

2018 President's Budget
Rural Housing Service

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RURAL DEVELOPMENT HOUSING PROGRAMS

Purpose Statement

The Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 established the Rural Housing Service (RHS)¹ with the direct mission to improve the quality of life in rural areas. The agency is comprised of three program areas: (1) Single Family Housing (SFH), (2) Multi-Family Housing (MFH), and (3) Community Facilities (CF).

RHS delivers both housing programs authorized by the Housing Act of 1949 (Act), as amended and the Cranston-Gonzalez National Affordable Housing Act of 1990, and community facilities programs authorized by the Consolidated Farm and Rural Development Act of 1972, as amended. In addition, Omnibus Farm Bills are often used to address issues related to rural development.

In section 2 of the Act, Congress outlined its Declaration of National Housing Policy which stated, “The Congress declares that the general welfare and security of the Nation and the health and living standards of its people require housing production and related community development sufficient to remedy the serious housing shortage, the elimination of substandard and other inadequate housing through the clearance of slums and blighted areas, and the realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family, thus contributing to the development and redevelopment of communities and to the advancement of the growth, wealth, and security of the Nation.”

In response to this Congressional mandate, RHS strives to improve the quality of life and invigorate local economies in Rural America by: 1) providing decent, safe, and affordable housing, and 2) developing community infrastructure. In partnership with nonprofits, Indian tribes, State and Federal government agencies, and local communities, RHS provides technical assistance and loan and grant funds to assist rural communities and individuals.

Authorization and Program Descriptions

RHS offers a SFH program for individual homeownership, a MFH program which offers rental housing for rural communities across America, and a CF program which provides affordable funding to develop essential community facilities in rural areas. Programs do not require annual reauthorization and funding is provided through yearly Congressional budget appropriations. Funding can be for one year, no year or multiple years, depending upon the program. RHS programs include:

Section 502 SFH Guaranteed Loan Program. Authorized in 1990 by the Cranston-Gonzalez National Affordable Housing Act, this program provides low- and moderate-income borrowers access to mortgage credit by guaranteeing loans issued by agency-approved private sector lenders. By providing government guarantees of 90 percent of the loan principal, the government encourages private sector lenders to offer mortgages to rural residents with repayment ability and household incomes of up to 115 percent of the area median who would otherwise be unable to obtain credit. Loans may finance the full construction and acquisition cost of a property up to 100 percent of the appraised value, and the loan amount may include the guarantee fee. Mortgages have 30-year terms with fixed rates negotiated with the lender that cannot exceed an agency-determined cap. Financing may also be used to refinance existing USDA guaranteed or direct loans. The program maintains its neutral or slightly negative subsidy status through guarantee and annual loan fees.

Section 502 SFH Direct Loan Program. Authorized by the Housing Act of 1949, as amended, fixed-interest direct loans are available to low- and very low-income families unable to obtain credit elsewhere to purchase, build, repair

¹ Other applicable legislation: Consolidated Farm and Rural Development Act; Rural Development Policy Act of 1980; Rural Economic Development Act of 1990; the Omnibus Budget Reconciliation Act of 1993; Federal Agriculture Improvement and Reform Act of 1996; Food, Conservation, and Energy Act of 2008, the Agricultural Act of 2014; the American Recovery and Reinvestment Act of 2009; the Housing and Urban Development Act of 1968; and the Rural Housing Amendments of 1983.

or renovate, modest homes in rural areas. The standard loan term is 33 years; however, 38-year loans are available to borrowers unable to afford a 33-year repayment structure. Program-eligible, credit-worthy borrowers may obtain up to 100 percent financing from USDA. In addition, mortgage payments are subsidized so as not to exceed 24 percent of a borrower's adjusted income. Subsidy, which is repaid when a loan is paid off or refinanced, allows this program to reach a portion of the population whose income is too low to obtain credit elsewhere, even with a government guarantee.

Section 504 SFH Housing Repair and Rehabilitation Loans and Grants Program. Authorized by the Housing Act, P.L. 89-117, P.L. 89-754, and 42 U.S.C. 1474, this program provides loans and grants for very low-income and elderly borrowers who own and occupy a home in need of repairs to remove identified health and safety hazards or to make homes accessible for household members with disabilities. Funding may also be used to modernize these homes and is typically used for repair or replacement of heating, plumbing or electrical services, roof or structural components, water or waste disposal systems, or weatherization. Loans are available to very low-income rural residents unable to obtain credit elsewhere and are amortized over terms up to 20 years, with an interest rate of one percent. The maximum loan amount available to a borrower is \$20,000. The maximum lifetime grant assistance is \$7,500.

Section 523 SFH Mutual Self-Help Grants Program. Authorized by the Housing Act, P.L. 89-117, P.L. 89-754, and 42 U.S.C. 1490c, these two-year technical assistance grants allow qualified nonprofit organizations and public entities to help very low- and low-income individuals and families work cooperatively to build their own homes by the self-help method. Any State, political subdivision, private or public nonprofit corporation is eligible to receive funding. Funding may be used to pay salaries, rent, and office expenses of the nonprofit organization. Pre-development grants up to \$10,000 may be available to qualified organizations. Mortgage financing, which the families investing sweat equity in self-help home construction need, is provided through the section 502 direct program.

Section 523/524 SFH Site Development Loans Program. These two-year site development loans provide funding to purchase and develop building sites, including construction of access roads, streets and utilities in rural areas. Section 523 funding prepares self-help build sites and section 524 funding prepares low- or moderate-income home sites; however, funding can be used interchangeably. Loans are available to public and private nonprofit organizations, local governments and tribal entities. Organizations receiving site loans must make home sites available to low-to-moderate income buyers receiving RHS or similar affordable mortgage financing. Section 523 loan interest rates are capped at 3 percent.

SFH Credit Sales Program. As authorized by the Housing Act, RHS offers section 502 direct loan financing at non-program rates and terms to buyers purchasing USDA Real Estate Owned property. Loan terms range from ten years for investors to a maximum of 30 years for purchasers intending to occupy a property. A down payment of two-to-five percent of the purchase price is required. Administrative price reductions may be taken over time to facilitate property sales.

Section 515 MFH Rural Rental Housing Direct Loans Program. Authorized by the Housing Act, P.L. 102-550, and 42 U.S.C. 1485, 1490a, this program offers direct loan financing to purchase, construct or rehabilitate affordable rental or cooperative housing or to develop manufactured housing projects for very low-, low- and moderate-income residents. Section 521 rental assistance (RA) grants are often offered for some units within the underwritten property to enable tenants to pay no more than 30 percent of their income toward rent and utilities. Funding may also be used to provide approved recreational and service facilities appropriate for use in connection with the housing, and to buy and improve the land on which the buildings are to be located.

Section 514/516 MFH Farm Labor Housing (FLH) Loans and Grant Program. Authorized by the Housing Act, P.L. 89-117, and P.L. 89-754, and 42 U.S.C 1484 and 1486, these programs provides decent, safe, and sanitary housing for farm laborers by providing loans to farmers for small on-farm housing, or off-farm multi-family developments. Funding may be used for housing development in urban areas to house nearby farm labor. All FLH must be occupied by domestic farm laborers or retirees or individuals deriving a substantial portion of their income from farm labor or food processing. FLH occupants must be U.S. citizens or permanent residents and the majority of their income must come from farm work.

Funding supports construction, repair, or purchase of year-round or seasonal housing; acquisition of the necessary land and improvements; and development of related support facilities including central cooking and dining facilities, small infirmaries, laundry facilities, day care centers, other essential equipment and facilities or recreation areas. Funding may also be used to pay certain fees and interest incidental to the project. Restrictions on the use of funds include developers' fees, resident services, cost of unrelated commercial space, and costs associated with other lenders/grantors.

Section 521 MFH Rental Assistance Grant Program (RA). Authorized by Title V, Section 521(a)(2) of the Housing Act of 1949, 42 U.S.C. 1490a, these grants are used in conjunction with Section 515 and Section 514/516 loans and grants to provide assistance to eligible tenants residing in assisted housing to allow them to pay no more than 30 percent of their income for rent. Funding pays the difference between the monthly rental cost and the tenant's contribution. Projects receiving RA on behalf of tenants must be financed by an agency direct loan made to a for-profit, broad-based nonprofit organization, or State or local agency.

Section 538 MFH Guaranteed Loan Program. Authorized by Title V, Section 538 of the Housing Act of 1949 and 42 U.S.C. 1485, the guaranteed program increases the supply of affordable MFH in rural areas through partnerships between RD and major lending sources, as well as State and local housing finance agencies and bond insurers. Guarantees are offered on loans made by approved public and private lenders to build or preserve affordable housing. Loans made for the construction, acquisition, or rehabilitation of rural MFH can be guaranteed up to 90 percent of principal and interest.

Section 542 MFH Rural Housing Vouchers. Authorized by the Housing Act, P.L. 93-128, and 42 U.S.C. 1471 et. seq., vouchers are available to provide tenant protections in section 515 properties prepaying mortgages after September 30, 2005, or paying off the mortgage completely. Vouchers are portable and enable tenants to continue to access affordable housing without the benefit of the traditional rural RA program.

MFH Preservation and Revitalization Demonstration Program. The MFH revitalization program rehabilitates housing, rental properties, or co-ops owned and/or occupied by very low- and low-income rural persons. Funds are used to meet the physical needs of rental and FLH properties financed under section 515 and 514/516 of the Housing Act. To ensure properties are used for low-income housing, owners or buyers agree to a Restrictive Use Covenant for 20 years, the remaining term of any loans, or the remaining term of any existing restrictive-use provisions, whichever ends later.

CF Direct and Guaranteed Loans and Grants. Authorized by Section 306 of the Consolidated Farm and Rural Development Act of 1972, P.L. 92-419, and 7 USC 1926, these loans and grants provide essential services to rural residents. Financing is available to local governments, nonprofit corporations, or Federally-recognized Indian tribes. There are no set minimum or maximum loan amounts for these direct and guaranteed loans; however, limits may exist depending on the availability of funds and/or the project's feasibility. Loan repayment terms are limited to the useful life of the facility, State statute or 40 years, whichever is less.

Funded projects include health care, education, cultural, transportation, public buildings and improvements, industrial park sites, fire and rescue services, access ways, and utility extensions. Funded facilities include, but are not limited to, hospitals, schools, fire stations, airports, child and adult daycare facilities, food recovery and distribution centers; assisted and skilled living facilities; group homes for peoples with disabilities, mental health clinics and homeless shelters.

CF Rural Community Development Initiative Grants (RCDI). These grants enable qualified intermediary organizations to provide financial and technical assistance to recipients to develop their capacity and ability to undertake projects related to housing, community facilities, or community and economic development.

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

Geographic dispersion of offices and employees

RD is comprised of three programs: Housing and Community Facilities, Utilities, and Business and Cooperative Development. RD's headquarters is located in Washington, DC. As of September 30, 2016, there were 4,702 permanent full-time employees, including 1,460 in the headquarters and 3,242 in the field offices.

OIG Reports – Completed

None.

OIG Reports – In Progress

- #04601-018-CH MFH Rural Rental Housing Program Project Costs and Inspection Procedures (Cross Reference: 04601-020-CH) (Report Date: 09/27/2012) -- Recommendations: 7; Closed: 1; Pending: 6. Three recommendations require internal guidance (handbook changes), which will be implemented May 31, 2017. Three recommendations will be addressed with a change to regulation; the final rule is currently in the clearance process.
- #04601-001-31 Survey: SFH Direct Loan Servicing and Payment Subsidy Recapture (Report Date: 7/18/2014). Recommendations: 15; Closed: 14; Pending: 1. Information technology requirements must be met in order to close the final recommendation. Staff continues to work towards final implementation.
- #04901-001-13-TE MFH Review of Rural Rental Housing's Tenant and Owner Information Using Data Analysis. Recommendations: 9; Closed: 1. Staff expects to complete action on all recommendations by September 30, 2017.
- #04601-002-31 Rural Development Single Family Housing Direct Loan Credit Reporting. (Report Date: March 28, 2016) -- Recommendations: 9; Closed: 1. A project plan is in process, and a revised request for automation has been submitted for necessary changes. Testing of the automation changes is scheduled to begin late 2017.
- 04601-0001-22(1) Rural Housing Service's Controls over Originating and Closing Single Family Housing Direct Loans - Interim Report (PDF), (Report Date: January 2017) Status: Final action requires resolution of a pending civil rights complaint, which was referred to the Office of Adjudication, Program Complaints Division in March 2017.

GAO Reports – Completed

None.

GAO Reports – In Progress

- GAO-11-329 Final Report – RHS: Opportunities Exist to Strengthen FLH Program Management and Oversight (Report Date: 07/13/2011). Recommendations: 6; Completed: 4. RHS updates sent to the U.S. General Accounting Office (GAO) (February 2014). The agency is awaiting a response from GAO.
- 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). Recommendations: 3; Completed: 0. Recommendations are expected to be closed with the rollout of the new electronic investor reporting automation, which is expected in April 2018.
- GAO-12-554 Final Report – Housing Assistance: Opportunities Exist to Increase Collaboration and Consider Consolidation (Report Date: 08/16/2012). Recommendations: 3; Completed: 1. The report recommends USDA, The Department of Housing and Urban Development (HUD), and others continue efforts to consolidate and align housing program policies and services that serve similar populations and purposes. These evaluation efforts are ongoing. The White House Working Group is addressing this issue. The outcome may include program statutory and regulatory adjustments.

- GAO-12-624 Final Report – Rural Housing Service: Efforts to Identify and Reduce Improper RA Assistance Payments Could Be Enhanced (Report Date: 07/03/2012). Recommendations: 7; Completed: 6. Efforts are ongoing. The 2016 Consolidated Appropriations Bill provided RHS the authority to access the same income information available to the Department of Housing and Urban Development to help reduce improper payments. Subsequent to this appropriations law, The Office of Management and Budget (OMB) undertook an effort to extend the requested authority to all departments in the federal government. RD has deferred any further action to implement this authority to OMB.
- GAO-14-255 Final Report -- Native American Housing: Additional Actions Needed to Better Support Tribal Efforts (Report Date: 3/27/2014). GAO directed agencies involved in Native American housing to develop and implement a coordinated environmental review process. The Senate Report accompanying the 2015 appropriations bill designated HUD as the lead agency for this effort. A report to Congress was submitted in December 2015. This report developed several short- and long-term recommendations to increase the efficiency of environmental reviews for jointly-funded Tribal projects. Recommendations included such actions as harmonizing each agency’s categorical excluded actions, providing training and outreach for agency staff, Tribes creating an online tool for Tribal use, as well as, several other measures.
- RD finalized new environmental regulations (7 CFR 1970) on April 1, 2016, which streamlined the environmental process in general, and specifically aligned the environmental review requirements for many categories of projects to more closely match those of HUD. These actions will help all of our applicants working on housing projects, including Tribes.
- The interagency workgroup, led by HUD, is close to finalizing a Memorandum of Understanding (MOU) to allow all agencies to easily incorporate by reference much of the environmental information developed pursuant to HUD’s Part 58 process. This MOU will reduce agency workload, as well as, streamline the process for Tribal applicants for housing projects. The Workgroup has attended several Tribal Listening Sessions and shared the draft MOU with Tribal leaders for feedback.
- GAO-16-193 Final Report – Actions Needed to Strengthen Management of the Single Family Mortgage Guarantee Program (Report Date: March 2016). Recommendations: 11; Completed: 0. The agency is in the process of closing 6 of the recommendations, and is taking steps toward completing the work remaining to close the other 5 recommendations.

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 transfers 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 [~~\$2,200,000,000~~]\$3,000,000,000 for direct loans: *Provided, That for the purposes of determining eligibility or level of program assistance the Secretary shall not include incarcerated prison populations.*[and \$148,305,000 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, \$3,500,000, to remain available until expended.]
- 4 [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, \$38,778,000, to remain available until expended: *Provided, That \$4,000,000 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: Provided further, That for the purposes of determining eligibility or level of program assistance the Secretary shall not include incarcerated prison populations.]*
- 5 In addition, for administrative expenses necessary to carry out the direct and guaranteed loan programs, \$147,591,000 shall be paid to the appropriation for "Rural Development, Salaries and Expenses".

The first change removes language referring the community facilities guaranteed loan program which is not proposed for funding. This program serves the same organizations as the community facilities direct loan program. With a program level of \$3 billion in the community facilities direct loan program, communities will still have access to funding.

The second change moves language concerning excluding incarcerated prison populations from determining eligibility for the program and also removes language referring to the community guaranteed loan program which is not proposed for funding.

The third change removes language referring to the community facility guaranteed loan program which is not proposed for funding.

The fourth change removes language for the community facilities grants, rural community development initiative grants, tribal college grants, and economic impact initiative grants. The budget is consolidating the community facilities grants in the new Rural Economic Infrastructure account. The rest of the programs are not proposed for funding.

The fifth change adds language for administrative expenses to be paid out of this federal credit reform program account.

RURAL HOUSING SERVICE
RURAL COMMUNITY FACILITIES PROGRAM ACCOUNT
Lead-Off Tabular Statement

	Loan Level	Subsidy	Grants	Administrative Expenses
Budget Estimate, 2018.....	\$3,000,000,000	-	-	\$147,591,000
2017 Annualized Continuing Resolution.....	2,355,953,000	\$3,493,000	\$38,704,000	-
Change in Appropriation.....	+644,047,000	-3,493,000	-38,704,000	+147,591,000

Summary of Increases and Decreases
(Dollars in thousands)

Program	2015 Actual	2016 Change	2017 Change	2018 Change	2018 President's Budget
Discretionary Appropriations:					
Community facility guaranteed loans.....	\$3,500	-	-\$7	-\$3,493	-
Community facility grants.....	13,000	+\$12,000	-48	-\$24,952	-
Rural community devel. initiative grants.....	4,000	-	-8	-3,992	-
Economic impact initiative grants.....	5,778	-	-11	-5,767	-
Tribal college grants.....	4,000	-	-8	-3,992	-
Administrative Expenses.....	-	-	-	+147,591	\$147,591
Total.....	30,278	+12,000	-80	+105,393	147,591

RURAL HOUSING SERVICE

RURAL COMMUNITY FACILITIES PROGRAM ACCOUNT

Project Statement
Adjusted Appropriations Detail
(Dollars in thousands)

Program	2015 Actual		2016 Actual		2017 Estimate		Inc. or Dec.		2018 President's Budget	
	Program Level	Budget Authority	Program Level	Budget Authority	Program Level	Budget Authority	Program Level	Budget Authority	Program Level	Budget Authority
Discretionary Appropriations:										
Community facility direct loans Regular..... a/	\$2,200,000	-	\$2,200,000	-	\$2,200,000	-	+\$800,000 (1)	-	\$3,000,000	-
Community facility guaranteed loans.....	73,222	\$3,500	148,305	\$3,500	155,953	\$3,493	-155,953 (2)	-\$3,493 (7)	-	-
Community facility grants.....	13,000	13,000	25,000	25,000	24,952	24,952	-24,952 (3)	-24,952	-	-
Rural community devel. initiative grants.....	4,000	4,000	4,000	4,000	3,992	3,992	-3,992 (4)	-3,992	-	-
Economic impact initiative grants.....	5,778	5,778	5,778	5,778	5,767	5,767	-5,767 (5)	-5,767	-	-
Tribal college grants.....	4,000	4,000	4,000	4,000	3,992	3,992	-3,992 (6)	-3,992	-	-
Administrative Expenses..... b/	-	-	-	-	-	-	-	+147,591	-	\$147,591
Total Appropriation.....	2,300,000	30,278	2,387,083	42,278	2,394,657	42,198	+605,343	+105,393	3,000,000	147,591
Bal. Available, SOY.....	74,600	15,795	101,691	13,513	7,587	6,424	+36,119	+1,788	43,706	8,212
Recoveries, Other (Net).....	50,128	4,175	1,967	1,967	55,116	2,745	-23,110	-320	32,006	2,425
Total Available.....	2,424,729	50,248	2,490,741	57,758	2,457,360	51,367	+618,351	+106,861	3,075,712	158,228
Lapsing Balances.....	-487,263	-	-	-	-	-	-	-	-	-
Bal. Available, EOY.....	-59,012	-13,513	-7,788	-6,424	-60,582	-8,212	-15,129	-2,425	-75,711	-10,637
Total Obligations.....	1,878,454	36,735	2,482,953	51,334	2,396,778	43,155	+603,222	+104,436	3,000,000	147,591

a/ Negative subsidy rates of 12.41% was calculated for 2015, 8.04% was calculated 2016, 2.56% was calculated for 2017, and 8.10% was calculated for 2018. Therefore, corresponding budget authority is not

required to support the program levels.

b/ In 2018, funding of \$147,591,000 is requested and will be paid to the Rural Development Salaries and Expense Account.

RURAL HOUSING SERVICE

RURAL COMMUNITY FACILITIES PROGRAM ACCOUNT

Project Statement
Obligations Detail
(Dollars in thousands)

Program	2015 Actual		2016 Actual		2017 Estimate		Inc. or Dec.		2018 President's Budget	
	Program Level	Budget Authority	Program Level	Budget Authority	Program Level	Budget Authority	Program Level	Budget Authority	Program Level	Budget Authority
	Discretionary Obligations:									
Community facility direct loans..... a/	\$1,712,737	-	\$1,798,400	-	\$2,196,000	-	+\$804,000 (1)	-	\$3,000,000	-
Community facility Relending direct loans....	-	-	401,600	-	4,000	-	-\$4,000	-	-	-
Community facility guaranteed loans.....	135,456	\$6,475	237,217	\$5,598	157,143	\$3,520	-157,143 (2)	-\$3,520 (7)	-	-
Community facility grants.....	13,733	13,733	26,705	26,705	25,067	25,067	-25,067 (3)	-25,067	-	-
Rural community devel. initiative grants.....	6,290	6,290	9,169	9,169	4,080	4,080	-4,080 (4)	-4,080	-	-
Economic impact initiative grants.....	6,221	6,221	5,857	5,857	6,495	6,495	-6,495 (5)	-6,495	-	-
Tribal college grants.....	4,017	4,017	4,004	4,004	3,993	3,993	-3,993 (6)	-3,993	-	-
Administrative Expenses..... b/	-	-	-	-	-	-	-	+147,591	-	\$147,591
Total Obligations.....	1,878,454	36,735	2,482,953	51,334	2,396,778	43,155	+603,222	+104,436	3,000,000	147,591
Lapsing Balances.....	487,263	-	-	-	-	-	-	-	-	-
Bal. Available, EOY.....	59,012	13,513	7,788	6,424	60,582	8,212	+15,129	+2,425	75,711	10,637
Total Available.....	2,424,729	50,248	2,490,741	57,758	2,457,360	51,367	+618,351	106,861	3,075,711	158,228
Bal. Available, SOY.....	-74,600	-15,795	-101,691	-13,513	-7,587	-6,424	-36,119	-1,788	-43,706	-8,212
Other Adjustments (Net).....	-50,128	-4,175	-1,967	-1,967	-55,116	-2,745	+23,110	+320	-32,006	-2,425
Total Appropriation.....	2,300,000	30,278	2,387,083	42,278	2,394,657	42,198	+605,342	105,393	3,000,000	147,591

a/ Negative subsidy rates of 12.41% was calculated for 2015, 8.04% was calculated 2016, 2.56% was calculated for 2017, and 8.10% was calculated for 2018. Therefore, corresponding budget authority is not required to support the program levels.
The Community Facilities relending program subsidy rate was negative 1.79% and 3.83% for 2016 and 2017 respectively, so no corresponding BA is required for this line item either.

b/ In 2018, funding of \$147,591,000 is requested and will be paid to the Rural Development Salaries and Expense Account.

Justification of Increases and Decreases

- (1) An increase of \$800,000,000 in funding for direct community facilities (CF) loans (\$2,200,000,000 available in 2017).

RHS's CF Direct Loan Programs is designed to strengthen investment in rural community infrastructure by providing access to capital for developing or improving essential community facilities and services. CF investments support rural municipalities, nonprofit organizations, and Federally-recognized Indian tribes by financing community-based assets including hospitals, schools and colleges, airports, utilities, bridges, and fire and police assets.

Base funding of \$2.2 billion for 2018 will allow the Rural Housing Service (RHS) to continue to deliver this critical program to communities across rural America to assist them with meeting their community infrastructure needs. Base loan funding of \$2.2 billion will create 52,140 jobs in 2018. However, the unprecedented demand for CF funding has surged to \$3.4 billion in pre-applications and applications. For example, CF went from a pipeline of \$900 million at the end of FY 2016 to \$3.4 billion in FY 2017, as stated above. This unprecedented demand for CF direct loan funds fully justifies an increase in the funding level. Therefore, an additional \$800 million is requested.

The continuation of the program is critical because:

- CF investments will help meet the surge in demand for rural infrastructure.
- These investments will spur economic growth, job creation and access to improved healthcare, educational, and public safety facilities and services.
- It is the primary program furthering the Department's goal to develop and strengthen rural communities through the financing of community infrastructure, and is often the only source of affordable credit for these rural communities.
- It provides long-term, fixed-rate, low-cost financing to public sector institutions.
- Health care and education are frequently the top employers in rural communities, with quality paying jobs.
- Rural community infrastructure is a threshold condition for attracting new business and industry.

The performance of these loans, combined with the current economic assumptions, result in a negative credit subsidy rate/cost for this program.

In addition, CF leverages critical resources and expertise by facilitating public private partnerships to maximize its ability to improve rural America's access to capital for rural community infrastructure and to better manage credit risk. Examples of our collaboration efforts include:

- *Improving Access to Mental and Behavior Healthcare Service to Address Substance Abuse:* USDA Rural Development (RD), in partnership with Department of Health and Human Services (HHS), will use its CF direct loan program to improve access to critical mental and behavior healthcare facilities and services to provide prevention and treatment of substance abuse and help address the opioid crisis affecting rural America. CF will collaborate with other agencies and stakeholders including the National Rural Health Resource Center, National Association of Rural Mental Health, National Rural Health Association, HHS, mental health care practitioners, Universities, and private sector lending partners. Stakeholders will assist with outreach, due diligence, and bring specialized skills and knowledge to expand investments that support substance abuse treatment and prevention services, including mental healthcare facilities, critical care clinics, hospitals, and transitional housing facilities to aid rural communities struggling with substance abuse disorders. The opioid crisis disproportionately affects rural communities, in part, due to the lack of outreach and treatment resources available in remote areas, and the CF program can help make a critical contribution to mitigating this crisis.
- *Public Private Partnerships:* RD, through its CF programs, will continue to take a leadership role in facilitating and strengthening Public Private Partnerships to ensure that rural residents have an opportunity

for a brighter future with good schools, quality health care, and other critical community infrastructure needs. Strong infrastructure is critical to creating economic opportunities, improving the standard of living, and social cohesiveness. CF is committed to building on its prior successes and relationships with institutional investors, investment bankers, and the capital credit markets interested in long-term investment opportunities in rural community infrastructure.

These public private partnerships bring together the critical financial, project development and technical expertise, resources, and innovations needed for large complex community infrastructure projects at a time when staffing resources and expertise have been impacted. These partnerships also strengthen underwriting with another set of eyes, and provide the agency with a long-term partnership for helping to service our portfolio.

Again, the agency is experiencing an unprecedented demand for program dollars to fund essential community facilities in rural America. The agency has a current demand in 2017 of approximately \$3.8 billion, indicating strong interest in CF Direct Loan funds, and exceeding the \$2.2 billion base program level. Obligations in the first quarter of 2017 have exceed all previous obligation levels for the first quarter of the CF Direct Loan Program since its inception. The agency anticipates this continued increased level of demand in FY 2018. Since the CF Direct Loan Program has a negative subsidy rate and does not require budget authority, the agency can readily justify the demand and need for increased funding level for this program. In addition to supporting the critical community infrastructure needs in rural America, total program funding of \$3 billion will create 71,110 jobs in 2018.

The funding change is requested for the following item:

Funding will be used to support strategic community infrastructure investment in essential community facilities projects in rural communities. This funding will help meet the increasing demand for essential infrastructure and facilities in rural communities, bringing improved access to healthcare, educational opportunities, safety and security to provide the resources necessary for a rural community to attract new businesses, generate quality jobs or provide basic infrastructure to improve commerce in a rural area.

- (2) A decrease of \$155,953,000 for the Guaranteed Community Facility Loan Program (\$155,953,000 available in 2017).

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, defaults in the program have been higher than initially projected, due in part to economic fluctuations, 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. With a program level of \$3 billion in the CF direct loan program, communities will still have access to funding for eligible facilities.

- (3) A decrease of \$24,952,000 in funding for the community facilities grant program (\$24,952,000 available in 2017).

Funding for this program is being requested through the new Rural Economic Infrastructure Grant Account.

- (4) A decrease of \$3,992,000 in funding for rural community development initiative (RCDI) grants (\$3,992,000 available in 2017).

The budget does not include funding for the rural community development initiative grants program.

- (5) A decrease of \$5,767,000 for the community facility economic impact initiative grants (\$5,767,000 available in 2017).

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

- (6) A decrease of \$3,992,000 in funding for the community facilities tribal college grants (\$3,992,000 available in 2017).

The budget does not include funding for the tribal college grants program.

- (7) A decrease of \$3,493,000 in funding for the community facilities guaranteed loan subsidy (\$3,493,000 available in 2017).

There is no requested subsidy for the community facilities loan programs since there is no program level requested for community facility guaranteed loans.

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Alabama.....	\$23,479	\$16,572	-	-
Alaska.....	176,393	426	-	-
Arizona.....	26,401	2,999	-	-
Arkansas.....	-	36,585	-	-
California.....	74,036	50,076	-	-
Colorado.....	25,872	7,423	-	-
Connecticut.....	17,817	46,613	-	-
Delaware.....	31,050	12,555	-	-
Florida.....	22,692	2,461	-	-
Georgia.....	82,059	61,107	-	-
Hawaii.....	5,029	26,179	-	-
Idaho.....	21,850	1,309	-	-
Illinois.....	3,798	4,409	-	-
Indiana.....	1,432	4,909	-	-
Iowa.....	108,414	171,644	-	-
Kansas.....	12,367	55,866	-	-
Kentucky.....	162,054	51,259	-	-
Louisiana.....	20,888	78,415	-	-
Maine.....	11,228	1,594	-	-
Maryland.....	6,380	12,676	-	-
Massachusetts.....	26,353	20,178	-	-
Michigan.....	66,053	79,235	-	-
Minnesota.....	20,672	60,642	-	-
Mississippi.....	-	57,745	-	-
Missouri.....	24,953	52,455	-	-
Montana.....	9,950	8,207	-	-
Nebraska.....	8,808	34,338	-	-
Nevada.....	802	15,835	-	-
New Hampshire.....	4,883	38,613	-	-
New Jersey.....	35	15,314	-	-
New Mexico.....	503	-	-	-
New York.....	6,601	24,617	-	-
North Carolina.....	74,525	140,169	-	-
North Dakota.....	19,731	62,812	-	-
Ohio.....	92,227	70,955	-	-
Oklahoma.....	89	-	-	-
Oregon.....	20,961	1,888	-	-
Pennsylvania.....	182,327	3,973	-	-
Rhode Island.....	6,254	5,461	-	-
South Carolina.....	74,237	89,467	-	-
South Dakota.....	12,543	21,145	-	-
Tennessee.....	88,235	71,196	-	-
Texas.....	45,056	66,837	-	-
Utah.....	7,242	42,307	-	-
Vermont.....	3,898	9,214	-	-
Virginia.....	10,561	72,643	-	-
Washington.....	3,716	14,107	-	-
West Virginia.....	6,572	24,605	-	-
Wisconsin.....	42,632	17,720	-	-
Wyoming.....	5,200	1,644	-	-
Guam.....	-	9,200	-	-
Puerto Rico.....	13,879	18,001	-	-
Other Countries.....	-	2,805	-	-
Undistributed.....	-	-	\$2,196,000 <u>a/</u>	\$3,000,000 <u>a/</u>
Obligations.....	1,712,737	1,798,400	2,196,000	3,000,000
Lapsing Balances.....	487,263	-	-	-
Total, Available.....	2,200,000	1,798,400	2,196,000	3,000,000

a/ Totals cannot be distributed at this time.

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Alabama.....	-	\$40,000	-	-
Alaska.....	-	15,000	-	-
Arizona.....	-	10,000	-	-
Arkansas.....	-	32,000	-	-
California.....	-	5,000	-	-
Delaware.....	-	5,000	-	-
Kentucky.....	-	85,000	-	-
Maine.....	-	20,000	-	-
Maryland.....	-	25,000	-	-
Mississippi.....	-	40,000	-	-
Montana.....	-	13,800	-	-
New York.....	-	20,000	-	-
North Carolina.....	-	10,000	-	-
Oklahoma.....	-	25,000	-	-
South Carolina.....	-	10,000	-	-
South Dakota.....	-	20,000	-	-
Texas.....	-	5,000	-	-
Washington.....	-	20,800	-	-
Undistributed.....	-	-	4,000 ^{a/}	-
Obligations.....	-	401,600	4,000	-

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Colorado.....	\$5,750	\$25,210	-	-
Connecticut.....	-	1,500	-	-
Florida.....	10,300	2,970	-	-
Georgia.....	-	32,000	-	-
Illinois.....	-	10,000	-	-
Iowa.....	342	11,647	-	-
Kentucky.....	-	40,000	-	-
Louisiana.....	8,000	-	-	-
Maine.....	5,000	1,248	-	-
Massachusetts.....	1,240	948	-	-
Michigan.....	5,227	-	-	-
Minnesota.....	9,833	-	-	-
Mississippi.....	-	8,755	-	-
Montana.....	1,150	4,545	-	-
Nebraska.....	6,100	1,744	-	-
North Carolina.....	4,600	18,301	-	-
North Dakota.....	10,300	600	-	-
Oklahoma.....	30,000	-	-	-
Pennsylvania.....	16,950	30,000	-	-
South Carolina.....	15,000	7,000	-	-
Tennessee.....	-	14,875	-	-
Texas.....	3,000	-	-	-
Utah.....	-	10,925	-	-
Vermont.....	65	2,800	-	-
Virginia.....	-	9,400	-	-
Washington.....	-	2,749	-	-
Wisconsin.....	2,600	-	-	-
Undistributed.....	-	-	\$157,143 ^{a/}	-
Obligations.....	135,456	237,217	157,143	-

^{a/} Totals cannot be distributed at this time.

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Alabama.....	\$405	\$731	-	-
Alaska.....	75	149	-	-
Arizona.....	133	234	-	-
Arkansas.....	406	1,147	-	-
California.....	370	954	-	-
Colorado.....	146	284	-	-
Connecticut.....	96	188	-	-
Delaware.....	125	169	-	-
Florida.....	261	741	-	-
Georgia.....	484	955	-	-
Hawaii.....	46	101	-	-
Idaho.....	122	323	-	-
Illinois.....	240	641	-	-
Indiana.....	233	542	-	-
Iowa.....	181	472	-	-
Kansas.....	141	302	-	-
Kentucky.....	579	1,050	-	-
Louisiana.....	257	497	-	-
Maine.....	152	358	-	-
Maryland.....	186	384	-	-
Massachusetts.....	111	217	-	-
Michigan.....	492	1,073	-	-
Minnesota.....	219	447	-	-
Mississippi.....	337	1,554	-	-
Missouri.....	314	547	-	-
Montana.....	109	213	-	-
Nebraska.....	71	289	-	-
Nevada.....	90	178	-	-
New Hampshire.....	108	309	-	-
New Jersey.....	104	202	-	-
New Mexico.....	120	235	-	-
New York.....	501	729	-	-
North Carolina.....	474	930	-	-
North Dakota.....	238	314	-	-
Ohio.....	399	768	-	-
Oklahoma.....	1,317	889	-	-
Oregon.....	101	306	-	-
Pennsylvania.....	402	773	-	-
Rhode Island.....	61	121	-	-
South Carolina.....	440	971	-	-
South Dakota.....	192	199	-	-
Tennessee.....	391	751	-	-
Texas.....	534	930	-	-
Utah.....	84	205	-	-
Vermont.....	401	637	-	-
Virginia.....	524	995	-	-
Washington.....	200	328	-	-
West Virginia.....	206	430	-	-
Wisconsin.....	308	461	-	-
Wyoming.....	75	135	-	-
Guam.....	-	45	-	-
Puerto Rico.....	128	250	-	-
Other Countries.....	45	55	-	-
Undistributed.....	-	-	\$25,067 ^{a/}	-
Obligations.....	13,733	26,705	25,067	-

^{a/} Totals cannot be distributed at this time.

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget
	Amount	Amount	Amount	Amount
Arkansas.....	\$250	\$250	-	-
California.....	1,088	1,250	-	-
Colorado.....	626	138	-	-
Delaware.....	-	305	-	-
Georgia.....	-	54	-	-
Hawaii.....	250	-	-	-
Idaho.....	-	75	-	-
Illinois.....	-	152	-	-
Indiana.....	-	86	-	-
Kentucky.....	804	501	-	-
Maine.....	250	143	-	-
Maryland.....	500	1,000	-	-
Massachusetts.....	325	495	-	-
Minnesota.....	380	-	-	-
Mississippi.....	-	250	-	-
Missouri.....	155	210	-	-
New Hampshire.....	250	-	-	-
New York.....	250	500	-	-
North Carolina.....	400	350	-	-
Ohio.....	-	632	-	-
Oregon.....	60	250	-	-
Pennsylvania.....	140	-	-	-
South Carolina.....	-	250	-	-
South Dakota.....	250	-	-	-
Tennessee.....	125	250	-	-
Texas.....	-	250	-	-
Vermont.....	-	230	-	-
Virginia.....	-	150	-	-
Washington.....	-	699	-	-
West Virginia.....	188	700	-	-
Undistributed.....	-	-	\$4,080 ^{a/}	-
Obligations.....	6,290	9,169	4,080	-

^{a/} Totals cannot be distributed at this time.

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

State/Territory	2015 Actual Amount	2016 Actual Amount	2017 Estimate Amount	2018 President's Budget Amount
Alabama.....	\$130	\$130	-	-
Alaska.....	50	107	-	-
Arkansas.....	654	119	-	-
California.....	129	391	-	-
Colorado.....	75	75	-	-
Connecticut.....	62	62	-	-
Delaware.....	56	56	-	-
Florida.....	72	137	-	-
Georgia.....	163	163	-	-
Hawaii.....	55	87	-	-
Idaho.....	69	66	-	-
Illinois.....	100	90	-	-
Indiana.....	97	-	-	-
Iowa.....	84	285	-	-
Kentucky.....	213	130	-	-
Louisiana.....	104	104	-	-
Maine.....	77	77	-	-
Maryland.....	72	72	-	-
Massachusetts.....	66	66	-	-
Michigan.....	143	143	-	-
Minnesota.....	94	122	-	-
Mississippi.....	115	115	-	-
Missouri.....	119	119	-	-
Montana.....	66	92	-	-
Nebraska.....	67	167	-	-
Nevada.....	60	60	-	-
New Hampshire.....	65	65	-	-
New Jersey.....	50	64	-	-
New Mexico.....	66	72	-	-
New York.....	128	127	-	-
North Carolina.....	163	163	-	-
North Dakota.....	60	60	-	-
Ohio.....	141	141	-	-
Oklahoma.....	196	496	-	-
Oregon.....	61	75	-	-
Pennsylvania.....	142	142	-	-
Rhode Island.....	53	53	-	-
South Carolina.....	949	126	-	-
South Dakota.....	64	63	-	-
Tennessee.....	139	139	-	-
Utah.....	-	21	-	-
Vermont.....	100	62	-	-
Virginia.....	250	333	-	-
Washington.....	88	71	-	-
West Virginia.....	91	91	-	-
Wisconsin.....	105	91	-	-
Wyoming.....	-	41	-	-
District of Columbia.....	201	101	-	-
Puerto Rico.....	70	70	-	-
Other Countries.....	49	158	-	-
Undistributed.....	-	-	\$6,495 a/	-
Obligations.....	6,221	5,857	6,495	-

a/ Totals cannot be distributed at this time.

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

State/Territory	2015 Actual Amount	2016 Actual Amount	2017 Estimate Amount	2018 President's Budget Amount
Alaska.....	-	\$143	-	-
Arizona.....	-	143	-	-
Michigan.....	\$482	429	-	-
Minnesota.....	322	286	-	-
Montana.....	1,125	1,001	-	-
Nebraska.....	161	286	-	-
New Mexico.....	161	143	-	-
North Dakota.....	643	715	-	-
Oklahoma.....	161	143	-	-
South Dakota.....	482	429	-	-
Washington.....	159	143	-	-
Wisconsin.....	322	143	-	-
Undistributed.....	-	-	\$3,993 ^{a/}	-
Obligations.....	4,017	4,004	3,993	-

^{a/} Totals cannot be distributed at this time.

Classification by Objects
(Dollars in thousands)

	2015 Actual	2016 Actual	2017 Estimate	2018 President's Budget
25.0 Other purchases of goods and services from government accounts.....	-	-	-	\$147,591
41.0 Grants, subsidies, and contributions.....	\$36,735	\$51,334	\$43,155	-
99.9 Total, new obligations.....	36,735	51,334	43,155	147,591

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)

- For gross obligations for the principal amount of direct and guaranteed loans as authorized by title V of the
- 1 Housing Act of 1949, to be available from funds in the rural housing insurance fund, as follows: [\$900,000,000
 - 2 shall be for direct loans and] \$24,000,000,000 shall be for unsubsidized guaranteed loans; [\$26,278,000 for
 - 3 section 504 housing repair loans; \$28,398,000 for section 515 rental housing; \$150,000,000]\$250,000,000 for
 - 4 section 538 guaranteed multi-family housing loans; and \$10,000,000 for credit sales of single family housing
 - 4 acquired property: 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
are for purposes of section 502 guaranteed loans provided under this heading.; \$5,000,000 for section 523 self-
help housing land development loans; and \$5,000,000 for section 524 site development loans.]
- 5 [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, \$60,750,000 shall be for direct loans; section 504 housing repair loans, \$3,424,000; and repair, rehabilitation, and new construction of section 515 rental housing, \$8,414,000: *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, 2016.***]
- 6 [In addition, for the cost of direct loans, grants, and contracts, as authorized by 42 U.S.C. 1484 and 1486, \$15,125,000, 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.*]
- In addition, for administrative expenses necessary to carry out the direct and guaranteed loan programs,
- 7 [\$417,854,000]\$244,249,000 shall be [transferred to and merged with]paid to the appropriation for “Rural Development, Salaries and Expenses”.

The first change removes language for section 502 direct single family housing loans which are not proposed in the budget.

The second change removes language for section 504 housing repair loans and section 515 rental housing loans which are not proposed in the budget.

The third change is grammatical in nature and adds the word “and” due to language deletion.

The fourth change moves language concerning the section 538 guaranteed loan program charging of fees and non-subsidized loans and waivers for the section 502 guaranteed loan programs and also removes the language for the section 523 self-help housing land development loans and section 524 site development loans which are not proposed in the budget.

The fifth change eliminates the cost of direct and guaranteed loans and language for the building of homes funded by a mutual and self-housing grant.

The sixth change removes language for section 514 and section 516 farm labor housing programs which are not proposed in the budget.

The seventh 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, 2018.....	\$24,260,000,000	-	-	\$244,249,000
2017 Annualized Continuing Resolution.....	25,131,446,000	79,226,104	8,320,153	417,059,660
Change in Appropriation.....	<u>-871,446,000</u>	<u>-79,226,104</u>	<u>-8,320,153</u>	<u>-172,810,660</u>

Summary of Increases and Decreases

(Dollars in thousands)

<u>Programs</u>	<u>2015 Actual</u>	<u>2016 Change</u>	<u>2017 Change</u>	<u>2018 Change</u>	<u>2018 President's Budget</u>
<u>Discretionary Appropriations:</u>					
Sec. 502 single family housing direct loans.....	\$60,750	-\$5,670	-\$115	-\$60,635	-
Sec. 515 rural rental housing direct loans.....	8,414	-1,386	-16	-	-
Sec. 538 multi-family housing guaranteed loans...	-	-	-	-8,398	-
Sec. 504 housing repair direct loans.....	3,424	-263	-7	-	-
Sec. 523 self-help housing land dev. loans.....	-	-	-	-3,417	-
Sec. 514 farm labor housing loans.....	6,789	-811	-13	-6,776	-
Sec. 516 farm labor housing grants.....	8,336	-	-16	-8,320	-
Administrative expenses.....	417,854	+2,754	-794	-172,811	\$244,249
Total.....	<u>505,567</u>	<u>-5,376</u>	<u>-961</u>	<u>-260,357</u>	<u>244,249</u>

RURAL HOUSING SERVICE

RURAL HOUSING SERVICE

RURAL HOUSING INSURANCE FUND PROGRAM ACCOUNT

Project Statement
Adjusted Appropriations Detail
(Dollars in thousands)

Program	2015 Actual		2016 Actual		2017 Estimate		Inc. or Dec.		2018 President's Budget			
	Program Level	Budget Authority	Program Level	Budget Authority	Program Level	Budget Authority	Program Level	Budget Authority	Program Level	Budget Authority		
Discretionary Appropriations:												
Sec. 502 single family housing direct loans.....	\$900,000	\$66,420	\$900,000	\$60,750	\$895,635	\$60,635	-\$895,635	(1)	-\$60,635	(9)	-	-
Sec. 502 SFH guaranteed loans - blended..... a/	24,000,000	-	24,000,000	-	24,000,000	-	-	(2)	-	-	\$24,000,000	-
Sec. 515 rural rental housing direct loans.....	28,398	9,800	28,397	8,414	28,372	8,398	-28,372	(3)	-8,398	(9)	-	-
Sec. 538 multi-family housing guaranteed loans..... b/	150,000	-	150,000	-	150,000	-	+100,000	(4)	-	-	250,000	-
Sec. 504 housing repair direct loans.....	26,279	3,687	26,278	3,424	24,516	3,417	-24,516	(5)	-3,417	(9)	-	-
Sec. 524 direct site dev. loans..... c/	5,000	-	5,000	-	-	-	-	-	-	-	-	-
Sec. 523 self-help housing land dev. loans..... d/	5,000	-	5,000	-	-	-	-	-	-	-	-	-
Single-family housing credit sales..... e/	10,000	-	10,000	-	10,000	-	-	(6)	-	-	10,000	-
Sec. 514 farm labor housing loans.....	23,602	7,600	23,855	6,789	22,923	6,776	-22,923	(7)	-6,776	(9)	-	-
Sec. 516 farm labor housing grants.....	8,336	8,336	8,336	8,336	8,320	8,320	-8,320	(8)	-8,320	-	-	-
Administrative expenses..... f/	-	415,100	-	417,854	-	417,060	-	-	-172,811	(9)	-	\$244,249
Total Appropriation.....	25,156,615	510,943	25,156,865	505,567	25,139,766	504,606	-879,766		-260,357		24,260,000	244,249
Bal. Available, SOY.....	32,785	14,512	98,354	21,657	18,572	8,381	+20,903		-3,903		39,475	4,479
Recoveries, Other (Net).....	4,334	3,863	223	118	1,671	1,116	-166		-111		1,505	1,005
Total Available.....	25,193,734	529,318	25,255,442	527,342	25,160,009	514,103	-859,029		-264,371		24,300,980	249,733
Lapsing Balances.....	-5,438,112	-1,615	-7,633,022	-932	-2,742,857	-	-70,643		-		-2,813,500	-
Unobligated balances rescinded..... g/	-	-	-	-	-	-	-4,000		-4,000		-4,000	-4,000
Bal. Available, EOY.....	-47,588	-21,657	-19,164	-8,381	-39,475	-4,479	+8,495		+2,995		-30,980	-1,484
Total Obligations.....	19,708,034	506,045	17,603,256	518,028	22,377,678	509,625	-925,178		-265,376		21,452,500	244,249

RURAL HOUSING SERVICE

RURAL HOUSING INSURANCE FUND PROGRAM ACCOUNT

Project Statement
Obligations Detail
(Dollars in thousands)

Program	2015 Actual		2016 Actual		2017 Estimate		Inc. or Dec.			2018 President's Budget		
	Program Level	Budget Authority										
Discretionary Obligations:												
Sec. 502 single family housing direct loans.....	\$899,814	\$66,406	\$903,537	\$60,969	\$895,635	\$60,635	-\$895,635	(1)	-\$60,635	(9)	-	-
Secretary's Interchange transfer.....	-	-	54,870	3,704	-	-	-	-	-	-	-	-
Sec. 502 SFH guaranteed loans - blended..... a/	18,623,238	-	16,357,172	-	21,200,000	-	-	(2)	-	-	\$21,200,000	-
Sec. 515 rural rental housing direct loans.....	28,290	9,763	28,397	8,414	28,372	8,398	-28,372	(3)	-8,398	(9)	-	-
Sec. 538 multi-family housing guaranteed loans..... b/	113,912	-	186,935	-	187,500	-	+62,500	(4)	-	-	250,000	-
Sec. 504 housing repair direct loans.....	15,127	2,122	17,407	2,273	24,516	3,417	-24,516	(5)	-3,417	(9)	-	-
Sec. 524 direct site dev. loans..... c/	489	-	5,000	-	-	-	-	-	-	-	-	-
Sec. 523 self-help housing land dev. loans..... d/	-	-	233	-	-	-	-	-	-	-	-	-
Single-family housing credit sales..... e/	1,396	-	1,875	-	2,000	-	+500	(6)	-	-	2,500	-
Sec. 514 farm labor housing loans.....	19,340	6,228	32,174	9,157	27,740	8,200	-27,740	(7)	-8,200	(9)	-	-
Sec. 516 farm labor housing grants.....	6,426	6,426	15,658	15,658	11,915	11,915	-11,915	(8)	-11,915	-	-	-
Administrative expenses..... f/	-	415,100	-	417,854	-	417,060	-	-	-172,811	(9)	-	\$244,249
Total Obligations.....	19,708,034	506,045	17,603,256	518,028	22,377,678	509,625	-925,178	-	-265,376	-	21,452,500	244,249
Lapsing Balances.....	5,438,112	1,615	7,633,022	932	2,742,857	-	70,643	-	-	-	2,813,500	-
Unobligated balances rescinded..... i/	-	-	-	-	-	-	4,000	-	4,000	-	4,000	4,000
Bal. Available, EOY.....	47,588	21,657	19,164	8,381	39,475	4,479	-8,495	-	-2,995	-	30,980	1,484
Total Available.....	25,193,734	529,318	25,255,442	527,342	25,160,009	514,103	-859,029	-	-264,371	-	24,300,980	249,733
Rescission..... g/	-	-	-	-	-	-	-	-	-	-	-	-
Bal. Available, SOY.....	-32,785	-14,512	-98,354	-21,657	-18,572	-8,381	-20,903	-	+3,903	-	-39,475	-4,479
Recoveries, Other (Net).....	-4,334	-3,863	-223	-118	-1,671	-1,116	+166	-	+111	-	-1,505	-1,005
Total Appropriation.....	25,156,615	510,943	25,156,865	505,567	25,139,766	504,606	-879,766	-	-260,357	-	24,260,000	244,249

Project Statement Footnotes

- a/ Negative subsidy rates of blended rate of 0.60% was calculated for 2015, 0.15% was calculated for 2016, 0.79% was calculated for 2017, and 0.71% was calculated for 2018. Therefore, corresponding budget authority is not required to support the program levels.
- b/ Negative subsidy rates of 1.27% was calculated for 2015, 2.97% was calculated for 2016, 3.53% was calculated for 2017, and 3.62% was calculated for 2018. Therefore, corresponding budget authority is not required to support the program levels.
- c/ Negative subsidy rates of 4.82% was calculated for 2015 and 1.53% was calculated for 2016. Therefore, corresponding budget authority is not required to support the program levels.
- d/ Negative subsidy rates of 2.48% was calculated for 2015 and 0.30% was calculated for 2016. Therefore, corresponding budget authority is not required to support the program levels.
- e/ Negative subsidy rates of 6.41% was calculated for 2015, 4.87% was calculated for 2016, 2.36% was calculated for 2017, and 5.45% was calculated for 2018. Therefore, corresponding budget authority is not required to support the program levels.
- f/ In 2015, funding of \$415,100,000 was appropriated and transferred to the Rural Development Salaries and Expense Account. In 2016, funding of \$417,854,000 was appropriated and transferred to the Rural Development Salaries and Expense Account. In 2017, funding of \$417,060,000 is requested and will be paid to the Rural Development Salaries and Expense Account. In 2018, funding of \$244,249,000 is requested and will be paid to the Rural Development Salaries and Expense Account.
- g/ A rescission of unobligated balances in the amount of \$4,000,000 is proposed for this account in 2018.

Justification of Increases and Decreases

- (1) A decrease of \$895,635,000 in funding for the section 502 direct single family housing (SFH) loans (\$895,635,000 available in 2017).

The budget does not include funding for activity in the section 502 direct single family loan program. Rural areas once isolated from easy access to credit have shrunk as internet access and use has grown. Therefore, USDA is now in a position to utilize solely the guarantee program and still achieve the Administration's home ownership goals for the rural areas at a lower cost to the taxpayers. The 2018 budget maintains a robust level of funding for the section 502 guaranteed loan program, and the program has implemented numerous delivery enhancements in recent years.

- (2) No change in funding for section 502 guaranteed single family housing loans (\$24,000,000,000 available in 2017).

Base funding of \$24 billion guarantee an estimated 164,829 guaranteed home loans in 2018, including home purchases and the refinancing of existing Rural Housing Service (RHS) loans. Section 502 SFH guaranteed loan program (GLP) provides low- and moderate-income rural families access to mortgage credit by guaranteeing loans issued by agency-approved private sector lenders. These loans require no down payment, have low up-front costs and can finance up to 100 percent of the appraised value, plus the guarantee fee. Loan terms of 30 years are provided at a competitive rate, which is capped by the agency. The program also refinances existing guaranteed or direct loans.

The GLP addresses the critical need for credit access in rural areas. Without the USDA loan guarantee, lenders would not extend mortgage credit. As a result, tens of thousands of creditworthy low- and moderate-income rural Americans who cannot meet down payment requirements would have fewer affordable homeownership opportunities.

Continuation of the program is crucial because:

- The need for low- and moderate-income housing in rural communities is increasing. Housing inventory is tight, and the existing supply of decent and affordable housing cannot satisfy this pressing need.
- The program strengthens rural housing markets and provides desperately needed support for new construction, as well as, fortifies communities through job creation and the reinvigoration of the local economy.

- (3) A decrease of \$28,372,000 for section 515 direct rural rental housing loans (\$28,372,000 available in 2017).

The budget does not include funding for activity in the Section 515 direct rural rental housing loan program. The focus for multi-family housing in 2018 will be the section 538 guaranteed multi-family housing loans.

- (4) An increase of \$100,000,000 for the section 538 guaranteed multi-family housing (MFH) loans (\$150,000,000 available in 2017).

Base funding will allow the guaranteed MFH program to provide a loan guarantee to approved lenders to develop and repair apartments for tenants of very low-, low-, or moderate-income households, elderly, and/or disabled. Funding will encourage the new construction and rehabilitation of rural rental housing and support USDA's Strategic Goal of assisting rural communities to create prosperity so they are self-sustaining, re-populating, and economically thriving. This program will be the main focus of multi-family housing new construction in 2018.

Continuation of the program is critical because:

- It encourages investment in housing facilities for rural residents unable to afford housing at other facilities.
- Without this program, rural homelessness could increase.
- Other programs do not exist to meet this critical housing need in rural America.

The section 538 Guaranteed MFH loan program promotes strategic investment in America's housing infrastructure by leveraging high levels of third-party funding which reduces the size of the section 538 loan in the overall transaction, minimizing the cost of the loan to the project and the impact on tenant rents. The primary program partner is the Low-Income Housing Tax Credit program. 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. For every \$1 invested from the section 538 program, the agency can leverage about \$3.90 of public-private funding.

Two other important partners in the section 538 program are RD-approved lenders and Ginnie Mae. Lenders provide financing through section 538 loans for new construction or rehabilitation of rural rental housing; the financing is made possible through investment by capital markets using Ginnie Mae as a guarantor of securities backed by the section 538 loans. The program's delinquency rate is near zero, providing strong evidence of the low level of risk required of RD to bring additional wealth to the community through new or modernized rental housing.

Section 538 loans can be used for either new construction or substantial rehabilitation of existing projects. Over the past five years, approximately half of section 538 loans have been used to revitalize existing section 515 projects, while the remaining half has been used for new construction. The level of funding in the section 538 program will help replace new construction not funded through the section 515 program, as well as assist in the rehabilitation of the existing section 515 housing stock.

Funding will allow RD to grow the MFH program at a pace consistent with expected program demand, as RD continues program outreach efforts. Increased funding will allow the agency to more effectively address the growing need for new housing and rehabilitation of existing facilities. The total budget request of \$250 million in guaranteed loan funding will support the development or rehabilitation of 8,948 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 \$24,516,000 in funding for the section 504 housing repair loans (\$24,516,000 available in 2017).

The budget does not include funding for activity in the section 504 housing repair loans program. The current low interest rate environment should allow rural home owners to utilize commercial banks, and others can utilize the housing repair grant program, which is now funded as part of the Rural Economic Infrastructure Grant program.

(6) No change in funding for single family housing credit sales (\$10,000,000 available in 2017).

Base funding for credit sales assists RHS with the sale of real estate owned (REO) properties. Funding of \$10 million will fully support, or exceed, any expected seller-financed sales of REO properties to individuals or entities that do not meet program eligibility requirements. This credit sales funding is essential to ensuring that REO properties are made available to homebuyers in rural areas.

With this program, the agency is able to offer SFH funding at competitive loan terms. This credit is offered for buyers not eligible for section 502 assistance or for properties that do not qualify as a program property. Funding allows agency staff to expedite the sale and disposition of REO properties, which spares the government the cost of maintaining these properties.

An agreement finalized in 2015 with the Department of Veterans Affairs (VA) to utilize their contract for the management and sale of certain REO properties greatly benefits RHS. The service provider working with VA has demonstrated the ability to effectively market and dispose of properties similar to those in the USDA inventory. Since the program became fully operative in 2016, RHS has disposed of more than 1,100 properties.

- (7) A decrease of \$22,923,000 funding for section 514 farm labor housing loans (\$22,923,000 available in 2017).

The budget does not include funding for activity in the section 514 farm labor housing loans program. The focus for multi-family housing in 2018 will be the section 538 guaranteed multi-family housing loans.

- (8) A decrease of \$8,320,000 in funding for section 516 farm labor housing grants (\$8,320,000 available in 2017).

The budget does not include funding for activity in the section 516 farm labor housing grants program. The focus for multi-family housing in 2018 will be the section 538 guaranteed multi-family housing loans.

- (9) A decrease of \$79,226,000 in direct loan subsidy (\$87,546,000 available in 2017).

The termination of the direct loan programs results in a decrease of subsidy needed to support the operation of the programs.

The budget includes a cancellation of funding of \$4 million from this account as part of a total cancellation of \$108 million from five Rural Development accounts.

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Alabama.....	\$17,621	\$17,460	-	-
Alaska.....	11,385	20,032	-	-
Arizona.....	16,175	15,305	-	-
Arkansas.....	13,619	14,643	-	-
California.....	100,560	108,861	-	-
Colorado.....	19,777	13,566	-	-
Connecticut.....	4,117	4,250	-	-
Delaware.....	5,299	10,449	-	-
Florida.....	28,598	32,111	-	-
Georgia.....	10,830	17,891	-	-
Hawaii.....	14,896	14,000	-	-
Idaho.....	4,875	8,494	-	-
Illinois.....	19,621	17,404	-	-
Indiana.....	22,181	22,526	-	-
Iowa.....	9,068	9,548	-	-
Kansas.....	5,424	2,538	-	-
Kentucky.....	30,691	23,447	-	-
Louisiana.....	26,233	12,140	-	-
Maine.....	16,303	24,126	-	-
Maryland.....	9,973	9,520	-	-
Massachusetts.....	6,625	8,397	-	-
Michigan.....	26,679	32,006	-	-
Minnesota.....	19,067	16,900	-	-
Mississippi.....	26,879	35,124	-	-
Missouri.....	20,186	16,688	-	-
Montana.....	7,137	8,139	-	-
Nebraska.....	2,107	3,004	-	-
Nevada.....	7,921	6,512	-	-
New Hampshire.....	9,039	14,257	-	-
New Jersey.....	10,315	8,491	-	-
New Mexico.....	15,332	11,473	-	-
New York.....	18,107	16,418	-	-
North Carolina.....	49,010	59,798	-	-
North Dakota.....	3,892	3,321	-	-
Ohio.....	20,368	21,900	-	-
Oklahoma.....	16,037	14,731	-	-
Oregon.....	11,479	9,433	-	-
Pennsylvania.....	21,184	23,391	-	-
Rhode Island.....	2,730	3,802	-	-
South Carolina.....	27,182	22,501	-	-
South Dakota.....	11,133	10,944	-	-
Tennessee.....	20,515	21,935	-	-
Texas.....	29,400	36,318	-	-
Utah.....	25,561	37,342	-	-
Vermont.....	9,685	8,968	-	-
Virginia.....	13,753	18,940	-	-
Washington.....	28,329	35,748	-	-
West Virginia.....	7,275	4,003	-	-
Wisconsin.....	13,617	14,743	-	-
Wyoming.....	7,099	12,248	-	-
Guam.....	7,911	7,180	-	-
Puerto Rico.....	13,734	11,661	-	-
Virgin Islands.....	2,445	3,067	-	-
Other Countries.....	835	562	-	-
Undistributed.....	-	-	\$895,635 ^{a/}	-
Obligations.....	899,814	958,406	895,635	-

^{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	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Alabama.....	\$447,382	\$420,392	-	-
Alaska.....	102,668	92,523	-	-
Arizona.....	278,000	219,205	-	-
Arkansas.....	366,935	372,971	-	-
California.....	562,997	406,202	-	-
Colorado.....	306,931	231,461	-	-
Connecticut.....	130,921	107,396	-	-
Delaware.....	133,945	124,320	-	-
Florida.....	629,696	582,403	-	-
Georgia.....	524,739	535,465	-	-
Hawaii.....	217,177	170,305	-	-
Idaho.....	219,807	163,403	-	-
Illinois.....	326,498	293,905	-	-
Indiana.....	594,828	554,731	-	-
Iowa.....	237,103	204,960	-	-
Kansas.....	142,263	123,158	-	-
Kentucky.....	482,003	447,061	-	-
Louisiana.....	686,196	623,916	-	-
Maine.....	244,170	243,028	-	-
Maryland.....	506,791	451,380	-	-
Massachusetts.....	204,994	156,620	-	-
Michigan.....	753,774	639,359	-	-
Minnesota.....	517,122	460,363	-	-
Mississippi.....	321,838	330,716	-	-
Missouri.....	579,164	573,980	-	-
Montana.....	196,911	156,922	-	-
Nebraska.....	103,083	97,135	-	-
Nevada.....	118,378	109,314	-	-
New Hampshire.....	146,878	117,359	-	-
New Jersey.....	168,300	113,929	-	-
New Mexico.....	50,479	34,985	-	-
New York.....	232,789	200,030	-	-
North Carolina.....	941,431	841,365	-	-
North Dakota.....	56,919	46,720	-	-
Ohio.....	557,193	499,197	-	-
Oklahoma.....	255,185	235,202	-	-
Oregon.....	445,414	367,470	-	-
Pennsylvania.....	641,995	591,853	-	-
Rhode Island.....	32,893	19,300	-	-
South Carolina.....	521,860	489,583	-	-
South Dakota.....	179,092	150,940	-	-
Tennessee.....	931,691	812,037	-	-
Texas.....	764,208	616,189	-	-
Utah.....	422,648	335,661	-	-
Vermont.....	80,614	68,441	-	-
Virginia.....	626,215	575,275	-	-
Washington.....	537,446	413,458	-	-
West Virginia.....	231,305	226,896	-	-
Wisconsin.....	372,483	317,590	-	-
Wyoming.....	235,187	163,396	-	-
Guam.....	7,671	1,989	-	-
Puerto Rico.....	245,216	224,660	-	-
Virgin Islands.....	1,586	1,051	-	-
Other Countries.....	225	-	-	-
Undistributed.....	-	-	\$21,200,000 a/	\$21,200,000 a/
Obligations.....	18,623,238	16,357,172	21,200,000	21,200,000

a/ 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	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Alaska.....	-	\$575	-	-
Arkansas.....	-	857	-	-
California.....	\$4,148	-	-	-
Colorado.....	-	1,063	-	-
Connecticut.....	710	-	-	-
Idaho.....	-	400	-	-
Illinois.....	1,401	-	-	-
Kentucky.....	4,869	306	-	-
Louisiana.....	-	3,909	-	-
Massachusetts.....	50	-	-	-
Michigan.....	-	420	-	-
Nebraska.....	211	-	-	-
New Hampshire.....	8,088	6,390	-	-
New York.....	3,000	-	-	-
North Carolina.....	563	9,767	-	-
Ohio.....	65	-	-	-
Oregon.....	449	-	-	-
Pennsylvania.....	171	-	-	-
Tennessee.....	2,618	-	-	-
Vermont.....	1,950	1,950	-	-
Wisconsin.....	-	2,760	-	-
Undistributed.....	-	-	\$28,372 a/	-
Obligations.....	28,290	28,397	28,372	-

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Alabama.....	\$1,729	\$897	-	-
Alaska.....	-	1,400	-	-
Arizona.....	2,400	3,265	-	-
Arkansas.....	-	2,251	-	-
California.....	35,265	29,552	-	-
Florida.....	1,750	16,321	-	-
Georgia.....	1,650	-	-	-
Hawaii.....	-	8,895	-	-
Idaho.....	4,041	5,556	-	-
Indiana.....	-	3,158	-	-
Kansas.....	1,115	907	-	-
Kentucky.....	-	5,789	-	-
Louisiana.....	702	4,665	-	-
Michigan.....	1,150	1,601	-	-
Minnesota.....	-	1,300	-	-
Mississippi.....	-	6,390	-	-
Nevada.....	1,561	1,300	-	-
New Jersey.....	-	2,200	-	-
New Mexico.....	1,791	5,075	-	-
North Carolina.....	4,875	39,566	-	-
North Dakota.....	1,000	-	-	-
Ohio.....	4,941	3,725	-	-
Oklahoma.....	725	7,100	-	-
Pennsylvania.....	3,500	-	-	-
South Carolina.....	-	2,450	-	-
Tennessee.....	20,351	400	-	-
Texas.....	14,620	32,172	-	-
Utah.....	940	-	-	-
Virginia.....	-	500	-	-
Washington.....	7,558	-	-	-
West Virginia.....	1,610	500	-	-
Wyoming.....	637	-	-	-
Undistributed.....	-	-	\$187,500 a/	\$250,000 a/
Obligations.....	113,912	186,935	187,500	250,000

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	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Alabama.....	\$748	\$404	-	-
Alaska.....	38	8	-	-
Arizona.....	106	148	-	-
Arkansas.....	186	260	-	-
California.....	117	247	-	-
Colorado.....	91	25	-	-
Connecticut.....	46	49	-	-
Delaware.....	8	23	-	-
Florida.....	397	685	-	-
Georgia.....	235	255	-	-
Hawaii.....	217	185	-	-
Idaho.....	64	64	-	-
Illinois.....	1,021	1,270	-	-
Indiana.....	210	287	-	-
Iowa.....	359	349	-	-
Kansas.....	29	71	-	-
Kentucky.....	1,284	1,352	-	-
Louisiana.....	820	571	-	-
Maine.....	187	225	-	-
Maryland.....	72	77	-	-
Massachusetts.....	94	28	-	-
Michigan.....	814	720	-	-
Minnesota.....	262	255	-	-
Mississippi.....	824	1,111	-	-
Missouri.....	379	370	-	-
Montana.....	18	-	-	-
Nebraska.....	24	18	-	-
Nevada.....	24	30	-	-
New Hampshire.....	291	260	-	-
New Jersey.....	9	25	-	-
New Mexico.....	131	148	-	-
New York.....	222	315	-	-
North Carolina.....	1,109	1,336	-	-
North Dakota.....	17	31	-	-
Ohio.....	451	554	-	-
Oklahoma.....	199	103	-	-
Oregon.....	43	107	-	-
Pennsylvania.....	434	558	-	-
Rhode Island.....	11	6	-	-
South Carolina.....	380	520	-	-
South Dakota.....	104	56	-	-
Tennessee.....	624	661	-	-
Texas.....	876	1,385	-	-
Utah.....	10	63	-	-
Vermont.....	120	167	-	-
Virginia.....	349	440	-	-
Washington.....	97	170	-	-
West Virginia.....	131	188	-	-
Wisconsin.....	280	134	-	-
Wyoming.....	14	23	-	-
Puerto Rico.....	92	244	-	-
Virgin Islands.....	3	-	-	-
Other Countries.....	453	828	-	-
Undistributed.....	-	-	\$24,516 a/	-
Obligations.....	15,127	17,407	24,516	-

a/ Totals cannot be distributed at this time.

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Arizona.....	-	\$50	-	-
California.....	-	2,100	-	-
Florida.....	-	2,752	-	-
South Dakota.....	\$489	98	-	-
Obligations.....	489	5,000	-	-

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Florida.....	-	233	-	-
Obligations.....	-	233	-	-

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Alabama.....	\$132	-	-	-
Arizona.....	116	\$88	-	-
Florida.....	-	58	-	-
Idaho.....	143	236	-	-
Illinois.....	204	-	-	-
Kansas.....	-	85	-	-
Missouri.....	98	22	-	-
New Mexico.....	-	43	-	-
New York.....	115	-	-	-
Oregon.....	548	1,326	-	-
Virginia.....	40	-	-	-
Washington.....	-	17	-	-
Undistributed.....	-	-	\$2,000 ^{a/}	\$2,500 ^{a/}
Obligations.....	1,396	1,875	2,000	2,500

^{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	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Arkansas.....	\$328	\$359	-	-
California.....	14,613	18,200	-	-
Florida.....	-	3,800	-	-
Kansas.....	-	1,799	-	-
Oregon.....	-	2,704	-	-
South Carolina.....	1,377	423	-	-
Virginia.....	2,700	-	-	-
Washington.....	323	4,889	-	-
Undistributed.....	-	-	\$27,740 ^{a/}	-
Obligations.....	19,340	32,174	27,740	-

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
California.....	\$2,000	\$9,200	-	-
Florida.....	-	1,600	-	-
Hawaii.....	1,876	-	-	-
Kansas.....	-	1,200	-	-
Oregon.....	-	841	-	-
South Carolina.....	1,000	417	-	-
Texas.....	-	2,400	-	-
Virginia.....	1,550	-	-	-
Undistributed.....	-	-	\$11,915 ^{a/}	-
Obligations.....	6,426	15,658	11,915	-

^{a/} Totals cannot be distributed at this time.

Classification by Objects
(Dollars in thousands)

	2015	2016	2017	2018
	Actual	Actual	Estimate	President's Budget
25.0 Other purchases of goods and services from government accounts.....	\$415,100	\$417,854	\$417,060	\$244,249
41.0 Grants, subsidies, and contributions.....	90,945	100,174	92,565	-
99.9 Total, new obligations.....	506,045	518,028	509,625	244,249

RURAL HOUSING SERVICE

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

Rental Assistance Program

For rental assistance agreements entered into or renewed pursuant to the authority under section 521(a)(2) or agreements entered into in lieu of debt forgiveness or payments for eligible households as authorized by section 502(c)(5)(D) of the Housing Act of 1949, [~~\$1,389,695,000~~]\$1,345,293,000; and in addition such sums as may be necessary, as authorized by section 521(c) of the Act, to liquidate debt incurred prior to fiscal year 1992 to carry out the rental assistance program under section 521(a)(2) of the Act: *Provided*, That rental assistance agreements entered into or renewed during the current fiscal year shall be funded for a one-year period: *Provided further*, That any unexpended balances remaining at the end of such one-year agreements may be transferred and used for purposes of any debt reduction; maintenance, repair, or rehabilitation of any existing projects; preservation; and rental assistance activities authorized under title V of the Act: *Provided further*, That

1 rental assistance provided under agreements entered into prior to fiscal year [2016]2018 for a farm labor multi-family housing project financed under section 514 or 516 of the Act may not be recaptured for use in another project until such assistance has remained unused for a period of 12 consecutive months, if such project has a waiting list of tenants seeking such assistance or the project has rental assistance eligible tenants who are not receiving such assistance: *Provided further*, That such recaptured rental assistance shall, to the extent

2 practicable, be applied to another farm labor multi-family housing project financed under section 514 or 516 of the Act[: *Provided further*, That of the total amount provided, up to \$75,000,000 shall be available until September 30, 2017, for renewal of rental assistance agreements within the 12-month contract period: *Provided further*, That the Secretary shall provide to the Committees on Appropriations of both Houses of Congress quarterly reports on the number of renewals approved pursuant to the preceding proviso, on the amount of rental assistance available, and the anticipated need for rental assistance for the remainder of the fiscal year]: *Provided*

3 *further*, That except as provided in the [second]third proviso under this heading and notwithstanding any other provision of the Act, the Secretary may recapture rental assistance provided under agreements entered into prior

4 to fiscal year [2016]2018 for a project that the Secretary determines no longer needs rental assistance and use

5 such recaptured funds for current needs[as well as unmet rental assistance needs from fiscal year 2015].

The first change modifies the fiscal year from 2016 to 2018 concerning the recapture limitations on rental assistance agreements made for the farm labor multi-family housing projects financed under sections 514 and 516 of the Housing Act of 1949, as amended.

The second change removes the language no longer needed for unexpended funding for contract renewals within the 12-month contract period.

The third change modifies the change from the second to the third proviso concerning the recapture on rental assistance agreements.

The fourth change modifies the fiscal year from 2016 to 2018 concerning the recapture on rental assistance agreements entered.

The fifth change removes language no longer required pertaining to rental assistance needs.

RURAL HOUSING SERVICE
RENTAL ASSISTANCE PROGRAM

Lead-Off Tabular Statement

Budget Estimate, 2018.....	\$1,345,293,000
2017 Annualized Continuing Resolution	1,387,053,000
Change in Appropriation.....	<u><u>-41,760,000</u></u>

Summary of Increases and Decreases
(Dollars in thousands)

Program	2015 Actual	2016 Change	2017 Change	2018 Change	2018 President's Budget
Discretionary Appropriations:					
Rental assistance (sec. 521).....	\$1,088,500	+\$301,195	-\$2,642	-\$41,760	\$1,345,293
Total.....	<u>1,088,500</u>	<u>301,195</u>	<u>-2,642</u>	<u>-41,760</u>	<u>1,345,293</u>

RURAL HOUSING SERVICE

RENTAL ASSISTANCE PROGRAM

Project Statement
Adjusted Appropriations Detail
(Dollars in thousands)

Program	<u>2015 Actual</u> Amount	<u>2016 Actual</u> Amount	<u>2017 Estimate</u> Amount	<u>Inc. or Dec.</u> Amount	<u>Budget</u> <u>Budget</u> Amount
Discretionary Appropriations:					
Rental assistance (sec.521).....	\$1,088,500	\$1,389,695	\$1,387,053	-\$41,760 (1)	\$1,345,293
Total Appropriation.....	1,088,500	1,389,695	1,387,053	-41,760	1,345,293
Total Available.....	1,088,500	1,389,695	1,387,053	-41,760	1,345,293
Total Obligations.....	1,088,500	1,389,695	1,387,053	-41,760	1,345,293

Project Statement
Obligations Detail
(Dollars in thousands)

Program	<u>2015 Actual</u> Amount	<u>2016 Actual</u> Amount	<u>2017 Estimate</u> Amount	<u>Inc. or Dec.</u> Amount	<u>Budget</u> <u>Budget</u> Amount
Discretionary Obligations:					
Rental assistance (sec. 521).....	\$1,088,500	\$1,389,695	\$1,387,053	-\$41,760 (1)	\$1,345,293
Total Obligations.....	1,088,500	1,389,695	1,387,053	-41,760	1,345,293
Total Available.....	1,088,500	1,389,695	1,387,053	-41,760	1,345,293
Total Appropriation.....	1,088,500	1,389,695	1,387,053	-41,760	1,345,293

Justification of Increases and Decreases

- (1) A decrease of \$41,760,000 for section 521 rental assistance (RA) program grants (\$1,387,053,000 available in 2017).

RA is a rent subsidy program for the benefit of tenants in Rural Development (RD)-financed Multi-Family Housing (MFH) properties. The RA program provides assistance to eligible tenants residing in section 515 and 514/516 assisted housing to allow them to pay no more than 30 percent of their incomes for rent. RA pays the difference between the rent and the tenant's contribution to rent. Projects receiving RA must be financed by an agency direct loan made to a for-profit entity, broad-based nonprofit organization, or State or local agency.

Base funding supports RD's objective to provide decent, safe and affordable housing to rural residents residing in MFH facilities and to create thriving communities. Funding helps create a stable environment needed for building strong communities, families and supportive networks that allow people to thrive, grow and, where possible, become fully self-sufficient.

Funding for this program is critical because:

- RA provides tenants with financial support needed to remain in their home, providing a stable home life to support the tenant and their family.
- Housing stability is critical to elderly and disabled tenants without the means to otherwise live on their own.
- It helps to house residents who may otherwise be homeless.

Funding at the proposed level will enable the agency to continue providing RA to section 515 and Section 514/516 properties in RD's portfolio currently receiving the benefit. Total funding of \$1.345 billion will support the funding of 292,773 units at an estimated cost of \$4,595 per unit. Of the 292,773 units funded, 278,825 units would be renewed once during the year, and 13,948 would be re-renewed.

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget
Alabama.....	\$29,315	\$36,953	-	-
Alaska.....	5,183	6,349	-	-
Arizona.....	16,502	18,802	-	-
Arkansas.....	22,210	26,659	-	-
California.....	91,089	108,921	-	-
Colorado.....	11,963	15,426	-	-
Connecticut.....	8,523	9,131	-	-
Delaware.....	7,622	8,061	-	-
Florida.....	54,652	68,498	-	-
Georgia.....	28,578	37,491	-	-
Hawaii.....	7,809	10,975	-	-
Idaho.....	13,519	19,198	-	-
Illinois.....	26,841	30,476	-	-
Indiana.....	19,433	23,977	-	-
Iowa.....	19,651	27,319	-	-
Kansas.....	9,532	13,235	-	-
Kentucky.....	19,882	26,299	-	-
Louisiana.....	38,090	46,592	-	-
Maine.....	28,148	40,293	-	-
Maryland.....	15,451	19,859	-	-
Massachusetts.....	10,841	13,957	-	-
Michigan.....	30,300	36,878	-	-
Minnesota.....	18,264	23,892	-	-
Mississippi.....	43,992	53,253	-	-
Missouri.....	18,575	27,066	-	-
Montana.....	5,813	8,343	-	-
Nebraska.....	5,758	8,252	-	-
Nevada.....	9,024	11,031	-	-
New Hampshire.....	12,370	15,024	-	-
New Jersey.....	8,957	12,185	-	-
New Mexico.....	15,977	18,600	-	-
New York.....	23,821	32,883	-	-
North Carolina.....	69,933	88,359	-	-
North Dakota.....	4,020	6,687	-	-
Ohio.....	24,862	31,122	-	-
Oklahoma.....	18,718	23,259	-	-
Oregon.....	18,801	27,821	-	-
Pennsylvania.....	26,531	34,699	-	-
Rhode Island.....	1,872	3,570	-	-
South Carolina.....	27,121	40,084	-	-
South Dakota.....	11,236	16,900	-	-
Tennessee.....	26,231	34,844	-	-
Texas.....	47,882	60,003	-	-
Utah.....	8,127	9,138	-	-
Vermont.....	7,339	11,430	-	-
Virginia.....	29,084	34,887	-	-
Washington.....	28,216	35,745	-	-
West Virginia.....	16,104	16,840	-	-
Wisconsin.....	18,585	17,855	-	-
Wyoming.....	4,099	6,092	-	-
Puerto Rico.....	17,573	26,810	-	-
Virgin Islands.....	4,480	7,675	-	-
Undistributed.....	-	-	\$1,387,053 <u>a/</u>	\$1,345,293 <u>a/</u>
Obligations.....	1,088,500	1,389,695	1,387,053	1,345,293

a/ Totals cannot be distributed at this time.

Classification by Objects
(Dollars in thousands)

	2015	2016	2017	2018
	Actual	Actual	Estimate	President's
				Budget
41.0 Grants, subsidies, and contributions.....	\$1,088,500	\$1,389,695	\$1,387,053	\$1,345,293
99.9 Total, new obligations.....	1,088,500	1,389,695	1,387,053	1,345,293

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

1 For the rural housing voucher program as authorized under section 542 of the Housing Act of 1949, but
2 notwithstanding subsection (b) of such section, [and for additional costs to conduct a demonstration program
3 for the preservation and revitalization of multi-family rental housing properties described in this paragraph,
\$37,000,000]\$20,000,000, to remain available until expended: *Provided*, That [of]the funds made available
under this heading[, \$15,000,000,] 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, \$22,000,000 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 with the prior approval of 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 language referencing the revitalization loan and grant programs which are not proposed in the budget.

The second change is grammatical in nature and removes the word “of” from the language.

The third change removes additional language referencing the revitalization loan programs which are not proposed in the budget.

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, 2018.....	-	-	-	\$20,000,000
2017 Annualized Continuing Resolution.....	\$31,715,000	\$16,968,000	\$4,990,000	14,971,000
Change in Appropriation.....	<u>-31,715,000</u>	<u>-16,968,000</u>	<u>-4,990,000</u>	<u>+5,029,000</u>

Summary of Increases and Decreases
(Dollars in thousands)

Program	2015 Actual	2016 Change	2017 Change	2018 Change	2018 President's Budget
Discretionary Appropriations:					
Rural housing voucher program and administrative....	\$7,000	+\$8,000	-\$29	+\$5,029	\$20,000
MFH revitalization zero percent (Sec. 515).....	5,950	+4,050	-19	-9,981	-
MFH revitalization soft seconds (Sec. 515).....	9,350	-2,350	-13	-6,987	-
MFH revitalization grants (Sec. 515).....	1,700	+3,300	-10	-4,990	-
Total.....	<u>24,000</u>	<u>+13,000</u>	<u>-70</u>	<u>-16,930</u>	<u>20,000</u>

RURAL HOUSING SERVICE
MULTI-FAMILY HOUSING REVITALIZATION PROGRAM ACCOUNT

Project Statement
Adjusted Appropriations Detail
(Dollars in thousands)

Program	2015 Actual		2016 Actual		2017 Estimate		Inc. or Dec.		2018 President's Budget	
	Program Level	Budget Authority	Program Level	Budget Authority	Program Level	Budget Authority	Program Level	Budget Authority	Program Level	Budget Authority
	Discretionary Appropriations:									
Rural housing voucher program and administrative.....	\$7,000	\$7,000	\$15,000	\$15,000	\$14,971	\$14,971	+\$5,029 (1)	+\$5,029	\$20,000	\$20,000
MFH revitalization zero percent (Sec. 515).....	10,583	5,950	18,983	10,000	19,460	9,981	-19,460 (2)	-9,981 (3)	-	-
MFH revitalization soft seconds (Sec. 515).....	15,401	9,350	12,934	7,000	12,255	6,987	-12,255 (2)	-6,987 (3)	-	-
MFH revitalization grants (Sec. 515).....	1,700	1,700	5,000	5,000	4,990	4,990	-4,990 (2)	-4,990	-	-
Total Appropriation.....	34,685	24,000	51,917	37,000	51,677	36,930	-31,677	-16,930	20,000	20,000
Bal. Available, SOY.....	61,084	43,323	35,107	23,898	2,666	3,028	+1,668	+1,156	4,333	4,184
Recoveries, Other (Net).....	5,253	5,253	746	2,979	3,773	3,293	-320	-338	3,453	2,955
Total Available.....	101,021	72,575	87,770	63,877	58,116	43,251	-30,329	-16,112	27,786	27,139
Unobligated balances rescinded..... a/	-	-	-	-	-	-	-4,000	-4,000	-4,000	-4,000
Bal. Available, EOY.....	-36,645	-23,898	3,600	-3,028	-4,270	-4,184	+1,584	+2,145	-2,686	-2,039
Total Obligations.....	64,376	48,677	91,371	60,849	53,845	39,067	-32,745	-17,967	21,100	21,100

a/ A rescission of unobligated balances in the amount of \$4,000,000 is proposed for this account in FY 2018. This line also contains estimated recoveries in FY 2018 in the amount of \$2,955,000.

RURAL HOUSING SERVICE

MULTI-FAMILY HOUSING REVITALIZATION PROGRAM ACCOUNT

Project Statement
Obligations Detail
(Dollars in thousands)

Program	2015 Actual		2016 Actual		2017 Estimate		Inc. or Dec.		2018 President's Budget	
	Program	Budget	Program	Budget	Program	Budget	Program	Budget	Program	Budget
	Level	Authority	Level	Authority	Level	Authority	Level	Authority	Level	Authority
Discretionary Appropriations:										
	\$17,046	\$17,046	\$20,965	\$20,965	\$16,390	\$16,390	+\$4,710 (1)	+\$4,710	\$21,100	\$21,100
Rural housing voucher program and administrative..	-	6,383	-	2,063	-	377	-	-377	-	-
MFH revitalization modifications (Sec. 515).....	19,765	11,112	11,652	6,138	20,277	10,400	-20,277 (2)	-10,400 (3)	-	-
MFH revitalization zero percent (Sec. 515).....	17,293	10,498	55,840	30,220	12,279	7,000	-12,279 (2)	-7,000 (3)	-	-
MFH revitalization soft seconds (Sec. 515).....	-	-	802	802	4,900	4,900	-4,900 (2)	-4,900	-	-
MFH revitalization grants (Sec. 515).....	-	-	-	-	-	-	-	-	-	-
Multi-family housing preservation	10,272	3,637	2,111	660	-	-	-	-	-	-
demo revolving loan fund.....	64,376	48,677	91,371	60,849	53,845	39,067	-32,745	-17,967	21,100	21,100
Total Obligations	64,376	48,677	91,371	60,849	53,845	39,067	-32,745	-17,967	21,100	21,100
Unobligated balances rescinded..... a/	-	-	-	-	-	-	+4,000	+4,000	4,000	4,000
Bal. Available, EOY.....	36,645	23,898	-3,600	3,028	4,270	4,184	-1,584	-2,145	2,686	2,039
Total Available.....	101,021	72,575	87,770	63,877	58,116	43,251	-30,329	-16,112	27,786	27,139
Bal. Available, SOY.....	-61,084	-43,323	-35,107	-23,898	-2,666	-3,028	-1,668	-1,156	-4,333	-4,184
Other Adjustments (Net).....	-5,253	-5,253	-746	-2,979	-3,773	-3,293	+320	+338	-3,453	-2,955
Total Appropriation.....	34,685	24,000	51,917	37,000	51,677	36,930	-31,677	-16,930	20,000	20,000

a/ A rescission of unobligated balances in the amount of \$4,000,000 is proposed for this account in FY 2018. This line also contains estimated recoveries in FY 2018 in the amount of \$2,955,000.

Justification of Increases and Decreases

- (1) An increase of \$5,028,000 for the section 542 rural housing voucher program (\$14,972,000 available in 2017).

Rural housing voucher funding enables tenants in mortgage prepayment properties to continue to access affordable housing without the benefit of the traditional rental assistance program. Funding protects families with affordable housing needs who are affected by the loss of affordable Rural Development (RD) housing in rural communities.

Base program funding for the section 542 rural housing voucher program will continue to provide tenant protections in properties that prepay their mortgages after September 30, 2005. In 2016, RHS provided new and renewed vouchers to 5,303 families at a cost of \$19.4 million. An average voucher is approximately \$316 per month per household.

Continuation of the program is critical because:

- 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.
- The voucher assistance allows needy tenants time to find other affordable housing, such as section 515 rural rental housing or other subsidy assistance programs, that may not be immediately available.

Voucher funding supports RD's objective to provide decent, safe and affordable housing to rural residents residing in multi-family housing (MFH) facilities and helps create thriving communities.

To improve program efficiency, a new RD Voucher Program data management system was completed in the summer of 2016, and populated with data from the prior contractor through November 2016. The system is now fully operational. MFH field staff is trained in the use of the system, and administrative responsibilities were transferred to a unit of staff dedicated solely to delivery of the RD Voucher Program.

- (2) A decrease of \$36,705,000 for the section 515 multi-family housing revitalization program level (\$36,705,000 available in 2017).

The budget does not include funding for activity in the Section 515 multi-family housing revitalization program. The budget includes a cancellation of funding of \$4 million in unobligated balances from this account as part of a total cancellation of \$108 million from five Rural Development accounts.

- (3) A decrease of \$16,968,000 in direct loan subsidy (\$16,968,000 available in 2017).

The termination of the direct loan programs results in a decrease of subsidy needed to support the operation of the programs.

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Alabama.....	\$146	\$164	-	-
Alaska.....	28	28	-	-
Arizona.....	114	86	-	-
Arkansas.....	83	110	-	-
California.....	33	31	-	-
Colorado.....	24	21	-	-
Delaware.....	33	33	-	-
Florida.....	1,204	1,214	-	-
Georgia.....	252	523	-	-
Idaho.....	360	384	-	-
Illinois.....	655	559	-	-
Indiana.....	733	801	-	-
Iowa.....	968	1,150	-	-
Kansas.....	331	298	-	-
Kentucky.....	109	98	-	-
Louisiana.....	6	3	-	-
Maine.....	96	344	-	-
Maryland.....	14	23	-	-
Massachusetts.....	108	107	-	-
Michigan.....	1,058	830	-	-
Minnesota.....	373	531	-	-
Mississippi.....	65	175	-	-
Missouri.....	1,051	1,147	-	-
Montana.....	210	291	-	-
Nebraska.....	525	442	-	-
Nevada.....	9	16	-	-
New Hampshire.....	59	58	-	-
New Jersey.....	271	239	-	-
New Mexico.....	161	147	-	-
New York.....	905	847	-	-
North Carolina.....	229	163	-	-
North Dakota.....	143	209	-	-
Ohio.....	339	582	-	-
Oklahoma.....	144	264	-	-
Oregon.....	94	96	-	-
Pennsylvania.....	19	187	-	-
Rhode Island.....	24	16	-	-
South Carolina.....	755	665	-	-
South Dakota.....	629	1,334	-	-
Tennessee.....	113	342	-	-
Texas.....	645	824	-	-
Utah.....	5	96	-	-
Virginia.....	79	102	-	-
Washington.....	860	1,012	-	-
West Virginia.....	142	110	-	-
Wisconsin.....	1,216	2,601	-	-
Wyoming.....	80	80	-	-
District of Columbia.....	1,409	1,498	-	-
Puerto Rico.....	5	7	-	-
Virgin Islands.....	129	78	-	-
Undistributed.....	-	-	\$16,390 a/	\$21,100 a/
Obligations.....	17,046	20,965	16,390	21,100

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Connecticut.....	\$83	-	-	-
Florida.....	-	\$1,546	-	-
Indiana.....	790	-	-	-
Kentucky.....	10,955	273	-	-
Louisiana.....	4,705	56	-	-
Massachusetts.....	437	243	-	-
Missouri.....	900	-	-	-
Nevada.....	-	645	-	-
New Hampshire.....	-	571	-	-
North Carolina.....	1,896	638	-	-
South Carolina.....	-	1,501	-	-
South Dakota.....	-	4,000	-	-
Vermont.....	-	2,180	-	-
Undistributed.....	-	-	\$20,277 a/	-
Obligations.....	19,765	11,652	20,277	-

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	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Connecticut.....	\$1,537	\$4,560	-	-
Florida.....	-	17,327	-	-
Illinois.....	615	6,013	-	-
Indiana.....	23	137	-	-
Kansas.....	176	-	-	-
Kentucky.....	-	3,799	-	-
Louisiana.....	419	52	-	-
Maine.....	1,284	4,915	-	-
Maryland.....	2,906	-	-	-
Massachusetts.....	93	-	-	-
Michigan.....	-	559	-	-
Minnesota.....	-	259	-	-
Missouri.....	846	542	-	-
Nevada.....	-	1,091	-	-
New Hampshire.....	695	-	-	-
New Jersey.....	-	394	-	-
New York.....	-	1,340	-	-
North Carolina.....	6,665	486	-	-
Ohio.....	-	2,873	-	-
South Carolina.....	-	104	-	-
South Dakota.....	-	6,863	-	-
Texas.....	1,780	-	-	-
Vermont.....	-	3,166	-	-
Washington.....	-	975	-	-
Wisconsin.....	255	385	-	-
Undistributed.....	-	-	\$12,279 ^{a/}	-
Obligations.....	17,293	55,840	12,279	-

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Maine.....	-	\$37	-	-
South Dakota.....	-	765	-	-
Undistributed.....	-	-	\$4,900 ^{a/}	-
Obligations.....	-	802	4,900	-

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Arkansas.....	\$2,125	-	-	-
Kentucky.....	2,125	-	-	-
Maryland.....	1,772	-	-	-
New Mexico.....	2,125	-	-	-
Wisconsin.....	-	\$2,111	-	-
District of Columbia.....	2,125	-	-	-
Obligations.....	10,272	2,111	-	-

^{a/} Totals cannot be distributed at this time.

Classification by Objects
(Dollars in thousands)

	2015	2016	2017	2018
	Actual	Actual	Estimate	President's Budget
41.0 Grants, subsidies, and contributions.....	\$48,677	\$60,849	\$39,067	\$21,100
99.9 Total, new obligations.....	48,677	60,849	39,067	21,100

RURAL HOUSING SERVICE

The estimates include appropriation language for this item as follows (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, to remain available until expended.]

This change removes language for the Rural Housing Assistance grants as funding for the rural housing preservation program is not requested in the budget. The low-income housing repair grants is consolidated and funded under the new Rural Economic Infrastructure Grant account.

RURAL HOUSING SERVICE

RURAL HOUSING ASSISTANCE GRANTS

Lead-Off Tabular Statement

Budget Estimate, 2018.....	-
2017 Annualized Continuing Resolution.....	\$32,178,000
Change in Appropriation.....	<u><u>-32,178,000</u></u>

Summary of Increases and Decreases

(Dollars in thousands)

Program	2015 Actual	2016 Change	2017 Change	2018 Change	2018 President's Budget
Discretionary Appropriation:					
Very low-income housing repair grants....	\$28,701	-	-\$54	-\$28,647	-
Rural housing preservation grants.....	3,538	-	-7	-3,531	-
Total	<u>32,239</u>	<u>-</u>	<u>-61</u>	<u>-32,178</u>	<u>-</u>

RURAL HOUSING SERVICE

RURAL HOUSING ASSISTANCE GRANTS

Project Statement

Adjusted Appropriations Detail

(Dollars in thousands)

Program	2015 Actual	2016 Actual	2017 Estimate	Inc. or Dec.	2018 President's
	Amount	Amount	Amount	Amount	Budget Amount
Discretionary Appropriations:					
Very low-income housing repair grants.....	\$28,701	\$28,701	\$28,647	-\$28,647 (1)	-
Rural housing preservation grants.....	3,538	3,538	3,531	-3,531 (2)	-
Total Appropriation.....	32,239	32,239	32,178	-32,178	-
Bal. Available, SOY.....	3,701	4,313	3,346	-372	\$2,974
Recoveries, Other (Net).....	1,626	1,338	473	-111	362
Total Available.....	37,566	37,890	35,997	-32,661	3,336
Bal. Available, EOY.....	-4,313	-3,346	-2,974	+372	-3,336
Total Obligations.....	33,253	34,544	33,023	-32,289	-

Project Statement
Obligations Detail
(Dollars in thousands)

Program	2015 Actual	2016 Actual	2017 Estimate	Inc. or Dec.	2018 President's
	Amount	Amount	Amount	Amount	Budget Amount
Discretionary Obligations:					
Very low-income housing repair grants.....	\$28,997	\$30,648	\$28,797	-\$28,797 (1)	-
Rural housing preservation grants.....	4,256	3,871	4,200	-4,200 (2)	-
Compensation for construction defects.....	-	24	26	-26	-
Total Obligations.....	33,253	34,544	33,023	-33,023	-
Bal. Available, EOY.....	4,313	3,346	2,974	+362	\$3,336
Total Available.....	37,566	37,890	35,997	-32,661	3,336
Bal. Available, SOY.....	-3,701	-4,313	-3,346	+372	-2,974
Recoveries, Other (Net).....	-1,626	-1,338	-473	+111	-362
Total Appropriation.....	32,239	32,239	32,178	-32,178	-

Justification of Decreases

- (1) A decrease of \$28,647,000 in funding for section 504 housing repair grants (\$28,647,000 available in 2017).

Funding for this program is being requested through the new Rural Economic Infrastructure Grants account.

- (2) A decrease of \$3,531,000 for section 533 housing preservation grants (\$3,531,000 available in 2017).

Funding for this program is not being requested. New program activities will not be supported.

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

State/Territory	2015 Actual Amount	2016 Actual Amount	2017 Estimate Amount	2018 President's Budget Amount
Alabama.....	\$1,078	\$638	-	-
Alaska.....	223	221	-	-
Arizona.....	533	490	-	-
Arkansas.....	531	652	-	-
California.....	401	697	-	-
Colorado.....	170	101	-	-
Connecticut.....	97	148	-	-
Delaware.....	52	75	-	-
Florida.....	624	916	-	-
Georgia.....	1,024	1,248	-	-
Hawaii.....	147	104	-	-
Idaho.....	188	143	-	-
Illinois.....	1,171	1,109	-	-
Indiana.....	766	645	-	-
Iowa.....	640	594	-	-
Kansas.....	166	262	-	-
Kentucky.....	1,405	1,919	-	-
Louisiana.....	1,172	755	-	-
Maine.....	442	572	-	-
Maryland.....	155	251	-	-
Massachusetts.....	173	130	-	-
Michigan.....	1,086	1,150	-	-
Minnesota.....	469	385	-	-
Mississippi.....	1,407	1,427	-	-
Missouri.....	808	708	-	-
Montana.....	117	75	-	-
Nebraska.....	72	44	-	-
Nevada.....	134	79	-	-
New Hampshire.....	483	459	-	-
New Jersey.....	85	142	-	-
New Mexico.....	327	342	-	-
New York.....	706	814	-	-
North Carolina.....	2,209	2,069	-	-
North Dakota.....	114	129	-	-
Ohio.....	786	1,126	-	-
Oklahoma.....	560	320	-	-
Oregon.....	73	132	-	-
Pennsylvania.....	1,020	1,195	-	-
Rhode Island.....	78	26	-	-
South Carolina.....	879	967	-	-
South Dakota.....	159	116	-	-
Tennessee.....	1,033	1,338	-	-
Texas.....	1,925	2,153	-	-
Utah.....	150	171	-	-
Vermont.....	180	343	-	-
Virginia.....	767	1,089	-	-
Washington.....	205	307	-	-
West Virginia.....	419	342	-	-
Wisconsin.....	648	460	-	-
Wyoming.....	30	100	-	-
Puerto Rico.....	421	545	-	-
Virgin Islands.....	60	53	-	-
Other Countries.....	426	379	-	-
Undistributed.....	-	-	\$28,797 a/	-
Obligations.....	28,997	30,648	28,797	-

a/ Totals cannot be distributed at this time.

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

State/Territory	2015 Actual	2016 Actual	2017 Enacted	2018 President's
	Amount	Amount	Amount	Budget Amount
Alabama.....	\$72	\$92	-	-
Alaska.....	50	46	-	-
Arizona.....	52	56	-	-
Arkansas.....	56	72	-	-
California.....	921	146	-	-
Colorado.....	50	21	-	-
Connecticut.....	50	46	-	-
Delaware.....	50	58	-	-
Florida.....	-	91	-	-
Georgia.....	94	121	-	-
Hawaii.....	50	46	-	-
Idaho.....	50	46	-	-
Illinois.....	55	71	-	-
Indiana.....	53	68	-	-
Iowa.....	46	42	-	-
Kansas.....	50	35	-	-
Kentucky.....	85	109	-	-
Louisiana.....	77	99	-	-
Maine.....	50	52	-	-
Maryland.....	50	64	-	-
Massachusetts.....	50	46	-	-
Michigan.....	73	93	-	-
Minnesota.....	108	52	-	-
Mississippi.....	78	100	-	-
Missouri.....	86	77	-	-
Nebraska.....	-	46	-	-
Nevada.....	50	8	-	-
New Hampshire.....	50	52	-	-
New Jersey.....	50	52	-	-
New Mexico.....	50	45	-	-
New York.....	64	86	-	-
North Carolina.....	110	141	-	-
North Dakota.....	50	140	-	-
Ohio.....	124	108	-	-
Oklahoma.....	47	60	-	-
Oregon.....	50	45	-	-
Pennsylvania.....	50	116	-	-
Rhode Island.....	-	46	-	-
South Carolina.....	66	84	-	-
South Dakota.....	50	46	-	-
Tennessee.....	72	90	-	-
Texas.....	187	240	-	-
Utah.....	50	52	-	-
Vermont.....	400	262	-	-
Virginia.....	65	83	-	-
Washington.....	50	-	-	-
West Virginia.....	47	61	-	-
Wisconsin.....	46	59	-	-
Wyoming.....	50	46	-	-
Puerto Rico.....	120	154	-	-
Undistributed.....	-	-	\$4,200 ^{a/}	-
Obligations.....	4,256	3,871	4,200	-

^{a/} Totals cannot be distributed at this time.

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

State/Territory	2015 Actual Amount	2016 Actual Amount	2017 Estimate Amount	2018 President's Budget Amount
Arkansas.....	-	\$24	-	-
Undistributed.....	-	-	\$26 ^{a/}	-
Obligations.....	-	24	26	-

^{a/} Totals cannot be distributed at this time.

RURAL HOUSING ASSISTANCE GRANTS

Classification by Objects
 (Dollars in thousands)

	2015 Actual	2016 Actual	2017 Estimate	2018 President's Budget
41.0 Grants, subsidies, and contributions.....	\$33,253	\$34,544	\$33,023	-
99.9 Total, new obligations.....	33,253	34,544	33,023	-

RURAL HOUSING SERVICE

The estimates include appropriation language for this item as follows (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.C. 1490c), \$27,500,000, to remain available until expended.]

This change removes language for mutual and self-help housing grants which are not proposed in the budget.

RURAL HOUSING SERVICE
MUTUAL AND SELF-HELP HOUSING GRANTS

Lead-off Tabular Statement

Budget Estimate, 2018.....	-
2017 Annualized Continuing Resolution.....	\$27,448,000
Change in Appropriation.....	<u><u>-27,448,000</u></u>

Summary of Increases and Decreases
(Dollars in thousands)

Program	2015 Actual	2016 Change	2017 Change	2018 Change	2018 President's Budget	
Mutual and self-help housing grants.....	\$27,500	-	-\$52	-\$27,448	-	-
Total.....	<u>27,500</u>	<u>-</u>	<u>-52</u>	<u>-27,448</u>	<u>-</u>	<u>-</u>

RURAL HOUSING SERVICE

MUTUAL AND SELF-HELP HOUSING GRANTS

Project Statement
Adjusted Appropriations Detail
(Dollars in thousands)

Program	<u>2015 Actual</u>	<u>2016 Actual</u>	<u>2017 Estimate</u>	<u>Inc. or Dec.</u>	2018 President's
	Amount	Amount	Amount	Amount	Budget Amount
Discretionary Appropriations:					
Mutual and self-help housing grants.....	\$27,500	\$27,500	\$27,448	-\$27,448 (1)	-
Total Appropriation.....	27,500	27,500	27,448	-27,448	-
Bal. Available, SOY.....	18,008	8,972	10,113	+976	\$11,088
Recoveries, Other (Net).....	1,857	2,169	1,478	-74	1,404
Total Available.....	47,365	38,641	39,038	-26,546	12,492
Unobligated balances rescinded..... <u>a/</u>	-	-	-	-	-11,000
Bal. Available, EOY.....	-8,972	-10,113	-11,088	+9,596	-1,492
Total Obligations.....	38,393	28,529	27,950	-16,950	-

Project Statement
Obligation Detail
(Dollars in thousands)

Program	<u>2015 Actual</u>	<u>2016 Actual</u>	<u>2017 Estimate</u>	<u>Inc. or Dec.</u>	2018 President's
	Amount	Amount	Amount	Amount	Budget Amount
Discretionary Obligations:					
Mutual and self-help housing grants.....	\$38,393	\$28,529	\$27,950	-\$27,950	-
Total Obligations.....	38,393	28,529	27,950	-27,950	-
Unobligated balances rescinded..... <u>a/</u>	-	-	-	-	\$11,000
Bal. Available, EOY.....	8,972	10,113	11,088	-9,596	1,492
Total Available.....	47,365	38,641	39,038	-26,546	12,492
Bal. Available, SOY.....	-18,008	-8,972	-10,113	-976	-11,088
Recoveries, Other (Net).....	-1,857	-2,169	-1,478	74	-1,404
Total Appropriation.....	27,500	27,500	27,448	-27,448	-

a/ A rescission of unobligated balances in the amount of \$11,000,000 is proposed for this account in FY 2018.

Justification of Increases and Decreases

- (1) A decrease of \$27,448,000 in funding for the section 523 mutual and self-help housing (MSHH) grants (\$27,448,000 available in 2017).

The budget does not include funding for activity in section 523 mutual and self-help housing grants program. The budget includes a cancellation of funding of \$11 million in unobligated balances from this account as part of a total cancellation of \$108 million from five Rural Development accounts.

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Alabama.....	-	\$334	-	-
Alaska.....	\$54	476	-	-
Arizona.....	1,824	2,013	-	-
Arkansas.....	678	1,140	-	-
California.....	10,931	2,796	-	-
Colorado.....	1,116	600	-	-
Delaware.....	878	1,694	-	-
Florida.....	3,203	3,503	-	-
Hawaii.....	1,409	1,383	-	-
Idaho.....	502	-	-	-
Indiana.....	628	-	-	-
Kansas.....	15	-	-	-
Kentucky.....	525	-	-	-
Louisiana.....	-	368	-	-
Maine.....	794	-	-	-
Maryland.....	36	-	-	-
Michigan.....	239	-	-	-
Mississippi.....	68	654	-	-
Montana.....	532	907	-	-
New Mexico.....	1,422	-	-	-
North Carolina.....	1,086	-	-	-
Oklahoma.....	2,684	3,911	-	-
Oregon.....	655	-	-	-
Pennsylvania.....	150	-	-	-
South Dakota.....	993	-	-	-
Tennessee.....	-	833	-	-
Texas.....	61	282	-	-
Utah.....	3,466	4,033	-	-
Washington.....	2,583	3,495	-	-
West Virginia.....	300	-	-	-
Wisconsin.....	608	-	-	-
District of Columbia.....	107	107	-	-
Guam.....	512	-	-	-
Other Countries.....	334	-	-	-
Undistributed.....	-	-	\$27,950 a/	-
Obligations	38,393	28,529	27,950	-
Bal. Available, SOY.....	-18,008	-8,972	-10,113	-\$11,088
Recoveries.....	-1,857	-2,169	-1,478	-1,404
Rescission.....	-	-	-	11,000
Bal. Available, EOY.....	8,972	10,113	11,088	1,492
Total, Adjusted Approp.....	27,500	27,500	27,448	-

a/ Totals cannot be distributed at this time.

Classification by Objects
(Dollars in thousands)

	2015	2016	2017	2018
	Actual	Actual	Estimate	President's Budget
41.0 Grants, subsidies, and contributions....	\$38,393	\$28,529	\$27,950	-
99.9 Total, new obligations.....	38,393	28,529	27,950	-

RURAL HOUSING SERVICE

STATUS OF PROGRAMS

The Rural Housing Service (RHS) improves the quality of life in rural areas in partnership with non-profits, Indian tribes, State and Federal government agencies, and local communities by offering technical and financial assistance to individuals and rural communities. Direct loans, loan guarantees, and grants provide support through the Single Family Housing (SFH), Multi-Family Housing (MFH) and Community Facilities (CF) programs.

RHS-wide Strategic Management Initiative

Current Activities:

RHS remains focused on meeting the housing and community development needs of rural America today and into the future. The agency continues to build public private partnerships; enhance program implementation tools and information technology capabilities; streamline work processes; implement evidence-based decision-making; assess and manage risk; and further improve program outreach, accessibility, and ease of use for our borrowers, customers, and other program stakeholders. In FY 2016:

- SFH programs provided over 132,000 families with \$17.3 billion in funding for the purchase, refinance, or repair of their homes. These programs provide both homeownership and wealth creation opportunities for rural Americans with limited incomes; they strengthen communities, create jobs, and make families more secure.
- MFH programs helped about 13,590 families obtain affordable rental housing through the construction or renovation of nearly 500 MFH complexes, utilizing all appropriated funds in nearly every program.
- RHS provided approximately \$2.5 billion to support Community Facilities investments, supporting more than 26.4 million rural residents. Funding was used to develop essential facilities such as hospitals, schools, day care centers, and police and fire stations.

Selected Examples of Recent Progress:

Program Improvements:

- Developed an Income Banding pilot that reduces eight separate very low-, low-, and moderate-income limits to two (1-4 persons and 5-8 persons). The consolidation both streamlines the process and corrects an anomaly in nearly one-third of the states that prevents two minimum wage earners from buying a home through the direct loan program because of income that exceeds applicable program limits in very low-income areas.
- Launched a new guaranteed construction-to-permanent-financing program (aka single close) designed to improve rural housing stock, create jobs and stimulate local rural economies.
- Published a final rule which expands guaranteed lender eligibility to small community banks and credit unions in remote rural areas and on tribal trust lands.
- MFH protected the economic stability of families, members of the workforce, and seniors by implementing measures to minimize the loss of affordable rural rental housing caused by properties exiting RD's program. MFH expanded opportunities for owners to retain their properties or transfer ownership to new owners committed to retaining affordable rental housing in rural communities.
- CF developed and implemented a strategic outreach and community engagement plan, which increased CF investments in underserved rural areas. To improve rural America's access to capital and better manage credit risk, CF hosted and facilitated a series of Public Private Partnership meetings, spurring significantly increased deal flow for larger community infrastructure transactions, and leveraging over \$373 million from institutional investors and capital credit markets.

Process Improvements:

- Improved Direct Loan processing efficiency with two significant technology enhancements. *Electronic Case Folder* allows any RD employee at any location to access application and loan documents electronically, eliminating errors and reliance on paper casefiles. *E-File* enables application packagers or other third-party participants to submit a loan application electronically, eliminating the agency's need to re-key information into an application and reduces staff processing time by at least one hour per loan.

- Finalized a new econometric-based subsidy model for the guaranteed program that is more sensitive to economic and market factors that impact the subsidy rate calculation. This model ensures more robust risk management and superior forecasting of portfolio performance, enabling the agency to reduce its guarantee fees substantially.
- MFH implemented a real-time, per property cost estimating tool for Rental Assistance (RA) renewal needs, creating a more predictable estimate of RA program funding needs, allowing owners to operate their small rental housing businesses more efficiently, and permitting MFH to budget more accurately.
- CF added an electronic funds request option in the Commercial Programs Application Processing (CPAP) system, allowing field offices to request reserve funds within the existing processing system, which replaces a manual process. The new system enables better tracking and reporting, and automates the notification process increasing the efficiency of program delivery.

Training:

- SFH provided extensive guidance to staff through a training event for new Program Directors, a National Tribal Trust training event, and the SFH National Policy Summit. In addition, SFH provided ongoing live web trainings to ensure continuing employee development on topics including the new Truth in Lending Disclosure Act, the Real Estate Settlement Procedures Act, and the Certified Loan Packaging rule.
- MFH Conducted three consolidated regional MFH training attended by approximately 280 field staff, along with numerous state-level trainings on loan underwriting using the new Program Assessment Tool (PAT), servicing, guaranteed loans, and prepayment.
- Implemented CF University, a self-guided comprehensive training and mentoring course that supports the immediate training needs of all RD field staff. In FY 2016, 118 field office staff from 29 states enrolled.

Outreach, Stakeholder Communications, Building Coalitions:

- Expanded loan packaging from 31 states in FY 2014 to all 50 states, Puerto Rico, the Virgin Islands and the Western Pacific by the end of FY 2016. Hosted a Certified Packager Industry call and instituted monthly calls with Intermediaries.
- Closed \$1 billion in loans in the MFH Section 538 guaranteed loans since program inception, and needed to go 25 percent above the \$150 million appropriated level in order to meet demand as a result of outreach and partnership with private financial institutions.
- Created a Community Facilities (CF) Guaranteed Marketing Tool Kit to aid State and Program Directors in promoting the program.

Borrower Success, Risk Mitigation and Lender Monitoring:

- The direct program ended the year at a low 2.99 percent first year delinquency rate due to program guidelines, management, review, tracking and other practices designed to ensure sound underwriting.
- First-year guaranteed program delinquency rates improved from 2.19 percent in August 2015 to 2.03 percent in August 2016. Total delinquency (net of foreclosures) improved from 9.17 percent to 9.06 percent, and foreclosure rates decreased from 1.43 percent to 1.20 percent. This success was due to increased staff training on underwriting techniques, increased lender monitoring, and the introduction of a portfolio risk management tool.

Community Facilities (CF)

The CF Programs offer long-term, fixed rate, affordable direct loans, competitive grants, and loan guarantees to help rural communities build or improve community infrastructure and essential community facilities for public use in rural communities of 20,000 or less. CF programs have the flexibility to finance more than 100 separate types of essential community facilities. Strengthening investment in rural community infrastructure is critical for spurring economic growth, creating jobs and improving access to healthcare, education, public safety and other critical facilities and services.

Current Activities:

The CF program continues to take a leadership role in coordinating, facilitating and strengthening Public Private Partnerships to increase investment in rural community infrastructure such as health care, public safety, and

education through collaboration with the capital credit markets and institutional investors; thereby, spurring economic growth, job creation and access to improved health care, education and other critical facilities and services. CF's focus on Public Private Partnerships seeks institutional investors and the capital credit markets that are interested in long-term investment opportunities to: improve rural America's access to capital for rural community infrastructure; leverage private resources to increase investment in rural areas; strengthen underwriting and oversight; reduce the agency's exposure to credit risk; and protect the safety and soundness of the agency's portfolio.

The quality of schools, health care and public safety facilities have a direct impact on the quality of life and competitiveness of rural communities, and is often a threshold condition for rural economic prosperity. In FY 2016, RHS focused on partnerships and program enhancements designed to improve program delivery and ensure CF is capable of meeting current and future challenges despite reduced staffing levels across the country. Improvements include:

CF Re-lending Provision: In FY 2016, CF successfully planned, designed, and implemented a Re-lending provision for its Direct Loan Program to fully utilize all allocated funds and serve underserved rural areas. This process involved developing programmatic guidelines, and amending the CF Direct Loan regulation to allow for implementation of this provision. The Re-lending provision provides CF Direct Loan funds to qualified community based financial institutions, re-lend those funds for eligible Community Facility projects targeting high poverty, high need areas over a five-year period. In FY 2016, CF made 26 direct loans to community based, re-lenders for over \$401 million and fully obligated all its funds.

Building Partnerships: In FY 2016, CF successfully facilitated four multi-state Public Private Partnership roundtable meetings across rural America designed to generate synergies, networks and relationships between RD field staff and their private sector partners, including the capital credit markets, local lenders, certified public accounting firms, industry experts, trade associations, and infrastructure developers. These Public Private Partnership meetings have brought together critical financial and project development expertise and technical resources; fostered innovation for large complex community infrastructure projects; strengthened underwriting; and provided the agency with long-term partnerships for servicing the loan portfolio.

CF Outreach: As a result of CF's outreach efforts, the program supported Public Private Partnership community infrastructure projects across rural America. CF leveraged over \$1.8 billion in CF direct loan funds, with nearly \$373 million from institutional investors and the capital credit markets, to strengthen investment in rural community infrastructure spurring economic growth, job creation and access to improved health care, education and other critical services. Through Public Private Partnership's, CF investments were projected to create 51,152 quality paying jobs.

New Rule, Technical Assistance and Training Grant Program (TAT): In FY 2016, CF published the Technical Assistance and Training Grant rule. This program was established under Section 6006 of the 2014 Farm Bill. Section 6006 authorizes grants to be made to public bodies and private nonprofit corporations (including Indian Tribes) that will serve rural areas for the purpose of enabling the grantees to identify and plan for community facility needs that exist in their area.

Automated Applications System (RD Apply): CF is automating its application process to create a more efficient, consistent and customer-friendly application process. This effort was tabled in FY 2016 due to contract issues. A work group is reconvening to tackle this enhancement. Once fully implemented, RD Apply is expected to be a key technology enhancement for the CF program, which will improve the customer service experience.

Selected Examples of Recent Progress:

100 Percent Obligation of Funds - For the first time in the modern history of the programs, CF obligated 100 percent of its CF direct and guaranteed loan funds by the end of FY 2016. Also, CF obligated 100 percent of the CF grants, Tribal College Grants, RCDI grants and REAP Grants, and 99.9 percent of the EII grant funding.

More Rural Americans Served - FY 2016 investments will serve approximately 26.4 million rural Americans,

compared to 21.7 million in FY 2015, a new record for the CF program. The FY 2015 record was more than a 50 percent increase compared to FY 2014; so, the FY 16 record is sustaining significant increases in the number of rural Americans served.

Pipeline Continues to Grow - The CF direct loan program continued to build a strong pipeline of applications pending review totaling \$964 million at the end of FY 2016. This represents an unprecedented level of interest in the CF Direct Loan Program.

Transitional Housing to Address Opioid Crisis in Rural America - CF highlighted and promoted the financing of transitional housing facilities to help tackle the growing opioid addiction crisis in rural communities. Transitional housing can be used to address drug and alcohol addictions by providing temporary housing and supportive services to help transition residents to permanent housing, contributing to the stability of rural communities.

Performance Accomplishments - CF exceeded all three of its performance measures for FY 2016. The percentage of rural Americans served with new/improved:

- health care facilities was 11.48 percent, exceeding FY 2016's goal of 4.5 percent;
- public safety facilities was 4.84 percent, exceeding FY 2016's goal of 2.7 percent; and
- educational facilities was 14.04 percent, exceeding FY 2016's goal of 4.5 percent.

Streamlining and Simplifying Automation - CF implemented new automated processes to improve and streamline existing procedures as follows:

- Added an electronic funds request option in the Commercial Programs Application Processing (CPAP) system, allowing field offices to request reserve funds within the existing processing system, which replaces a manual process. The new system enables better tracking and reporting, and automates the notification process.
- Automated field office requests for projects requiring National Office (NO) concurrence. This change eliminates manual processing of requests, including mailing of loan applications to the NO for review, reduces delays, and provides an automated system that precisely tracks projects under review; and
- Developed an electronic system that tracks and reports on the status of CF Re-lending applications. This system enabled the Relending team to monitor the status of applications effectively.

Examples of CF projects funding:

Tennessee Wesleyan University (TWU) – TWU received a \$20.6 million loan to construct a 30,000 square foot student life building, improve other campus buildings, renovate parking lots, and refinance a portion of the University's debt. The student life building, which will be named "Colloms Campus Center," will provide improved activity and event space, student services, and student affairs staff offices. Building improvements include roof replacement and HVAC installation. Funding will prepare the institution for the next level of growth in serving students in the region.

St. Claire Regional Medical Center, Kentucky - Also in FY 2016, St. Claire Regional Medical Center located in Morehead, Kentucky, was awarded \$28.7 million in direct loan funding. Total funding for this project of \$36.5 million, includes over \$7.7 million in New Market Tax Credits. The project included the design and construction of a 75,000 square foot Out-patient Medical Office Building and related site modifications on the campus of St. Claire Regional Medical Center. The Building will consist of three floors, with waiting room and clinic/exam space on each floor. The facility will include a range of needed services ranging from Physical Therapy and Orthopedics, to Diagnostic Imaging and a Women's Center. Additionally, space will also be provided for the University of Kentucky Clinic.

Rural Housing Insurance Fund – SFH

The SFH programs have served more than 4.1 million limited-income families in rural America since President Truman signed the Housing Act in 1949. SFH loan guarantees and direct loans today represent more than 60 percent of the entire RD loan portfolio. The Section 502 guaranteed loan program guarantees loans through approved lenders. The Section 502 direct program provides loans directly to very low- and low-income

homeowners¹ who have no other financing options. The direct loan program also helps strengthen rural communities with loans for home repairs for very low-income households, and grants for critical home repairs for very low-income seniors. The “Self Help” housing program provides technical assistance grants so groups of very low- and low-income families can reduce their mortgages by constructing their own homes. Direct loans are also available for affordable site development when future occupancy is reserved for rural homebuyers with limited incomes. These programs not only ensure that tens of thousands of moderate-, low-, and very low-income rural Americans meet their homeownership goals and home repair needs, they also create local jobs and build stronger communities.

SFH Guaranteed Loan Program

The SFH guaranteed loan program guarantees affordable, no-money down, 30-year loans through agency-approved private sector lenders. It is the largest single program within RD from loan volume and portfolio share perspectives. These loan guarantees enable lenders to finance affordable housing for rural families with incomes of up to 115 percent of the area median who cannot afford conventional financing terms. Program operations in 2016 enabled 116,728 rural Americans to achieve the dream of homeownership. More than 20 percent of these borrowers were located in high poverty counties.

Current Activities:

In FY 2016, the guaranteed loan program continued to develop risk-sensitive solutions to the mortgage financing challenges confronting rural communities, while strengthening program delivery capability. The program is maintaining its focus on keeping families in their homes. By year end, the program foreclosure rate of 1.2 percent hovered near historic lows. This rate was substantially better than the 6.3 percent foreclosure rate in the fixed rate subprime market serving homebuyers who cannot qualify for lenders’ prime rates. The program rate was only slightly higher than the 0.8 percent foreclosure rate in the fixed rate prime lending market, which typically serves more affluent homebuyers accustomed to conventional financing terms that would not be affordable to the program’s limited-income borrowers. The program is also increasing its outreach capability by refining mortgage products to meet today’s rural housing market challenges, enhancing the technology interface that supports lender transactions, and expanding training support available to program stakeholders.

Selected Examples of Progress:

On May 3, 2016, the program published a final rule 7 CFR 3555, which became effective June 2. The finalized rule included a more efficient financing process for badly needed new construction in rural communities, as well as a *Streamlined Assist Refinance* option that provides program borrowers current on their mortgage a simpler way to refinance at today’s low interest rates. This new refinance option was piloted very successfully for two years, during which time it demonstrated that families participating in the program could save as much as \$600 per month, and achieve an average savings of approximately \$145 per month. With finalization of the rule, the benefits of the program were made available to existing program borrowers in rural communities throughout the country. The rule eases pressure on household budgets, which can spare families the trauma of loan default and foreclosure, and reduce the likelihood of portfolio loss and taxpayer risk exposure.

The program also enhanced its delivery platform and support functions in important ways. The finalization of the new 7 CFR 3555 regulation created additional training needs for lenders and stakeholders. In FY 2016, the agency enhanced the training initially designed to accompany the implementation of the rule by developing an entirely new 28-module training program that will roll out soon. The organizational structure of the new training platform makes critical information more easily accessible, and addresses specific audience training requirements more effectively.

SFH Direct Loan Programs

Current Activities:

¹ “Very low” and “low income” equates to household income of less than 50 percent (very low) and between 50 and 80 percent (low) of the area median.

In addition to guaranteeing loans made through private banks and lenders, RHS provides financing directly to households through various SFH “direct” loan programs. These programs focus exclusively on credit access, homeownership, home repair and site needs of low- and very low-income rural families.

The Section 502 Direct Loan Program enables loan applicants, who are willing and financially able to meet their monthly loan obligations, to obtain 33-year, fixed-rate, 100 percent financing to purchase a newly constructed or existing dwelling, or a site on which to construct a home. For applicants with lower incomes who need a longer term to qualify, loan terms up to 38 years are available. Mortgage payments are subsidized so that the monthly payment can be as low as 24 percent of a household’s adjusted income. The subsidy is recaptured when the loan is paid off or refinanced, and it allows this population whose income is too low to obtain credit elsewhere, even with government assistance. The program has provided this mortgage financing in rural American communities for more than five decades and it continues to be oversubscribed.

In response to strong demand, a transfer of \$58.3 million from other programs was made in FY 2016 to supplement the \$900 million program authority. With these funds, the program provided homeownership opportunities to a total of 7,089 rural families, including 2,970 very low- and 4,119 low-income households. More than 26 percent of the borrowers served were in high poverty areas.

The Section 504 Home Repair Loan Program provides assistance for repairs to very low-income homeowners. These one-percent interest loans of up to \$20,000 are used to improve or modernize a home, and also to address health and safety issues. Since 1950, USDA has provided more than 191,000 rural families with repair loans totaling \$796 million. In 2016, the program provided 3,162 loans, a 26 percent increase over the prior year. The average loan size was approximately \$5,505.

The Section 504 Home Repair grant program funds home repairs and improvements with grants of up to \$7,500 that resolve health and safety hazards for very low-income elderly rural homeowners. In 2016, the program provided 5,010 grants totaling more than \$30.6 million, a six percent increase over 2015. More than 43 percent of the borrowers served by the Section 504 loan and grant programs were in high poverty areas.

The Section 523 Self Help grant program provides funding to qualified non-profit organizations for the technical assistance required by very low- and low-income homeowners who contribute their own labor to reduce construction costs and make their new homes more affordable. In 2016, the \$28.5 million in Self-Help funding enabled 867 rural families to join with fellow community members participating in the Self-Help program and literally build their homes and achieve the future they envisioned as homeowners.

The Section 523 Self-Help loan program provides two-year loans to Native American tribal, public, and non-profit organizations seeking to acquire and develop sites for housing in rural areas built through the “Self-Help” method. The two-year term restriction on these loans has limited the popularity of the program for developers who may require more time to complete their projects. In 2016, one loan was funded for \$232,720.

The Section 524 Site Loans provide two-year loans to Native American tribal, public, and non-profit organizations seeking to acquire and develop sites for low-and moderate-income families in eligible rural areas. In 2016, the program’s \$5 million program authority was fully utilized, as demand increased 922 percent relative to the prior year with the continuing improvement in the housing market.

The Credit Sales program provides market rate financing for USDA-owned housing sold to non-program owners and investors. In 2016, the program extended approximately \$1.9 million in financing for 24 credit sales of these properties taken into USDA inventory after a foreclosure.

Selected Examples of Recent Progress:

The direct loan programs continue to serve communities within rural America where credit access for low- and very low-income borrowers is exceedingly limited. Program implementation requires broad outreach with limited field

staff. SFH's 2016 priorities included streamlining operations, increasing integration of technology solutions, expanding data utilization, and leveraging third-party resources to maximize the effectiveness of program delivery.

In addition, the agency introduced multiple technology platform enhancements to streamline program delivery. Phased implementation of Direct-US, the direct loan program's new automated underwriting system, began in September 2016. Once completed, it will enable significant underwriting efficiencies and increase underwriting consistency across the country. Program underwriting, which is currently performed manually, provides the risk management foundation needed to optimize program reach and benefits for the greatest number of borrowers.

The following process improvements have also been implemented at Customer Service Center (CSC), which supports the 502 SFH Direct and Guaranteed Loan programs:

In FY 2016, CSC participated in several improvement exercises, including the publication of the Liquidation Value Appraisal final rule, which became effective on June 17, 2016. This rule authorized lender ordering of liquidation value appraisals. It reduces the loss claim processing time by an average of 44 days, and saves the Agency approximately \$200,000 per year in staff time. In addition, a loss claim payment model was created which projects property sale values so that claims are settled upon lender acquisition of title. Lenders participating in the settlement at foreclosure pilot represent just over 30 percent of guaranteed loan volume.

The Enhanced Correspondence Project (ENCORR) completed Phase I of the effort, which included a rewrite of 225 letters and a reduction in overall letter inventory of 54 percent. Phase II of the project is underway, which includes enhanced letter production capabilities, storage and retrieval of letters in an electronic format, upgraded design software and server capacity. The initiative improves customer service by promoting better customer comprehension of CSC communications, and reducing both production times and call volumes.

In FY 2016, CSC executed an Interagency Agreement (IAA) under the Economy Act with the Department of Veterans Affairs to sell Real Estate Owned properties through their contract vehicle. This pilot has proven to be very successful at reducing holding time by more than 500 days per property at a savings of more than \$6.5 million.

Rural Housing Insurance Fund – MFH

RD's affordable rental housing helps create stabilizing environments needed to build strong communities, families and supportive networks that allow people to thrive, grow and, where possible, become self-sufficient. These loans and grants support the purchase, construction, and rehabilitation of housing facilities for rural residents and farm laborers.

MFH Guaranteed Loan Program

Current Activities:

The Section 538 Guaranteed Rural Rental Housing Program made great strides in attracting lenders and investors into the guaranteed rural rental housing program (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 investors. Rural markets are attracting more private capital as a result of these relationships and through the program's expanding lender network. The GRRHP and its associated private capital has created new rental housing construction in rural communities, and helped preserve existing section 515 direct rental housing.

In 2016, MFH continued to aggressively market its GRRHP program to attract new lenders to the program; five new lenders were approved to participate in the program. MFH's marketing also increased awareness of the program in the lending community as well as with multi-family developers, creating additional demand for the program. As a result, in 2016, MFH obligated all of the \$150 million in guarantee authority authorized for the GRRHP. In addition, the 2016 Appropriations Act authorized RD to request up to an additional 25 percent, or \$37.5 million, in guarantee authority for the GRRHP program. This additional authority was requested, and MFH obligated approximately \$36.9 million, or more than 98 percent, of that authority. In total, MFH obligated \$186.9 million in

guarantee authority in 2016, an increase of 64 percent over 2015. These funds helped rehabilitate or construct 119 properties consisting of nearly 6,700 affordable housing units. The properties using the GRRHP also utilized other public and private funding, as well as RD Section 515 and preservation funding, through RD's public/private partnerships.

Selected Examples of Recent Progress:

Section 538 loans often provide the critical financing needed to finalize the construction of affordable housing created through State tax credit programs. One example is Bowman Senior Residences in Nogales, Arizona. Originally built as two separate buildings in the early 1900s, the two buildings had operated as hotels and then multi-family housing before being boarded up in the 1980s after years of neglect. Using a combination of tax credits, housing trust funds from the Arizona Department of Housing, Affordable Housing Program funds from the Federal Home Loan Bank of San Francisco, a HUD grant, and a Section 538 Guaranteed loan, the \$12.1 million development preserved the historic facades while constructing the rest of the property from the ground up. The new development created 48 one-bedroom units for seniors 62 and older, a library, a computer lab, a community kitchen, a fitness center, a lounge area, and free wireless Internet throughout the building. All units are designed with Universal Design principles to allow seniors to age in place and be accessible for the physically disabled. The units are set aside for residents earning between 40 percent and 60 percent of the area median income, with 20 of the units are covered by project-based Section 8 vouchers. Bowman was awarded the Affordable Housing Finance 2016 Readers Choice Award in the "Rural Category."

MFH Direct Loan Program

Current Activities:

Section 515/Farm Labor Housing MFH Preservation and Revitalization Program: This 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. Section 515 funds may also be used for the preservation of Section 515 properties. 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 two and a half 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.

Property Retention Concerns: In late 2015, RHS began to grow concerned about the potential loss of affordable rental housing in rural areas due to the payoff of Section 515 loans. The Section 515 Rural Rental Housing program was started in the late 1970s, and as a result, the mortgages RD used to finance multi-family housing developments have begun to reach their final maturity date. When a Section 515 property mortgage matures, the owner is no longer under contract to offer affordable rents to very-low- and low-income families, and the statute does not allow Rental Assistance (RA) to continue supporting the families' tenancy.

To prevent the loss of housing (and the critically needed tenant subsidy that goes with much of that housing), MFH is working to address the challenges that maturing MFH property mortgages present to the Federal Government's important and invaluable investment in affordable rental housing for very low- and low-income families. MFH is using the existing tools at its disposal to retain maturing properties by:

- re-amortizing loans and extending their maturity date;
- deferring payment on loans for up to 20 years to prevent loan payoff;
- prioritizing rehabilitation of maturing mortgage properties in the Preservation and Revitalization program; and
- providing Section 515 loans to nonprofits to finance the acquisition of existing Section 515 properties.

MFH began to communicate about this issue with its stakeholders in late 2015 and throughout 2016. These communications included numerous industry forums and three buyer/sellers conferences, bringing together potential

sellers of properties at risk of exiting the program with potential buyers interested in continuing the affordability of the housing.

The agency also undertook three significant initiatives in 2016 to improve awareness and provide further incentives for those interested in helping keep the housing affordable, including:

- Creating a property exit tool that provides information on all Section 515 and Section 514/516 Farm Worker Housing properties, including the potential property exit date.
- Increase awareness of the MFH portfolio and the communities in which they are located. The goal is to provide more information for potential buyers to make informed decisions regarding investment in the portfolio.
- Issuing an Unnumbered Letter creating a demonstration program to incentivize nonprofit program participants to acquire properties, scheduled to exit the Section 515 program through payoff of the loan, over the next two years. This demonstration started on March 1, 2017.

MFH Rental Assistance

Current Activities:

The *Rental Assistance (RA) Program* offers a rental subsidy to qualified residents residing in RD-financed housing. Assistance is paid on behalf of residents and covers the difference between the actual monthly rental cost and 30 percent of the tenant's adjusted income. In FY 2016, \$1.389 billion was used to fund 301,714 agreements, including 754 new RA units for Farm Labor Housing new construction.

Selected Examples of Recent Progress:

In 2016, MFH implemented its RA Obligation Tool (Tool), with the goal of greatly improving the RA obligation process. This Tool improves the obligation process by calculating properties' estimated financial needs based on each individual property's RA history, rather than the former method of using a state-wide estimation process. The Tool also includes an updated calculation methodology for forecasting. In addition, the Tool will streamline processing of about 10,000 RA agreements annually, saving thousands of staff hours currently expended on this administrative process – hours that can be used for other critical program purposes.

MFH Voucher Program

Current Activities:

The *Section 542 Rural Housing Voucher Program* provides a rent subsidy to tenants of former Section 515 properties that have left the program due to either prepayment or foreclosure of the Section 515 loan. Vouchers may be provided to eligible tenants, even if the tenants had not formerly received RA. These vouchers are transportable; a recipient can use the voucher at any property that is unable to provide the tenant with another form of rent subsidy, as long as the voucher is accepted at the property.

MFH continues to focus on attracting private funding for preservation and rehabilitation projects in order to make RD's funding go further. In 2016, the MFH housing programs attracted approximately \$3.25 in external project funding for each \$1 of RD funding.

Selected Examples of Recent Progress:

The Voucher Program is funded through annual appropriations. In 2013, RD published proposed regulations to create certainty around policies and management of the program. RD received a number of comments on the proposed regulation, and continues to address those comments in the development of its final regulations. A total of 5,303 vouchers were provided in 2016 at an average annual cost of \$3,671.

The new data management system for the RD Voucher Program was completed in the summer of 2016 and populated with data from the prior contractor through November 2016. The system is now fully operational. Over

the course of the summer, MFH field staff were trained in its use, and administrative responsibilities were transferred to a unit of staff dedicated solely to delivery of the RD Voucher Program.

In 2015 and early 2016, MFH conducted a reassessment of the physical condition of its MFH portfolio. This reassessment was a follow up to a comprehensive assessment of the portfolio's condition performed in 2004. This assessment sampled properties across the portfolio, including 515, Farm Labor, 538 and MPR programs. The report indicated that the gap between funded and annual reserve requirements, and the amount of reserves needed to maintain the functional utility of our portfolios over 20 years, is approximately \$5.6 billion, of which over \$4.7 billion was for the revitalization of the Section 515 direct loan portfolio. The goal of the reassessment was to inform all stakeholders of the condition of the MFH portfolio, and the estimated cost to maintain the properties in safe and decent condition while keeping them affordable. These results will also help RD develop additional solutions needed to help finance revitalization projects and better demonstrate the need for added Federal resources.

MFH staff has long recognized the significant time investment of field staff to review of borrower annual reports. The annual report process is made more difficult because: 1) the work is complicated and often involves multiple communications between RD and the borrower to resolve issues with the reports, and 2) the work must be completed during specific times of the year, and must be done within very tight, prescribed deadlines. Finally, unlike many other servicing actions, annual reports are submitted and reviewed simultaneously, requiring field specialists to review submissions from several dozen borrowers at the same time.

In 2016, MFH began a review of the borrower annual report process through a Lean Six Sigma (LSS) business process improvement project. The purpose of the process is to reduce inefficiencies in the annual report process, while improving RD's customer service and reducing processing times for RD field staff. The MFH team began the improvement effort by defining the scope, measuring the data, and evaluating and analyzing the current report process. Through the LSS process, a streamlined, consistent review process for all Proposed Budgets and Annual Financial Reports submissions will be developed, increasing transparency and eliminating confusion for our customers. Outside stakeholders will be included in the process improvement effort to ensure that the voice of the customer is heard. The overall objective of this effort is to reduce the total submission and review time expended to approve/decline Housing Project Budget reports to 30 days and to review Annual Financial Reports to 60 days.

RURAL HOUSING SERVICE

Summary of Budget and Performance

The Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 established the Rural Housing Service (RHS)¹ with the direct mission to improve the quality of life in rural areas. The agency is comprised of three program areas: (1) Single Family Housing (SFH), (2) Multi-Family Housing (MFH), and (3) Community Facilities (CF).

The Rural Housing Service (RHS) delivers both housing programs authorized by the Housing Act of 1949 (Act), as amended, and the Cranston-Gonzalez National Affordable Housing Act of 1990, and community facilities programs authorized by the Consolidated Farm and Rural Development Act of 1972, as amended. In addition, Omnibus Farm Bills are often used to address issues related to rural development.

The Department will be revising the USDA Strategic Plan later in the spring and expects to release it with the FY 2019 President’s Budget.

Key Performance Measures:

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							
	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Estimate	2018 Estimate
(1) Health Care	7.3	5.4	6.8	12.0	11.65	5.0	6.8
(2) Public Safety	3.7	3.4	3.7	7.2	5.02	3.2	4.3
(3) Education	6.4	9.3	6.2	7.9	14.97	5.0	6.8

Selected Past Accomplishments Toward the Achievement of the Key Outcome:

- CF invested over \$ 2.5 billion serving over 26.4 million rural residents, and improving rural America’s access to capital for community infrastructure.
- CF successfully facilitated five multi-state public-private partnership roundtable meetings designed to generate synergies, networks and relationships between the agency and its private sector partners.
- CF invested in 81 Public Private Partnership community infrastructure projects across rural America in 32 states, leveraging expertise and over \$277 million from institutional investors and the capital credit markets. These partnerships have brought together financial, project development, technical resources, innovation and expertise to strengthen project financial feasibility and sustainability; thereby, also reducing the agency’s exposure to credit risk.
- CF invested \$128 million in 50 projects in 25 States to develop or improve access to rural mental health services (more than 2 ½ times the three-year goal). CF leveraged over \$42 million in other funding sources for these projects. These investments, along with additional CF investments in a wide range of healthcare facilities including hospitals and critical care clinics, as well as transitional housing facilities, have made contributions towards addressing the opioid crisis in rural America.
- CF invested \$875 million in 134 rural healthcare facilities across rural America serving approximately 6.8 million rural residents. These investments included critical access hospitals, health clinics, assisted and skilled living facilities, mental health, and behavior and medical rehabilitation.

¹ Other applicable legislation: Consolidated Farm and Rural Development Act; Rural Development Policy Act of 1980; Rural Economic Development Act of 1990; the Omnibus Budget Reconciliation Act of 1993; Federal Agriculture Improvement and Reform Act of 1996; Food, Conservation, and Energy Act of 2008, the Agricultural Act of 2014; the American Recovery and Reinvestment Act of 2009; the Housing and Urban Development Act of 1968; and the Rural Housing Amendments of 1983.

- Investments of \$4.5 million towards the establishment of farmer’s markets, vehicles for food distribution, construction of greenhouses and food pantries, food hubs, and related facilities have also helped contribute towards sustainable economic development strategies in rural America
- In 2016, CF invested \$4 million in Tribal College Initiative projects to 28 tribes. These investments supported eligible community facilities projects such as schools, education equipment, libraries, dorms, renovation and improvements, vehicles and major equipment, and education and cultural projects.
- CF investments have also supported strengthening access to education in rural communities, as an educated and skilled workforce is essential to helping attract new business, quality jobs and for economic prosperity. In 2016, CF invested approximately \$862 million in 257 rural education infrastructure projects serving over 8.7 million rural residents. These facilities included public and nonprofit schools, community colleges, Tribal colleges, universities, vocational schools, and educational facilities for peoples with disabilities and libraries.

Selected Accomplishments Expected at the FY 2018 Proposed Resource Level:

- **Strategic Investments in Rural Community Infrastructure:** CF will continue to make strategic investments in rural community infrastructure to support the development and improvement of community-based assets, hospitals, schools and colleges, airports, utilities, bridges, and fire and police assets. These investments will help meet the increasing demand for essential infrastructure and facilities in rural communities, bringing improved access to healthcare, educational opportunities, safety and security to provide the resources necessary for a rural community to attract businesses, generate jobs or provide basic infrastructure to improve commerce in a rural area.
- **Critical Investments to target Opioid Crisis:** CF will continue and expand investments that support substance abuse treatment services, including mental healthcare facilities, critical care clinics, hospitals, and transitional housing facilities to aid rural communities struggling with substance abuse disorders. The opioid crisis disproportionately affects rural communities in part due to the lack of outreach and treatment resources available in remote areas.
- **Increased Outreach and Risk Sharing with Public Private Partnerships:** CF will continue outreach efforts to attract institutional investors and the capital credit markets that are interested in long-term investment opportunities in rural community infrastructure, which will improve rural America’s access to capital and leverage agency resources to better manage credit risk. Private sector partners bring increased deal flow and critical financial, project development and technical expertise, resources and innovation to large complex community infrastructure projects. Partnerships also strengthen underwriting of complex and large infrastructure transactions and provide the agency with additional servicing synergies. Public Private Partnerships will help maintain and protect the safety and soundness of the CF loan portfolio, and enable CF to devote resources and expertise to support the mission objective.
- The agency must also overcome staff reductions in field offices that deliver its programs. The agency’s ability to meet 2018 targets for the CF program will also depend upon whether communities that need essential facilities are able to successfully apply for CF funding and CF’s reduced field staff’s ability to successfully process submitted applications, which is mitigated through increased partnerships.

Homeownership Opportunities Provided							
	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Estimate	2018 Estimate
Direct Loans	7,918	7,112	6,560	7,060	7,089	6,626	0
Guaranteed Loans	145,109	162,943	139,828	134,254	116,728	167,052	164,829
Total Loans	153,027	170,055	146,388	141,314	123,817	173,678	164,829

Selected Past Accomplishments Toward the Achievement of the Key Outcome:

RD provides access to mortgage credit for very low-, low- and moderate-income households in rural America seeking to improve their living conditions and their financial stability through homeownership and the wealth creation it typically fosters over the long term. The programs also serve to support rural mortgage credit markets in periods of market volatility by providing direct credit to homeowners, as well as the collateral security lenders need to maintain mortgage financing operations when market conditions are more challenging.

- In 2016, the SFH programs provided 123,817 homeownership opportunities, including mortgage re-financings, for program-eligible moderate, low- and very low-income borrowers who would otherwise have no access to affordable credit in the commercial mortgage markets. Guarantee loan production in 2016 was slowed by the relative scarcity of low-cost housing inventory in rural communities.
- There were 7,089 SFH direct program borrowers among the new homeowners. The program serves low- and very low-income households. The household incomes of approximately 2,520 borrowers served were less than 50 percent of the area median.
- The guaranteed program provided purchase or refinancing mortgage credit to the remaining 116,728 homeowners. The program serves low- and moderate-income families, and approximately 85 percent of the program borrowers are first-time homebuyers.

Through these opportunities, RD helps promote the economic revitalization of rural communities by supporting jobs in construction, retail, services and other industries. Homeownership also reinforces foundational community qualities, such as stability and security that appeal to businesses seeking new locations and opportunities for expansion.

Significant Process Improvements: Both SFH direct and guaranteed programs have invested in new automation to improve and streamline program delivery.

- The guaranteed program developed a new econometric model, which improved portfolio performance analysis and forecasting and supported a lower up-front and annual fee beginning in FY 2017. The upfront fee decreased from 2.75 percent to 1 percent, and the annual fee decreased from 50 basis points to 35 basis points, making the program a very attractive affordable housing options. The guaranteed program also implemented numerous policy enhancements through a final rule published last year that expanded the opportunities for smaller lenders to participate in the program; finalized streamlined refinance procedures for existing RHS borrowers; and provided a new single-close construction-to-permanent loan product.
- The direct programs initiated a staggered rollout of DirectUS, an automated underwriting platform. DirectUS, which will reduce the number of manually underwritten loans, was deployed to 28 States to date, and full roll-out is expected by the end of FY 2017. This new system, which consists of a custom scorecard and underwriting rules, will enable program specialists to analyze individual loans applications far more efficiently. The system is expected to improve application processing times for the SFH direct loans by at least one hour per loan.

Improved Data Integration: In addition to these streamlining measures, RHS is making transformational changes in the way technology is applied and data is interpreted in the delivery and management of the SFH programs. The significant investment of financial and staffing resources to modernize the program's loan origination and servicing systems are needed to serve today's Rural America effectively. The 2010 decennial census indicated that rural communities have lower incomes and higher poverty rates than urban areas. Incorporating the use of data to a greater extent into RHS's fundamental operations will enable better customer service to remote and persistent poverty areas where need for credit access is often most acute.

One example of this type of innovation is the new econometric model that enabled the guaranteed program to better predict portfolio performance, isolate factors impacting performance, and make adjustments to program delivery to optimize performance and mitigate risk. This model will help the program manage its subsidy rate so that it remains slightly negative, which contributes significantly to long-term program stability and sustainability.

This model represents an important step forward from the projections based solely on historic default rates which are used today. By incorporating macro data and exploring correlations between that information and loan-level data, the new model will enable the program to be far more nimble, establish a better understanding of borrower needs, minimize taxpayer risk exposure, and improve program delivery to areas where credit access is limited.

Selected Accomplishments Expected at the FY 2018 Proposed Resource Level:

SFH programs must continue to strive to meet the needs of its target borrowers. To achieve this goal, the agency must provide effective program delivery in remote areas, as well as areas of persistent poverty.

The FY 2018 proposed staffing levels are challenging but can be mitigated by funding much needed automation improvements, such as building the systems to allow collection of a fee for the use of the agency's automated underwriting system. The authority to collect a user fee along with delegated lender approval authority was granted under the Housing Opportunity Through Modernization Act, signed into law July 2016. If this investment is made, a nominal fee collection of \$25 could result in more than \$3.7 million in collections the first year, which could fund additional single family automation improvements, including delegated lender approval authority.