                     | -                   |
| New Mexico.....      | 44          | 41          | -                     | -                   |
| New York.....        | 85          | 75          | -                     | -                   |
| North Carolina.....  | 139         | 127         | -                     | -                   |
| North Dakota.....    | 100         | 150         | -                     | -                   |
| Ohio.....            | 107         | 97          | -                     | -                   |
| Oklahoma.....        | 59          | 54          | -                     | -                   |
| Oregon.....          | 70          | 50          | -                     | -                   |
| Pennsylvania.....    | 114         | 104         | -                     | -                   |
| Rhode Island.....    | 50          | -           | -                     | -                   |
| South Carolina.....  | 83          | 76          | -                     | -                   |
| South Dakota.....    | 50          | 50          | -                     | -                   |
| Tennessee.....       | 102         | 84          | -                     | -                   |
| Texas.....           | 236         | 216         | -                     | -                   |
| Utah.....            | 50          | 50          | -                     | -                   |
| Vermont.....         | 300         | 350         | -                     | -                   |
| Virginia.....        | 82          | 75          | -                     | -                   |
| Washington.....      | 54          | 49          | -                     | -                   |
| West Virginia.....   | 60          | 54          | -                     | -                   |
| Wisconsin.....       | 58          | 53          | -                     | -                   |
| Wyoming.....         | 50          | 50          | -                     | -                   |
| Puerto Rico.....     | 152         | 139         | -                     | -                   |
| Other Countries..... | -           | 50          | -                     | -                   |
| Undistributed.....   | -           | -           | \$3,626 <sup>a/</sup> | \$463 <sup>a/</sup> |
| Obligations.....     | 4,601       | 4,086       | 3,626                 | 463                 |

RURAL HOUSING SERVICE  
 Processing Workers Housing Grants  
Geographic Breakdown of Obligations  
 (Dollars in thousands)

| State/Territory    | 2012 Actual | 2013 Actual | 2014 Estimate | 2015 Estimate         |
|--------------------|-------------|-------------|---------------|-----------------------|
|                    | Amount      | Amount      | Amount        | Amount                |
| Undistributed..... | -           | -           | -             | \$2,167 <sup>a/</sup> |
| Obligations.....   | -           | -           | -             | 2,167                 |

<sup>a/</sup> Totals cannot be distributed at this time.

RURAL HOUSING SERVICE

RURAL HOUSING ASSISTANCE GRANTS

Classification by Objects

(Dollars in thousands)

|  | 2012          | 2013          | 2014            | 2015            |
|--|---------------|---------------|-----------------|-----------------|
|  | <u>Actual</u> | <u>Actual</u> | <u>Estimate</u> | <u>Estimate</u> |
| 41.0 Grants, subsidies, and contributions..... | \$34,992      | \$31,264      | \$33,212        | \$28,247        |
| 99.9 Total, new obligations.....               | <u>34,992</u> | <u>31,264</u> | <u>33,212</u>   | <u>28,247</u>   |

RURAL HOUSING SERVICE

The estimates include appropriation language for this item as follows (new language underscored, deleted matter enclosed in brackets):

Mutual and Self-Help Housing Grants

For grants and contracts pursuant to section 523(b)(1)(A) of the Housing Act of 1949 (42 U.S. 1490c), [~~\$25,000,000~~]\$10,000,000, to remain available until expended.

RURAL HOUSING SERVICE  
MUTUAL AND SELF-HELP HOUSING GRANTS

Lead-Off Tabular Statement

|                              |              |
|------------------------------|--------------|
| Budget Estimate, 2015.....   | \$10,000,000 |
| 2014 Enacted.....            | \$25,000,000 |
| Change in Appropriation..... | -15,000,000  |

Summary of Increases and Decreases  
(Dollars in thousands)

| Program                                  | 2012<br>Actual | 2013<br>Change | 2014<br>Change | 2015<br>Change | 2015<br>Estimate |
|--|----------------|----------------|----------------|----------------|------------------|
| Mutual and self-help housing grants..... | \$30,000       | -\$2,322       | -\$2,678       | -\$15,000      | \$10,000         |
| Total.....                               | 30,000         | -2,322         | -2,678         | -15,000        | 10,000           |

RURAL HOUSING SERVICE

MUTUAL AND SELF-HELP HOUSING GRANTS

Project Statement

Adjusted Appropriations Detail and Staff Years (SYs)

(Dollars in thousands)

| Program                                    | 2012 Actual |     | 2013 Actual |        | 2014 Estimate |     | Inc. or Dec. |     | 2015 Estimate |          |    |
|--|-------------|-----|-------------|--------|---------------|-----|--------------|-----|---------------|----------|----|
|  | Amount      | SYs | Amount      | SYs    | Amount        | SYs | Amount       | SYs | Amount        | SYs      |    |
| Discretionary Appropriations:              |             |     |             |        |               |     |              |     |               |          |    |
| Mutual and self-help housing grants.....   | \$30,000    | 39  | \$27,678    | 17     | \$25,000      | 18  | -\$15,000    | (1) | -             | \$10,000 | 18 |
| Subtotal.....                              | 30,000      | 39  | 27,678      | 17     | 25,000        | 18  | -15,000      | -   | 10,000        | 18       |    |
| Total Adjusted Approp.....                 | 30,000      | 39  | 27,678      | 17     | 25,000        | 18  | -15,000      | -   | 10,000        | 18       |    |
| Rescissions, Transfers and Seq. (Net)..... | b/          | -   | -           | 2,322  | -             | -   | -            | -   | -             | -        | -  |
| Total Appropriation.....                   | 30,000      | 39  | 30,000      | 17     | 25,000        | 18  | -15,000      | -   | 10,000        | 18       |    |
| Rescission.....                            | a/          | -   | -           | -812   | -             | -   | -            | -   | -             | -        | -  |
| Sequestration.....                         | b/          | -   | -           | -1,509 | -             | -   | -            | -   | -             | -        | -  |
| Bal. Available, SOY.....                   | 18,137      | -   | 12,366      | -      | 9,080         | -   | -7,080       | -   | 1,686         | -        |    |
| Recoveries, Other (Net).....               | 2,148       | -   | 418         | -      | 1,587         | -   | -            | -   | -             | -        |    |
| Total Available.....                       | 50,285      | 39  | 40,462      | 17     | 35,667        | 18  | -22,080      | -   | 11,686        | 18       |    |
| Bal. Available, EOY.....                   | -12,366     | -   | -9,080      | -      | -1,686        | -   | -            | -   | -             | -        |    |
| Total Obligations.....                     | 37,919      | 39  | 31,382      | 17     | 33,982        | 18  | -22,080      | -   | 11,686        | 18       |    |

a/ The amounts are pursuant to the Consolidated and Further Continuing Appropriations Act, 2013, Pubic Law 113-6, signed March 26, 2013, including 2.513 percent rescission in accordance with section 3001(b)(1)(A) and .2 percent rescission in accordance with section 3004(c)(1).

b/ The amounts are pursuant to the sequestration order signed by the President on March 1, 2013, in accordance with section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

RURAL HOUSING SERVICE

MUTUAL AND SELF-HELP HOUSING GRANTS

Project Statement  
Obligation Detail and Staff Years (SYs)  
(Dollars in thousands)

| Program                                  | 2012 Actual |     | 2013 Actual |     | 2014 Estimate |     | Inc. or Dec. |     | 2015 Estimate |     |
|--|-------------|-----|-------------|-----|---------------|-----|--------------|-----|---------------|-----|
|  | Amount      | SYs | Amount      | SYs | Amount        | SYs | Amount       | SYs | Amount        | SYs |
| Discretionary Obligations:               |             |     |             |     |               |     |              |     |               |     |
| Mutual and self-help housing grants..... | \$37,919    | 39  | \$31,383    | 17  | \$33,982      | 18  | -\$22,296    | -   | \$11,686      | 18  |
| Subtotal.....                            | 37,919      | 39  | 31,383      | 17  | 33,982        | 18  | -22,296      | -   | 11,686        | 18  |
| Total Obligations.....                   | 37,919      | 39  | 31,383      | 17  | 33,982        | 18  | -22,296      | -   | 11,686        | 18  |
| Unobligated balances rescinded.....      | 12,366      | -   | -           | -   | -             | -   | -            | -   | -             | -   |
| Bal. Available, EOY.....                 | -           | -   | 9,080       | -   | 1,686         | -   | -1,686       | -   | -             | -   |
| Total Available.....                     | 50,285      | 39  | 40,463      | 17  | 35,668        | 18  | -23,982      | -   | 11,686        | 18  |
| Rescission..... <u>a/</u>                | -           | -   | 812         | -   | -             | -   | -            | -   | -             | -   |
| Sequestration..... <u>b/</u>             | -18,137     | -   | 1,509       | -   | -             | -   | -            | -   | -             | -   |
| Bal. Available, SOY.....                 | -2,148      | -   | -12,366     | -   | -9,080        | -   | 7,394        | -   | -1,686        | -   |
| Recoveries, Other (Net).....             | -           | -   | -418        | -   | -1,587        | -   | -            | -   | -             | -   |
| Total Appropriation.....                 | 30,000      | 39  | 30,000      | 17  | 25,000        | 18  | -15,000      | -   | 10,000        | 18  |

a/ The amounts are pursuant to the Consolidated and Further Continuing Appropriations Act, 2013, Pubic Law 113-6, signed March 26, 2013, including 2.513 percent rescission in accordance with section 3001(b)(1)(A) and .2 percent rescission in accordance with section 3004(c)(1).

b/ The amounts are pursuant to the sequestration order signed by the President on March 1, 2013, in accordance with section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

### Justification of Increases and Decreases

- (1) A decrease of \$15,000,000 for the section 523 mutual and self-help housing grants (\$25,000,000 available in 2014).

Base funding will support local non-profit organizations providing technical assistance to low- and very low-income families building their own homes through the Self-Help method in rural areas. Grants are available to rural public and private not-for-profit organizations, local governments and tribal organizations. Grant terms are for two years and funds may be used, among other things, to pay salaries, office rent, and expenses associated with operating the organization.

The requested funding level will maintain existing grant organizations who wish to continue with their mutual and self-help housing programs. The mutual and self-help housing program gives families, especially minorities and those with very low-incomes, the opportunity to own a home and supports the goal of assisting rural communities to become self-sustaining, repopulating, and economically thriving. Families participating in the mutual and self-help program work together in teams of six-to-ten to build each other's homes under the supervision of qualified contractors. This program makes homes affordable through sweat equity. In 2013, a total of 1,084 families were assisted with mortgage loans totaling \$146 million to build their homes through the mutual and self-help program.

Continuation of this program is critical because:

- It provides many very low-income families their only opportunity to achieve homeownership;
- It provides permanent, full-time jobs in rural areas in the construction arena, such as contractors, sub-contractors, building supply facilities, as well as administrative jobs with sponsoring agencies and other non-profits and jobs in real estate, such as sales, marketing and maintenance; and,
- It directly supports USDA's Strategic Goal of assisting rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

The requested funding, along with the anticipated carryover, will continue to provide funds for local non-profits to continue with their mutual and self-help housing programs. This level is adequate given the proposed section 502 direct loan funding, which is the primary source of financing used by families participating in the self-help program.

RURAL HOUSING SERVICE  
Mutual and Self-Help Housing Grants  
Geographic Breakdown of Obligations  
(Dollars in thousands)

| State/Territory            | 2012 Actual | 2013 Actual | 2014 Estimate      | 2015 Estimate      |
|----------------------------|-------------|-------------|--------------------|--------------------|
|                            | Amount      | Amount      | Amount             | Amount             |
| Alabama.....               | \$334       | -           | -                  | -                  |
| Alaska.....                | 537         | -           | -                  | -                  |
| Arizona.....               | \$1,011     | \$3,155     | -                  | -                  |
| Arkansas.....              | 1,995       | 1,630       | -                  | -                  |
| California.....            | 8,867       | 10,493      | -                  | -                  |
| Colorado.....              | 440         | -           | -                  | -                  |
| Delaware.....              | 803         | 2,408       | -                  | -                  |
| Florida.....               | 3,059       | 3,048       | -                  | -                  |
| Hawaii.....                | 490         | 1,383       | -                  | -                  |
| Indiana.....               | 330         | -           | -                  | -                  |
| Kansas.....                | -           | 677         | -                  | -                  |
| Kentucky.....              | -           | 450         | -                  | -                  |
| Louisiana.....             | -           | 368         | -                  | -                  |
| Maine.....                 | 1,010       | -           | -                  | -                  |
| Michigan.....              | -           | 239         | -                  | -                  |
| Mississippi.....           | 10          | 291         | -                  | -                  |
| Missouri.....              | 324         | -           | -                  | -                  |
| Montana.....               | 10          | 567         | -                  | -                  |
| Nevada.....                | 622         | -           | -                  | -                  |
| New Mexico.....            | 279         | 487         | -                  | -                  |
| North Carolina.....        | 1,012       | -           | -                  | -                  |
| Oklahoma.....              | 3,212       | 3,222       | -                  | -                  |
| Oregon.....                | 417         | 1,072       | -                  | -                  |
| Pennsylvania.....          | 300         | -           | -                  | -                  |
| Rhode Island.....          | 345         | -           | -                  | -                  |
| South Dakota.....          | 354         | -           | -                  | -                  |
| Tennessee.....             | 503         | -           | -                  | -                  |
| Texas.....                 | 281         | 293         | -                  | -                  |
| Utah.....                  | 4,879       | 496         | -                  | -                  |
| Washington.....            | 5,990       | 761         | -                  | -                  |
| Wisconsin.....             | 268         | -           | -                  | -                  |
| District of Columbia.....  | -           | 106         | -                  | -                  |
| Other Countries.....       | 237         | 237         | -                  | -                  |
| Undistributed.....         | -           | -           | \$33,982 <u>a/</u> | \$11,686 <u>a/</u> |
| Obligations.....           | 37,919      | 31,383      | 33,982             | 11,686             |
| Bal. Available, SOY.....   | -18,137     | -12,366     | -9,080             | -1,686             |
| Recoveries.....            | -2,148      | -418        | -1,587             | -                  |
| Bal. Available, EOY.....   | 12,366      | 9,080       | 1,686              | -                  |
| Total, Adjusted Approp.... | 30,000      | 27,678      | 25,000             | 10,000             |

a/ Totals cannot be distributed at this time.

RURAL HOUSING SERVICE

MUTUAL AND SELF-HELP HOUSING GRANTS

Classification by Objects

(Dollars in thousands)

|  | 2012          | 2013          | 2014            | 2015            |
|--|---------------|---------------|-----------------|-----------------|
|  | <u>Actual</u> | <u>Actual</u> | <u>Estimate</u> | <u>Estimate</u> |
| 41.0 Grants, subsidies, and contributions..... | \$37,919      | \$31,383      | \$33,982        | \$11,686        |
| 99.9 Total, new obligations.....               | <u>37,919</u> | <u>31,383</u> | <u>33,982</u>   | <u>11,686</u>   |

## **RURAL HOUSING SERVICE**

### **STATUS OF PROGRAMS**

As a part of USDA Rural Development (RD), the Rural Housing Service's (RHS) mission is to improve the quality of life in rural areas. RHS assists rural communities and individuals by providing loans and grants for housing and community facilities, and providing funding for single family homes, apartments for low-income persons or the elderly, housing for farm laborers, childcare centers, fire and police stations, hospitals, libraries, nursing homes, schools, and much more.

In partnership with non-profits, Indian tribes, State and Federal government agencies, and local communities, RHS creates packages of technical assistance and loan and grant funds to assist rural communities and individuals.

#### **Rural Housing Insurance**

##### Current Activities:

RHS continues to provide the only available homeownership opportunity for rural families with limited incomes, especially those in underserved groups or isolated areas through the Section 502 Direct Single Family Housing (SFH) Loan Program. The popularity of RD home loan guarantees continues to rise as participating lenders made 2013 another record year. These programs constitute the largest of all the RD programs; they fill critical funding gaps which create local jobs, build strong local communities and assure tens of thousands of rural Americans achieve the goal of owning their own homes.

In 2013, a record 162,943 guarantees of mortgage loans provided by other lenders were issued, totaling \$22.3 billion.

The RHS continues to support rural mortgage credit markets ensuring access to mortgage credit for very low- and low income applicants in rural areas in 2013. Funding was provided through direct and guaranteed loans for purchase and /or repair and rehabilitation.

The guaranteed loan program operates as 'budget neutral' -- a new structure combining upfront and annual fees. New automation tools, such as the Signature Process Improvement, promise to save millions of dollars for the government and participating lenders. The centralization of both guaranteed and direct staff will create further efficiencies in future program delivery. Revised regulations for the single-family housing guaranteed loan program were recently published. The direct program's Certified Loan Packager regulations will provide a greater role for participating nonprofit groups to improve the quality and quantity of loan applications, better target customer groups, and reduce overall burden on agency staff. Process improvement at every level, from field office origination to final servicing at the Centralized Servicing Center, is expected to provide improvements in loan quality, loss claim payments and, most importantly, continued help to millions of rural families to be successful homeowners.

##### Section 502 Direct Single Family Housing Loans:

Section 502 direct single family housing loans are directly funded by the government. These loans are available for low- and very low-income households to obtain homeownership. Applicants may obtain 100 percent financing to purchase an existing dwelling, purchase a site, and construct a dwelling, or purchase newly constructed dwellings located in rural areas. Mortgage payments are based on the household's adjusted income. A total of 7,112 direct loans totaling \$827.2 million were obligated in 2013.

Direct loans provide home buying assistance to families with income at levels that would eliminate them from other home loan programs. In 2013, the average adjusted annual income of the rural families obtaining these subsidized loans was \$28,275.

A 100 percent visually-impaired veteran of the U.S. Army turned to RD in Nebraska for assistance with his goal of homeownership. Rural Development, teaming with the Norfolk Area Habitat for Humanity, Norfolk Area Chamber of Commerce, Our Savior Lutheran Church, Northeast Community College and Whirlpool, worked to help this veteran become a homeowner after renting for the past 17 years. The rehabilitated home is adequately equipped for his needs and provides ample space. Goal of homeownership was achieved through the collective efforts of these organizations and he is eternally grateful for all of the assistance provided.

#### Section 502 Guaranteed Single Family Housing Loans:

RD provides mortgage credit in rural areas with minimal upfront cost and a 30-year fixed rate. Without these guarantees, thousands of rural home buyers would be unable to attain the “American Dream” of homeownership. A total of 162,943 low- and moderate-income families obtained guarantees, totaling \$22.3 billion in 2013. The average borrower’s annual household income was \$54,255.

For each of the last seven years, the program established new lending records, growing from a \$2.9 billion program in 2006 to \$22.3 billion in 2013. The delinquency of the agency’s portfolio of loan guarantees was 9.82 percent for September 2013, below the latest FHA rate of 10.05 percent for the same period. Similarly, the foreclosure rate on USDA home loan guarantees was at 2.02 percent in September 2013, compared to the FHA rate of 3.15 percent.

As a result of continued low market interest rates, RD also provided a record number of guarantees for new loans refinancing existing direct and guaranteed loans. RD issued nearly 12,947 guarantees of refinance loans – an increase of 59 percent from the previous year’s record of approximately 7,600. The refinance numbers included loans made as part of a special Rural Refinance Pilot Program. The pilot is assisting borrowers in 32 of the “Hardest Hit States” (as identified by a U.S. Department of the Treasury initiative as well as States with a high proportion of persistent poverty areas) by streamlining refinancing loans with a strong payment record and where the borrower meets other eligibility requirements. This refinance process will save rural families thousands of dollars each year and add to the financial resources of local economies.

#### Section 515 Multi-Family Housing (MFH) Preservation and Revitalization Programs:

The objective of this program is to repair or rehabilitate multi-family housing. The program provides alternative financing tools for repair or rehabilitation, including zero percent loans, soft second loans, grants, and loan modifications of existing section 515 or section 514/516 farm labor housing loans. The program is also a critical part of the rehabilitation program as it helps attract third-party funding to assist in the preservation of projects. In addition, RHS uses these revitalization tools to provide gap financing not covered through Low-Income Housing Tax Credit (LIHTC) or other State or Federal programs. As a result, RHS is able to leverage approximately three times its funding in investments from LIHTC and other sources. A close partnership with State tax credit allocating agencies is critical, because without a financial commitment by RHS through the revitalization tools, the credits and other third-party funding will dry up and rehabilitation of the agency’s aging stock of rural rental housing will not occur. In 2013, MFH used more than \$50.1 million to preserve Section 515 properties consisting of a total of 2,403 units of housing and obligated about \$21 million through the Section 515 MFH Preservation and Revitalization program.

#### Section 515 Direct Rural Rental Housing Program:

Continuing into 2013, a 29-unit section 515 elderly housing complex in Arcata, California became operational. This unique project combined affordable housing for seniors in a highly energy-efficient building. This building meets the LEED Platinum Level and EPA’s Energy Star for Homes green building standards. The property generates over 80 percent of its energy needs through roof mounted solar panels. Using Section 515 loan funds, the building includes 24 one-bedroom and 5 two-bedroom units with a fitness center, meeting room and gardening spaces. Financing included \$1 million of Rural Rental Housing (Section 515) loan funds and \$7 million from other public and private sources. In addition, this property is strategically located one block from the local farmer’s market, co-op grocery store, and the town plaza shops and restaurants, thereby limiting the need for transportation.

### Section 538 Guaranteed Rural Rental Housing Program:

In 2013, the Guaranteed Rural Rental Housing Program (GRRHP) committed loan guarantee funds in excess of \$52.2 million, providing funding to rehabilitate approximately 795 affordable housing units and build approximately 1,267 new affordable housing units. The 39 properties using the GRRHP this fiscal year utilized other public and private funding in excess of a 5.43 to 1 ratio. This means that for every dollar of loan guarantee funds, the property attracted more than \$5.43 of other funding.

RD has made great strides in attracting lenders and investors into GRRHP. In prior years, a fraction of the loans guaranteed were sold in the secondary market. Because of strong relationships with Ginnie Mae and Fannie Mae, this program has been able to attract new lenders and new investors. Rural markets are attracting more private capital as a result of these relationships and through the program's expanding lender network.

### Section 504 Housing Repair Loans:

The section 504 home repair loan program helps provides assistance for repairs to very low-income homeowners. These one percent interest loans are used to improve or modernize a home, or address health and safety issues. Since 1950, USDA has provided nearly 186,000 rural families with repair loans totaling \$765 million. In 2013, the program provided 2,412 loans totaling \$14.3 million. The average loan was \$5,943.

### Rural Housing Assistance Program:

#### Current Activities:

Multi-Family Housing (MFH) programs continue to face the challenges of rapidly aging MFH direct loan portfolios serving the affordable rental needs of the most vulnerable residents in rural communities. Our on-going focus includes:

1. Continued engagement with funding partners to draw third-party funding into transactions that preserve the portfolio or establish new rental housing units (particularly through the Section 514/516 Farm Labor Housing or Section 538 Guaranteed Rural Rental Housing programs) in underserved rural areas. One significant step in these efforts is participation in the White House Rental Policy Working Group's efforts to align funding and operational requirements between the Departments of Housing and Urban Development, Agriculture's rental housing programs and Treasury's tax credit program. Improved alignment of funding will help USDA and partners better leverage resources available through the other agencies. Another goal of the working group is to make Federal rental housing programs more attractive to our partners by improving program efficiency and reducing duplication of Federal regulatory requirements.
2. Improved administrative internal controls designed to strengthen verification methods for tenant income in order to reduce the risk of improper rental assistance subsidy payments; thereby reducing the incidence of waste, fraud and abuse at properties financed by RD.
3. Substantive training efforts undertaken by MFH Programs to provide guidance for its field staff with less than five years of experience servicing the loan portfolio or handling asset management responsibilities.
4. Increased focus on attracting private funding for preservation and rehabilitation projects in order to make Rural Development's funding go further. In 2013, the MFH housing programs attracted approximately \$4.65 in external project funding for each \$1 of RD funding.

### Transparency in the Multi-Family Housing Program Funding Applications Process:

The past several years, MFH devoted significant effort to automating all of the MFH programs that require public funding notices (Notification of Funding Availability, or NOFA). In 2013, additional features were included to add greater transparency by providing more information to the public as NOFA applications are received. In addition, the Section 538 Guaranteed Rural Rental Housing NOFA application process was automated. MFH also added a

system feature that automatically sends a confirmation email to an applicant as their NOFA application is received by RD.

Automation of the application process provided a number of benefits to RD and its customers. For RD field and National Office staff, the automation reduced paperwork, making it easier to store application files. Automation also made it easier for staff to share application files for review by area, State and national staff. For applicants, the electronic process helped improve the quality of applications by reducing the potential for submission of incomplete files. The automation also reduced funding guesswork by allowing applicants to better understand the likelihood their application would be approved based on how their self-scored application ranked among all applications received.

MFH has also simplified the tool used to underwrite sophisticated multi-family transactions. The current underwriting template has been in use since 2006 and has become more complicated as functions and features were added. After discussions with field staff, MFH simplified the underwriting process and made the underwriting tool easier to use. Underwriting tool changes include:

- 1) Showing only worksheets that relate to the current activity by hiding spreadsheets that are not being used.
- 2) Providing a method of navigation that allows a user to see which functions have already been visited, where they are within the application process, and how their current position fits into the larger picture.
- 3) Providing a method of importing current data without requesting a new underwriting tool from the National Office.
- 4) Increasing pre-populated data in the imported underwriting tool.
- 5) Providing the capability to track changes to the underwriting tool between underwriting versions.

These system enhancements were completed in February 2014 with field training and rollout of the tool expected in March.

#### Section 521 Rental Assistance (RA) Program:

In 2013, \$837 million was used to fund 190,697 contracts for 8,078 projects, including 242 new RA units for new construction, and 203 new RA units for preservation incentives. The agency began an initiative in 2010 to aggressively service non-performing projects and non-compliant borrowers, with the objective of recapturing unused funds from RA units from properties that leave the portfolio either through foreclosure or prepayment of the RD mortgage. Aggressive servicing requires RD field staff to focus on the continued need and suitability of defaulted properties, and evaluate the available resources to rehabilitate or strengthen a property's financial position.

Staff continues to work with industry groups to ensure appropriate property manager training in an effort to lower error rates. The RA Program is participating with the Department's Office of the Chief Financial Officer in a pilot program on recovery auditing. This initiative is intended to comply with directives from the Office of Management and Budget to recover funds from improper payments. The RA program is also subject to regular improper payments reporting and analysis as required by statute.

#### Section 514/516 Farm Labor Housing Program:

The farm labor housing program remains the only national source of construction funds dedicated to farm labor housing. This program provides loans and grants to build housing for both migrant and year-round farm laborers. Funds may also be used for related facilities, such as on-site child care and community buildings. Funding is made available annually through a competitive process.

The use of low interest section 514 loans, third-party funds, and section 516 farm labor housing grants provides sufficient leverage to minimize the cost of new construction, and allows projects to maintain rents at affordable levels. The primary source of funding leveraged by the section 514 and 516 programs is through the LIHTCP. A few States also provide assistance through grant programs designed to attract farm labor housing development opportunities; RD works very closely with those States to coordinate its efforts. For example, in addition to the farm

labor housing loans or grants, RD also provides Section 514/516 new construction rental assistance to assure the financial stability of the projects.

The Multi-Family Housing program financed the construction and repair of 538 farm labor housing units in 2013. The selection process for farm labor housing loans and grants is conducted through a Federal Register notice, which establishes the criteria used by RD to allocate these loans and grants. One RD goal is to attract more external funding. Typically, groups attracting external financing, receive more credit in the application review process. Overall, this program obligated nearly \$27.6 million in 2013. For each loan or grant dollar obligated, in excess of \$1.92 of external funding was leveraged.

#### Section 542 Voucher Program:

Since the beginning of the demonstration, the Voucher program has offered more than 15,128 vouchers to residents in rural America. During that time, more than \$56.4 million in voucher funds were obligated. The program is intended to provide a simple, direct and responsive approach to program delivery, without duplicating other Federal rent assistance programs. In 2013, the program obligated \$13.2 million, the highest level yet, and issued or renewed almost 3,800 vouchers. An average voucher pays approximately \$290 per month per household.

#### Section 523 Mutual and Self-Help Housing Grants:

The mutual and self-help program provides the only opportunity for many of the lowest income families in rural areas, including minorities, to achieve their homeownership goal. Since 1966, USDA has provided \$750 million to non-profit organizations around the country to organize more than 2,500 groups of families to build their own communities.

Nearly 49,000 families have built their homes through USDA's self-help program. In 2013, a total of 1,084 families were assisted with mortgage loans totaling \$146 million. The program obligated \$31.4 million in section 523 Technical Assistance grants and contracts to organizations supporting these groups of rural families.

Families participating in the self-help program work together in teams of six-to-ten to build each other's homes under the supervision of qualified contractors hired by the grantee organizations. This program makes homes affordable through sweat equity. It serves a high percentage of those who would never be able to obtain a home through conventional means. Average income for participating families was only \$29,122 per year even though Self-Help loans are concentrated in western States in areas where incomes and housing costs are higher. About 52 percent of those who participated are minorities. Based on the appraised value of the house versus its cost, we estimate the average Self-Help family attains about \$25,000 in equity from their work contribution.

#### Rural Housing Assistance Grants:

##### Current Activities:

In order to meet the Department's strategic goal of assisting rural communities to thrive economically, housing programs provide loans, grants and guarantees for housing and community facilities. This includes funding for single family homes, housing for low-income persons, the elderly and disabled, housing for farm laborers, and other housing and community facilities. Individual grants, either directly to homeowners or through local nonprofit partners, are a small yet important part of the overall assistance provided to rural families with lower incomes to not only obtain a home but retain it.

In late 2012, HUD, USDA, and housing agencies from six individual States signed a Memorandum of Understanding (MOU) to reduce the number of inspections on properties that the agencies financed together. MOUs were signed in Washington, Wisconsin, Minnesota, Michigan, Ohio and Oregon. Implementation of the MOU agreements will reduce the burden on property managers and tenants, and ultimately reduce property operating expenses.

### Section 504 Housing Repair Grants:

The section 504 housing repair grant program is available only to very low-income homeowners age 62 or older. The grant funds must be used to remove health and safety hazards or make dwellings more accessible to household members with disabilities. These grants average \$5,921. In 2013, a total of 4,594 elderly families obtained \$27.2 million in Section 504 grants to make essential repairs to their homes.

### Section 509 Compensation For Construction Defects:

This program provides funds to Section 502 direct homeowners to repair structural defects in newly constructed homes. Grants are available only if the contractor refuses, or is unable to honor the warranty, and only covers structural defects within 18 months of completion of the home. One grant totaling \$9,645 was obligated in 2013.

### Section 533 Housing Preservation Grant Program:

The housing preservation grant program strives to improve the quality of existing MFH and some SFH units through partnerships with various local public bodies and non-profit organizations. Grants of approximately \$4.08 million were made to non-profit and public entities improving the housing quality of approximately 1,241 families in 2013.

The Housing Preservation Grant program is administered through a public notice process, in which nonprofit and public bodies are invited to apply for grants to repair SFH and MFH housing units that are below housing standards. In 2013, this program attracted \$4.67 of private and public funds for each \$1 of Rural Development housing preservation grants.

### **Community Facilities (CF) Program:**

#### Current Activities:

The CF program has taken a leadership role in coordinating, facilitating and implementing the White House's "We Can't Wait" Public Private Partnership Initiative to strengthening investment in community facilities infrastructure such as health care, public safety, and education through increased collaboration and partnerships with the capital credit markets and institutional investors to improve the quality of health, public safety, and educational facilities in rural America. The Public Private Partnership initiative seeks institutional investors interested in long-term investment opportunities in rural community facilities infrastructure to:

- Improve rural America's access to capital for rural community facilities infrastructure;
- Strengthen CF underwriting and oversight;
- Reduce the agency's exposure to risk; and
- Protect the safety and soundness of our portfolio.

An excellent example of one of these public-private partnerships is with the Mississippi Band of Choctaw Indians who broke ground on a \$55 million Choctaw Health Center in 2013. CF facilitated the public private partnership with Health and Human Services and private sector lending partners to support the Tribe's efforts in replacing their aging primary rural health care facility to meet the critical health care needs of chronically underserved tribal members. This will be the largest CF investment to an Indian Tribe in the history of the program going back to 1974. This new facility will serve eight tribal communities located across Mississippi and Tennessee.

The project will help the Choctaw Health Center meet both local and cultural health challenges facing tribal members. These challenges include access to care, diabetes, obesity, further nutrition education, and lack of exercise which are at rates higher than the U.S. average. Behavioral health programs will also be expanded to address both mental health and substance abuse to help improve tribal member health in these vital areas. In addition, demand for dental services has outgrown its current capacity resulting in long delays for an appointment time, causing growing frustrations for tribal members and in some cases neglect in dental care due to delays and inconveniences. This project will help reduce wait times for dental patients and more effectively serve tribal members.

Most importantly, this new facility will improve care for the highly revered tribal elder population. The new health care facility will save 317 existing rural healthcare jobs, and will lead to the creation of an additional 90 jobs by 2020 as well as, create 240 jobs during the construction period.

USDA's StrikeForce for Rural Growth and Opportunity Initiative works to address the unique set of challenges faced by many of America's rural communities. Through StrikeForce, USDA is leveraging resources and collaborating with partners and stakeholders to improve economic opportunity and quality of life in these areas.

In FY 2013, CF collaborated with a public-private partnership with the Randolph County Nursing Home, a new skilled nursing home in Pocahontas, Arkansas, located in a StrikeForce designated County. The county has owned and operated a nursing home for over 40 years out of the old hospital in Pocahontas. Even with the older building, the nursing home has sustained a high occupancy rate of over 90 percent with a long waiting list. The current nursing home has 118 beds and the new nursing home will be expanded to the states maximum of 140 beds. The new nursing home will provide residents with a more energy efficient, modern, and family-oriented facility and improved health care services for residents requiring continual nursing care. In addition, it will be used as a training facility for the local community college's nursing program.

RD invested \$15.5 million in Community Facilities direct loan funds, First Security Bank contributed \$2,000,000 in loan funds, the Clay County Electric Cooperative provided \$500,000 in loan funds toward the project, and the Randolph County Nursing Home contributed \$1,500,000 of their own funds, demonstrating significant community support. The loan from Clay County Electric Cooperative to Randolph County was made possible through RD/Rural Business Service' Rural Economic Development Loan Program.

To make this project a success, CF worked with institutional investors through a public private partnership to structure a financing package to support Randolph County's efforts to replace this aging and antiquated nursing home using CF direct and guaranteed loan funds leveraged with private sector capital. This financing provided funding for critical health care needs at Randolph County Nursing Home and eliminated a number of health and safety issues connected with the nursing home operating out of its aging and antiquated hospital facility.

In addition, during 2013, the CF program saw a sharp increase in the capital credit markets and investment bankers/institutional investors providing the interim construction financing for community infrastructure and essential community facilities.

Major accomplishments for 2013:

- CF invested in 181 Public Private Partnership social/community infrastructure projects across rural America in 41 States. This is quite an achievement compared to the 2012 record performance where we invested in 100 public private partnerships in 31 states.
- Interim construction financing played a significant role in CF's partnerships with the private sector. Approximately 33 projects used a lender for interim construction financing.

Finally, RD, through its guaranteed loan program, established itself as a valued partner in the commercial lending arena by building a successful lending partnership with community, regional and national lenders.

RD achieved this level of financing support to the community because of its ability to leverage direct loan funding with commercial funding.

#### Community Facilities Loans and Grants:

In 2013, CF obligated over 1,302 loans and grants for a total of slightly more than \$1.432 billion, which is an all-time record since inception of the program in 1974 (excluding the American Recovery and Reinvestment Act).

CF's educational performance goal for 2013 was 4.00 percent of Rural Americans served with new or improved education facilities. The actual percent served in 2013 was 9.27 percent, with over \$390.2 million in 195 educational facilities, serving 5,415,671 rural residents.

CF's health care performance goal for 2013 was 4.50 percent of rural residents with access to new or improved rural health care facilities. The actual percent served in 2013 was 5.42 percent, with over \$649.4 million invested in 130 rural health care facilities through 183 loans and grants, serving 3,167,518 rural residents.

CF's public safety performance goal for 2013 was 2.70 percent of rural residents with access to new or improved rural public safety facilities. The actual percent served in 2013 was 3.39 percent, with over \$64.2 million in 410 rural safety facilities through 504 loans and grants serving 1,198,177 rural residents.

## RURAL HOUSING SERVICE

### Summary of Budget and Performance Statement of Department Goals and Objectives

**Mission:** As a part of RD, our mission is to improve the quality of life in rural areas by providing loans and grants for housing and community facilities. Funding is provided for single family homes, apartments for low-income persons or the elderly, housing for farm laborers, childcare centers, fire and police stations, hospitals, libraries, nursing homes, schools, and much more.

In partnership with non-profits, Indian tribes, State and Federal government agencies, and local communities, packages of technical assistance and loan and grant funds are created to assist rural communities and individuals.

**USDA Strategic Goal:** Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

RHS has one strategic goal and two strategic objectives that contribute to one of the Secretary's Strategic Goals.

| Agency Strategic Goal                        | Agency Objectives  | Programs that Contribute  | Key Outcome                         |
|--|--|---|-------------------------------------|
| Improve the quality of life in Rural America | <u>Objective 2.1:</u><br>Provide decent, safe and affordable housing | Sec. 502 Direct Single Family Housing<br>Sec. 502 Guaranteed Single Family Housing Purchase and Refinance<br>Sec. 515 Direct Multi-Family Housing Loans<br>Sec. 521 Rental Assistance Program Grants<br>Sec. 514 Farm Labor Housing Loans<br>Sec. 516 Domestic Farm Labor Housing Grants<br>Sec. 504 Housing Repair Grants<br>Sec. 542 Multi-Family Housing Voucher Program | Decent, safe and affordable housing |
|  | <u>Objective 2.2:</u><br>Develop community infrastructure            | Rural Community Programs<br>Community Facility Direct Loans<br>Community Facility Grants  | Develop community infrastructure    |
|  | Other Key Outcome  | Sec. 515 Direct Rural Rental Housing<br>Sec. 514/516 Farm Labor Housing   | Affordable Rental Housing           |

**Key Outcome 1:** The single family housing programs support the strategic goal of improving life in Rural America by providing decent, safe and affordable housing.

Performance measures related to the single family housing programs include targets for the number of section 502 loans financed annually and for the percentage of these loans to rural minority families.

Single family housing includes smaller programs to support and supplement its homeownership and repair programs. The self-help building method allows very low-income families to contribute their labor to obtain equity in their homes while creating strong community bonds. These programs are aimed at rural areas with large numbers of minorities.

Key Performance Measure and Targets:

Performance measures for single family housing programs include targets for homeownership opportunities provided annually in rural communities. A homeownership opportunity is defined as a section 502 direct loan or a loan guarantee, including subsequent direct loans and guarantees of refinance loans.

| Annual number of homeownership opportunities generated through rural housing credit programs. |                   |                   |                   |                   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | FY 2009<br>Actual | FY 2010<br>Actual | FY 2011<br>Actual | FY 2012<br>Actual | FY 2013<br>Actual | FY 2014<br>Target | FY 2015<br>Target |
| (1) Homeownership Opportunities   | 56,613            | 127,735           | 140,100           | 153,027           | 170,055           | 176,539           | 166,355           |
| Cost  | \$6.8B            | \$16.1B           | \$18.0B           | \$20.1B           | \$23.2B           | \$24.9B           | \$24.4B           |

Note: Homeownership Opportunity includes section 502 direct and guaranteed loans. Repair loans and grants or other programs are not included.

Selected Past Accomplishments Toward Achievement of the Key Outcome:

When other SFH programs are added to the homeownership opportunities in the chart above, a record 177,061 families were assisted with individual home loans or repair loans and grants totaling nearly \$23.2 billion. This is the best year ever – for both guarantees and the combined number of all section 502 home and section 504 repair loans. In an environment where every Federal program dollar needs to be strongly justified, the agency still provides sound investments in thousands of rural families nationwide.

The agency’s single family direct loan program is the only available homeownership opportunity for rural families most in need because of limited income and inability to secure conventional credit at affordable rates and terms. And, the popularity of RD home loan guarantees continues to rise as lenders, reluctant to make loans without Government backing, flock to the program. Combined, these programs fill critical social and funding gaps, creating local jobs, building strong local communities and assuring that tens of thousands of rural Americans meet the still-important goal of owning their own homes.

The RD direct and guaranteed single family loan programs continue to thrive. The guaranteed program has operated with a negative subsidy rate since a new fee structure combining upfront and annual fees was instituted in 2011.

Rural Development guarantees for new loans still provide perhaps the most appealing mortgage financing options. A record 163,000 USDA-backed guaranteed loans were approved in 2013, with 150,000 purchase loans and almost 13,000 guarantees of re-finance loans. This includes the Rural Refinance Pilot program which was originally designed to assist borrowers in 19 “Hardest Hit” states (as identified by a U.S. Department of the Treasury initiative) by refinancing without a new appraisal and other verifications so long as the loan has a strong payment record and the borrower meets other eligibility requirements. In 2013, the program was expanded to include an additional 16 jurisdictions with persistent poverty counties. This program stands to save individual families thousands of dollars each year and add to the financial resources of local areas. The agency is working to publish a regulation to allow the streamlined refinance option to be available in all States.

Direct loan management is developing technology, similar to the Guaranteed Underwriting System (GUS), to improve underwriting while reducing the burden on field staff and loan applicants. Also, the National Office provided web-based training to assist the field with loan making activities, including eligibility determinations and underwriting/risk analysis.

Special servicing options are provided for section 502 guaranteed and direct borrowers with problems that make it difficult for them to make the loan payments. Finally, we are strengthening access to homeownership counseling for

direct borrowers who become delinquent and addressing the borrower's financial crisis at the earliest stages by engaging community partners to assist borrowers dealing with the delinquency. Guaranteed loan servicers use a wide range of loss mitigation techniques, resulting in fewer foreclosures, fewer loss claims, and increased successful homeowners. Emphasized loss mitigation techniques include special forbearance, loan modifications, and when possible, pre-foreclosure sales and the acceptance of deeds in lieu of foreclosures. RD processes over 250 such homeownership-saving opportunities a month.

#### Selected Accomplishments Expected at the 2015 Proposed Resource Level:

Further updates for the popular GUS will allow participating lenders to make sound loans faster and cheaper. Program efficiencies created at every level, from field office origination to final servicing at the Centralized Servicing Center, promise to provide improvements in loan quality, loss claim payments and, most importantly, will continue to assist millions of rural families to be successful homeowners.

The guaranteed program has also taken dramatic steps toward leaner, more efficient operation with its emphasis on increased automation and process reengineering. In 2013, the program embarked on a three-phase Signature Process Improvement effort to eliminate the paper-intensiveness associated with the traditional processing of loan applications and issuance of conditional commitments and loan guarantees. Once fully operational, the newly automated processes will obviate the need for the printing and signing of physical loan documents. The Phase 1 implementation of software, which enables the automated lender-submission of loan closing packages, was completed on July 30, 2013. By March 2015, all three phases will be fully implemented.

Funding allocated in 2013 will also improve monitoring delinquencies and avoiding them. The \$1.5 million allocated to improve the Electronic Data Interchange (EDI) for guaranteed loans will result in providing the agency with much more performance data at more frequent intervals. The agency will use the more robust EDI information to identify lenders and loan servicer who are not performing up to standard. The recent hiring of a Guaranteed Lender Oversight Program Manager will also result in better identification of deficient lenders or loan servicers. The new guaranteed regulation 7 CFR 3555, will also result in fewer delinquencies because the new regulation will provide better loan-making guidance than the older regulation. Indeed, the new regulation will resolve 18 recommendations from an Office of Inspector General audit of loan origination (Report No. 04703-02-Ch).

SFH direct loan management has developed and validated a custom scorecard that will provide a dependable risk prediction that accounts for the direct program's unique lending environment. In addition, we are also working on implementing an underwriting rules engine to further evaluate eligibility and qualification requirements for each loan application. The scorecard and the underwriting rules engine, when combined, are a powerful tool for reducing manual underwriting and making reliable lending decisions for section 502 direct loans. The guaranteed loan program has found that loans underwritten through the automated system perform better than manually underwritten loans. The expected outcome is to reduce field staff workload, processing time and delinquency rate.

The direct program will amend its regulations to create a formal process to designate qualified loan application packagers as agency-certified. Certified packagers will promote the direct loan program in eligible communities; informally prescreen interested parties to determine their likelihood of qualifying for the program; and fully prepare and document the loan application package on behalf of the applicant for submission to the Agency. This rule will help to address the impacts from the recent separation of almost 200 Rural Development employees dedicated to processing SFH direct loans through retirement and to the Congressionally-mandated reductions to salary and expenses.

#### Key Outcome 2: Develop community infrastructure

##### Key Performance Measure and Targets:

Community facilities (CF) programs provide both direct and guaranteed loans and grants to help rural communities develop or improve their essential community infrastructure and facilities for public use in rural communities of 20,000 or less.

The following chart shows key performance indicators, targets and results for Housing and Community Facilities Program.

| Percentage of rural residents who are provided access to new or improved essential community facilities – (1) Health Facilities, (2) Safety Facilities, and (3) Educational Facilities <sup>1/</sup> |                   |                   |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | FY 2009<br>Actual | FY 2010<br>Actual | FY 2011<br>Actual | FY 2012<br>Actual | FY 2013<br>Actual | FY 2014<br>Target | FY 2015<br>Target |
| (1) Health Care  | 5.4               | 3.2               | 3.2               | 7.3               | 5.4               | 5.5               | 5.5               |
| (2) Public Safety  | 5.0               | 3.2               | 3.2               | 3.7               | 3.4               | 3.7               | 3.7               |
| (3) Education  | 3.5               | 3.8               | 3.8               | 6.4               | 9.3               | 4.5               | 4.5               |
| Cost   | \$639.3M          | \$948.4M          | \$722M            | \$1.504B          | \$1.440B          | \$2.303B          | \$2.221B          |

Note:

<sup>1/</sup> The USDA Strategic Plan’s performance goals for 2015 are Health Care 5.5 percent; Public Safety 3.7 percent and Education 4.5 percent. As a result of significant reductions in staff resources and expertise and the need for remaining personnel to maintain the safety and soundness of the portfolio, CF has adjusted its targets in reference to 2014.

Selected Past Accomplishments Toward Achievement of the Key Outcome:

In 2013, despite a reduction in staff and a surge in workload and initiatives, CF obligated 1,302 loans and grants for a total of slightly more than \$1.4 billion, our second highest year since program inception in 1974 (excluding funding under the American Recovery and Reinvestment Act of 2009). CF also surpassed all of its performance goals for the year in all three program areas with especially high performance in education.

During the past 4 fiscal years, the CF programs supported several special Departmental initiatives focused on strengthening investment in critical community infrastructure facilities that have a major impact on economic growth and quality jobs such as health care and education. Several notable initiatives directly supported by CF programs include:

***Memorandum of Understanding between USDA and HHS*** - As one of the top employers in the rural market, healthcare facilities will continue to receive strategic support from the CF program. The MOU between RD and HHS to improve collaboration and to strengthen the healthcare infrastructure in rural communities serves as the basis for CF’s commitment to ensuring rural America has access to quality health care and to attract new business, quality jobs and improve the economic growth and sustainability of rural communities.

***Public Private Partnership*** - CF is building relationships with institutional investors, the capital credit markets and investment bankers interested in long-term investment opportunities in rural community/social infrastructure. This effort will be a key component to improve rural America’s access to capital and leveraging CF funding to better manage credit risk.

***CF Investments in Mental Health Care Facilities*** - CF is building relationships with the National Rural Health Resource Center, the National Association of Rural Mental Health of Minnesota, Health and Human Service’s Health Resources and Services Administration, the Office of the National Coordinator for Health Information Technology, and the Environment Protection Agency to partner with USDA RD to help implement and support this important initiative and explore opportunities for collaboration to improve access to mental health care facilities and services.

***The MOU with the Rural Community College Alliance and the American Association of Community Colleges*** - CF funding assists in facilitating access to capital for rural community college infrastructure projects, increased cooperation between RD and rural community colleges, and to work more effectively together with the goal to reach more and teach more; thereby improving efforts to strengthen the rural economy by improving upon human capital in rural areas;

***Know Your Farmer, Know Your Food*** – KYF is an USDA-wide initiative to strengthening local and regional food systems. The CF program is able to fund farmer’s markets, food hubs, people’s gardens, and other facilities that support local food initiatives to strengthen local food systems throughout rural America;

***StrikeForce Initiative*** - To achieve the Department’s Strategic Goal 1, “to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving”, CF played a proactive role in supporting, promoting and facilitating increased investments and partnerships in essential community facilities in the targeted Strike Force states and regions. For example, the CF program provided a direct loan in the amount of \$15.5 million to replace the Randolph County Nursing Home in Pocahontas, AR. This aging nursing home was a critical and essential facility for the elderly population in this persistent poverty county. Also included in the funding package was a \$2 million CF Guaranteed Loan, highlighting CF’s commitment to developing public-private partnerships in the areas hardest hit by the downturn in our economy.

Selected Accomplishments Expected at the 2015 Proposed Resource Level:

The Community Facilities program looks to build on its mission of developing community infrastructure with proposed 2015 resource levels through several initiatives outlines including:

***Public Private Partnership*** – CF seeks to build on its prior successes and relationship with institutional investors interested in long term investment opportunities in rural community infrastructure. This effort will be a key component to improve rural America’s access to capital and leverage CF funding to better manage credit risk;

***Memorandum of Understanding between USDA and HHS*** – As a major employer in the rural market, healthcare facilities will continue to receive strategic support from the Community Facilities program. The MOU between USDA RD and HHS to improve collaboration and to strengthen the healthcare infrastructure in rural communities serves as the basis for CF’s commitment to ensuring adequate access to rural health care;

***Prioritize Local and Regional Food System Projects*** - A priority focus of the CF program for 2015 will be projects related to local and regional food system infrastructure. USDA supports local and regional marketing opportunities as a component of RD’s portfolio because the economic and community benefits accrue locally, generating job opportunities in rural America and strengthening the connection between food producers and consumers. In 2015, CF will adopt a priority focus on local and regional food system infrastructure;

***The MOU with the Rural Community College Alliance and the American Association of Community Colleges*** – In 2015, CF will continue its partnership with the Rural Community College Alliance and the American Association of Community Colleges. Fiscal year funding will assist in facilitating access to capital for rural community college infrastructure projects, increased cooperation between USDA RD and rural community colleges, and to work more effectively together with the goal to reach more and teach more; thereby improving efforts to strengthen the rural economy;

***StrikeForce Initiative*** – The CF program will continue to target persistent poverty counties. In 2015, the CF program will look to improve the identification, outreach, and investment in critical infrastructure in these targeted areas.

Other Key Outcome: Making rental housing affordable for low- and very-low income rural Americans

Key Performance Measure and Targets:

The rental assistance program provides assistance to eligible tenants in section 515 and section 514/516 assisted housing so that they pay no more than 30 percent of their incomes for rent. Eligible tenants are those considered

low- or very-low income (defined as 80 percent and 50 percent of Area Median Income, respectively). Rental assistance is provided through contracts with the owner of the assisted housing, for the benefit of eligible tenants.

| Section 521 Rental Assistance – Contracts to be renewed. |                   |                   |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | FY 2009<br>Actual | FY 2010<br>Actual | FY 2011<br>Actual | FY 2012<br>Actual | FY 2013<br>Actual | FY 2014<br>Target | FY 2015<br>Target |
| Units  | 202,525           | 219,148           | 216,654           | 206,216           | 190,697           | 252,350           | 243,295           |
| Cost   | \$902M            | \$979M            | \$954M            | \$905M            | \$837M            | \$1.11B           | \$1.088B          |

Selected Past Accomplishments Toward Achievement of the Key Outcome:

- Began recovering unused rental assistance from section 515 assisted housing.
- Reduced improper payment rate nearly 50 percent from 2012 to 2013.
- Improved monitoring of housing project operations to reduce the cost of rental assistance.

Selected Accomplishments Expected at the 2015 Proposed Resource Level:

- Compliance with Federal Do-Not-Pay initiative to reduce payment errors.
- Compliance with USDA Recovery Audit program.

RURAL HOUSING SERVICE  
Strategic Goal Funding Matrix  
(Dollars in thousands)

| Program / Program Items   | 2012<br>Actual | 2013<br>Actual | 2014<br>Estimate | Increase or<br>Decrease | 2015<br>Estimate |
|---|----------------|----------------|------------------|-------------------------|------------------|
| <b>USDA Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.</b> |                |                |                  |                         |                  |
| Program Level.....  | \$22,801,819   | \$25,674,483   | \$28,678,047     | -\$681,167              | \$27,996,880     |
| Staff Years.....  | 3,903          | 3,419          | 3,509            | +89                     | 3,598            |
| Total Costs, All Strategic Goals.....   | 22,801,819     | 25,674,483     | 28,678,047       | -681,167                | 27,996,880       |
| Total FTEs, All Strategic Goals.....  | 3,903          | 3,419          | 3,509            | 89                      | 3,598            |

RURAL HOUSING SERVICE  
Full Cost by Department Strategic Goal  
(Dollars in thousands)

**Department Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving**

|  | 2012        | 2013        | 2014        | 2015        |
|--|-------------|-------------|-------------|-------------|
|  | Actual      | Actual      | Estimate    | Estimate    |
| <b>Rural Housing Service Programs</b>  |             |             |             |             |
| <u>Rural Community Facility Programs</u>   |             |             |             |             |
| Program Level.....   | \$1,504,371 | \$1,440,214 | \$2,303,495 | \$2,221,000 |
| Budget Authority.....  | 41,455      | 29,303      | 32,520      | 21,000      |
| Administrative costs (direct).....   | 73,525      | 67,413      | 72,243      | 70,661      |
| Indirect costs.....  | 34,600      | 31,724      | 33,997      | 33,252      |
| Total Costs.....   | 149,579     | 128,440     | 138,760     | 124,913     |
| FTEs.....  | 859         | 752         | 772         | 792         |
| Performance Measure:   |             |             |             |             |
| Percent of rural population with new or improved public safety services                              | 3.7         | 3.4         | 2.7         | 2.7         |
| Cost per measure (unit cost).....  | 40,426.85   | 37,776.33   | 51,392.59   | 46,264.07   |
| <u>Section 502 Direct Single Family Housing Loans and Section 524 Housing Site Development Loans</u> |             |             |             |             |
| Program Level.....   | \$899,998   | 827,165     | 905,000     | 365,000     |
| Budget Authority.....  | 42,570      | 49,382      | 24,480      | 26,568      |
| Administrative costs (direct).....   | 46,788      | 42,899      | 45,973      | 44,966      |
| Indirect costs.....  | 22,018      | 20,188      | 21,634      | 21,160      |
| Total Costs.....   | 111,376     | 112,469     | 92,087      | 92,694      |
| FTEs.....  | 546         | 479         | 491         | 503         |
| Performance Measure:   |             |             |             |             |
| Home purchase loans.....   | 7,918       | 7,112       | 7,563       | 2,912       |
| Cost per measure (unit cost).....  | 14.07       | 15.81       | 12.18       | 31.83       |
| <u>Section 502 Guaranteed Single Family Housing Loans</u>  |             |             |             |             |
| Program Level.....   | 19,213,344  | 22,350,373  | 24,000,000  | 24,000,000  |
| Administrative costs (direct).....   | 66,841      | 61,285      | 65,675      | 64,237      |
| Indirect costs.....  | 31,454      | 28,840      | 30,906      | 30,229      |
| Total Costs.....   | 98,295      | 90,125      | 96,581      | 94,466      |
| FTEs.....  | 781         | 684         | 702         | 719         |
| Performance Measure:   |             |             |             |             |
| Home purchase loan guarantees.....   | 145,109     | 162,943     | 168,976     | 163,443     |
| Cost per measure (unit cost).....  | 0.68        | 0.55        | 0.57        | 0.58        |
| <u>Section 515 Direct Rural Rental Housing Loans</u>   |             |             |             |             |
| Program Level.....   | 59,481      | 29,135      | 28,432      | 28,432      |
| Budget Authority.....  | 20,295      | 10,247      | 6,656       | 9,812       |
| Administrative costs (direct).....   | 60,156      | 21,450      | 22,986      | 22,483      |
| Indirect costs.....  | 28,309      | 10,094      | 10,817      | 10,580      |
| Total Costs.....   | 108,760     | 41,791      | 40,459      | 42,875      |
| FTEs.....  | 703         | 239         | 246         | 252         |
| Performance Measure:   |             |             |             |             |
| Units selected for new construction or rehab.....  | 1,315       | 1,399       | 1,391       | 1,391       |
| Cost per measure (unit cost).....  | 82.71       | 29.87       | 29.09       | 30.82       |

**Department Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving**

|   | 2012    | 2013    | 2014      | 2015      |
|---|---------|---------|-----------|-----------|
| Rural Housing Service Programs                              | Actual  | Actual  | Estimate  | Estimate  |
| <u>Section 538 Guaranteed Multi-Family Housing</u>          |         |         |           |           |
| Program Level.....  | 104,255 | 52,227  | 150,000   | 150,000   |
| Administrative costs (direct).....                          | 16,710  | 15,321  | 16,419    | 16,059    |
| Indirect costs.....   | 7,864   | 7,210   | 7,727     | 7,557     |
| Total Costs.....  | 24,574  | 22,531  | 24,146    | 23,616    |
| FTEs.....   | 195     | 171     | 175       | 180       |
| Performance Measure:  |         |         |           |           |
| Units selected for new construction or rehab.....           | 3,359   | 2,062   | 5,194     | 5,194     |
| Cost per measure (unit cost).....                           | 7.32    | 10.93   | 4.65      | 4.55      |
| <u>Section 504 Housing Repair Loans</u>                     |         |         |           |           |
| Program Level.....  | 9,998   | 14,335  | 26,280    | 26,279    |
| Budget Authority.....                                       | 1,421   | 1,960   | 2,176     | 3,687     |
| Administrative costs (direct).....                          | 6,684   | 3,677   | 3,941     | 3,854     |
| Indirect costs.....   | 3,145   | 1,730   | 1,854     | 1,814     |
| Total Costs.....  | 11,250  | 7,367   | 7,971     | 9,355     |
| FTEs.....   | 78      | 41      | 42        | 43        |
| Performance Measure:  |         |         |           |           |
| Number of families assisted.....                            | 1,872   | 2,412   | 4,335     | 4,250     |
| Cost per measure (unit cost).....                           | 6.01    | 3.05    | 1.84      | 2.20      |
| <u>Section 523 Self-Help Land Development Housing Loans</u> |         |         |           |           |
| Program Level.....  | -       | -       | 5,000     | -         |
| Administrative costs (direct).....                          | -       | 1,532   | 1,642     | 1,606     |
| Indirect costs.....   | -       | 721     | 773       | 756       |
| Total Costs.....  | -       | 2,253   | 2,415     | 2,362     |
| FTEs.....   | -       | 17      | 18        | 18        |
| <u>Single and Multi-Family Housing Credit Sales</u>         |         |         |           |           |
| Program Level.....  | 975     | 653     | 10,000    | 10,000    |
| Administrative costs (direct).....                          | 3,342   | 3,064   | 3,284     | 3,212     |
| Indirect costs.....   | 1,573   | 1,442   | 1,545     | 1,511     |
| Total Costs.....  | 4,915   | 4,506   | 4,829     | 4,723     |
| FTEs.....   | 39      | 34      | 35        | 36        |
| Performance Measure:  |         |         |           |           |
| Number of loans to facilitate REO property sales.....       | 41      | 12      | -         | -         |
| <u>Section 521/502 Rental Assistance</u>                    |         |         |           |           |
| Program Level.....  | 904,653 | 837,054 | 1,110,000 | 1,088,500 |
| Budget Authority.....                                       | 904,653 | 837,054 | 1,110,000 | 1,088,500 |
| Administrative costs (direct).....                          | 13,368  | 12,257  | 13,135    | 12,847    |
| Indirect costs.....   | 6,291   | 5,768   | 6,181     | 6,046     |
| Total Costs.....  | 924,312 | 855,079 | 1,129,316 | 1,107,393 |
| FTEs.....   | 156     | 137     | 140       | 144       |
| Performance Measure:  |         |         |           |           |
| Families assisted with new/renewed Sec.521 RA contracts...  | 206,216 | 190,697 | 252,350   | 243,295   |
| Cost per measure (unit cost).....                           | 4.48    | 4.48    | 4.48      | 4.55      |

**Department Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving**

|   | 2012   | 2013   | 2014     | 2015     |
|---|--------|--------|----------|----------|
| Rural Housing Service Programs                        | Actual | Actual | Estimate | Estimate |
| <u>Section 514 Farm Housing Loans</u>                 |        |        |          |          |
| Program Level.....                                    | 5,510  | 18,881 | 23,855   | 23,854   |
| Budget Authority.....                                 | 3,560  | 6,295  | 5,656    | 7,681    |
| Administrative costs (direct).....                    | 20,052 | 9,193  | 9,851    | 9,636    |
| Indirect costs.....                                   | 9,436  | 4,326  | 4,636    | 4,534    |
| Total Costs.....                                      | 33,048 | 19,814 | 20,143   | 21,851   |
| FTEs.....   | 234    | 103    | 105      | 108      |
| Performance Measure:                                  |        |        |          |          |
| Units selected for financing or new construction..... | 308    | 353    | 560      | 560      |
| Cost per measure (unit cost).....                     | 107.30 | 56.13  | 35.97    | 39.02    |
| <u>Section 516 Domestic Farm Labor Housing Grants</u> |        |        |          |          |
| Program Level.....                                    | -      | 9,556  | 8,336    | 8,336    |
| Budget Authority.....                                 | -      | 9,556  | 8,336    | 8,336    |
| Administrative costs (direct).....                    | -      | 9,193  | 9,851    | 9,636    |
| Indirect costs.....                                   | -      | 4,326  | 4,636    | 4,534    |
| Total Costs.....                                      | -      | 23,075 | 22,823   | 22,506   |
| FTEs.....   | -      | 103    | 105      | 108      |
| Performance Measure:                                  |        |        |          |          |
| <u>Rural Housing Vouchers</u>                         |        |        |          |          |
| Program Level.....                                    | 11,621 | 14,133 | 12,575   | 8,000    |
| Budget Authority.....                                 | 11,621 | 14,133 | 12,575   | 8,000    |
| Administrative costs (direct).....                    | -      | 3,064  | 3,284    | 3,212    |
| Indirect costs.....                                   | -      | 1,442  | 1,545    | 1,511    |
| Total Costs.....                                      | 11,621 | 18,639 | 17,404   | 12,723   |
| FTEs.....   | -      | 34     | 35       | 36       |
| Performance Measure:                                  |        |        |          |          |
| Tenants Protected.....                                | 3,298  | 3,842  | 3,559    | 2,460    |
| Cost per measure (unit cost).....                     | 3.52   | 4.85   | 4.89     | 5.17     |
| <u>Section 523 Mutual Self-Help Grants</u>            |        |        |          |          |
| Program Level.....                                    | 37,919 | 34,710 | 25,000   | 10,000   |
| Budget Authority.....                                 | 37,919 | 34,710 | 25,000   | 10,000   |
| Administrative costs (direct).....                    | 3,342  | 1,532  | 1,642    | 1,606    |
| Indirect costs.....                                   | 1,573  | 721    | 773      | 756      |
| Total Costs.....                                      | 42,834 | 36,963 | 27,415   | 12,362   |
| FTEs.....   | 39     | 17     | 18       | 18       |
| Performance Measure:                                  |        |        |          |          |
| Number of families who build their own homes.....     | 922    | 1,084  | 1,000    | 600      |
| Cost per measure (unit cost).....                     | 46.46  | 34.10  | 27.42    | 20.60    |

**Department Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving**

|  | 2012       | 2013       | 2014       | 2015       |
|--|------------|------------|------------|------------|
| <u>Rural Housing Service Programs</u>        | Actual     | Actual     | Estimate   | Estimate   |
| <u>Rural Housing Assistance Grants</u>       |            |            |            |            |
| Program Level.....                           | 34,992     | 46,048     | 70,074     | 57,479     |
| Budget Authority.....                        | 34,992     | 40,543     | 52,239     | 45,000     |
| Administrative costs (direct).....           | 23,394     | 54,543     | 58,451     | 57,171     |
| Indirect costs.....                          | 11,009     | 25,668     | 27,506     | 26,904     |
| Total Costs.....                             | 69,395     | 120,754    | 138,196    | 129,075    |
| FTEs.....                                    | 273        | 608        | 625        | 641        |
| Performance Measure:                         |            |            |            |            |
| Number of housing assistance grants.....     | 6,377      | 5,669      | 4,865      | 4,237      |
| Cost per measure (unit cost).....            | 10.88      | 21.30      | 28.41      | 30.46      |
| <u>Total, Rural Housing Service Programs</u> |            |            |            |            |
| Program Level.....                           | 22,801,819 | 25,674,483 | 28,678,047 | 27,996,880 |
| Budget Authority.....                        | 1,109,329  | 1,033,181  | 1,279,638  | 1,228,584  |
| Administrative costs (direct).....           | 334,202    | 306,423    | 328,377    | 321,186    |
| Indirect costs.....                          | 157,272    | 144,200    | 154,530    | 151,144    |
| Total Costs, All Strategic Goals.....        | 1,600,802  | 1,483,804  | 1,762,545  | 1,700,914  |
| Total FTEs, All Strategic Goals.....         | 3,903      | 3,419      | 3,509      | 3,598      |