

UNNUMBERED LETTERS ISSUED FOR THE MARCH OF 2012

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Dated	Subject	Distribution
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March 1, 2012

TO: State Directors
Rural Development

FROM: Tammye Treviño *(Signed by Tammye Treviño)*
Administrator
Housing and Community Facilities Programs

SUBJECT: Single Family Housing Guaranteed Loan Program
Centralized Program Delivery

The demand for the Single Family Housing Guaranteed Loan Program (SFHGLP) has resulted in record loan-making years. The increased interest in the program has brought new challenges. Coupled with the many retirements of Agency personnel at year end, the program expansion requires the Agency to rethink the way it does business.

Presently, the approaches taken to the delivery of the SFHGLP vary by state and can be either decentralized, regionalized or centralized. Consistent with the new Rural Housing Service (RHS) "In-State" centralization model, each state is now directed to centralize the delivery of the SFHGLP through a single, centralized "process" (not necessarily a centralized office or location) within the state. The purpose is to maximize efficiencies that enable a reduction in staff time while still meeting audit requirements and providing states flexibility. Each state should centralize the guaranteed process into one entry point, and then distribute workflow to the appropriate workstation where the designated employee is sitting—the purpose is not to reassign employees to different office locations.

EXPIRATION DATE:
March 31, 2013

FILING INSTRUCTION:
Housing Programs

Implementation Actions

Within 60 days of the date of this notification, states should develop and submit a centralization plan to the National Office. The plan should explain the consolidation structure. Points to consider include file delivery and segregation of duties. File delivery (origination and loan closing) could be achieved through electronic delivery, express or regular mail or by fax. When considering the best centralized approach for your state, include in your assessment the requirement to maintain an appropriate segregation of duties, as discussed in the recent management decision in Office of Inspector General audit No. 04703-02-Ch (available online at <http://www.usda.gov/oig/webdocs/04703-02-CH.pdf>).

For states currently in various stages of centralization, please submit your plan for approval as soon as possible, but continue with your transition. Approvals for all plans will be sent within 1-2 weeks after receipt of the plan.

States are encouraged to work through their Information Technology Service, Technical Support Division, to establish general email boxes and support electronic delivery of loan origination and closing requests by lender partners. Your state plan should also address the following information, subject to satisfaction of union requirements:

- Summary of centralized plan
- The name of your state point of contact for the SFHGLP
- Duties and responsibilities of the centralized guaranteed unit employees
- Other perceived issues in your state

In planning your state's SFHGLP centralization process please keep in mind that other centralization efforts will be forthcoming, such as the REO/foreclosure process.

Attached is a copy of the decision memorandum signed by the Under Secretary's office directing the centralization described in this memo.

You will be notified once your plan is approved. Implementation of your proposed plan should occur within 90 days of approval, subject to satisfaction of union requirements.

You should then begin notifying your lender partners of the proposed transformation to centralization.

We encourage states to reach out to other states that have already centralized delivery of the SFHGLP for guidance and best practices when considering the structure, planning, and implementation of your state plan. Information on IL, LA, MI and MN can be found on the Share Point site:

(<https://rd.sc.egov.usda.gov/teamrd/hcfp/sfh/Single%20Family%20Housing%20Information/Forms/AllItems1.aspx?RootFolder=%2fteamrd%2fhcfp%2fsfh%2fSingle%20Family%20Housing%20Information%2fSFH%20National%20Policy%20Meeting%5fAugust%209%2d11%2c2011%2fPowerPoint%20Presentations%2fSFHGLP%2fSFHGLP%5fOrigination%2fSFHGLP%5fSuccessful%20Strategies%20for%20Delivering%20the%20SFHGLP&FolderCTID=0x012000FAEA09B3A193524AA6AAC002EF563C63&View=%7b91FA6CF0%2d5A4D%2d413B%2dB65F%2dFC6ACA904921%7d>)

Centralization plans will be delivered to the following Guaranteed Loan Division general box: sfhgld.program@wdc.usda.gov. Questions regarding centralization in your state may be directed to the following points of contact in the Single Family Housing Guaranteed Loan Division:

Joaquin Tremols, Deputy Director
Phone: (202) 720-1465 | Email: joaquin.tremols@wdc.usda.gov

Debbie Terrell, Senior Loan Specialist
Phone: (918) 534-3254 | Email: debra.terrell@wdc.usda.gov

Kris Zehr, Senior Loan Specialist
Phone: (309) 452-0830, ext. 111 | Email: kristina.zehr@wdc.usda.gov

Attachments



United States Department of Agriculture
Rural Development

DECISION MEMORANDUM FOR THE UNDER SECRETARY

FROM: *FOY* Tammye Treviño *[Signature]*
Administrator
Housing and Community Facilities Programs
Rural Development

SUBJECT: Single Family Housing Guaranteed Loan Program
Centralized Program Delivery

BACKGROUND

The Section 502 Single Family Housing Guaranteed Loan Program (SFHGLP) continues to be in high demand. Approved lenders rely upon states to process loan files and issue conditional commitments and loan note guarantees in an efficient manner to serve low to moderate income rural homebuyers.

States currently have the choice of maintaining a centralized, regionalized, or decentralized processing office structure. States with a centralized office structure successfully deliver the program with a small core group of SFHGLP specialists, technicians and assistants. By focusing their time and knowledge specifically on the SFHGLP they are able to offer more efficient and timely loan review and approval, more consistent loan decisions, faster implementation of new Agency directives, increased customer service and satisfaction from our lender base, and improved monitoring of lender activities.

A centralized delivery approach works very well to process large volumes of SFHGLP loans, deliver exceptional customer service, improve state compliance with Agency directives and allocate time for portfolio management initiatives.

OPTIONS

There are three options as described below.

1: Keep current decentralized office structures

States would continue to operate program delivery of the SFHGLP the way they currently do which in many cases is through a decentralized structure. The current issues with these varied systems include but are not limited to:

1400 Independence Ave, SW · Washington, DC 20250-0700
Web: <http://www.rurdev.usda.gov>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender"

To file a complaint of discrimination write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice or TDD).

- Confusion among lenders about where to send a loan package, who to call with questions, and with what some have said to be no clear chain of command
- Inconsistent loan decisions when different field offices interpret regulatory requirements differently. This issue was recently raised by the Office of Inspector General (OIG) in Audit 04703-2-Ch.
- Inconsistent loan delivery with response times varying from field office to field office and from state to state (48 hours, 2 weeks, 30 days, etc.)
- More full time employees (FTE) are required to man a decentralized office network than a centralized one.

2: Centralize state office structures

States that are not currently centralized with one designated office, or regionalized with two designated offices, will implement this new structure to deliver the program. Benefits include:

- More efficient and timely loan review and approval;
- More consistent loan decisions and application of the program regulations;
- Greater ease of training individuals in one location rather than in locations flung across the state;
- Immediate implementation of new Agency directives;
- Increased customer service and satisfaction from our lender base; and
- Improved lender monitoring and compliance review schedules completed on time.

3: Consolidate all SFHGP functions in a national central location

This alternative would probably bring the greatest value in terms of FTE savings, with all the benefits of option # 2. It may have an adverse impact on credit quality, however, in the sense that a loan specialist processing a loan in a central location like St. Louis may lack knowledge of local real estate trends in locations such as Florida, Alaska, or Puerto Rico.

RECOMMENDATION

We recommend that states adopt a centralized delivery of the SFHGLP as described in option # 2. The consolidation of multiple offices will ensure the successful delivery of the SFHGLP while more effectively using staff resources.

This recommendation has been discussed with the Office of General Counsel, and they have concurred that it is acceptable under the circumstances described.

ACTION

CONCUR: ~~Dallas Long~~ DATE: 1/3/12

DO NOT CONCUR: _____ DATE: _____

FURTHER DISCUSSION: _____ DATE: _____

March 1, 2012

TO: State Directors
Rural Development

ATTENTION: Rural Housing Program Directors

FROM: Joyce Allen *(Signed by Joyce Allen)*
Deputy Administrator
Single Family Housing

SUBJECT: Establishing the 2012 Area Loan Limits

As outlined in 7 CFR 3550.63 (a) (1) (v), all area loan limit data will be updated at least annually and made available in any Rural Development office. This memo provides guidance on how to complete the area loan limit review and provide information to the National Office. The area loan limit is the maximum value of the property RHS will finance in a given locality. This limit is based on cost data plus the market value of an improved lot, or the state housing authority limits, whichever the State Director determines most appropriately reflects the value of modest housing for the area. The following should be considered when establishing the area loan limit:

- (i) The cost of the structure must be based upon the cost to construct a modest home and is obtained by RHS from a nationally-recognized residential cost provider (Marshall & Swift), using the fair quality construction standard;
- (ii) The market value of an improved site (without the dwelling) is based upon current sales data for typical housing sites and reasonable and typical costs of site improvements;
- (iii) The applicable state housing authority limit will only be considered if it is within 10 percent of the cost data plus the market value of an improved lot; and
- (iv) The area loan limit may not exceed the applicable local HUD section 203(b) limit.

EXPIRATION DATE:
January 31, 2013

FILING INSTRUCTIONS:
Housing Programs

To prepare the packages, the National Office will furnish the State Offices with the residential cost figures via email with the issuance of this memorandum. States may see a decrease from last year due to a change made by the National Office in how the data is pulled. Fair quality construction is now used for the data pull. This change from average quality does not impact our property requirements.

The area loan limit packages are due to the Deputy Administrator of Single Family Housing for prior approval by March 1, 2012. The effective date of the updated area loan limits will be April 1, 2012.

Area loan limit packages should be submitted electronically to Chris Ketner at: Christopher.ketner@wdc.usda.gov and must include the following:

1. Form RD 2006-3, "Instruction and Form Justification." Please submit this form in the fillable PDF format so that the National Office can make its recommendation directly to the form. An electronic signature on the form will be acceptable.
2. State Instruction establishing which option was selected (refer to the 7 CFR 3550.63 and HB-1-3550, Paragraph 5.6). The instruction must include the proposed area loan limit(s) for each county. States may elect to keep their 2011 limits provided the limits were based on the residential cost figures plus the market value of an improved site and the limits still accurately reflect market conditions. In this case, the instruction would indicate that no changes are being made. In addition, a detailed justification must be provided when states elect to keep or increase their loan limits in high cost areas.
3. If changes to the area loan limits are being proposed, additional items are required as follows:
 - The completed "Residential Cost Submission Form" spreadsheet, which will be e-mailed to the Single Family Housing Program Directors along with the residential cost figures, listing: typical market value of improved site; figure obtained by adding the cost data to the improved site; State Housing Authority (SHA) limits (if selected); HUD 203(b) limit in effect as of January 1, 2012; and the selected limit.

The Housing and Urban Development (HUD) limits are currently available at: <https://entp.hud.gov/idapp/html/hicostlook.cfm>.

- Written explanation as to how the typical market value of an improved site in each area was derived.
- Verification of the SHA's non-targeted limits for both new and existing properties (if selected method).

4. If you are making changes to any county's area loan limit, the final step is to complete the "Area Loan Limits 2012 - UniFi Upload Spreadsheet". For your state, please input the new area loan limit for 2012 in column E "Updated 2012 Area Loan Limit" of the spreadsheet, if there is no change for a county, leave the space blank. These are the final figures that will be uploaded to UniFi once they are confirmed by the National Office.

Questions regarding this memorandum may be directed to Chris Ketner, Senior Loan Specialist at 202-690-1530.

Sent by Electronic Mail on March 7, 2012 at 2:00 p.m. by Single Family Housing Direct Loan Division. The State Director should advise other personnel as appropriate.

March 9, 2012

TO: State Directors, Rural Development
ATTN: Business Programs Directors
SUBJECT: Fiscal Year 2012 Business and Cooperative Programs' Goals

The purpose of this Unnumbered Letter (UL) is to establish the Business and Cooperative Programs State goals for fiscal year (FY) 2012. The FY 2012 State goals are provided below and attached to this UL.

These goals reflect an increased emphasis on loan servicing, resolving delinquent accounts, and portfolio management. The timely resolution of delinquent accounts is imperative to maintaining a sound portfolio and assuring the future viability of our programs. The importance of portfolio management and loan servicing cannot be overstated. Performance related to these goals is highly visible by Congress and the Secretary.

Secretary Vilsack's top priority is for United States Department of Agriculture (USDA) to help rural communities create wealth so they are self-sustaining, repopulating, and thriving economically. In addition, USDA performance planning and budget documents include goals associated with program utilization and effectiveness, such as jobs created and saved.

The goals are based on actual program loan and grant data and State Office allocations. It is appropriate to incorporate the goals into the Elements and Standards of all State Business Programs Directors and Area Directors responsible for the cited programs.

Goal Number 1 – Portfolio Management and Loan Servicing

A. Business and Industry (B&I) Delinquency Goal. Meet the State-specific B&I guaranteed loan delinquency goal, attached, which is based on an analysis of each State's B&I portfolios. This goal is based on the number of delinquent borrowers (rather than loans) on September 30, 2012, and excludes cases in bankruptcy.

The resolution of each delinquent loan is important, but States should prioritize efforts on those loans that have been delinquent for more than 1 year, but also focus on resolving any new delinquent accounts that may appear throughout the year.

EXPIRATION DATE:
September 30, 2012

FILING INSTRUCTIONS:
Community/Business Programs

- B.** B&I and Rural Energy for America Program (REAP) first-year delinquency goal. None of the loans in which the B&I or REAP Loan Note Guarantee was issued in FY 2011 or FY 2012 fall delinquent on loan repayments at any time in FY 2012.
- C.** B&I Loss Goal. Each State will be measured on historical final report of losses for the past 5 fiscal years (FY 2008 – 2012). Total final losses for FY 2008 – 2012 shall not exceed 10 percent of the States active current B&I guaranteed loan portfolio as of fiscal year end 2012. This goal will be based on total final report of losses for all 5 fiscal years divided by the total active B&I guaranteed loan portfolio at the end of FY 2012.
- D.** Intermediary Relending Program (IRP) Delinquency Goal. Meet the State-specific IRP loan delinquency goal attached, which is based on an analysis of each State's IRP portfolio. This goal is based on the number of delinquent borrowers (rather than loans) on September 30, 2012.

Goal Number 2 - Guaranteed Loan System Data Completeness, Accuracy, and Integrity

- A.** Guaranteed Loan System (GLS) Business Cooperative Programs' Performance Measures data of each project is verified to be complete, accurate, and in compliance with guidelines. Performance Measures data consists of the number of (unduplicated) jobs created and saved, number of businesses and small businesses assisted, and the amount of energy generated or saved. The projected number of jobs, businesses, and energy information at the GLS project level must be completed prior to obligation and cannot be edited after obligation. This goal is based on projected data at the time of obligation, Ultimate Recipient loan projected data, and actual data verified at the GLS facility and Ultimate Recipient loan levels after the project is completed. Accomplishment of this goal will be evaluated by review of each obligation through an analysis of GLS data and GLS obligation reports such as the GLSR006A.
- B.** GLS data is reviewed prior to obligation and verified that each project accurately reflects Agency initiatives such as but not limited to Local and Regional Foods, Strategic Regional Development, Healthy Foods Financing Initiative, and appropriate special initiative codes. Accomplishment of this goal will be evaluated by review of each obligation through an analysis of GLS data and GLS obligation reports such as the GLSR006A.
- C.** GLS data is inputted and maintained accurately to enable the Agency to access its performance of delivery of programs to underserved populations. Important data includes the race and ethnicity of the applicant/borrower/grantee and Ultimate Recipient, if appropriate, and Civil Rights Compliance Review data of the projects participants. Accomplishment of this goal will be evaluated by review of GLS data of a sampling of obligations processed by each State and GLS obligation reports.
- D.** GLS data is maintained and effectively utilized for loan making and servicing, and grant making and monitoring, activities. GLS status codes are updated and utilized properly. GLS is utilized to schedule and monitor key activities and is utilized to monitor unliquidated obligations.

Accomplishment of this goal will be evaluated by review of GLS data of a sampling of each State's loan and grant portfolio and review of GLS reports GLS657 and GLSR013.

E. IRP and Rural Microentrepreneur Program (RMAP) Ultimate Recipient loan information and Intermediaries' and Microenterprise Development Organizations' (MDOs') fund reports are inputted, updated, and reviewed within 30 days of the end of the quarterly or semiannual report period. Accomplishment of this goal will be evaluated by review of GLS data including GLS reports GLSR095 and GLSR096.

Goal Number 3 – Loan Obligation and Grant Processing

A. Obligate 100 percent of the State's initial B&I Guaranteed loan allocation.

B. B&I Leveraging. Leverage at least 35 percent of the total project cost. In other words, for every \$100,000 of B&I total project cost, there should be an average of at least \$35,000 in other funding. This is based on the average of all the B&I projects funded in the State.

The "other funding" includes any other funds that reduce the amount of B&I funds needed to fund the project (e.g. loans guaranteed by other Federal Agencies, such as the Small Business Administration, non-guaranteed loans, vendor financing, loans for working capital, lines of credit, State and local grants, venture capital, borrower contribution, etc.). Existing borrower debt should not be considered leveraging. Please refer to leveraging guidance posted to SharePoint and the Administrative Notice on the subject to be posted shortly.

The borrower's contribution is the amount of cash contributed by the owner(s) to the project financed with the B&I loan, or cash taken from the borrower operation that reduces the amount of B&I financing required for the project.

The GLS report GLSR016 will be utilized to determine the amount of leveraging achieved. Therefore, it is imperative that the "Use of Funds" and Source of Funds" sections at the BP Facility/Project View in GLS be completed accurately. Avoid duplicate reporting of leveraging by including the source and use of all project funds including the total amount of multiple B&I loans (one application) under the same project. Update GLS and the Project Summary to document any significant changes in the sources or uses of funds between obligation and loan closing. The accuracy of GLS data will be verified during Business and Cooperative Programs Assessment Reviews (BCPAR), and other testing activities.

C. Obligate 100 percent of the State's initial allocation of REAP grants of \$20,000 or less. The grant portion of loan-grant combinations where the grant is \$20,000 or less, will be considered in determining whether the (grants of \$20,000 or less) goal is met. Feasibility Studies for Renewable Energy Systems and Energy Audits and Renewable Energy Development Assistance will not be considered.

- D.** Obligate at least one REAP guaranteed loan for each State Office jurisdiction. Loan-only projects will be considered in determining whether the loan utilization goal is met. Projects funded with a combination of REAP grant and guaranteed loan funds will not be considered in determining whether the loan utilization goal is met.
- E.** Conduct at least one energy round table per State Office jurisdiction. The meeting should include stakeholders, and other interested parties, to discuss and promote REAP. The meeting will need to take place prior to April 1, 2012. A copy of the sign-in sheet must be provided to the Energy Division.
- F.** Each State Office jurisdiction obligates at least one IRP loan request.
- G.** Each State Office jurisdiction submit at least one request for funding of a Rural Economic Development Loan (RED-loan) and at least one request for funding of a Rural Economic Development Grant (RED-grant). A National monthly competition is being utilized for Rural Economic Development Loan and Grant (REDLG) program, rather than State allocations.
- H.** Each State jurisdiction obligates at least one Value Added Producer Grants (VAPG) award. A National competition is being utilized for VAPG, rather than State allocations.
- I.** Each State Office jurisdiction submits at least one application for any one of Rural Cooperative Development Grant (RCDG), Small Socially-Disadvantaged Producer Grant (SSDPG), or Rural Business Opportunity Grant (RBOG) programs. A National competition is being utilized for RCDG, SSDPG, or RBOG, rather than State allocations.

If you have any questions, please contact the applicable program area in the National Office. For B&I, contact Fred Kieferle, Processing Branch Chief, at (202) 720-7818 or fred.kieferle@wdc.usda.gov; or David Lewis, Servicing Branch Chief, at (202) 690-0797 or david.lewis@wdc.usda.gov. For REAP, contact Kelley Oehler, Processing Branch Chief, at (202) 720-6819 or kelley.oehler@wdc.usda.gov. For SPD contact Ken Hennings, Branch Chief, at (202) 690-3809 or ken.hennings@wdc.usda.gov. For VAPG, contact Andy Jermolowicz, Assistant Deputy Administrator, Cooperative Programs, at (202) 690-0361 or andy.jermolowicz@wdc.usda.gov.

JUDITH A. CANALES
Administrator
Business and Cooperative Programs

Attachment

State Name	FY 2012 Allocations		B&I Guaranteed Loan Delinquent Loans		IRP Delinquent loans	
	B&I	Grant	REAP ≤\$20,000		10/1/2011	Goal
			10/1/2011	Goal		
Alabama	\$19,216,000	\$135,000	4	2	0	0
Alaska	\$6,896,000	\$64,000	2	2	0	0
Arizona	\$12,225,000	\$82,000	2	3	2	1
Arkansas	\$14,354,000	\$108,000	2	1	1	1
California	\$20,265,000	\$128,000	27	25	0	0
Colorado	\$10,392,000	\$74,000	4	3	0	0
Delaware	\$6,212,000	\$55,000	1	1	0	0
Maryland	\$9,021,000	\$73,000	1	1	0	0
Florida	\$19,818,000	\$113,000	11	9	0	0
Virgin Islands	\$5,000,000	\$50,000	4	3	0	0
Georgia	\$24,211,000	\$150,000	6	6	0	0
Hawaii	\$6,418,000	\$57,000	0	0	0	0
Western Pacific	\$5,000,000	\$50,000	1	1	0	0
Idaho	\$8,453,000	\$73,000	1	1	0	0
Illinois	\$16,850,000	\$111,000	8	4	0	0
Indiana	\$17,230,000	\$112,000	4	2	0	0
Iowa	\$12,261,000	\$93,000	2	3	0	0
Kansas	\$9,801,000	\$80,000	1	1	0	0
Kentucky	\$19,742,000	\$141,000	5	4	2	1
Louisiana	\$13,939,000	\$109,000	5	4	2	1
Maine	\$10,100,000	\$80,000	2	2	0	0
Massachusetts	\$7,290,000	\$65,000	1	1	0	0
Connecticut	\$7,410,000	\$61,000	1	1	0	0
Rhode Island	\$5,358,000	\$52,000	2	2	0	0
Michigan	\$23,731,000	\$140,000	3	3	0	2
Minnesota	\$14,929,000	\$101,000	3	3	0	0
Mississippi	\$17,775,000	\$129,000	1	1	0	0
Missouri	\$17,436,000	\$121,000	7	7	0	0
Montana	\$8,305,000	\$71,000	1	2	0	0
Nebraska	\$8,400,000	\$70,000	3	3	0	0
Nevada	\$7,759,000	\$57,000	0	1	0	0
New Jersey	\$7,255,000	\$66,000	3	2	0	0
New Mexico	\$8,628,000	\$80,000	2	2	0	0
New York	\$19,254,000	\$135,000	3	4	0	0
North Carolina	\$26,284,000	\$171,000	10	8	1	1
North Dakota	\$6,690,000	\$62,000	3	5	1	0
Ohio	\$23,322,000	\$142,000	7	7	0	1
Oklahoma	\$13,348,000	\$103,000	7	6	1	0
Oregon	\$10,956,000	\$85,000	8	10	0	0
Pennsylvania	\$22,139,000	\$148,000	10	8	1	2
Puerto Rico	\$8,202,000	\$85,000	2	1	0	0
South Carolina	\$17,926,000	\$118,000	9	6	0	0
South Dakota	\$7,488,000	\$66,000	2	1	1	0
Tennessee	\$21,463,000	\$136,000	4	3	1	0
Texas	\$26,284,000	\$171,000	15	14	1	0
Utah	\$7,147,000	\$63,000	4	3	0	0
Vermont	\$7,605,000	\$64,000	2	1	0	0
New Hampshire	\$7,898,000	\$66,000	1	1	0	0
Virginia	\$17,331,000	\$121,000	7	5	1	1
Washington	\$12,444,000	\$97,000	4	7	0	0
West Virginia	\$11,081,000	\$101,000	2	1	0	0
Wisconsin	\$15,903,000	\$110,000	4	5	0	0
Wyoming	<u>\$6,235,000</u>	<u>\$59,000</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>
Totals	\$690,680,000	\$5,054,000	225	203	15	11

March 13, 2012

TO: State Directors
Rural Development

ATTENTION: Multi-Family Housing Program Directors
and Coordinators

FROM: Tammye Treviño *(Signed by Tammye Treviño)*
Administrator
Housing and Community Facilities Programs

SUBJECT: Section 515 Rural Rental Housing Designated Place List
Fiscal Year 2012

Per 7 CFR 3560 §3560.57(a), “The Agency will establish a list of designated places from which loan proposals will be accepted. The list is updated each Fiscal Year (FY) and is available when the Notice of Funds Availability (NOFA) is published. The NOFA provides information on obtaining the list.”

The Designated Place List (DPL) is developed from a list of rural places which the Agency identifies as having the greatest need for Multi-Family Housing (MFH) based on the factors stipulated in 7 CFR 3560.

States must update their DPL each year when the following occurs;

- The State received Section 515 funding for a project in a designated place during the previous year (FY 2011), or
- A State wishes to remove the “build and fill” conditional hold on a designated place due to completion and occupancy of the Section 515 project, or
- Other previously imposed conditions as described in MFH Loan Origination Handbook - HB-1-3560, Chapter 3, Section 1, Paragraph 3.3.

If the above criteria are applicable to your State, please provide a copy of your updated DPL for FY 2012 to the National Office by close of business March 30, 2012. Submission of your DPL by this date will allow sufficient time for review prior to publication of the NOFA: Section 515 Rural Rental Housing Program for New Construction in FY 2012. Please send the list to the attention of Melinda Price via e-mail to melinda.price@wdc.usda.gov.

EXPIRATION DATE:
March 31, 2013

FILING INSTRUCTIONS
Housing Programs

Minimum Eligibility Requirements:

All places on the DPL must meet the eligibility requirements described in HB-1-3560, Chapter 3 Section 1, Paragraph 3.3. This also includes Enterprise Zones/Enterprise Communities (EZ/EC) and Underserved Counties and Colonias Set-Asides.

- Places must have a minimum of 250 households, unless National Office concurrence has been obtained for a lower number; and
- Places may not have any of the “build and fill” conditions listed in 7 CFR 3560 §3560.57(d)(1):
 - The Agency has selected another MFH proposal in the designated place for processing.
 - A previously funded Agency, the U.S. Department of Housing and Urban Development (HUD), Low-Income Housing Tax Credits or other similar assisted MFH in the designated place has not been completed or has not reached projected occupancy levels.
 - Existing assisted MFH in the designated place is experiencing high vacancy levels.
 - A special note rent or other loan servicing tool is pending or in effect for other assisted housing in the designated place.
 - The need in the market area is for additional Rental Assistance (RA) and not additional rental units.

Build and Fill Situations:

If you become aware of a “build and fill” situation after the DPL has been submitted to the National Office, but before the NOFA is published remove the area from the DPL. Update the list to reflect the change and provide the updated list to the National Office.

When a “build and fill” situation develops in a community after the NOFA is published, and an exception is not warranted under the provisions of 7 CFR 3560.57(d)(2), loan requests for that community must be rejected. When a “build and fill” situation develops after a loan request is selected in the national competition, further processing must be suspended or deferred, depending on the situation. Contact the National Office for guidance.

Length of Designation:

Places are designated for three years. However, the designation may be deferred for one or more funding cycles during the three-year designation period because a loan request is selected for funding or other “build and fill” conditions occur. At the end of the three-year period, places that remain eligible will be re-designated for an additional three-year period. In addition, designated places on the current DPL that have not completed their full 3-year designation period will be “grand-fathered.” For example, communities will remain on the DPL until they have completed the full 3-year cycle, regardless of their ranking on the new State Place Ranking List. They are subject to the same provisions as any other place. They will be deferred for any or all of the remainder of their 3-year cycle if any “build and fill” condition exists. Ranking data for the DPL may be found on the Rural Development Intranet at http://teamrd.usda.gov/rd/rhs/census/MFH_State_Rankings/place_ranking_rpt_index.htm.

Maximum Number of Designated Places:

States are authorized to select up to 20 percent of their total eligible rural places to ensure that viable communities for non-RA MFH units are included on the DPL. Places must be selected in rank order in accordance with HB-1-3560, Chapter 3 Section 1. The 20 percent limit does *not* include the high-need areas.

High-Need Areas:

In addition to the places selected in rank order from the ranking list, States must also include all eligible high-need areas described in 7 CFR §3560.57(a)(3)(iv) regardless of their rank order. High-need areas will receive consideration under the loan scoring and ranking criteria of 7 CFR §3560.56(c)(1)(ii) and should be identified on your list as a high-needs area. The high-need areas are:

- High-need areas identified in the State Consolidated Plan or similar state plan or needs assessment report. “State” refers to the State Government. A State Consolidated Plan is completed by a State in conjunction with requests for HUD Community Development Block Grant Funds or a similar state plan or needs assessment. The Plan or Needs Assessment must identify specific places such as towns or villages, but not larger geographic areas such as counties or regions. A letter of support for a specific application or community does not qualify the community as high-need and does not qualify the application for additional points. Places identified as high-need communities for housing in the state Consolidated Plan, may be included on the DPL with the prior approval of the National Office. National Office concurrence must be obtained prior to the NOFA publication.
- Rural Area Economic Partnership (REAP) communities.
- Indian reservations or communities located within the boundaries of tribal allotted or trust land.
- Colonias.

EZ/ECs:

EZ/ECs are listed on the Section 515 DPL and also as eligible areas for the EZ/EC Set-Aside, if applicable.

Underserved Counties and Colonias Set-Aside:

Places that are eligible for the Underserved Counties and Colonias Set-Aside must be listed separately. If the place also ranks high enough to be included in the Section 515 DPL, it must be listed in both places. (Underserved Counties are counties that appear on the list of 100 Underserved Counties in RD Instruction 1940-L. Contact the National Office if you need a copy of this list.)

Coordination with HUD and State and Local Agencies:

States are responsible for consulting with HUD and state and local agencies that provide assisted rental housing to determine places where loan proposals have been approved or are in process. The proposed DPL should be provided to these agencies for their review prior to release of the final list.

Posting of DPL:

Upon approval from the National Office of the State DPL, you may post the approved list on your State Rural Development website.

DPL Format:

A suggested format is attached. States may modify this format as appropriate for their State or to add information that will be helpful to applicants.

As a reminder, if there are communities in your State that do not meet the eligibility criteria and have a compelling need for affordable housing under the Section 515 program, please contact the National Office for further discussion.

If you have questions regarding this Unnumbered Letter please contact Melinda Price of the Preservation and Direct Loans Division, at Melinda.price@wdc.usda.gov or 614-255-2403.

Attachment

DESIGNATED PLACES FOR SECTION 515 NEW CONSTRUCTION APPLICATIONS
FISCAL YEAR 2012

Places on this list are considered equal, with no regard to their order on the list. Inclusion on this list does not indicate that a need or demand for Section 515 housing has been established.

Applications for Section 515 New Construction loans will be accepted for the following places only:

County

Place

[Include high-need places: Places identified in the State Consolidated Plan or similar state plan or needs assessment; Indian reservations or communities located within the boundaries of tribal allotted or trust land; Colonias; REAP communities.]

The following counties and Colonias are eligible to compete for the **Underserved Counties and Colonias Set-Aside**. Eligible rural places that meet the minimum 250 household threshold and do not have any “build and fill” conditions are listed by county.

County

Place

March 13, 2012

TO: State Directors
Rural Development

ATTN: Multi-Family Housing Program Directors

FROM: Tammye Treviño *(Signed by Tammye Treviño)*
Administrator
Rural Housing and Community Facilities Programs

SUBJECT: Fiscal Year 2012 Site Manager of the Year Recognition Program

We are pleased to announce guidelines for our annual Multi-Family Housing Site Manager of the Year program for Fiscal Year (FY) 2012.

Awards may be presented in each of the following three categories: (1) Site Manager of the Year for Housing for the Elderly; (2) Site Manager of the Year for Housing for Families; and (3) Site Manager of the Year for Farm Labor Housing. We will choose a national winner in each of the categories this spring. The awards will be presented during the Council for Affordable and Rural Housing's 2012 Annual Meeting and Legislative Conference at Ritz-Carlton Pentagon City, Arlington, Virginia on June 10-12, 2012.

You should use the following selection criteria for making your choice in each category:

- Tenant satisfaction with the manager is high.
- Property has good curb appeal on a continuous basis.
- Manager has no incidents of noncompliance and no unresolved findings.
- Manager consistently does more than what is expected.

These criteria may be added to, but do not eliminate any. We ask that you use these primary criteria so that the program can be consistent Nationwide.

Please see the attached checklist (Attachment 2) to make sure that all items necessary for adequate judging of the entry are included. Please attach the completed checklist to your nomination package.

As in past years, if you want a certificate of recognition for your State winners signed by a National Office official, please submit Attachment 5. Do not include the certificate request in your nomination package, as it may be overlooked. This form should be sent by facsimile to (202) 720-0302.

EXPIRATION DATE:
March 31, 2013

FILING INSTRUCTIONS:
Housing Programs

In those cases where you are requesting a signed certificate only, and are not entering your site manager in the national competition, please reconsider. It is well worth the time and effort of preparing a nomination package if your site manager is selected as the best in the country and is eligible to attend the awards ceremony in the Nation's capital. If you are submitting the name of someone to be considered for National Site Manager, please submit a complete package. This should include all the information you used in determining the selection at the State level, and should contain all of the items provided in Attachment 2, along with the completed checklist.

Good photographs and letters of commendation from public officials and tenants are always beneficial. The selection panel at the National Office level has only the material you submit upon which to base their determination of the winners. Use any materials at your disposal to showcase your nominee at his or her best in each category. If your candidate has done an outstanding job in an area not listed in this unnumbered letter, please do not hesitate to add that information to your nomination package.

Please be sure to address the criterion regarding compliance with Rural Development regulations. In the past, the typical issue that eliminated a nominee was that the last supervisory visit and or compliance review reports were not included in the nomination packet.

We request that you submit your package in a three-ring binder so that no information is misplaced or overlooked. Please clearly mark your State and the category (family, elderly, or labor housing) on the nomination package. Your packages should be sent by Federal Express or similar carrier in order to be received in good condition and in a timely fashion. Address packages to: USDA Rural Housing Service, Multi-Family Housing Portfolio Management Division, Room 1263, 1400 Independence Avenue SW, Washington, DC 20250.

The deadline for receipt of nomination packages for National Site Manager of the Year is **May 18, 2012**.

It is our hope that you will continue to make this valuable program a success. If you have any questions, please call the Multi-Family Housing Portfolio Management Division at (202) 720-1603.

Attachments

1. Site Manager of the Year Recognition Program Guidelines
2. Best Section 515 or 514 Site Manager Nomination Form/Checklist with evaluation criteria
3. Sample Cover Letter Announcing Awards Program to People Who Might be Interested in Making Nominations
4. Example of Letter to Senator
5. 2012 Site Manager of the Year Award Winners National Office Certificate Request Form

SITE MANAGER OF THE YEAR RECOGNITION PROGRAM GUIDELINES

Following are guidelines and suggestions for implementing or continuing a Manager of the Year program in your State.

1. Determine who is eligible to receive the award. The idea behind this recognition program is to reward site managers who have close interaction with tenants and who deal with properties hands-on and on a daily basis. In some States, these managers live on the property they manage, while in others they live off-site and manage more than one property. Each State should decide whether it makes sense to limit the nominations to resident managers or to extend it to traveling site managers. Remember, however, that the recognition should be for an individual site manager and not owners or management companies.

2. Solicit nominations from tenants and Section 515 and 514 owners and management companies, as well as others you consider knowledgeable. The nomination process should be open so that you get the maximum number of nominations. Rural Development employees with a good knowledge of the nominee may make nominations, so long as the employee is not on the judging panel.

3. Publicize the program so as to maximize the number of nominations you get. Consider using local media resources and your local borrower associations and housing groups as well.

4. Make your selection based on the following criteria (you may add more, but at a minimum use the ones below):

- a. Tenant satisfaction with the manager is high.
- b. Property has good curb appeal on a continuous basis.
- c. Manager has no incidents of noncompliance and no unresolved findings.
- d. Manager consistently does more than what is expected.

Please use these primary criteria so that the manager recognition program can be consistent nationwide.

Attachment 2 provides the national criteria and the necessary documentation that needs to be provided. It is important that all items are addressed so that the package will be considered complete. Please attach this completed checklist to your nomination package.

5. Use a panel of representatives from different stakeholder groups to make your selections. Use panels consisting of Rural Development Multi-Family Housing (MFH) staff and management industry representatives, as well as others you think would be appropriate. Possible panelists include tenants, staff from Housing and Urban Development, a State Housing Finance Agency, a Public Housing Authority, or local civic leaders. The idea is to give an award that is recognized by a wide variety of industry and civic professionals.

6. If you have a large portfolio, you might consider using a two-phased process to make your selection. District or Area Offices could convene a panel to choose the best manager in their region and then forward the nomination package to the State Office, which could convene a panel to make the final selection.

7. Choose the best manager and submit your nomination to the National Office by **May 18, 2012**.

8. Notify the National Office of the name (or names) of the Site Managers of the Year in your State if you wish to have a certificate signed by the Administrator for your State winner(s). Send this information, as well as the name and address of the facility or facilities the manager oversees, to Norma Gavin, Multi-Family Housing Portfolio Management Division at fax number (202) 720-0302. If you are nominating your winner for the National Site Manager competition, please send (by Federal Express or similar carrier) the complete package upon which you based your determination. Please do not include your request for a certificate in your nomination package. Send it by facsimile only. Requests included in a package may be overlooked, as the nomination packages are not reviewed until immediately before judging takes place.

9. Consider presenting this award jointly with other management groups or at a State management conference. That way, you can highlight the achievements of the manager to a broad group of his or her peers. You may also consider presenting the award at a housing complex the manager oversees.

10. Take advantage of this opportunity for favorable press coverage. The manager recognition program is a chance to highlight one of the most positive aspects of our MFH program. Not only will press coverage help remind communities of how our programs help them, it will also focus their attention on one of their truly outstanding members whom they may not know. Encourage press coverage by inviting the press to your awards ceremony and by distributing press releases.

11. Let your Congressional delegation know about the winners in their districts. This gives members of Congress a chance to send a letter of recognition to the managers. It also highlights the success of our MFH program in serving communities. Attached is a sample letter you may use to send to your congressional delegation for the Site Manager of the Year program.

**BEST SECTION 515 OR 514 SITE MANAGER
NOMINATION FORM/CHECKLIST**

Please address the following criteria in the space provided. Remember, keep your answers short and to the point; however, the more letters, pictures, and documentation you can provide, the better. The nomination package should include the nomination letter summarizing nominee's qualifications and address all the following items and include attachments. This completed checklist should be attached to your nomination package. Failure to address each item will cause the package to be considered as incomplete.

Name of Nominee _____
Name of Property(s) _____
Year Began Managing at Property _____
Brief Biography of Nominee _____

Name of Management Company (if applicable) _____

___ I. **Tenant Satisfaction.** Overall, are tenants happy with the efforts this manager makes on their behalf and on the behalf of the housing complex? How do you know? Include photographs. Attach the following:

- ___ Letters commenting on the site manager's accomplishments from Congressmen or other officials or tenants.

___ II. **Curb Appeal.** Is the property attractively maintained and landscaped? If applicable, you may wish to discuss particular actions the manager has taken to increase the appeal of the property. Attach the following:

- ___ Pictures of grounds, buildings and signage indicating curb appeal.

___ **III. Compliance with Rural Development's regulations.** Attach the following documents:

- ___ Letter or written statement from servicing office verifying there are no incidents of noncompliance and no unresolved findings.
- ___ Copy of last supervisory visit (complete supervisory visit report must have been completed during the nominee's tenure at property).
- ___ Copy of last compliance review. (complete compliance review report must have been completed during the nominee's tenure at property).
- ___ Copy of most recent physical inspection report (complete physical inspection report must have been completed during the nominee's tenure at property).

___ **IV. Actions above and beyond what is expected.** Please describe any actions this manager takes on a consistent basis which make him or her truly exceptional and outstanding. Good pictures also help in this category. Document activities such as:

- ___ Pictures of tenants engaging in activities sponsored by site manager.
- ___ Copies of publications (such as newsletters) initiated and maintained for the residents by the site manager.
- ___ Newspaper articles depicting site manager's care of tenants and property.
- ___ Articles or letters showing site manager involvement in the community.
- ___ Manager helps residents obtain additional services.

**SAMPLE COVER LETTER ANNOUNCING AWARDS PROGRAM TO PEOPLE WHO
MIGHT BE INTERESTED IN MAKING NOMINATIONS**

NOMINATOR'S NAME
NOMINATOR'S ADDRESS

Dear [NOMINATOR]:

I know you will agree with me that USDA Rural Development's Section 515 and Section 514 rental housing site managers guarantee the success of these complexes. They make sure that day-to-day operations go smoothly, and often they invest a great deal of their own free time in providing tenants with a safe and cohesive community. Although these managers would do their jobs regardless of whether they received recognition, I believe we as management industry professionals should do whatever we can to let them know we appreciate their efforts. They deserve recognition for their outstanding work, and for this reason, we are sponsoring a program to recognize the best Rural Development site manager in [STATE NAME]. I hope that you might be able to join me in this important program by nominating someone you consider to be an outstanding site manager.

Please use the attached form to nominate the manager. You will note that the form asks you to comment on three factors:

- The level of tenant satisfaction with the manager.
- The curb appeal of the manager's property.
- Compliance with Rural Development's regulations
- The manager consistently doing more than what the job requires.

Make your presentation as complete as possible. Letters from tenants, members of the community, housing groups, and others highlighting the good qualities of your nominee are encouraged. Also include any local media coverage which has occurred. Please enclose as many pictures as you like of the manager's property that depict its curb appeal. Pictures of tenant activities sponsored, encouraged, or provided by the manager are beneficial. Submit the nomination package to [ADDRESS] no later than [YOUR DEADLINE].

After we receive the nominations, we will use the following process to choose the best site manager in [STATE NAME].

[DESCRIBE YOUR EVALUATION AND SELECTION PROCESS HERE.]

We will present a plaque of recognition to the winner at a ceremony in [DATE, LOCATION, SPECIFY IF CEREMONY WILL BE HELD JOINTLY WITH SOMEONE ELSE OR AT AN ALREADY SCHEDULED CONFERENCE]. We also hope to engage the press in recognizing the exceptional efforts of the winning manager as well as all of our other great managers.

I hope that you will make the necessary effort to complete the enclosed nomination form. I can assure you that it will be worth your time.

Sincerely,
[STATE DIRECTOR]

**EXAMPLE OF LETTER TO SENATOR
[PLEASE CONSIDER A SIMILAR LETTER TO YOUR
CONGRESSIONAL DELEGATION]**

Honorable *Name of Senator*
United States Senate
110 Hart Senate Office Building
Washington, DC 20510-0103

Dear Senator XXXX:

I am writing to inform you that xxxxxx has been chosen as the (State Office) 2012 Site Manager of the Year for the USDA Rural Development Multi-Family Housing program. XXXXXXXXXXXX operates the xxxxxx Apartments in xxxxxxxx.

Rural Development administers a national loan portfolio of over 16,000 rural rental housing complexes. In partnership with our private sector and nonprofit borrowers, we house very low- and low-income rural families, elderly people, and farmworkers. The site managers of the housing complexes we finance are employees of private companies, not the U.S. Government.

The site managers guarantee the success of our housing complexes. They make sure that day-to-day operations go smoothly, and they often invest a great deal of their own free time in providing tenants with a safe and cohesive community. Although these managers would do their jobs whether or not they received recognition, we believe that as lenders and program managers we should reward excellent performance.

In this spirit, we conducted a Manager of the Year competition in each State this year. State Rural Development staffs convened panels of public and private housing management experts to choose their best site managers. They used the following criteria: 1) tenant satisfaction; 2) property curbside appeal; 3) compliance with Rural Development's regulations; and 4) consistent performance of actions above and beyond the call of duty. States could add to these criteria, but they could not change or drop any of them.

The comments we received from tenants and our State Offices are testimony to the outstanding performance of the site managers. Following are a few typical examples:

Insert actual excerpts from your nomination packages. The following are examples.

- *He makes us very proud of where we live.*
- *They are always there to help with anything you need, no matter how big or small.*
- *He shows genuine concern and really puts his heart into the job.*
- *They look after my parents when I'm not there. I don't know what I would do without them.*
- *He listens to the tenants.*
- *She enforces the rules fairly and makes us all feel safe.*
- *My friends [from outside the complex] always comment on how beautiful and well maintained our grounds and buildings are.*

- *One of the greatest things about living here is the great security I feel. Once I became ill in the middle of the night. I pulled the chain on my alarm system and the managers were in my apartment immediately.*

Attachment 4

Page 2

- *Living here is like living at a big home full of loving friends and family. Once I was too sick to go to the barbecue [which the manager had organized], so the manager brought me a plate of food and sat down to tell me who was there and what the grandkids were doing. She really made me feel included in the fun.*

Ms. xxxxxxxx is a credit to herself, the apartments she manages, her employer, her community, USDA, and the Federal Government as a whole. If you would like to recognize Ms. Xxxxxxx, you may contact her at xxxxxxxxxxxx. If you have any questions or would like more information, please contact (Name of State) State Director (Name of State Director) at (State Office phone number).

Sincerely,

State Director
Rural Development

**2012 SITE MANAGER OF THE YEAR AWARD WINNERS
NATIONAL OFFICE CERTIFICATE REQUEST FORM**

Please use this form to let the National Office know who the winners were in your State, for whom you would like a certificate prepared signed by the Administrator. Please complete a separate Attachment for each award winner.

TO: MFHPMD
PHONE #: 202-720-1603
FAX #: 202-720-0302
Contact: Norma Gavin – Norma.Gavin@wdc.usda.gov

STATE CONTACT: _____
STATE NAME: _____
PHONE #: _____
FAX #: _____

1. Name of Award Winner _____

2. Name(s) of Property/Properties He/She/They Manage(s) _____

3. Exact Name of the Category for Which He/She/They Were Chosen Winner (as it should appear on the certificate--for example, 2012 Pennsylvania Multi-Family Housing Site Manager of the Year for Elderly Housing) _____

4. Address to which the Certificate Should Be Sent (This should be someone at the State Office, so that the State Director can sign the certificate. Please include State Director's name.)

5. Date by Which You Need the Certificate _____

March 20, 2012

TO: State Directors
Area Directors
Rural Development Managers

ATTN: Community Facilities Program Directors

FROM: Tammye Treviño *(signed by Tammye Trevino)*

Administrator
Housing and Community Facilities Programs

SUBJECT: Interest Rate Changes for Community Facilities

Effective from April 1, 2012, through June 30, 2012, the interest rates for direct community facility loans are as follows:

Poverty Line...unchanged at.....4.500%
Intermediate...decreased to.....3.875%
Market.....decreased to.....3.375%

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

EXPIRATION DATE:
June 30, 2012

FILING INSTRUCTIONS:
Administrative/Other Programs

Sent by Electronic Mail on March 23, 2012, at 10:00 am by Program Analysis Branch.
State Directors should advise other personnel as appropriate.

March 20, 2012

TO: State Directors
Area Directors
Rural Development Managers

ATTN: Rural Housing Program Directors

FROM: Tammye Treviño (signed by Tammye Trevino)
Administrator
Housing and Community Facilities Programs

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

The following interest rates, effective April 1, 2012, are reported as follows:

<u>Loan Type</u>	<u>Existing Rate</u>	<u>New Rate</u>
ALL LOAN TYPES		
Treasury Judgment Rate	0.120%	0.170%

The new rate shown above is as of the week ending February 24, 2012. The actual judgment rate that will be used will be the rate for the calendar week preceding the date the defendant becomes liable for interest. This rate may be found by going to the Federal Reserve website for the weekly average 1-year Constant Maturity Treasury Yield (http://www.federalreserve.gov/releases/h15/data/Weekly_Friday_/H15_TCMNOM_Y1.txt).

RURAL HOUSING LOANS

Rural Housing (RH) 502 Very-Low or Low	3.250	3.250
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EXPIRATION DATE:
April 30, 2012

FILING INSTRUCTIONS:
Administrative/Other Programs

Single Family Housing (SFH) Nonprogram	3.750	3.750
Rural Housing Site (RH-524), Non-Self-Help	3.250	3.250
Rural Rental Housing and Rural Cooperative Housing	3.250	3.250

Please notify appropriate personnel of these rates.

Sent by Electronic Mail on March 28, 2012, at 1:00 pm by Policy Analysis Branch. State Directors should advise other personnel as appropriate.

March 20, 2012

TO: State Directors
Area Directors
Rural Development Managers

ATTN: Utilities Program Directors

FROM: Jonathan Adelstein *(signed by Jonathan Adelstein)*
Administrator
Rural Utilities Service

SUBJECT: Interest Rate Changes for Water and Waste Disposal Loans

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

Poverty Line...decreased to.....2.000%
Intermediate...decreased to.....2.750%
Market.....decreased to.....3.375%

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

Poverty Line...unchanged at.....4.500%
Intermediate...decreased to.....3.875%
Market.....decreased to.....3.375%

EXPIRATION DATE:
June 30, 2012

FILING INSTRUCTIONS:
Administrative/Other Programs

For this quarter, all loans approved or obligated before May 22, 2008 may be obligated at the lower market rate. These rates will be effective from April 1, 2012, through June 30, 2012.

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

CURRENT RATE	NEW RATE
3.750%	3.375%

Please notify appropriate personnel of these rates.

Sent by Electronic Mail on 3/23/2012, at 9:30 am by Program Analysis Branch. State Directors should advise other personnel as appropriate.

March 22, 2012

TO: State Directors
Area Directors
Rural Development Managers

ATTN: Business Program Directors

FROM: Judith A. Canales *(signed by Judith A. Canales)*
Administrator
Business and Cooperative Programs

SUBJECT: Interest Rate Changes for Business and Industry Loans

The following interest rate is in effect April 1, 2012, through June 30, 2012.

<u>Loan Type</u>	<u>Existing Rate</u>	<u>New Rate</u>
Direct Business and Industry	3.250%	3.250%

Please notify appropriate personnel of this rate.

EXPIRATION DATE:
June 30, 2012

FILING INSTRUCTIONS:
Administrative/Other Programs

Sent by Electronic Mail on April 3, 2012, at 10:30 am by Program Analysis Branch. State Directors should advise other personnel as appropriate.

March 22, 2012

TO: State Directors, Rural Development

ATTN: Business Programs Directors
State Energy Coordinators

SUBJECT: Rural Energy for America Program
Energy Audit and Renewable Energy Development Assistance Awards

The Rural Energy for America Program, fiscal year 2012 funding selections for the Energy Audit and Renewable Energy Development Assistance (REDA) grants submitted to the National Office are as follows:

State	Project	Grant Amount
Arizona	Navajo Tribal Utility Authority	\$ 100,000
Colorado	Poudre Valley Rural Electric Association, Inc.	\$ 50,000
Florida	Talquin Electric Cooperative, Inc.	\$ 100,000
Georgia	University of Georgia	\$ 100,000
Kentucky	University of Louisville Research Foundation, Inc.	\$ 100,000
Maine	Greater Portland Council of Governments	\$ 80,000
Maine	Maine Community College System	\$ 100,000
Oregon	Oregon Department of Energy	\$ 100,000
Washington	Washington State University	\$ 90,000
Wisconsin	Dairyland Power Cooperative	\$ 60,000
	Total 10	\$ 880,000

Applications will be processed in accordance with RD Instruction 4280-B, section 4280.195. Applications where the majority of the grant funds are being directed to Energy Audit expenses shall have a Type of Assistance (TOA) code of 506, and where the majority of the expenses are REDA shall have a TOA code of 507.

States must ensure that the work plan proposed in the application meets the project eligibility requirements of RD Instruction 4280-B, section 4280.187, and the definitions of Energy Audit and Renewable Energy Development Assistance in RD Instruction 4280-B, section 4280.103. Any change in the work plan must be approved by the National Office.

EXPIRATION DATE:
September 30, 2012

FILING INSTRUCTIONS
Community/Business Programs

States with applicants that are receiving subsequent funding through this program need to ensure that the grantees are complying with their existing work plans and Grant Agreements. RD Instruction 4280-B, section 4280.110(c) requires applicants to have made satisfactory progress towards completing previously awarded projects.

Please notify applicants not selected, and provide appeal rights in accordance with 7 CFR, part 11.

If you have any questions, please contact Kelley Oehler, Branch Chief, Energy Division, at (202) 720-6819.

(Signed by PANDOR H. HADJY)

PANDOR H. HADJY
Deputy Administrator
Business Programs

March 22, 2012

TO: All State Directors
Rural Development

ATTENTION: Rural Housing Program Directors,
Guaranteed Loan Coordinators,
Area Directors and Specialists

FROM: Tammy Treviño
Administrator
Housing and Community Facilities Programs

SUBJECT: Single Family Housing Guaranteed Loan Program
Rural Development Imaging Repository
Official Record – Minimal Essential Documents

New technology will be deployed to the Rural Development Imaging Repository during Fiscal Year (FY) 2012. The new technology is a web service that will re-categorize existing guaranteed loan origination documents, indexed presently as folders, into individual documents. Since 2008, guaranteed loan documents have been grouped into folders for storage in the imaging system. Individual borrower documents are grouped and indexed into one of three folders depending on document type. Once the new technology is in service, newly scanned, faxed and imported documents will be auto-indexed to reduce manual processing requirements. States will initially migrate to a Centralized Indexing application without the capability of an Optical Character Recognition (OCR). The OCR is a system that through pattern recognition becomes skilled at recognizing document types. Once trained, it will perform the auto-index of the document into the imaging system without assistance manually. Initially, some manual assistance may be required.

The folder structure now in place will continue for a portion of FY 2012 until testing is complete and State Office users are upgraded to the new technology. It is anticipated full capability of the re-categorization process may be available to state office users by summer, 2012. A planned roll-out and web training will be shared prior to implementation.

EXPIRATION DATE:
March 31, 2013

FILING INSTRUCTIONS:
Housing Programs

The current folder structure will continue until replaced with the new technology and method of indexing to individual documents. The following is a matrix of the folder system, identified by underwriting recommendation type: Manual Underwrite (UW) or an automated underwritten file receiving an “Accept” from the Agency’s Guaranteed Underwriting System (GUS).

Folder 1

	<i>Document</i>	<i>Manual Underwrite – (UW)</i>	<i>Guaranteed Underwriting System – GUS Accept</i>
<input type="checkbox"/>	Uniform Residential Appraisal Report (URAR) ✓ FNMA Form 1004/ FHLMC 70 and any addendums or supplemental reports (i.e. manufactured home; condo)	√	√
<input type="checkbox"/>	Property Inspections ✓ Lender certifications in accordance §1980.360(b) of RD 1980-D ✓ Property inspections (if submitted)	√	
<input type="checkbox"/>	Conditional Commitment ✓ Form RD 1980-18 and ✓ If required, conditions to Form RD 1980-18 and ✓ Lender Certification (completed and executed by lender – POST CLOSING)	√	√
<input type="checkbox"/>	Administrative Appraisal Review ✓ Form RD 1922-15	√	√

Folder 2

	<i>Document</i>	<i>Manual UW</i>	<i>GUS Accept</i>
<input type="checkbox"/>	Uniform Residential Loan Application (URLA) ✓ Form FNMA 1003/FHLMC 65 bearing borrower and lender interviewer signature	√	
<input type="checkbox"/>	Excluded Parties List System (EPLS) ✓ Printed hardcopy of queried result	√	√
<input type="checkbox"/>	Uniform Underwriting and Transmittal Summary ✓ Form FNMA 1008/FHLMC 70 – completed with underwriter’s name and approval signature or Lender’s Loan Approval Sheet – provided information captured mirrors that of FNMA 1008/FHLMC 70	√	
<input type="checkbox"/>	Income/Employment Verifications <i>Employment income of non-self- employed applicants:</i> ✓ Verification of Employment (Form RD 1910-5 or equivalent) and most recent paycheck stub or ✓ Paycheck stubs or payroll earnings statements covering the most recent 30-day period and W-2 tax forms for the previous 2 tax years and a telephone verification of the applicant’s current employment or ✓ Electronic verification or other computer-generated documents accessed and printed from a Intranet or Internet, and W-2 forms for the previous 2 tax years and a telephone verification of the applicant’s current employment <i>Self-employed applicants:</i> ✓ Copies of signed individual Federal tax return – most recent two years or IRS-issued transcripts of the borrower’s tax returns with all applicable schedules ✓ Year to date Profit and Loss and Balance Statements ✓ Fannie Mae Form 1084, “Cash Flow Analysis” and/or Fannie Mae Form 1088 “Comparative Income Analysis” – if utilized by lender <i>Other income:</i>	√	

	<ul style="list-style-type: none"> ✓ Third party verification or evidence of receipt using deposits on banks statements or cancelled checks for the most recent three months 		
	<p>Income of non-purchasing household members</p> <ul style="list-style-type: none"> ✓ Confirmation of income is subject to the same verification requirements as an applicant. 		
<input type="checkbox"/>	Income documentation Worksheet		✓
<input type="checkbox"/>	Credit Reports		✓
<input type="checkbox"/>	Verification of Rental History (VOR) – as applicable		✓
<input type="checkbox"/>	<p>Verification of Qualified Alien – as applicable</p> <ul style="list-style-type: none"> ✓ Permanent resident alien documentation 		✓ ✓
<input type="checkbox"/>	<p>Adverse Credit Waiver</p> <ul style="list-style-type: none"> ✓ Waiver and basis can be documented on the lender’s loan underwriting analysis or ✓ Independent form – if the lender desires 		✓
<input type="checkbox"/>	<p>Repayment Ratio Waiver request and decision granted by Rural Development</p> <ul style="list-style-type: none"> ✓ Waiver and basis for lender’s request can be documented on the lender’s loan underwriting analysis or ✓ Independent form – if the lender desires ✓ Written concurrence by Rural Development in allowing higher ratio based on compensating factors. Written evidence can be Rural Development’s review/confirmation of requested waiver. The concurrence is not intended to be formal. Issuance of Form RD 1980-18 can represent evidence of concurrence. 		✓

Folder 3

	<i>Document</i>	<i>Manual UW</i>	<i>GUS Accept</i>
<input type="checkbox"/>	<p>Request for Single Family Housing Loan Guarantee</p> <ul style="list-style-type: none"> ✓ Form RD 1980-21 completed and executed by lender and applicant(s) 	✓	✓
<input type="checkbox"/>	<p>Loan Note Guarantee</p> <ul style="list-style-type: none"> ✓ Form RD 1980-17 – complete/executed by Rural Development 	✓	✓
<input type="checkbox"/>	Promissory Note	✓	✓
<input type="checkbox"/>	<p>Guaranteed Loan Closing Report</p> <ul style="list-style-type: none"> ✓ Form RD 1980-19 completed/executed by Rural Development (not required for automated loan closing transactions) 	✓	✓
<input type="checkbox"/>	<p>Environmental Review</p> <ul style="list-style-type: none"> ✓ Form RD 1940-22 and/or Form RD 1940-21 (with attachments) and ✓ FEMA Form 81-93 (Standard Flood Determination) 	✓	✓
<input type="checkbox"/>	Form HUD-1, “Settlement Statement”	✓	✓
<input type="checkbox"/>	Other Documents Retained by State	✓	✓
<input type="checkbox"/>	Agency Documentation and Processing Checklist	✓	✓

States will image all documentation for GUS “Accept” full documentation loans. Loans that receive a “Refer” or “Refer with Caution” underwriting recommendation are considered manually underwritten loans.

States are encouraged to utilize the import feature available to send documents to the imaging repository. Further information regarding this feature can be found at the following website in the State Office Scan & Index Application Information guide (rev. 2/16/2010, Rev. 4) which can be found at: <http://rdirm.sc.egov.usda.gov/soscanning.html>.

If you have any questions regarding this memorandum, please contact Debbie Terrell, of the Single Family Housing Guaranteed Loan Division, at (918) 534-3254, or, via email at: debra.terrell@wdc.usda.gov.

March 26, 2012

TO: State Directors
Rural Development

ATTN: Program Directors
Single Family Housing

FROM: Tammye Treviño *(Signed by Tammye Treviño)*
Administrator
Housing and Community Facilities Programs

SUBJECT: Determining Student Loan Payments for Ratio Calculations

A number of changes have occurred over the last several years with regard to student loans made in both the private and public arena. Student loan borrowers now have more varied repayment plan options. For example, Federal student loan borrowers may, if eligible, take advantage of repayment plans that use their adjusted gross income and family size to determine their monthly payment.

Under certain student loan repayment plan options, a student loan borrower could have a \$0 monthly payment and be considered in repayment status. The \$0 monthly payment is considered a payment and each \$0 monthly payment counts towards the repayment terms.

Qualifying and remaining qualified for some repayment plan options is quite complex and requires an annual review by the loan holder.

Due to the uncertainty in some of the student loan repayment plan options, the higher of the monthly student loan payment listed on the credit report or one percent (1%) of the student loan balance must be used in the Single Family Housing Direct Loan ratio calculations. This applies to all student loans regardless of status (deferred, in repayment, etc.).

The Loan Approval Official may grant an exception and use the actual monthly payment under the existing repayment plan if:

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- Lender documentation is obtained confirming that the loan status is “repayment” and the repayment plan is something other than the standard 10-year repayment plan;
- Using the higher of the monthly student loan payment listed on the credit report or one percent (1%) of the student loan balance results in a qualification amount that is insufficient to obtain modest, decent, safe and sanitary housing;
- No additional risk layering (i.e. adverse credit waivers, use of compensating factors, etc.) is allowed without strong justification; and
- The Loan Approval Official thoroughly documents their rationale for allowing the exception in the running case record.

If you have any questions regarding this memorandum, please contact Brooke Baumann of the Single Family Housing Direct Loan Division at (202) 690-4250.

Sent by Electronic Mail on March 27, 2012, at 2:30 pm by the Single Family Housing Direct Loan Division. The State Director should advise other personnel as appropriate.

March 26, 2012

TO: State Directors
Rural Development

ATTN: Program Directors
Rural Housing

FROM: Tammye Treviño
Administrator
Housing and Community Facilities Programs

SUBJECT: Supervised Bank Accounts

This Unnumbered Letter (UL) is reissued in response to continued questions on the use of Supervised Bank Accounts (SBA) with our housing programs. It replaces any previous ULs on this subject.

The Customer Identification Program (CIP), as required by Section 326(a) of the USA PATRIOT Act, Public Law 107-56 (2001), requires social security numbers from the customers, our borrowers, and the depositors. However, Rural Development is a Government organization that is exempt from the CIP requirements of the USA PATRIOT Act. Specifically, 31 CFR Sections 103.22(d)(2)(ii) and 103.121(a)(3)(ii)(B), exempt all Government agencies from CIP requirements.

To assist banks in complying with the USA PATRIOT Act, a copy of this UL may be provided to bank compliance officers for their documentation regarding **NOT** requiring Rural Development employee's social security numbers when an employee is set up for countersignature authority on the borrower's SBA.

It is recommended that Rural Development employees provide the bank with proof of being a Government employee, such as a copy of their federal identification card.

If you have any questions regarding this UL, please contact Gloria Denson of the Single Family Housing Direct Loan Division at (202) 720-1487, or Janet Stouder of the Multi-Family Housing Portfolio Management Division at (202) 720-9728.

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March 27, 2012

TO: State Directors
Rural Development

ATTN: Multi-Family Housing Program Directors

FROM: Tammye Treviño *(Signed by Tammye Treviño)*
Administrator
Housing and Community Facilities Programs

SUBJECT: Multi-Family Housing Programs
Management Fee Survey

Rural Development is once again undertaking a management fee survey to obtain current, comparable fee information. This letter sets forth guidance for conducting the survey.

This management fee survey is designed to compare the existing base management fee for Rural Development properties using the “Bundle of Services” defined in CFR 3560.102(i) to those of other affordable multifamily housing properties within the region/state.

In accordance with 7 CFR 3560.102 (i)(2)(i), the Agency is required to develop management fees based on a review of housing industry data, each State will survey and collect management fee data from other assisted housing sources such as local Housing and Urban Development (HUD) field offices, State Housing Finance Agencies, Housing Authorities, local housing organizations and industry groups. To provide consistency, the States are divided into 11 Regions as established by the Institute of Real Estate Management and modified by Rural Development. Each Region will identify a Coordinating State. This state will be responsible for the coordination between the States, the dissemination of information to the States and all submissions to the National Office.

In addition to the base fee, the National Office has established a standard list of add-on fees that is applicable to all states. An add-on fee is a flat per unit per month (PUPM) fee paid on revenue producing units to agents managing projects with long-term project characteristics and conditions that require additional management effort beyond the activities covered by the standard management fee. The current list is available in HB-2-3560, Chapter 3, Exhibit 3-4. These fees are not included as part of the base fee calculation nor are they being reviewed at this time.

Completion of the survey and subsequent review by the National Office **does not** represent that an increase in the base management fee will be implemented.

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The Regions are identified as follows:

REGION I: CT, MA, ME, NH, RI, VT
REGION III: DE, MD, PA, VA, WV
SC, TN
REGION V: IL, IN, MI, MN, OH, WI
REGION VII: IA, KS, MO, NE
REGION IX: AZ, CA, NV

REGION II: NJ, NY
REGION IV: AL, FL/VI, GA, KY, MS, NC, PR,
REGION VI: AR, LA, NM, OK, TX
REGION VIII: CO, MT, ND, SD, UT, WY
REGION X: ID, OR, WA
REGION XI: AK, HI

Each Region as defined above collaborates to derive a median PUPM fee known as the Regional Median. A range of \$5 higher or lower than the Regional Median is the Regional Range.

For Example: **Regional Median** = \$40 PUPM; **Regional Range** = \$35 PUPM to \$45 PUPM.

Then each State will derive a single state PUPM fee within the established Regional Range to be used by all management companies within that State. Please note that the Regional Median fees are established to assist States in determining a maximum PUPM fee in their State.

For example:

- The **Regional Median** is \$40 PUPM
- The **Regional Range** is \$35 to \$45 PUPM.
- The State derives a maximum fee of \$41 PUPM. The maximum management fee of \$41 PUPM is within the Regional Range.

Using Attachment A, the “Base Management Fee Calculation Worksheet”, each State will compare the base management fee of the organizations specified on the Worksheet to the Rural Development’s “Bundle of Services”. Each State will:

- Identify the source organization;
- Identify the source organization contact person and dated contacted;
- Identify the fee type. Is the management fee based on a PUPM or a percentage calculation?
- Identify the Management Fee Amount;
- Identify the differences in services provided by the source organization’s management fee and that of the Rural Development Bundle of Services.

Attachment B is an excerpt from 7 CFR 3560.102 (i) which lists the “Bundle of Services” paid from the management fee.

The State Directors within the Region will review the State documentation and provide a signature of approval for the State PUPM fee. The Coordinating State will submit the completed worksheets and any additional information to the National Office, Attn: Joan Atkinson by **June 1, 2012**.

If states within a Region are unable to negotiate a Regional Median, the National Office will determine the Regional Median.

If you have any questions, please contact Joan Atkinson at 202-720-1609 or Janet Stouder at 202-720-9728.

Attachments

4. Identify the source organizations below that were used to compare the management fees and services provided of the source organization to the “Bundle of Services” allowed by 7 CFR 3560.102(i).

Provide the source contact name; the date contacted; the fee calculation type, either PUPM or a percentage of (gross or net) income; specify the management fee amount either percentage or per unit per month. Identify the differences between the Rural Development’s “Bundle of Services” and the services provided by the source’s fee. The “Bundle of Services” is provided as Attachment B. Use additional sheets as needed.

This calculation does not include add-on fees.

Source Organization	Contact Name	Date	Fee Type PUPM or %	Fee Amount	Identify differences from Rural Development Bundle of Services
Tax Credit					
HUD					
Housing Authority					
Borrower Association					
Housing Finance Agency					
Other: Specify					
Other: Specify					

5. Regional Median: \$ _____ PUPM

EXCERPT FROM 7 CFR 3560.102
“BUNDLE OF SERVICES”

(i) Management fees. Management fees will be an allowable expense to be paid from the housing project’s general operating account only if the fee is approved by the Agency as a reasonable cost to the housing project and documented on the management certification. Management fees must be developed in accordance with the following:

(1) The management fee may compensate the management entity only for the specifically identified bundle of services to be provided to the housing project. Costs and services to be paid as part of the bundle of services include:

- (i) Supervision by the management agent and its staff (time, knowledge, and expertise) of overall operations and capital improvements of the site.
- (ii) Hiring, supervision, and termination of on-site staff.
- (iii) General maintenance of project books and records (general ledger, accounts payable and receivable, payroll, etc.). Preparation and distribution of payroll for all on-site employees, including the costs of preparing and submitting all appropriate tax reports and deposits, unemployment and workers’ compensation reports, and other IRS- or state-required reports.
- (iv) Training provided to on-site staff at the project site.
- (v) Preparation and submission of proposed annual budgets and negotiation of approval with the Agency, other governmental agencies and the borrowers.
- (vi) Preparation and distribution of the Agency or other governmental agency forms and routine financial reports to borrowers.
- (vii) Preparation and distribution of required year-end reports to the Agency or other governmental agency and borrowers.
- (viii) Preparation of requests for reserve withdrawals, rent increases, or other required adjustments.
- (ix) Arranging for preparation by outside contractors of energy audits and utility allowance analysis. Implement appropriate changes.
- (x) Preparation and implementation of Affirmative Fair Housing Marketing Plans as well as general marketing plans and efforts.
- (xi) Review of tenant certifications and submission of monthly rental assistance requests, and overage. Submission of payments where required.
- (xii) Preparation, approval, and distribution of operating disbursements; oversight of project receipts; and reconciliation of deposits.
- (xiii) Overhead of management agent, including:
 - (A) Establish, maintain, and control an accounting system sufficient to carry out accounting supervision responsibilities.
 - (B) Maintain agent office arrangements, staff, equipment, furniture, and services necessary to communicate effectively with the properties, the Agency or other governmental agency and with the borrowers.

- (C) Postage expenses related to the normal responsibility for mailings to the properties, the Agency or other governmental agency, the tenants, the vendors, and the owners.
- (D) Expense of telephone and facsimile communication to the properties, tenants, the Agency or other governmental agency, and the borrowers.
- (E) Direct costs of insurance (fidelity bonds covering central office staff, computer and data coverage, general liability, etc.) directly related to protection of the funds and records of the borrower.
- (F) Central office staff training and ongoing certifications.
- (G) Maintenance of all required profession and business licenses and permits. (This does not include project site office permits or licenses.)
- (H) Insurance coverage for agent's office and operations (Property, Auto, Liability, E&O, Casualty, Workers Compensation, etc.)
- (I) Travel of agent staff to the properties for on-site inspection, training, or supervision activities.
- (J) Agent bookkeeping for their own business.
- (xiv) Attendance at meetings (including travel) with tenants, owners, and the Agency or other governmental agency.
- (xv) Development, preparation, and revision of management plans or agreements.
- (xvi) Coordination of U.S. Department of Housing and Urban Development (HUD) certifications or vouchers with tenants, including all reporting to all pertinent agencies and borrowers.
- (xvii) Directing the investment of project funds into required accounts.
- (xviii) Maintenance of bank accounts and monthly reconciliations.
- (xix) Preparation, request for, and disbursement of borrower's initial operating capital (for new projects) as well as administration of annual owner's return on investment.
- (xx) Account maintenance, settlement, and disbursement of security deposits.
- (xxi) Working with third party auditors for initial set-up of audits and annually thereafter for audit preparation and review. Assistance with supplemental letters and preparation of Agency financial reports or other governmental agency reports.
- (xxii) Storage of records and adherence to records retention requirements.
- (xxiii) Assist on-site staff with tenant relations and problems. Provide assistance to onsite staff in severe actions (eviction, death, insurance loss, etc.).
- (xxiv) Oversight of general and preventive maintenance procedures and policies.
- (xxv) Development and oversight of asset replacement plans.
- (xxvi) Oversight of preparation of section 504 reviews, development of plans, and implementation of improvements necessary to comply with plans and section 504 requirements.
- (xxvii) Reporting to general and limited partners and State agencies for Low Income Housing Tax Credit (LIHTC)-compliance purposes.

March 29, 2012

TO: All State Directors
Rural Development

ATTENTION: Single Family Housing Program Directors

FROM: Joyce Allen *(Signed by Joyce Allen)*
Deputy Administrator
Single Family Housing

SUBJECT: Coordinating Section 504 Repairs with Weatherization
Assistance Program

We are encouraging States to develop and coordinate Section 504 Repairs with the Weatherization Assistance Program in Fiscal Year 2012.

Program Directors and Community Development Managers are asked to work closely with the Weatherization Program Managers within your State and local areas to receive a better understanding of how the weatherization assistance program can interact with our Section 504 loan and grant program. Due to our limited funding, we can reduce the fund usage of our Section 504 grant funding for our eligible elderly applicants who lack repayment ability for a Section 504 loan by using weatherization funding while ensuring their health and safety. Also, the use of these funds for 504 loan applicants will enable the borrowers to receive additional services that will produce savings for the borrowers.

The weatherization program operates in all 50 states, and among Native American tribes. The Department of Energy (DOE) utilizes partnerships between state and local agencies to implement the program. The DOE's regional offices award grants to state-level agencies which contract with local agencies that provide weatherization services to every county in the Nation. The program's priority services are mainly to the elderly, people with disabilities, and families with children.

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Some examples of typical weatherization services include installing insulation in the walls, floors and ceilings, wrapping water heaters and pipes, adding weather-stripping to doors and windows, sealing ducts, and tuning and repairing heating and cooling systems.

We are looking forward to providing additional assistance to our eligible applicants by bridging the gap between DOE and other federal, state, and community programs. Information about the Weatherization Assistance Program and State Contacts can be found on the Department of Energy's website: www.ere.energy.gov/wip/wap.html. By assessing the Weatherization & Intergovernmental Program, you will be able to view information on the program and locate State contacts, by clicking "**Projects.**"

Questions concerning this memorandum should be directed to Gloria Denson of the Single Family Housing Direct Loan Division at (202) 720-1487.