UNNUMBERED LETTERS ISSUED FOR THE JANUAR OF 2013

Dated	Subject	Distribution
01-02-13	Guidance on Extension of the Conditional Commitment for Rural Development Guaranteed Loans	S/D
01-04-13	Rural Economic Development Loan and Grant Program Projects Funded for October, Fiscal Year 2013	S/D
01-04-13	Rural Economic Development Loan and Grant Program Projects Funded for November, Fiscal Year 2013	S/D
01-07-13	Modest Housing Determinations	S/D
01-07-13	Property and Repair Inspections for Direct Single Family Housing Programs in Fiscal Year 2013	S/D
01-15-13	Interest Rate Changes for Housing Programs and Credit Sales (Nonprogram)	S/D, AD & AS
01-18-13	Rural Business and Cooperative Programs Performance and Accountability Report Performance Measures	S/D
01-22-13	Guidance on Servicing Issues Related to Multi-Family Housing Preservation and Revitalization Program Transactions	S/D
01-22-13	Servicing Section 515 Borrowers that Received Damages under the Prepayment Settlement Agreement and File Retention for Loans Subject to Future Claims	S/D

January 2, 2013

TO: State Directors
Rural Development

FROM: Tammye Treviño /S/ ***Cristina Chiappe*** for
Administrator
Rural Housing Service

Lillian Salerno /S/ ***Lillian Salerno***
Acting Administrator
Rural Business-Cooperative Service

John C. Padalino /S/ ***John C. Padalino***
Acting Administrator
Rural Utility Service

SUBJECT: Guidance on Extension of the Conditional Commitment for Rural Development Guaranteed Loans

Rural Development has established an agency-wide policy on extending the Conditional Commitment for Community Facilities Guaranteed Loans, Business and Industry Guaranteed Loans and Rural Utility Service Guaranteed Loans.

If the Loan Note Guarantee cannot be issued before the Conditional Commitment expires, the lender must submit a written request for an extension of the expiration date of the Conditional Commitment, with a complete explanation for the Loan Note Guarantee not being issued timely and the necessity for the extension. The lender must provide an estimate of the time needed for the extension to meet any unfulfilled requirements of the Conditional Commitment or complete any due diligence duties.

The lender must also provide a written certification for the period of time from the issuance of the Conditional Commitment to the request for the extension, for the following:

(1) That there have not been any changes in the lender's loan conditions and requirements since the issuance of the Conditional Commitment, except those approved in the interim by the Agency, in writing.

EXPIRATION DATE:
December 31, 2013

FILING INSTRUCTIONS:
Community/Business Program/

(2) There has been neither any material adverse change in the borrower's financial condition nor any other material adverse change in the borrower, any parent, affiliate or subsidiary of the borrower and any guarantors, for any reason.

The Agency may request additional documentation from the lender that will assist them in determining that there has been no adverse change in the borrower's financial condition, such as current financial statements with the lender's analysis, or any other documentation.

If a circumstance arises where the Agency is close to the expiration date on the Conditional Commitment and does not have adequate time to perform the due diligence necessary to grant an extension, then the Agency may simply extend the Conditional Commitment for the additional 2 to 4 weeks time it may require to determine the project's continuing viability.

This short extension will relieve the pressure on local Agency staff, allow for a quality review of the lender's certifications and assist the lender in complying with Rural Development policy. The Conditional Commitment, if the Agency concurs with the lender's request for extension, may then be extended by the Rural Development State Office.

January 4, 2012

TO: State Directors, Rural Development

ATTN: Business Programs Directors

SUBJECT: Rural Economic Development Loan and Grant Program
Projects Funded for October, Fiscal Year 2013

Business Programs has announced loan and grant selections for the October funding for fiscal year (FY) 2013, under the Rural Economic Development Loan and Grant program. A listing of the loan and grant awards is attached for your information.

During the October cycle of FY 2013, one zero-interest loan application, for $966,000, was considered by Business Programs. Based on the availability of funds, the application was selected for funding. These funds will be leveraged by $193,500 of private and public financing, directly creating an estimated 65 jobs.

In addition to the loan selection, one grant totaling $300,000, to finance a revolving loan fund program that will be operated by a rural utility, was selected for funding. As a result of this grant, the initial zero-interest loan from the revolving loan fund program, leveraged by $60,000 of private and public financing, will directly create 5 jobs and retain 20 jobs.

If you have any questions, please contact Cindy Mason, Business Loan and Grant Analyst at (202) 690-1433, or Melvin Padgett, Business Loan and Grant Analyst at (202) 720-1495, Specialty Programs Division.

(Signed by PANDOR H. HADJY)

PANDOR H. HADJY
Deputy Administrator
Business Programs

Attachments

EXPIRATION DATE:
September 30, 2013

FILING INSTRUCTIONS:
Community/Business Programs

Attachment I

RURAL ECONOMIC DEVELOPMENT LOAN AND GRANT PROGRAM
REQUEST FOR LOAN FUNDS – October Funding FY 2013

FY 2013 Allocated Funds	$6,498,794.43
Carryover Funds	$ 0.00
Total Available	$6,498,794.43
Less October Funding	$ 966,000.00
Balance Remaining	$5,532,794.43

State	**Project**	**Loan Amount**	**REDL Number**
TN 09	Tri-County Electric Membership Corporation	$ 966,000	1388

1 Loan **Total** **$ 966,000**

Balance of Loan Funds After Above Request: **$5,532,794.43**

RURAL ECONOMIC DEVELOPMENT LOAN AND GRANT PROGRAM
REQUEST FOR GRANT FUNDS – October Funding FY 2013

FY 2013 Allocated Funds	$1,213,760
Carryover Funds	$ 0
Total Available	$1,213,760
Less October Funding	$ 300,000
Balance Remaining	$ 913,760

State	**Project**	**Grant Amount**	**REDG Number**
MO 26	Ralls County Electric Cooperative	$300,000	574
	1 Grant Total	***$300,000***	

Balance of Grant Funds After Above Request: $ 913,760

January 4, 2013

TO: State Directors, Rural Development

ATTN: Business Programs Directors

SUBJECT: Rural Economic Development Loan and Grant Program
Projects Funded for November, Fiscal Year 2013

Business Programs has announced loan and grant selections for the November funding for fiscal year (FY) 2013, under the Rural Economic Development Loan and Grant program. A listing of the loan and grant awards is attached for your information.

During the November funding cycle of FY 2013, four zero-interest loan applications, for $4,000,000, were considered by Business Programs. Based on the availability of funds, all applications were selected for funding. These funds will be leveraged by $4,963,405 of private and public financing, directly creating an estimated 128 jobs and retaining 132 jobs.

In addition to the loan selections, three grants totaling $900,000, to finance a revolving loan fund program that will be operated by a rural utility, were selected for funding. As a result of these grants, the initial zero-interest loans from the revolving loan fund program, leveraged by $510,000 of private and public financing, will directly create 3 jobs and retain 29 jobs.

If you have any questions, please contact Cindy Mason, Business Loan and Grant Analyst at (202) 690-1433, or Melvin Padgett, Business Loan and Grant Analyst at (202) 720-1495, Specialty Programs Division.

(Signed by PANDOR H. HADJY)

PANDOR H. HADJY
Deputy Administrator
Business Programs

Attachments

EXPIRATION DATE:
September 30, 2013

FILING INSTRUCTIONS:
Community/Business Programs

Attachment I

RURAL ECONOMIC DEVELOPMENT LOAN AND GRANT PROGRAM
REQUEST FOR LOAN FUNDS – November Funding FY 2013

FY 2013 Allocated Funds	$6,498,794.43
Carryover Funds	$ 0.00
Total Available	$6,498,794.43
Less October Funding	$ 966,000.00
Less November Funding	$4,000,000.00
Balance Remaining	$1,532,794.43

State	Project	Loan Amount	REDL Number
IN 60	South Central Indiana REMC	$1,000,000	1389
MN 109	Lake Country Power	$1,000,000	1390
MS 22	Central Electric Power Association	$1,000,000	1391
IA 70	Osceola Electric Cooperative, Inc.	$1,000,000	1392

4 Loans Total $4,000,000

Balance of Loan Funds After Above Request: $1,532,794.43

Attachment II

RURAL ECONOMIC DEVELOPMENT LOAN AND GRANT PROGRAM
REQUEST FOR GRANT FUNDS – November Funding FY 2013

FY 2013 Allocated Funds		$1,213,760
Carryover Funds		$ 0.00
Total Available		$1,213,760
Less October Funding		$ 300,000
Less November Funding		$ 900,000
Balance Remaining	$ 13,760	

State	Project	Grant Amount	REDG Number
IN 60	South Central Indiana REMC	$300,000	575
IA 73	Farmers Electric Cooperative, Inc.	$300,000	576
NE 109	City of Lexington	$300,000	577
	3 Grants ***Total***	***$ 900,000***	

Balance of Grant Funds After Above Request: $ 13,760

January 7, 2013

TO: State Directors
Rural Development

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

FROM: Tammye Treviño /s/ ***Joyce Allen*** for
Administrator
Housing and Community Facilities Programs

SUBJECT: Modest Housing Determinations

PURPOSE/INTENDED OUTCOME:

The purpose of this Unnumbered Letter is to clarify Rural Development's (RD) definition of modest housing and to provide additional guidance on the modest housing determination.

BACKGROUND:

Agency regulations define modest housing as "a property that is considered modest for the area, with a market value that does not exceed the applicable area loan limit as established by RHS in accordance with §3550.63. In addition, the property must not be designed for income producing activities nor have an in-ground swimming pool," 7 CFR 3550.10. RD derives its area loan limits from the nationally recognized Marshall and Swift residential cost analysis of the expense to build a new modest home in each county plus the cost of a developed lot.

As you have seen and heard, the market value of much of the nation's housing stock has fallen along with housing prices in the last several years. As a result, some applicants are entering into purchase agreements for homes that appear to be above modest but have market values within the applicable area loan limit.

EXPIRATION DATE:
December 31, 2013

FILING INSTRUCTIONS:
Housing Programs

This can be problematic because larger homes may jeopardize a borrower's success; larger homes have higher costs (utilities, taxes, insurance, maintenance, etc.).

IMPLEMENTATION RESPONSIBILITIES:

Due to the above, we believe the modest housing determination should include a standardized square footage consideration. We have determined that the most standardized square footage data available is the biennial American Housing Survey (AHS). Below is the average size of single family homes by regions as listed in the 2011 survey; future survey results will be provided as published. This regional data will serve as a general guideline and is not a firm limitation. If a home's square footage exceeds the reported AHS average square footage, the Area Office will need to determine if the home is typical for the area based on historical Agency-lending activity in that area and/or if the applicant has special needs due to an exceptionally large household or a household member with a disability. If the Area Office believes the home is modest, an exception by the State Director will be sought. The exception request must take into consideration the costs of utilities and maintenance. The applicant will be requested to obtain actual utility costs for the last 12 months. In addition, the request must address the age and condition of the home and the applicant's ability to pay the higher costs (utilities, taxes, insurance, maintenance, etc.) associated with the larger home. Otherwise, the home will be considered above modest based on size.

Size of Unit -- Owner Occupied Units (single detached and mobile homes).

Northeast	Midwest	South	West
2,000 sq. ft.	1,800 sq. ft.	1,800 sq. ft.	1,800 sq. ft.

States contained in each region are as follows:

Northeast - Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, Pennsylvania and New Jersey.

Midwest - Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, Missouri, Kansas, Nebraska, North Dakota and South Dakota.

South - Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, Kentucky, Arkansas, Louisiana, Oklahoma, and Texas.

West - Montana, Wyoming, Colorado, New Mexico, Arizona, Utah, Idaho, Alaska, Washington, Oregon, Nevada, California and Hawaii.

While some State Offices expressed concerns regarding various amenities (premium materials, unique features, etc.), we believe that amenity biases are a consumer issue. Amenities desired by consumers may cost more but they tend to last longer. The Agency will not dictate what amenities are or are not allowed (other than those expressed in the 7 CFR part 3550).

States Offices may not add any additional considerations to the modest housing determination.

If you have any questions, please contact Chris Ketner at (202) 690-1530, or via email at Christopher.Ketner@wdc.usda.gov

Sent by Electronic Mail on January 7, 2013 at 2:00 p.m. by Single Family Housing Direct Loan Division. The State Director should advise other personnel as appropriate.

January 7, 2013

TO: State Directors
Rural Development

ATTN: Program Directors
Single Family Housing

FROM: Tammye Treviño /s/ ***Joyce Allen*** for
Administrator
Housing and Community Facilities Programs

SUBJECT: Property and Repair Inspections for Direct Single Family Housing Programs in Fiscal Year 2013

This unnumbered letter (UL) replaces the previous UL, "Property and Repair Inspections for Direct Single Family Housing," of October 27, 2011, expiring October 31, 2012. Fiscal Year (FY) 2013 should prove to be challenging for Single Family Housing employees and with this in mind, we will continue with efforts to streamline processes. This unnumbered letter relaxes certain inspection requirements to provide flexibility to the field employees to allow them to focus on more significant issues.

Preliminary Inspections

The Field Office Handbook (HB-1-3550), Chapter 5, paragraph 5.1.B.1, states, "within seven business days of submission by an applicant who has been determined eligible for section 502 assistance, the Loan Approval Official must visit the property to conduct a preliminary evaluation." The purpose of this evaluation is to determine whether it appears that a property will meet the agency's site and dwelling requirements with any planned construction or rehabilitation. Paragraph 5.1.B.1 also notes that the initial site visit is an opportunity for the Loan Approval Official to gather initial information which may be used in the completion of the environmental review. The Loan Approval Official must complete an environmental review in accordance with Section 3 of Chapter 5.

EXPIRATION DATE:
December 31, 2013

FILING INSTRUCTIONS:
Housing Programs

In order to maximize our staffing levels, we are temporarily modifying the HB-1-3550 requirements as follows: Effective immediately, until September 30, 2013, Rural Development will accept qualified, third-party inspectors' whole house/property inspections instead of requiring Rural Development to visit the property and complete Attachments 5-A and 5-B of HB-1-3550. Before loan approval, Rural Development must review the appraisal report and the results of third-party inspections, as applicable, and confirm that the property meets, or will meet with any planned constructions or repairs, all applicable Agency requirements. In addition, Rural Development is not required to conduct a site inspection prior to completing the environmental assessment if an appraisal has been completed and the question in the "Site" portion of the Uniform Residential Appraisal Report (URAR) asking "Are there any adverse site conditions or external factors (easements, encroachments, environmental conditions, land uses, etc.)?" is marked "No." In cases where this question is answered in the affirmative, a qualified Rural Development employee must conduct a site inspection prior to completing the necessary environmental assessment.

The requirements in Chapter 5, Section 3 "Environmental Requirements" of HB-1-3550 are required to be met. For rehabilitation, the preparer must, in coordination with the State Environmental Coordinator, make a determination whether the proposal will affect a historic property and consult with the appropriate State Historic Preservation Office (SHPO). For new construction, the preparer must adequately determine that any construction would not involve extraordinary circumstances that would necessitate preparation of an Environmental Assessment by the agency. The following resources may be used when completing Form RD 1940-22, "Environmental Checklist for Categorical Exclusions":

- The State's Natural Resource Management Guide;
- Federal Emergency Management Agency (FEMA) floodplain maps;
- Natural Resources Conservation Service (NRCS) Soil Surveys and Important Farmland Lists; and
- U.S. Fish and Wildlife Service (USFWS) Coastal Barrier Resource System maps (as applicable).

This list is not exclusive, and other appropriate resources may be consulted as necessary.

Making use of the flexibility outlined above will be most appropriate in jurisdictions that have code enforcement inspections that occur prior to transfer of title as well as where it is the customary practice to have sellers pay the cost of property inspection. In cases where the buyer is usually responsible for this cost and it is not practical to modify the sales contract, it may be advisable for a qualified Rural Development employee to fulfill the HB-1-3550 inspection requirements to avoid applicants having to absorb an inspection fee.

Rural Development must continue to conduct final inspections for section 502 and section 504 loan and grant projects.

State Offices with questions should direct them to the Single Family Housing Direct Loan Division at (202) 720-1474, or SFHDIRECTPROGRAM@wdc.usda.gov.

Sent by Electronic Mail on January 7, 2013 at 2:15 p.m. by Single Family Housing Direct Loan Division. The State Director should advise other personnel as appropriate.

January 15, 2013

TO: State Directors
Area Directors
Area Specialist

ATTN: Rural Housing Program Directors

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

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

The following interest rates, effective February 1, 2013, are reported as follows:

Loan Type	**Existing Rate**	**New Rate**
ALL LOAN TYPES		
Treasury Judgment Rate	0.180%	0.160%

The new rate shown above is as of the week ending December 28, 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	3.125	3.125

EXPIRATION DATE:
February 28, 2013

FILING INSTRUCTIONS:
Administrative/Other Programs

Single Family Housing (SFH) Nonprogram	3.625	3.625
Rural Housing Site (RH-524), Non-Self-Help	3.125	3.125
Rural Rental Housing and Rural Cooperative Housing	3.125	3.125

Please notify appropriate personnel of these rates.

Sent by Electronic Mail on 1/13/2013, at 3:00 pm by Policy Analysis Branch. State Directors should advise other personnel as appropriate.

January 18, 2013

TO: State Directors, Rural Development
ATTN: Business Programs Directors

SUBJECT: Rural Business and Cooperative Programs
Performance and Accountability Report Performance Measures

Purpose:
The purpose of this Unnumbered Letter (UL) is to provide clarification and guidance regarding the collection, tracking, recording, and verifying of Rural Business-Cooperative Service (RBS) Performance and Accountability Report (PAR) performance measures (jobs created/saved), and other measures of impacts and outcomes of RBS programs. This UL replaces the previous ULs issued regarding these matters.

Background:
The Government Performance and Results Act of 1993 (GPRA), and the GPRA Modernization Act of 2010 are the Federal statutes that form the basis of Federal agency planning and reporting. GPRA, later laws, and Federal guidance drive the planning and reporting process in this fashion: The 5-year Strategic Plan is used to craft the Annual Performance Plan, and progress on the Annual Performance Plan is reported in the PAR.
The GPRA's requirement for annual performance plans has evolved into implementation of performance budgeting. Performance budgeting allocates resources with the specific intent of achieving Agency goals and objectives as outlined in the Agency's Strategic Plan. Therefore, the total number of jobs created/saved is reported annually in the PAR and in the budget where it is tied to program funding levels. The emphasis on performance budgeting and reporting is a trend in the Federal Government that is expected to continue to gain momentum in the coming years.

In addition, the Office of Management and Budget is emphasizing the need for agencies to use performance measures and rigorous evaluation in budget, management, and policy decisions to improve the effectiveness of programs.

EXPIRATION DATE:
October 31, 2013

FILING INSTRUCTIONS:
Community/Business Programs

Jobs created/saved is a key performance measure for USDA when reporting on the Department's economic development impact. This performance measure receives interest and attention from the executive and legislative branches as well as the public. The numbers of jobs created/saved that RBS reports annually are scrutinized when the Agency's performance and budget are being assessed. It is essential that the jobs data USDA and RBS report is accurate, consistent, and verifiable.

Implementation:

The program performance measures addressed in this UL includes the number of jobs created or saved, the number of businesses and the types of enterprises assisted, the amount of energy generated or saved, the number of cooperatives and businesses incorporated, and the number of plans completed. This UL also addresses recording of these performance measures in the Guaranteed Loan System (GLS). Attachment 1 specifies which performance measures apply to each of the RBS programs.

Businesses Assisted. The number of businesses assisted will be projected by the applicant in its application and verified by the Agency after the project is in operation. The number of businesses assisted is a tally of the business enterprises and entrepreneurs which are directly benefiting from or receiving assistance from the project funded or financed by RBS programs. The specific businesses must be identifiable and, ultimately verifiable.

Examples include, but are not limited to, borrowers of Business & Industry (B&I) and Energy guaranteed loans, tenants of B&I borrowers meeting certain conditions, Ultimate Recipients of Revolving Loan Fund (RLF) programs, and the grantees for Rural Energy for America Program (REAP) and Value Added Producer Grant (VAPG) planning or working capital grants. Other examples are the recipient or beneficiary of technical assistance, training, energy assessment, development assistance, feasibility study, marketing assistance, or planning assistance where the business, cooperative, or individual recipient can be identified and verified. Construction contractors on development projects, third-party suppliers, service contracts, and third-party marketing and distribution enterprises are not considered businesses assisted.

A project consisting of a real estate holding company and an operating company, though separate entities, will be considered one business if one is dependent on the other and they operate as a single business. In the case of a real estate development/holding company that leases its facility to third-party entities, the businesses assisted will be limited to the real estate holding company and its tenants with signed leases or management contracts, for existing facilities, and written commitments for projects in construction or pre-development phases and the borrower or lender is able to obtain employment information from the tenant.

The grantee/intermediary may be considered a business assisted in addition to the recipients that it serves. The grantee must be undertaking the primary purpose(s) of the project and performing the activities in accordance with the scope of work, i.e., the grantee must be providing more than the administrative functions to administer the grant project.

Employment Information. Jobs are measured in terms of full-time equivalents (FTEs). The Department of Labor, Bureau of Labor Statistics defines a full-time job as a job that provides/requires at least 35 hours in the work week and a part-time job as a job that provides for less than 35 hours per work week. We will use this standard for calculating the FTEs/jobs created and saved for all RBS programs.

Part-time and seasonal jobs will be converted to FTEs measured in terms of FTEs over a 12-month period. For short-term temporary positions and seasonal jobs FTEs will be calculated for the partial year based on historical employment of the current positions or similar positions by the business. The result of the calculation of total part-time or seasonal FTEs/jobs should be rounded up to the next whole number.

The following is an example of calculating jobs:

50 permanent employees working 40 or more hours/week	
50 employees x 1 FTE each =	50 FTEs
4 long-term temporary employees working 35 hours/week	
4 employees x 1 FTE each =	4 FTEs
20 Seasonal employees working 40 hours/ week for 3 months	
20 employees x 1 FTE each x ¼ year =	5 FTEs
8 short-term employees working 20 hours/week for 4-month term	
8 employees x ½ FTE each x $^{1}/_{3}$ year = 1.33, rounded up =	2 FTEs
Total jobs =	61 FTEs/Jobs

Jobs Created or Saved. Jobs are created or saved by the “businesses assisted” as identified in accordance with the guidance above. The first step is to identify the business or businesses assisted and then determine the number of jobs created or saved by each business, if any. The jobs must be directly related to, the project funded by RBS programs.

The number of jobs projected to be created or saved should be based on a typical year after the project is completed and the business is fully ramped up or the renewable energy system or energy efficiency system is stabilized. Generally, jobs are located at the project site; however, the jobs may be located off-site if they are employed by the "business assisted" and are directly related to the project such as marketing or distribution jobs located at other sites. Do not include jobs located outside of the United States.

Not all projects will create or save jobs. Projects for the purposes of planning, energy audits, feasibility studies, and some renewable energy systems and energy efficiency improvement projects might not create or save any jobs. Technical assistance and training might not create or save jobs, depending on the nature or type of technical assistance or training. Technical assistance or training to a business or entrepreneur to implement their business start-up will directly assist in creating jobs. Technical assistance or training to a business in a financial crisis might help save the business and jobs. Training to aspiring entrepreneurs, such as basic business management, financial management, marketing, and business planning might provide essential skills but will not directly result in start-up of a business and creation of jobs (unless the grantee collaborates with a lender and provides training through start-up of the business.)

Jobs created by the grantee to deliver technical assistance, training, planning, energy audits, etc., may be included as jobs created if the position is a direct employee of the grantee. Do not include administrative time. Contract services will not be considered jobs created as these are indirect jobs.

Intermediaries of revolving loan funds (Intermediary Relending Program (IRP), Rural Microentrepreneur Assistance Program (RMAP), Rural Economic Development Loan and Grant Program (REDLG), and Rural Business Enterprise Grant (RBEG)) will report the number of jobs projected to be created or saved by each ultimate recipient loan that they make for the life of the fund (RBEG and RED-Grant) or until the Agency loan is repaid in full (IRP and RMAP) in accordance with the reporting requirements of the Grant Agreement or Loan Agreement, as appropriate. Intermediaries will utilize the Lender Interactive Network Connection (LINC) to submit job projections as a part of their ultimate recipient loan information. RED-Loans are one-time pass-through loans and the number of jobs projected to be created or saved will be reported in the intermediary's application to the Agency.

Jobs Saved. Not all existing jobs will be identified as jobs saved. This is a significant change from previous guidance. To be counted, it must be documented by the Agency or the intermediary in its ultimate recipient case file that without the RBS funding and completion of the proposed project, the existing jobs would be lost. That is, the jobs would have been lost "but for" the RBS financing or funding.

Verifying Jobs and Other Performance Measures. Lenders, intermediaries, and grantees will verify and report to the Agency the job numbers for their borrowers, recipients, or project. The number of businesses assisted, the description of the businesses (farmer/rancher, small business, individual, group, and cooperative), and other measures (energy savings and generation, businesses or cooperatives incorporated and plans accomplished) must also be verified. The initial verification should be recorded at the time of issuing the Loan Note Guarantee, closing the Agency loan, or executing the Grant Agreement and annually thereafter for the term indicated below by specific program.

Jobs will be verified as the actual number of jobs at the time of verification. Verification of short-term jobs (temporary and seasonal) will also consider historical data over the last 12 months. Employment data that is not consistent with initial projections will be validated by Agency analysis of the borrower's financial statements for guaranteed loans or grantee's project performance reports. The number of jobs is used as a program performance measure rather than a program eligibility constraint; therefore payroll audits are not required.

1. For B&I guaranteed loans, lenders will verify and report the performance measures. Performance measures will be verified annually for the later of 3 years after issuing the Loan Note Guarantee or 3 years after full start-up or ramp-up of the project.
2. Intermediaries of revolving loan funds, for the term of the Agency loan (IRP and RMAP) or life of the revolving fund (RBEG and REDLG grants), will verify performance measures annually for each ultimate recipient loan for the later of 3 years after closing the ultimate recipient loan or 3 years after full start-up or ramp-up of the ultimate recipient project.
3. For REAP Renewable Energy System/Energy Efficiency Improvement (RES/EEI) guaranteed loans and grants, RBS will verify performance measures for RES projects annually for 3 full borrower fiscal years after the project is stabilized and EEI projects for 2 full fiscal years.
4. For RBEG and RMAP technical assistance and training, Rural Cooperative Development Grants (RCDG), Small and Socially Disadvantage Producer Grants (SSDPG), VAPG, Rural Business Opportunity Grant(RBOG), and REAP Energy Audit/Rural Energy Development Assistance (EA/REDA) and feasibility study grants, RBS will verify performance measures as reported through the grantee's project performance report. The final performance report will include the final verification of performance measures.
5. For RBEG where grant funds are used to acquire or improve an asset, such as a business incubator facility, real estate, or equipment, the grantee will verify and report to RBS the performance measures annually for 3 full grantee's fiscal years after the project completion or business start-up.

Recording Performance Measures Data in GLS:
Performance measure information will be recorded in GLS when processing applications to accurately reflect the projected number of businesses assisted, number of jobs to be created and saved by the project, energy generated or saved, and other measures addressed below. Determine whether the projected jobs reported by the applicant are realistic based on review of the application. Work with the applicant or borrower to resolve questionable projections before approving the application. The projected performance measures must be recorded in GLS prior to processing the obligation of funding. The projected performance measures data fields in GLS are locked and cannot be edited after the request is obligated.

The projected performance measures associated with the loan or grant will be recorded at the GLS project level. The facility summary totals will be used only for programs that require accumulation of job numbers at the facility level, such as RLF programs. See the GLS User Guide for program-specific guidance.

Structuring Applications in GLS. Multiple loans/grants under one application to the same facility and project should be set up in GLS as multiple requests under the facility and project. A subsequent loan or grant for a new project to a facility existing in GLS should be set up as a new project under the existing facility.

If a project uses a combination of funding from multiple RBS programs, under separate applications, complete multiple project screens, one for each individual program. For example, for a project that has a REAP grant and a B&I guaranteed loan, the user will input two projects and two applications under the same facility. On the project screen for the REAP grant, under the "other" column, input the amount of the B&I loan, then under the sources of funds, select "other Federal funds" indicating the funds are from a B&I guaranteed loan or other Federal agencies. Each program will show at least one business assisted. Jobs should be prorated between the programs based on the respective amount of funding. Energy savings and generation should be reported under the Energy program.

If an applicant submits a subsequent loan or grant request for a revolving loan fund and intends to combine the new funds with existing revolving loan funds of the same program or if the intermediary has combined multiple revolving loan funds into one fund, such as multiple IRP loans into one IRP fund, the loans/requests in GLS should be entered as separate projects under one facility.

Below is an example of GLS screens of a B&I project with two loans obligated under one application and one project. For additional guidance please see the GLS User Guides.

BORROWER		FACILITY		PROJECT		
Borrower ID	Name	ID	Name/Location	Program	ID	Name
		001	159 TIMBERLINE ROAD BOONE, NC 28607	BP	001	

Borrower/Facility/Project	Prog Area	Pkg	Fund Code	TOA	L/G NO	Amount	Status/ Funding Stage	Purpose Code
	BP	01	54	655	L50	$1,225,000.00	360 CLOSED	EXPANSION
			54	655	L51	$1,907,000.00	360 CLOSED	EXPANSION

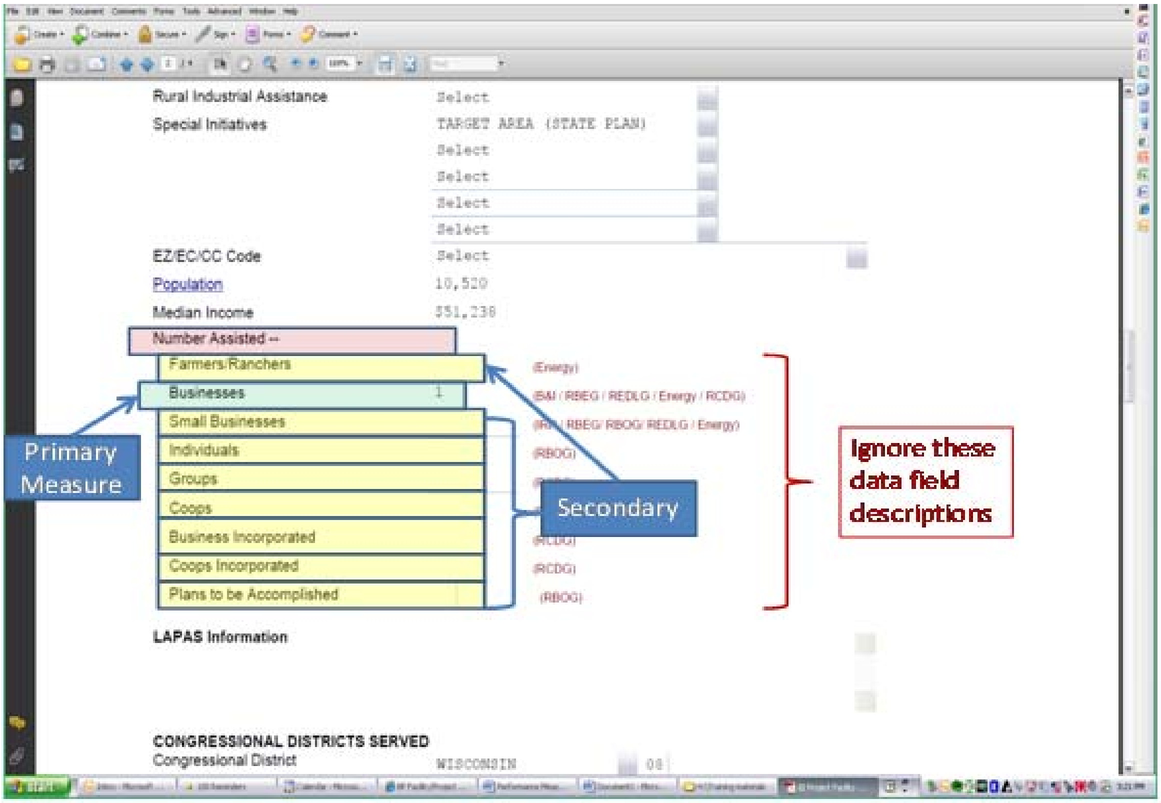
Facility Job Tracking

Job Count [ ] Verification Date [ ]

Project	Fiscal Year	Cohort/ Grant Pgm	Amount	-- Projected Jobs -- Created	Saved	-- Verified Jobs -- Created	Saved
1	2012	306	$3,132,000.00	0	2	0	0
			Unclassified	0	0		
			Project Total	0	2	0	0
			FACILITY SUMMARY	0		0	0

Projected Number Assisted—Businesses and Secondary Measures. Previous guidance stated that an applicant shall be identified in GLS in one of the categories listed in GLS (farmers/ranchers, businesses, small businesses, individuals, etc.). This previous guidance is hereby rescinded.

The term “businesses” will be considered a primary measure and will be used as a common term to describe all sizes and types of business entities, enterprises, organizations, and individual entrepreneurs. This general definition of the term “businesses” will be applied consistently across all RBS programs. The terms “farmers/ranchers”, “small businesses”, “individuals”, and“cooperatives” will be used to further describe the “businesses” and will be used as a secondary or lower tier measure. The definition of these secondary terms will be program-specific. Below is a picture of the GLS “BP Facility/Project Information” screen.



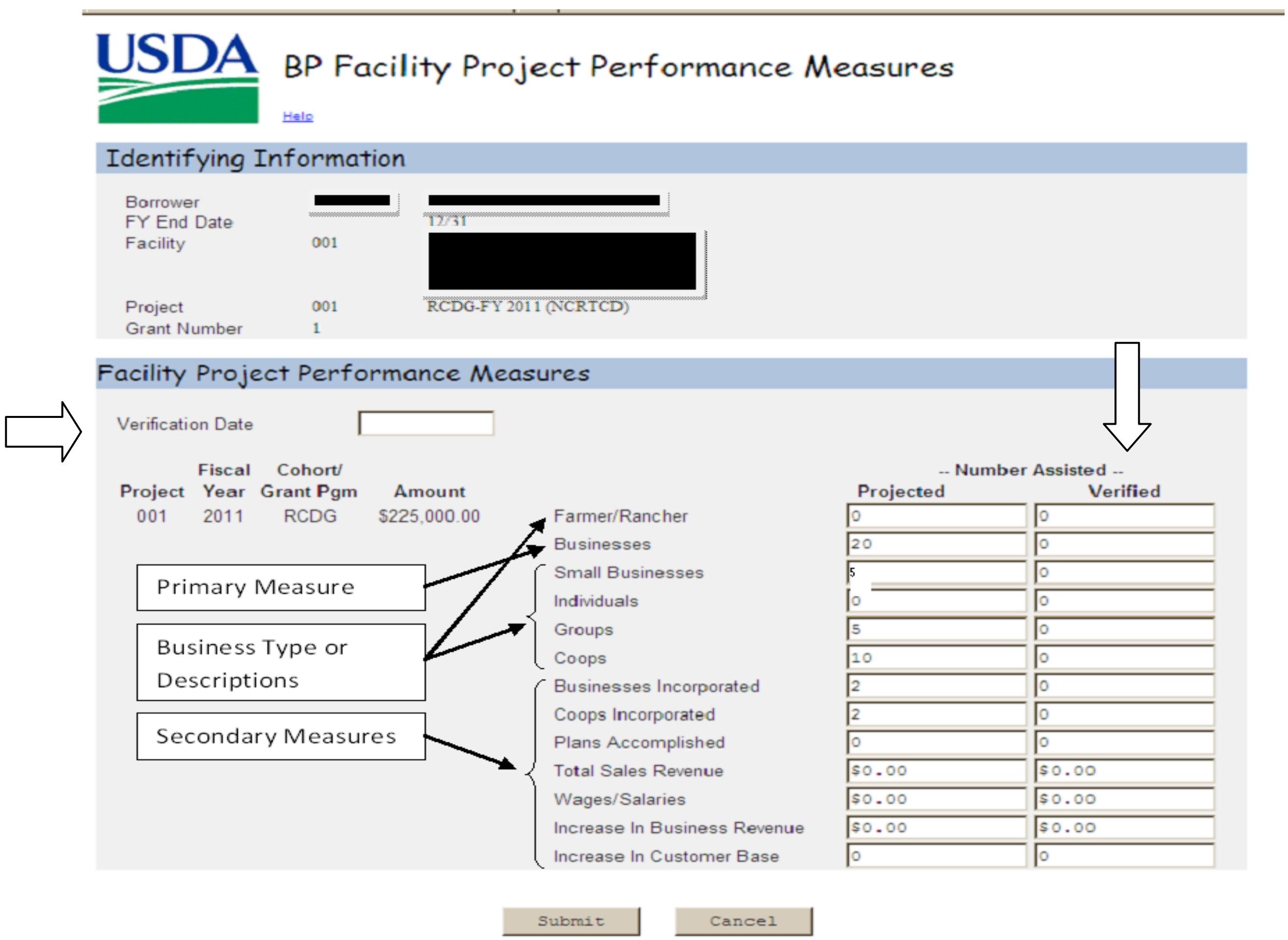
Starting with fiscal year 2013 obligations, all entities and individuals that meet the definition of “business assisted”, in accordance with the guidance above, will be recorded in the GLS “BP Facility/Project Information” screen as “businesses” regardless of their size or type of business. For B&I loans, the borrower’s business and other businesses directly assisted, in accordance with the guidance above, will be entered in GLS in the “businesses” data field (primary measure) on the BP Facility/Project Information screen and further described as farmers/ranchers, small businesses, individuals, or cooperatives, (secondary measures).

IRP, REDLG, RBEG, RMAP, RBOG, RCDG, and SSDPG: Enter the total projected number of recipients to be assisted, in accordance with the guidance above, in the “businesses” data field (primary measure) and the number which are farmers/ranchers, small businesses, individuals, or cooperatives assisted, as applicable, if known. The total number of business plans, feasibility studies, and other economic development plans will be recorded under “plans to be accomplished”.

Energy Programs: The borrower's or grantee's business (whether a small business or an agricultural producer) and recipients of energy assessments or audits, or feasibility studies, will be tallied and entered —in the "businesses" data field and further described as farmers/ranchers or small businesses.

VAPG projects and other local and regional foods projects: The grantee or borrower, for a B&I loan or RLF, will be entered in GLS as "businesses" and the number of producers actively engaged and benefiting from the project (lower tier) will be totaled and recorded as farmers/ranchers.

Verified Number Assisted—GLS BP Facility Project Performance Measures. The GLS BP Facility Project Performance Measures screen is accessed through the Requests List View. The projected data is prefilled. Verify performance measures by updating the number assisted—verified column and the verification date. Verify and record the cumulative number of businesses assisted over the life of a RLF (IRP, RMAP, REDLG Grants, and RBEG RLF).



BP Facility Project Performance Measures

Help

Identifying Information

Borrower	[redacted]	[redacted]
FY End Date		12/31
Facility	001	[redacted]
Project	001	RCDG-FY 2011 (NCRTCD)
Grant Number	1	

Facility Project Performance Measures

Verification Date

Project	Fiscal Year	Cohort/ Grant Pgm	Amount
001	2011	RCDG	$225,000.00

	-- Number Assisted -- Projected	Verified
Farmer/Rancher	0	0
Businesses	20	0
Small Businesses	5	0
Individuals	0	0
Groups	5	0
Coops	10	0
Businesses Incorporated	2	0
Coops Incorporated	2	0
Plans Accomplished	0	0
Total Sales Revenue	$0.00	$0.00
Wages/Salaries	$0.00	$0.00
Increase In Business Revenue	$0.00	$0.00
Increase In Customer Base	0	0

Primary Measure

Business Type or Descriptions

Secondary Measures

Submit Cancel

Verified Job Data—GLS Facility/Project Level. All projects that projected to create or save jobs will require verification of jobs at the project level. If the project did not project saving any jobs, enter only the verified jobs created. I.e., if the projected number of jobs saved is zero, the verified number of jobs saved will always be zero—verify the number of jobs created. Once the time period to verify jobs has been fulfilled, maintain the GLS verified jobs data as recorded in GLS, including ultimate recipient RLF data for the last verification period regardless of the long-term status of the jobs or the project.

Recording Revolving Loan Fund Verified Job Data—GLS Facility/Project Level. RBS will verify and record the cumulative number of jobs created and saved over the life of the RLF at the Facility/Project level. The number of verified jobs created and saved and the job count is the cumulative total number of jobs created/saved by the RLF over the life of the fund. Annually tally the number of verified jobs for new ultimate recipient loans after the ultimate recipient project is completed and at full employment, and add the jobs to the existing job data in the Facility Job Tracking section of the GLS BP Routine Servicing Action Information screen. Do not deduct decreases in jobs due to down-sizing and business closures by ultimate recipients, or paid-in-full ultimate recipient loans or other inactive ultimate recipient loans. Going forward, continue to cumulate jobs annually.

See the example below. In this example, the intermediary received two IRP loans and combined the loans into one fund. Accordingly, the two IRP loans are established in GLS as two Projects (Project ID 005 and 007) under one Facility (Facility ID 003).

BORROWER		FACILITY		PROJECT		
Borrower ID	Name	ID	Name/Location	Program	ID	Name
		001	P. O. BOX 1406 DOTHAN, AL 36302	BP	001	RBEG(02)
				BP	002	RBEG(03)
				BP	003	RBEG(04)
				BP	009	
		002	DOTHAN P. O. BOX 1406 DOTHAN, AL 36302	CF	004	
		003	P. O. BOX 1406 DOTHAN, AL 36302	BP	005	IRP(01)
				BP	006	
				BP	007	IRP RLF(05)
		004	SENIOR EMPLOYMENT PROGRAM P.O. BOX 1406 462 NORTH OATES DOTHAN, AL 36302	BP	008	COMPUTER SKILLS TRAINING

Since the inception of this RLF, this intermediary made loans to ultimate recipients which in total created 285 jobs and saved 408 jobs, the present Facility Job Count is 693. This is represented in the screen below. In the past year the intermediary made additional loans and the intermediary verified that the businesses created 11 new jobs and saved 15 jobs. To update the Facility Job Tracking section, add 11 jobs to the Verified Jobs Created for a total of 296 and add 15 jobs to the Verified Jobs Saved for a total of 423. The Job Count will be updated to 719, the sum of Verified Jobs Created and Verified Jobs Saved.

Facility Job Tracking

Job Count 693 Verification Date 10/15/2009

Project	Fiscal Year	Cohort/ Grant Pgm	Amount		-- Projected Jobs -- Created	Saved	-- Verified Jobs -- Created	Saved
5	1993	307	$600,000.00		178	387	169	336
				Unclassified	0	0		
				Project Total	178	387	169	336
7	2000	307	$416,250.00		20	0	116	72
				Unclassified	0	0		
				Project Total	20	0	116	72
				FACILITY SUMMARY	198		285	408

For ultimate recipient loans using Agency funds, that is, the first use of the loan or grant funds, the jobs should be recorded to the respective loan or grant. The jobs created or saved by ultimate recipient loans using revolved funds from a combined fund, which funds cannot be traced to a specific Agency loan or grant, should be recorded to the most recent loan or grant.

<u>Energy Generated or Saved</u>:

The demand for reliable program performance information from RBS programs is becoming more critical. GLS was updated in FY 2010 to meet the information tracking requirements for implementation of new and existing programs. All projects utilizing RBS program funds for energy purposes must select a valid energy type and energy subcategory. Application and project information for all energy related projects must be entered into GLS under the following guidance:

1. Energy Savings Amount – This field is used for energy efficiency projects only and documents the projected amount of energy to be saved annually.

2. Generated Energy Estimate – Complete for all renewable energy types. The projected amount of energy generated annually by the project must be recorded in GLS in terms of the "Applicable Units of Measure", prior to processing the obligation of the RBS funding.

The "Energy Savings & Generated" data fields in GLS are locked and cannot be edited once the request is obligated.

3. Business Programs Energy Performance Tracking Information – A new screen has been added to GLS to report the actual energy savings, energy generated, and type of feedstock. The recipient should report this information annually: For 2 years after construction is completed for energy efficiency projects; and 3 years for renewable energy projects. Field office staff must ensure the recipients of loan and/or grant funds comply with this requirement. Congress is requesting actual performance measurements for energy projects; therefore, the actual amounts of energy saved or generated with the feedstock (if applicable) must be completed within 30 days after receipt of the report.

4. North American Industry Classification System (NAICS) code – Please ensure the correct 6-digit NAICS code is entered in GLS for each project. The NAICS code relates to the industry of the business, not the project. One specific error the National Office found are projects with a NAICS code noted as biodiesel (NAICS 325199) should be ethanol (NAICS 325193).

The guidance in this letter regarding GLS is general in nature and addresses limited though significant points. Detailed guidance is available in the GLS User Guides.
The performance measures collected and reported by the Agency receive interest and attention from the executive and legislative branches as well as the general public. The data is scrutinized when the Agency's performance and budget are being assessed. It is essential that the jobs data and other program measures are reported accurately and consistently.

Please contact Mark Brodziski, Director, Specialty Programs Division at 202-720-1400, if you have any questions regarding the guidance addressed in this unnumbered letter and RBS performance measures in general. Please direct questions regarding a specific program or specific project to the appropriate Division or program area. If you have any questions regarding GLS, please contact your State GLS point-of-contact or your regional RBS GLS Data Team lead.

(Signed by Lillian E. Salerno)

Lillian E. Salerno
Acting Administrator
Rural Business-Cooperative Service

Attachment

Program	Projected Performance Measures														Verification of Performance Measures	
	Businesses Assisted															
			Which are:													
	# Businesses Assisted: Borrower/Grantee	# Business Includes Recipients	# Farmers or Ranchers	# Small Businesses	# Individuals	# Cooperatives	# Jobs Created or Saved	# Farmers or Ranchers Participating or benefiting	# of plans accomplished	Increase in Business Revenue	Increase in Customer Base	Businesses incorporated	Cooperatives incorporated	Energy Savings & Generated	Verify all Projected Measures	Frequency and Term of Verification
B&I Guar. Loan	Y	Y[i]		Y	Y	Y	Y	Y[ii]						Y[iii]	Y	Annually, 3 full years from full ramp-up
9003 Guar. Loans	Y		Y	Y			Y							Y	Y	Annually, 3 full years from stabilization
REAP RES Loans/Grants	Y		Y	Y			Y							Y	Y	Annually, 3 full years from stabilization
REAP EEI Loans/Grants	Y		Y	Y			Y							Y	Y	Annually, 2 full years from completion
REAP EA/REDA	Y[iv]	Y	Y	Y			Y[v]		Y						Y	Semi-annual and final perform report
REAP Feas. Stdy.	Y		Y	Y			Y[v]		Y						Y	Semi-annual and final perform report
Biofuel Pmt Program														Y		None—actual is used in process of pmt
RLF Projects[vi]		Y		Y	Y	Y	Y	Y[ii]						Y[iii]	Y	Annually, each UR loan for 3 years[vii]
REDLG Loans		Y		Y	Y	Y	Y	Y[ii]						Y[iii]	Y	Annually, 3 full years from full ramp-up
RBEG Equip or R/E		Y		Y	Y	Y	Y	Y[ii]						Y[iii]	Y	Annually, 3 full years from full ramp-up
RMAP & RBEG other[viii]	Y[iv]	Y	Y	Y	Y	Y	Y								Y	Quarterly, final w/ final perform report
VAPG	Y		Y	Y	Y	Y	Y	Y						y[ix]	Y	Quarterly, final w/ final perform report
SSDPG	Y[iv]	Y	Y	Y	Y	Y	Y	Y				Y	Y		Y	Quarterly, final w/ final perform report
RCDG	Y[iv]	Y	Y	Y	Y	Y	Y	Y				Y	Y		Y	Quarterly, final w/ final perform report
RBOG	Y[iv]	Y	Y	Y	Y	Y	Y[v]								Y	Quarterly, final w/ final perform report

[i] Tenants may be included in certain conditions
[ii] Participants or beneficiaries of Local/Regional Foods projects and Renewable Energy projects
[iii] Renewable Energy projects
[iv] Include the grantee if the grantee will employ staff to carry out the scope of work
[v] Include jobs created if the grantee will employ additional staff to carry out the scope of work
[vi] IRP Loans, RMAP Loans, RBEG RLF and REDLG Grants. Excludes RMAP Grants and REDLG Loans
[vii] The Intermediary will verify each Ultimate Recipient loan for three years. The Agency will verify the intermediary's lending activity (new UR loans) for the life of the fund.
[viii] RBEG 'other" includes technical assistance, training, planning etc. It does not include RLF, and grant funds used for buildings, equipment, real estate or other property.
[ix] VAPG Working capital grants only

January 22, 2013

TO: State Directors
Rural Development

ATTN: Program Directors
Multi-Family Housing

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

SUBJECT: Guidance on Servicing Issues Related to Multi-Family Housing Preservation and Revitalization Program Transactions

This guidance has previously been issued via an Unnumbered Letter (UL) bearing the same subject, dated June 21, 2011. This UL is being reissued to provide updated guidance in the routine servicing of closed Multi-Family Housing Preservation and Revitalization (MPR) Program projects. In Fiscal Year (FY) 2011, the MPR Program was made available to Multi-Family Housing (MFH) properties financed by Section 514/516 Off-Farm Labor Housing loans and grants. While the MPR Program remains a demonstration program, the overall servicing of MPR transactions is the same for traditional Sections 515 Rural Rental Housing and Section 514/516 Off-Farm Labor Housing loans and grants, and is based on the existing regulations and regulatory agreements entered into by the owner. The MPR Program component creates additional servicing responsibilities, which shall be discussed herein.

Enforcement of Borrower Requirements in the Conditional Commitment

Servicing Officials are responsible for servicing and monitoring the requirements of MPR projects as set forth in the Conditional Commitment and other governing documents. The Loan Servicing Matrix (see Attachment A) is being provided to aid MFH loan servicers in distinguishing the different servicing and monitoring requirements that are exclusive to MPR transactions that were obligated in FY 2005 and FY 2006.

Until such time as the Agency has completed the Multi-Family Information System (MFIS) enhancements that will enable the tracking and monitoring of MPR projects, it is recommended that any project- or loan-specific requirements included in the Conditional Commitment be entered in the MFIS “Comments” tab under the Detail section.

EXPIRATION DATE:
December 31, 2013

FILING INSTRUCTIONS:
Housing Programs

Post-Closing MPR Project Budgets

The Conditional Commitment requires the borrower to submit a revised Form RD 3560-7, "*Multiple Family Housing Project Budget/Utility Allowance*", as of the date of MPR closing. The revised budget must reflect the underwritten budget as approved by the Loan Committee and be in accordance with the borrower's Conditional Commitment. For example, the initial post-MPR budget should show no Rural Development loan payment for the deferred loan. An operating cushion that is equal to 10 percent of Operating and Maintenance expenses, or the amount determined by the approved underwriting template, should be input on Line 10 - Other Operating Expenses (Itemized), in Part II - Operating and Maintenance Expense Schedule. The operating cushion is intended to serve as a "safety net" to fund unexpected, non-Capital Needs Assessment (CNA) related expenditures that are incurred by the project. When possible, the borrower should include the operating cushion in subsequent proposed budgets. The operating cushion should not force the project rents above acceptable market levels, or cause surplus funds in the year end unrestricted cash balance. The lead State underwriter and the lead servicing official should meet to discuss the budget approved with the transaction and the first revised budget submitted by the borrower.

The borrower will include the annual capital needs contained in the approved CNA in the Annual Capital Budget in Part V of Form RD 3560-7.

Outstanding cost items owed by the borrower should not be included in the initial post-closing operating budget. The cost item(s) should have been underwritten so that they are reamortized with the existing loan balance, or will be paid by the borrower prior to closing.

Rent Increases

Underwritten "phased-in" rent increases will be implemented as approved by the Loan Committee and in accordance with the borrower's Conditional Commitment. Routine subsequent rent increases for MPR projects will be budget-based, as is the case for non-MPR projects.

Capital Needs Assessments

After closing, the approved CNA serves as the basis for loan servicing as it provides a repair schedule for the property. It is used as a tool to budget sufficient reserve account funds to meet the ongoing needs of the individual property over a span of 20 years.

The Rural Development servicing official must track the progress of rehabilitation, repairs and expenditures as required by the CNA, as well as track the completion of work performed. The CNA is updated based on the Conditional Commitment (i.e., every 5 years) or if the CNA is determined to be "off-schedule." A CNA is considered to be "off-schedule" if there is more than a 25 percent change in a cost category (i.e., Site/Arch/ Mech/Elec/ Dwelling), or if the repair schedule is outside of the CNA's three-year window of expectation. A cost change in one item within the category will not cause the CNA to be off-schedule.

When updating a CNA, the borrower and the CNA provider should determine the cause (5-year requirement, price increases, non-performance, work done and paid for by other sources [for example, insurance proceeds], *review property changes (repairs, improvements, or failures), review costs and quantities, and submit a revised CNA to the Agency for approval.*

Servicing officials will track the budgeting, funding and completion of capital budget expenditures using a spreadsheet specifically designed for this purpose. The National Office is providing the spreadsheet that was developed by Oklahoma's MFH staff.

The spreadsheet, entitled "*CNA 20 year Tracking Tool.OK.8.2010.xls*," can be found on the Housing and Community Facilities SharePoint website under Multi-Family Housing Information using the following link:
https://rd.sc.egov.usda.gov/teamrd/hcfp/mfh/MultiHousing%20Family%20Information/Forms/AllItems.aspx.

Step-by-step instructions on how to use the CNA tracking spreadsheet are found within the spreadsheet on the first tab labeled "Instructions".

Use of the Reserve Account

In accordance with the Conditional Commitment, the use of reserve account funds for MPR projects is limited to actual costs of building system replacements and repairs that were included in the CNA used to determine the annual reserve account deposit amount. MPR project reserve account funds may not be used to pay the Return to Owner (RTO), property taxes, insurance, or for the payment of other unexpected operating shortfalls, unless authorized in advance by the Agency.

With Agency approval, MPR reserve account funds may be used for the annual payment of the 25 percent interest earned the prior year for for-profit and limited-profit entities.

Building system replacements that are scheduled to occur over time shall be funded through the reserve account. Planned rehabilitation costs are handled outside of the reserve account using either a construction loan or an interim construction lender. If a project is undergoing rehabilitation, the costs are to be tracked and funded either through a Supervised Bank Account or through a construction lender. Soft costs and development fees associated with rehabilitation have not been accounted for in the CNA.

In MFIS, the "fully-funded" reserve amount for MPR projects, and for non-MPR projects where the reserve deposit has been resized to meet the long term CNA costs, should reflect the Inflated Total Capital Needs as stated in the Capital Needs Sheet, which is a part of the approved underwriting template. The required annual reserve deposit generally increases by the inflation rate in effect at the time the Loan Committee approved the transaction, and is shown on the Capital Needs Sheet. The required year end balances are dictated by the CNA and are expected to fluctuate.

Changes in Return to Owner

Any authorized changes in the RTO will become effective upon the completion of the required repairs. MFIS shall be updated upon implementation of the revised RTO.

Debt Deferral Agreement - Periodic Payments

The borrower is required to make periodic payments, in accordance with the Debt Deferral Agreement, which states, “Following the date hereof and until the end of the deferral, periodic payments on the loan shall be required only to the extent surplus cash (as defined in 7 CFR 3560.306 (d)(1)) is generated by Owner through the approved budgeted revenues and expenses for the Project as reflected in the current RD Form 3560-7.

Periodic surplus cash payments shall be deposited and distributed pursuant to 7 CFR 3560.306(d)(2), as follows:

1. To address capital needs
2. As an additional reserve deposit
3. As payment toward a Rural Development loan; or
4. To reduce amount of next rent increase

Calculating Note Rate Rents for MPR 1 Percent Deferred Soft-Second (aka “Bullet”) Loans

MPR projects that have a soft-second or “bullet loan” do not have an amortized monthly payment. This loan accrues interest at the rate of 1 percent, and a balloon payment of deferred principle and interest becomes due and payable at the end of the term of the latest maturing Sections 514 or 515loans at the time of deferral. The note rate rent for these projects will be calculated using the 1 percent rate even though the note is deferred.

Premature Debt Deferral Termination

Should the debt deferral be terminated voluntarily prior to the deferral period, the deferred debt and interest will be re-amortized and become due and payable. (The annual deposit to the reserve account will revert to the pre-MPR deposit amount. The Loan Agreement must be modified to reflect this change.) The borrower may not end the debt deferral or prepay the Deferred Loan(s) without the prior written consent of the Agency.

Should the debt deferral be terminated involuntarily prior to the deferral period due to the borrower’s non-compliance, the full balance of the deferred debt and interest may become immediately due and payable. See Borrower Non-Compliance below.

Borrower Non-Compliance

Servicing offices should review all specific program requirements, and take appropriate action to protect the Government’s security interests and tenants residing in property financed by Rural Development. Borrowers failing to satisfy or meet the MPR approval conditions, loan documents, program asset management requirements and/or the Agency’s regulations shall be considered in non-compliance. Routine servicing actions should be initiated at the field level, as permitted by 7 CFR Part 3560, and the MFH Project Servicing Handbook.

MFIS Upgrades and other Improvements

1. Implemented Changes for projects with an MPR indicator or CNA servicing effort in MFIS -
    a. Users will be required to indicate if a reserve account withdrawal is in accordance with the CNA.
    b. The budget analysis has been modified to provide a percentage summary of the reserve account withdrawals in comparison to the CNA.
    c. Future annual Reserve Account funding amounts can now be entered and tracked.
    d. A Revitalization Indicator (Y/N) has been added to the Detail screen, and will be populated as a “Y” when a revitalization transaction is updated in AMAS (M1M, M1FR, M4N or M1A) in preparation to revitalizing the project. If Revitalization Indicator is “Y”, you must populate the following two servicing efforts, Deferral of Payments and CNA.

2. Pending Changes
    a. Upload of the CNA into MFIS.
    b. New screen in MFIS will be created that is intended to aid loan servicers as they service MPR deals. The new screen will contain pertinent servicing requirements for the deal as well as special conditions from the conditional commitment:
        i. MPR funding amounts and types received (i.e. grant, Section 515 loan, soft second, zero percent).
        ii. Terms of debt deferral and the Restrictive-Use Covenant.
        iii. Closing date, re-amortizations, and transfers.
        iv. Need for future equity determination every 3 years for FY 2005 deals only.
        v. New annual reserve deposit and initial deposit to the reserve account.

Questions concerning the servicing requirements for closed MPR projects should be directed to the Multi-Family Housing Portfolio Management Analyst for your State.

Attachment

Attachment A

FY 2005 & 2006 - MPR Servicing Matrix

	FY 2005 MPR DEALS	**FY 2006 MPR DEALS**
Conditional Commitment • To be extended if expired prior to closing.	N/A	Applicable
Agreement to Defer • To be extended if expired prior to closing.	Applicable	N/A
• Every three years, an equity determination/evaluation must be performed to make sure that the Agency is adequately secured. • An appraisal need not be obtained specifically for this purpose. The Loan Servicer could utilize the current tax assessment, insurance policy, and knowledge of local market conditions in making the equity determination. The Loan Services will document the running record of the finding, and place the documentation used in the case file. • A physical inspection is required; however, the last physical inspection would be acceptable. • If it is determined that value of the property is less than the balance of the existing loan, the Agreement to Defer calls for the reamorization of the loan at the original promissory note rate. At the time of the reamortization, the interest will be capitalized and the entire amount due will be reamortized for the remaining term of the Existing Loan. The exact amount of the monthly payment will be determined at the time of reamortization. The Agency will continue to provide interest credit in order to reduce the amount of interest paid by the Owner to one percent. If the loan is reamortized pursuant to this paragraph, the Agency will release its Restrictive-Use Covenant.	Applicable	N/A
The Agency must notify the borrower no less than 15 days prior to the end of deferral period.	N/A	Applicable
Restrictive-Use Covenants & Deferral Period - must be notated in MFIS.	30 years	20 years
Reserve Account was capitalized at closing.	Applicable	Applicable

January 22, 2013

TO: State Directors
Rural Development

ATTN: Program Directors
Multi-Family Housing

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

SUBJECT: Servicing Section 515 Borrowers that Received Damages under the Prepayment Settlement Agreement and File Retention for Loans Subject to Future Claims

The purpose of this Unnumbered Letter (UL) is to provide guidance on servicing the accounts of borrowers who have accepted damages as a result of the Settlement Agreement (Agreement) dated May 21, 2007, for the 731 properties involved in prepayment litigation (aka SAT Projects) and retention of information in Section 515 cases that may be subject to similar litigation.

Part III, Section B, of the Agreement outlines the impact of the settlement for borrowers who accepted damages as a result of the execution of the Agreement. Borrowers who received damages shall be treated on an equal basis with all other borrowers in the Section 515 program, in their dealings with the Government, except for the following:

1. The borrower shall not be entitled to receive any of the incentives made available to discourage prepayment of loans under the 7 C.F.R. §3560.656.

2. The borrower shall not be entitled to prepay the loan which was the basis for a claim, including prepayment subject to continuing restrictions (i.e., “G-4” restrictions), excepting those situations where the Government determines that the property is no longer needed in the Section 515 Program (see §3560.662 (f) for guidance).

EXPIRATION DATE:
December 31, 2013

FILING INSTRUCTIONS:
Housing Programs

In applying the aforementioned, a borrower who received damages pursuant to the Agreement may file a request to prepay the loan on which their claim was based, but may not receive any incentives to avert prepayment. The borrower can only prepay the loan, or be released from the obligations under the Restrictive-Use Covenant (RUC), if the Agency determines the project is no longer needed in the Section 515 program, or if the financial assistance provided to the tenants of the housing will no longer be provided due to no fault, action or lack of action on the part of the borrower, in accordance with 7 C.F.R. §3560.662 (f). The borrower can sell or transfer the project in accordance with §3560.659, under the prepayment regulations or in accordance with 7 C.F.R. §3560.406, at anytime. It should be noted here that any appraisal conducted in conjunction with a sale or transfer of these properties should consider the RUC in accordance with 7 C.F.R. §3560.752 (b) (1) (i). Additionally, if the transfer or sale fails to materialize and close, the prepayment request will be withdrawn and returned to the borrower. The impact of the RUC and Agreement would affect any new requests for prepayment or any outstanding requests that were pending at the time the Agreement became effective.

If, in the course of servicing the loans on properties that received damages under the Agreement, it is determined it will be necessary to seek liquidation of the account through foreclosure, the opinion of the Regional Office of General Counsel (OGC) must be obtained as to whether or not the Rural Development mortgage must be subordinated to the RUC in order to survive a foreclosure sale. If OGC determines that mortgage must be subordinated to the RUC, the subordination will be completed prior to acceleration of the account. The Multi-Family Housing Information System (MFIS) should also be updated to reflect the date that the new RUC expires on the property that received damages.

Based on the issues that precipitated the Agreement, it has been determined that any loan made or assumed during the period of December 21, 1979, to December 14, 1989, could be the subject of future litigation. AN No. 4638 (2033-A), dated April 2, 2012, addresses the retention of information in case files for accounts for which prepayment was requested. However, in order to insure that the records and documents regarding these loans are adequately preserved, it will be necessary to retain the loan file and servicing files in the cases of any Section 515 loan made or assumed during the period of December 21, 1979, to December 14, 1989, until 6 years after the loan is satisfied. This would also include any electronic correspondence (e-mail) and data stored in MFIS. Please note that for prepayment cases currently filed, documents are subject to a litigation hold and while under the litigation hold, files must be retained in their entirety. There is no need to retain and preserve documents from litigation cases that have been closed.

For all other cases involving section 515 loans made or assumed between December 21, 1979 to December 14, 1989, information such as tenant certifications, Identity of Interest (IOI's), management plans and agreements, expired insurance policies, old Affirmative Fair Housing Marketing Plans (AFHMP), and old energy audits may be destroyed in accordance with RD Instruction 2033-A, as they have no impact on the determination of potential damages in prepayment cases. Documentation regarding all supervisory visits and all budgets must be retained for 6 years after the loan is satisfied.

Questions regarding this UL may be directed to the Preservation and Direct Loan Division or Cynthia Johnson at 202.720.1940 or e-mail at cynthial.johnson@wdc.usda.gov.