2016 Explanatory Notes
Rural Housing Service

Contents

RURAL HOUSING SERVICE

Purpose Statement

The Rural Housing Service (RHS) delivers both housing programs authorized by the Housing Act of 1949, as amended, and the Cranston-Gonzalez National Affordable Housing Act of 1990, and community facilities programs authorized by the Consolidated Farm and Rural Development Act of 1972, as amended. USDA established RHS in 1994 with a mission to improve the quality of life in rural areas. The agency is comprised of three program areas: (1) Single Family Housing (SFH), (2) Multi-Family Housing (MFH), and (3) Community Facilities.

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

Authorization and Program Descriptions

Section 502 SFH Guaranteed Loans. Authorized in 1990 by the Cranston-Gonzalez National Affordable Housing Act, the program provides low- and moderate-income borrowers access to mortgage credit by guaranteeing loans issued by agency-approved private sector lenders. Loans may finance the full construction and acquisition cost of a property up to 100 percent of the appraised value, and the loan amount may include the guarantee fee. Mortgages have 30-year terms with fixed rates negotiated with the lender that cannot exceed an agency-determined cap. Financing may also be used to refinance existing USDA guaranteed or direct loans. The program maintains its neutral or slightly negative subsidy status through the guarantee and annual loan fees.

Section 502 Direct SFH Loans. Authorized by the Housing Act, direct loans are available to low- and very low-income families to purchase, build, or rehabilitate modest homes in rural areas. The standard loan term is 33 years; however, 38-year loans are available to borrowers unable to afford a 33-year repayment structure. Program-eligible, credit-worthy borrowers may obtain up to 100 percent financing from USDA. In addition, mortgage payments are subsidized so as not to exceed 24 percent of a borrower’s adjusted income. Subsidy, which is repaid when a loan is paid off or refinanced, allows this program to reach a portion of the population whose income is too low to obtain credit elsewhere, even with a government guarantee.

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

Section 523 Mutual Self-Help Grants. Authorized by the Housing Act, P.L.89-117 and P.L. 89-754, and 42 U.S.C. 1490c, these two-year technical assistance grants allow qualified nonprofit organizations and public entities to help needy very low- and low-income individuals and families build their own homes by the self-help method. Any State, political subdivision, private or public nonprofit corporation is eligible to receive funding. Funding may be used to pay salaries, rent, and office expenses of the nonprofit organization. Pre-development grants up to $10,000 may be available to qualified organizations.

Section 523/524 Site Development Loans. These loans provide funding to purchase and develop building sites, including construction of access roads, streets and utilities in rural areas. Section 523 funding prepares self-help build sites and section 524 funding prepares low- or moderate-income home sites. Loans are available to public and private nonprofit organizations, local governments and tribal entities. Organizations receiving site loans must make home sites available to low-to-moderate income buyers receiving RHS or similar affordable mortgage financing.

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

Section 515 Rural Rental Housing Loans. Authorized by the Housing Act, P.L. 102-550, and 42 U.S.C. 1485, 1490a, this program offers direct loan financing to purchase, construct or rehabilitate affordable rental or cooperative housing or to develop manufactured housing projects for very low-, low- and moderate-income residents. Grants are offered in the form of rental assistance (RA) for some units within the underwritten property. Funding may also be used to provide approved recreational and service facilities appropriate for use in connection with the housing, and to buy and improve the land on which the buildings are to be located.

Section 514/516 Farm Labor Housing (FLH) Loans and Grants. Authorized by the Housing Act, P.L. 89-117, and P.L. 89-754, and 42 U.S.C 1484 and 1486, the program provides decent, safe, and sanitary housing for farm workers by providing loans to farmers for small, on-farm housing or off-farm multi-family developments. All FLH must be occupied by domestic farm laborers or retirees or individuals deriving a substantial portion of their income from farm labor or food processing. Occupants must be U.S. citizens or permanent residents.

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

Section 521 Rental Assistance Program (RA). Authorized by the Housing Act, P.L. 90-448, and P.L. 93-128, and 42 U.S.C. 1490a, RA provides assistance to eligible tenants residing in section 515 and 514/516 assisted housing to allow them to pay no more than 30 percent of their incomes for rent. Projects receiving RA must be financed by an agency direct loan made to a for-profit, broad-based nonprofit organization, or State or local agency.

Section 538 Guaranteed Loans. Authorized by the Housing Act, P.L. 106-569, and 42 U.S.C. 1490, this program increases the supply of affordable multi-family housing in rural areas through partnerships between RD and major lending sources, as well as State and local housing finance agencies and bond insurers. Guarantees are offered on loans made by approved public and private lenders to build or preserve affordable housing. Loans made for the construction, acquisition, or rehabilitation of rural MFH can be guaranteed up to 90 percent of principal and interest.

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

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

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

Funded projects comprise community, social, health care, education, cultural, transportation, industrial park sites, fire and rescue services, access ways, and utility extensions. Funded facilities include, but are not limited to, hospitals, fire stations, child care facilities, food recovery and distribution centers; assisted-living facilities; group homes, mental health clinics and shelters; and educational facilities.

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

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

Geographic dispersion of offices and employees

RD is comprised of three programs: Housing and Community Facilities, Utilities, and Business and Cooperative Development. RD's headquarters is located in Washington, DC. As of September 30, 2014, there were 4,606 permanent full-time employees, including 1,372 in the headquarters and 3,174 in the field offices.

OIG Reports – Completed

#04703-003-HY	Loss Claims Related to SFH Loans Guaranteed With Recovery Act Funds (Report Date: 2/25/2013).
#04601-020-CH	Final – Rural Rental Housing Program – Midwest Apartment and Management Group, Inc. (Cross Reference: 04601-018-CH) (Report Date: 05/19/2011)

OIG Reports – Open

#04601-018-CH	Rural Rental Housing Program Project Costs and Inspection Procedures (Cross Reference: 04601-020-CH) (Report Date: 09/27/2012) -- Recommendations: 7; Closed: 1; Pending: 6. Some issues will be resolved by the White House Domestic Policy Council's standardization efforts. Pending actions are scheduled for completion by June 2015.
#04703-002-CH	Final–ARRA–Controls Over Eligibility Determinations for SFH Guaranteed Loan Recovery Act Funds (Phase 2) (Report Date: 9/30/2011) – Recommendations: 29; Closed: 6; Pending: 23. The rule to resolve the pending recommendations was published on December 9, 2013, and the items were resolved by the implementation of the Final Interim Rule 7 CFR 3555 on December 1, 2014. The program will submit requests for final action to close this audit by February 11, 2015.
#04601-001-31-KC	Survey: SFH Direct Loan Servicing and Payment Assistance Recapture (Report Date: 10/22/2012). Recommendations: 15; Closed: 2; Pending: 13. SFH is working with the OIG to implement recommendations. Pending actions are scheduled for completion by the end of 2015.
#04901-0001-13	Review of Rural Rental Housing's Tenant and Owner Information Using Data Analysis (Entrance Conference held May 22, 2014). Auditors are gathering data and information from MFH. Fieldwork continues.

GAO Reports – In Progress/Report Date

GAO-11-329	Final Report – RHS: Opportunities Exist to Strengthen FLH Program Management and Oversight (Report Date: 07/13/2011). Recommendations: 6; Completed: 4. RHS updates sent to GAO (February 2014).
GAO-12-296	Final Report – Foreclosure Mitigation: Agencies Could Improve Effectiveness of Federal Efforts with Additional Data Collection and Analysis (Report Date: 06/01/2012). Recommendations: 2: Completed: 0. Pending actions are scheduled for completion by March 31, 2015. RHS updates were submitted to GAO in September 2014. RHS continues to participate in a stakeholder working group to address concerns.
GAO-12-554	Final Report – Housing Assistance: Opportunities Exist to Increase Collaboration and Consider Consolidation (Report Date: 08/16/2012). Recommendations: 3; Completed: 0.

	The report recommends USDA, HUD, and others continue efforts to consolidate and align housing program policies and services that serve similar populations and purposes. These evaluation efforts are ongoing. The White House Working Group (WHWG) is addressing this issue. The outcome may include program statutory and regulatory adjustments. Additional information was provided to GAO in March 2014.
GAO-12-624	Final Report – Rural Housing Service: Efforts to Identify and Reduce Improper RA Assistance Payments Could Be Enhanced (Report Date: 07/03/2012). Efforts are ongoing. Proposed legislation for access to the Internal Revenue Service and Health and Human Service's (HHS) New Hires Database was proposed in the 2015 budget. Final closeout will be dependent upon the outcome of WHWG's final recommendations.
GAO-14-410	Final Report – Manufactured Housing: Efforts Needed to Enhance Program Effectiveness and Ensure Funding Stability (Report Date: July 2014). GAO audited HUD's implementation of the 2000 Manufactured Housing Improvement Act. RHS supported the review by providing information requested by GAO about its housing programs. The final report includes no recommendations for RHS. No further RHS action is required.
GAO-14-255	Final Report -- Native American Housing: Additional Actions Needed to Better Support Tribal Efforts (Report Date: March 27, 2014). GAO directed agencies involved in Native American housing to develop and implement a coordinated environmental review process. USDA's Statement of Action was submitted by Secretary Vilsack on August 28, 2014. RHS staff will participate in inter-agency working group activities.
GAO-100023	Current Review -- Federal Programs for Low-Income Families and Individuals (Entrance Conference held July 15, 2014). This review is in process.
GAO-131281	Current Review – Aging Friendly Communities (Entrance Conference held March 2014). This review is in process.
GAO-250741	RHS submitted a completed GAO Questionnaire for Customer Product Safety Oversight in March 2014. This review is in process.
GAO-250788	RHS Guarantees for Single Family Mortgages (Entrance Conference held July 30, 2014). This review is in process.

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

Rural Community Facilities Program Account (including transfers of funds)

1 For gross obligations for the principal amount of direct loans[and guaranteed] as authorized by section 306 and described in section 381E(d)(1) of the Consolidated Farm and Rural Development Act, $2,200,000,000 for direct
2 loans[and $73,222,000 for guaranteed loans].

3 [For the cost of guaranteed loans, including the cost of modifying loans, as defined in section 502 of the Congressional Budget Act of 1974, $3,500,000, to remain available until expended.]

For the cost of grants for rural community facilities programs as authorized by section 306 and described in section 381E(d)(1) of the Consolidated Farm and Rural Development Act, [$26,778,000,]$62,000,000, to remain available until expended: *Provided*, That $4,000,000 of the amount appropriated under this heading shall be available for a Rural Community Development Initiative: *Provided further*, That such funds shall be used solely to develop the capacity and ability of private, nonprofit community-based housing and community development organizations, low-income rural communities, and Federally Recognized Native American Tribes to undertake projects to improve housing, community facilities, community and economic development projects in rural areas: *Provided further*, That such funds shall be made available to qualified private, nonprofit and public intermediary organizations proposing to carry out a program of financial and technical assistance: *Provided further*, That such intermediary organizations shall provide matching funds from other sources, including Federal funds for related
4 activities, in an amount not less than funds provided: [*Provided further*, That $5,778,000 of the amount appropriated under this heading shall be to provide grants for facilities in rural communities with extreme unemployment and severe economic depression (Public Law 106-387), with up to 5 percent for administration and capacity building in the State rural development offices:]*Provided further,* That [$4,000,000]$8,000,000 of the amount appropriated under this heading shall be available for community facilities grants to tribal colleges, as authorized by section 306(a)(19) of such Act: *Provided further*, That sections 381E-H and 381N of the Consolidated Farm and Rural Development Act are not applicable to the funds made available under this heading.

The first change removes language referencing the community facility guaranteed loan program which is not proposed for funding. The guaranteed loan program serves the same organizations and purposes as the direct loan funding, the primary difference being that the guaranteed loans are made and serviced by a bank or other commercial lender and guaranteed by the Federal government. With a program level of $2.2 billion in the community facility direct loan program, communities will still have access to funding for eligible facilities.

The second change removes language referencing the community facility guaranteed loan level as the program is not proposed for funding.

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

The fourth change removes language for the economic impact initiative (EII) grant program which assists rural municipalities and non-profit organizations in areas with severe economic depression to finance the most essential community facilities to improve the quality of life for their residents. Eligible purposes include: health care; fire, rescue, and public safety facilities and equipment; and educational facilities. This grant program provides assistance to rural communities with extreme unemployment and severe economic depression. The regular CF grant program can be used to fund these projects; therefore, funding is not proposed for this program.

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RURAL COMMUNITY FACILITIES PROGRAM ACCOUNT

Lead-Off Tabular Statement

	Loan Level	Subsidy	Grants
Budget Estimate, 2016	$2,200,000,000	-	$62,000,000
2015 Enacted	2,273,222,000	$3,500,000	26,778,000
Change in Appropriation	-73,222,000	-3,500,000	+35,222,000

Summary of Increases and Decreases
(Dollars in thousands)

Program	2013 Actual	2014 Change	2015 Change	2016 Change	2016 Estimate
Discretionary Appropriations:					
Community facility guaranteed loans..	$3,598	+$177	-$275	-$3,500	-
Community facility grants	12,055	+945	-	+37,000	$50,000
Rural community devel. initiative grants	5,676	+291	-1,967	-	4,000
Economic impact initiative grants	5,506	+272	-	-5,778	-
Tribal college grants	3,124	+876	-	+4,000	8,000
Subtotal	29,960	+2,560	-2,242	+31,722	62,000
Total	29,960	+2,560	-2,242	+31,722	62,000

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RURAL COMMUNITY FACILITIES PROGRAM ACCOUNT

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

Program		2013 Actual			2014 Actual			2015 Enacted			Inc. or Dec.			2016 Estimate		
		Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs
Discretionary Appropriations:																
Community facility direct loans	a/	$2,200,000	-	-	$2,200,000	-	-	$2,200,000	-	-	- (1)	-	-	$2,200,000	-	630
Community facility guaranteed loans		53,303	$3,598	-	74,750	$3,775	-	73,222	$3,500	-	-$73,222 (2)	-$3,500 (7)	-	-	-	-
Community facility grants		12,055	12,055	-	13,000	13,000	-	13,000	13,000	-	+37,000 (3)	+37,000	-	50,000	$50,000	102
Rural community devel. initiative grants		5,676	5,676	-	5,967	5,967	-	4,000	4,000	-	- (4)	-	-	4,000	4,000	32
Economic impact initiative grants		5,506	5,506	-	5,778	5,778	-	5,778	5,778	-	-5,778 (5)	-5,778	-	-	-	-
Tribal college grants		3,124	3,124	-	4,000	4,000	-	4,000	4,000	-	+4,000 (6)	+4,000	-	8,000	8,000	24
Subtotal		2,279,665	29,960	752	2,303,495	32,520	772	2,300,000	30,278	791	-38,000	+31,722	-3	2,262,000	62,000	788
Total Adjusted Approp.		2,279,665	29,960	752	2,303,495	32,520	772	2,300,000	30,278	791	-38,000	+31,722	-3	2,262,000	62,000	788
Rescissions, Transfers, and Seq. (Net)	b/c/	6,244	$2,348	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Appropriation		2,285,909	32,308	752	2,303,495	32,520	772	2,300,000	30,278	791	-38,000	+31,722	-3	2,262,000	62,000	788
Rescission	b/	-2,326	-875	-	-	-	-	-	-	-	-	-	-	-	-	-
Sequestration	c/	-3,918	-1,474	-	-	-	-	-	-	-	-	-	-	-	-	-
Bal. Available, SOY		57,149	10,509	-	27,695	16,256	-	75,054	11,349	-	+29,710	-1,163	-	104,765	10,186	-
Recoveries, Other (Net)		132,715	5,089	-	105,291	7,280	-	36,480	6,460	-	+46,473	-5	-	82,953	6,455	-
Total Available		2,469,529	45,558	752	2,436,481	56,056	772	2,411,534	48,087	791	+38,184	+30,554	-3	2,449,718	78,641	788
Lapsing Balances		-883,305	-	-	-1,270,488	-	-	-400,000	-	-	+400,000	-	-	-	-	-
Bal. Available, EOY		-146,010	-16,256	-	-76,908	-15,795	-	-44,668	-10,186	-	-78,727	-4,522	-	-123,395	-14,708	-
Total Obligations		1,440,214	29,303	752	1,089,085	40,261	772	1,966,866	37,901	791	+359,457	+26,032	-3	2,326,323	63,933	788

a/ Negative subsidy rate of 2.08%, 13.21%, 12.41%, and 8.04% was calculated for 2013, 2014, 2015, and 2016 respectively. Therefore, corresponding budget authority is not required to support the loan

b/ The amounts are pursuant to the Consolidated and Further Continuing Appropriations Act, 2013, Public Law 113-6, signed March 26, 2013, including 2.513 percent rescission in accordance with

section 3001(b)(1)(A) and .2 percent rescission in accordance with section 3004(c)(1).

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

RURAL HOUSING SERVICE

RURAL COMMUNITY FACILITIES PROGRAM ACCOUNT

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

Program		2013 Actual			2014 Actual			2015 Estimate			Inc. or Dec.			2016 Estimate		
		Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs
Discretionary Obligations:																
Community facility direct loans..........................	a/	$1,316,695	-	-	$929,512	-	-	$1,800,000	-	-	+$400,000 (1)	-	-	$2,200,000	-	633
Community facility guaranteed loans..................		101,036	$6,820	-	125,611	$6,300	-	135,439	$6,474	-	-71,541 (2)	-$4,966 (7)	-	63,898	$1,508	-
Community facility grants..................................		12,181	12,181	-	15,867	15,867	-	13,689	13,689	-	+31,767 (3)	+31,767	-	45,456	45,456	102
Rural community devel. initiative grants............		-	-	-	6,835	6,835	-	7,189	7,189	-	+170 (4)	+170	-	7,359	7,359	32
Hazardous weather early warning grants............		-	-	-	-	-	-	20	20	-	-3	-3	-	17	17	-
Economic impact initiative grants......................		7,289	7,289	-	7,134	7,134	-	6,744	6,744	-	-5,129 (5)	-5,129	-	1,615	1,615	-
Tribal college grants...		3,013	3,013	-	4,126	4,126	-	3,785	3,785	-	+4,193 (6)	+4,193	-	7,978	7,978	24
Subtotal...		1,440,214	29,303	752	1,089,085	40,261	744	1,966,866	37,901	799	+359,457	+26,032	-8	2,326,323	63,933	791
Total Obligations..		1,440,214	29,303	752	1,089,085	40,261	744	1,966,866	37,901	799	+359,457	+26,032	-8	2,326,323	63,933	791
Lapsing Balances...		883,305	-	-	1,270,488	-	-	400,000	-	-	-400,000	-	-	-	-	-
Bal. Available, EOY..		146,010	16,256	-	76,908	15,795	-	44,668	10,186	-	+78,727	+4,522	-	123,395	14,708	-
Total Available...		2,469,529	45,558	752	2,436,481	56,056	744	2,411,534	48,087	799	38,184	30,554	-8	2,449,718	78,641	791
Rescission...	b/	2,326	875	-	-	-	-	-	-	-	-	-	-	-	-	-
Sequestration...	c/	3,918	1,474	-	-	-	-	-	-	-	-	-	-	-	-	-
Bal. Available, SOY..		-57,149	-10,509	-	-27,695	-16,256	-	-75,054	-11,349	-	-29,710	+1,163	-	-104,765	-10,186	-
Other Adjustments (Net)..		-132,715	-5,089	-	-105,291	-7,280	-	-36,480	-6,460	-	-46,473	+5	-	-82,953	-6,455	-
Total Appropriation..		2,285,909	32,308	752	2,303,495	32,520	744	2,300,000	30,278	799	-38,000	+31,722	-8	2,262,000	62,000	791

NOTE: Numbers may not add down due to rounding.

a/ Negative subsidy rate of 2.08%, 13.21%, 12.41%, and 8.04% was calculated for 2013, 2014, 2015, and 2016 respectively. Therefore, corresponding budget authority is not required to support the loan levels.

b/ The amounts are pursuant to the Consolidated and Further Continuing Appropriations Act, 2013, Public Law 113-6, signed March 26, 2013, including 2.513 percent rescission in accordance with section

and .2 percent rescission in accordance with section 3004(c)(1).

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

Justification of Increases and Decreases

(1) No change in funding for the direct community facilities loan ($2,200,000,000 available in 2015).

Base funding of $2.2 billion for 2016 will allow the community facilities (CF) direct loan program to create or retain 52,140 jobs and support approximately 989 direct loans.

Continuation of the program is critical because:

- It is the primary program furthering the Department's goal to develop rural communities through the financing of community infrastructure projects.
- It provides direct loans to public sector institutions to improve or develop community infrastructure projects, and to make rural communities re-populating and economically thriving.

Base funding for the CF direct loan program will assist rural municipalities, nonprofit organizations, and Federally-recognized Indian tribes in financing critical community infrastructure and the most essential community facilities needed to improve the quality of life for their residents. These facilities will help the Department achieve its Strategic Goal of assisting rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

Direct loans are primarily targeted to health care; fire rescue, and public safety facilities and equipment; and educational facilities. The performance of these loans, combined with the current economic assumptions projecting low interest rates, make the subsidy cost for this program negative. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

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

- *Local and Regional Food Systems:* A focus of the CF program for 2016 and beyond will be to increase projects related to local and regional food system infrastructure. This effort will enable CF to assist in building new markets for local and regional value-added agricultural products by strengthening local/regional food system infrastructure.

- *Improving Access to Critical Mental and Behavior Health Services:* In 2014, CF invested in 23 projects in 18 states to develop or improve access to rural mental health services. Investments include $62,263,813 in direct loan funds; $12,062,126 in guaranteed loan funds, and $167,600 in CF grant funds. At the same time, CF leveraged $14,035,442 from other funding sources. CF exceeded the Secretary's goal of investing $50 million in rural mental health investments in the first year of this three-year initiative.

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

  From 2012 through 2014 alone, CF invested in 335 Public Private Partnership community infrastructure projects across rural America in 49 states. CF leveraged over $2 billion in direct loan funding, with $1.2 billion from institutional investors and the capital credit markets to strengthen investment in critical community infrastructure projects spurring economic growth, job creation and access to improved health care, education and other critical services.

  An example of a CF success story from 2014 is the *Pikeville Medical Center (PMC) in Pikeville, Kentucky.* The PMC is a private, nonprofit (501(c) (3)) organization that provides comprehensive health care services through its 261-bed acute care and in-patient rehabilitation hospital. The Hospital primarily serves patients from persistent poverty areas. PMC was named National Hospital of the Year for 2010, 2011 and 2012 by the American Alliance of Healthcare Providers. PMC is the nation's first repeat winner of this prestigious award. The Hospital employs over 2,500 people and is consistently the top employer in the region.

To meet a growing demand for services, PMC constructed a new medical office building housing research facilities, outpatient surgery suites, endoscopy facilities, physical exam space, labs and lecture halls. The building is 11 stories, with approximately 235,000 square feet. In order to alleviate parking issues, the Hospital constructed a 1,162 space parking garage adjacent to the new medical office building. The total cost of the project is approximately $120,000,000, which came from a public private partnership between Rural Development's Community Facility direct loan program ($89,600,000) and the public tax-exempt bond market ($30,400,000). This project was completed in the Spring of 2014.

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

- *MOU with the Rural Community College Alliance and the American Association of Community Colleges*: CF funding will facilitate access to capital for rural community college infrastructure projects, increase cooperation between RD and rural community colleges, and allow organizations to more effectively "reach more and teach more."

(2) A decrease of $73,222,000 for the guaranteed community facility loan program ($73,222,000 available in 2015).

This program originated as an inexpensive alternative to the agency's direct loan program, and was designed to stimulate additional assistance for moderate-income communities in rural areas. This program serves the same organizations and purposes as the direct program, the primary difference being that guaranteed loans are made and serviced by a bank or other commercial lender and guaranteed by the Federal government. However, since loan defaults in the program are higher than initially projected, the program is more expensive than the direct loan program.

With a program level of $2.2 billion in the CF direct loan program, communities will still have access to funding for eligible facilities. Carryover from prior years will be used to fund approximately 14 projects in 2016. In addition to the activities and functions specifically described in the budget request, current year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

(3) An increase of $37,000,000 for the community facilities grant program ($13,000,000 available in 2015).

Base funding will allow CF to continue helping rural communities reach the goal of creating prosperity so they are self-sustaining, re-populating, and economically thriving. Base funding allows the agency to continue meeting the critical needs in the most rural and economically stressed communities. Base funding will create/save an estimated 263 jobs and improve access to quality health care, education, public safety, and other community infrastructure services by investing in 529 community facilities. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program funding is critical because:

- It is the primary program furthering the Department's goal to develop rural communities through the financing of community infrastructure projects.
- It provides grants to public sector institutions to improve or develop community infrastructure projects, and makes rural communities re-populating and economically thriving.

This program improves access to quality public infrastructure related services such as health care, education, and public safety. These community facilities foster rural economic vitality and improve the overall rural outlook by opening the door to capital markets, enhancing rural-urban economies of scale and creating jobs. Investments also enhance employment opportunities for rural residents, improve quality of education and health care for rural communities, and provide for a safer rural America. Investments also allow for further business development and economic growth, and upgrade community infrastructure essential to the quality of life for the entire rural community. Priority for funding in this program is given to applicants in rural communities with a population of 5,000 or less and low-to-medium household incomes.

As does the base funding, increased funding of $37 million supports RD's objective to create thriving communities. Funding also supports USDA's Strategic Goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving. Increased funding will support the Administration's place-based initiatives. It is expected that $35 million will be allocated to the National Office for this purpose, with $15 million going to the States.

CF grants used to support place-based strategies may include projects for Promise Zones, the Coal Community Revitalization initiative, the Native American Youth Initiative and StrikeForce Communities. Place-based initiatives, which include essential community investments related to place-based initiatives such as, but not limited to, the President's Promise Zones, Colonias, High/Persistent Poverty areas and StrikeForce Communities, will be a priority focus in 2015 and beyond. States will be required to update their State Strategic Plan with regard to identified place-based policies and priorities.

CF will also continue investing in rural education, public safety and healthcare projects in an effort to address rural poverty. Public private partnerships and collaboration with nonprofits and other Federal agencies is encouraged in an effort to leverage funding while reducing funding overlap. In addition, CF will develop and implement a comprehensive strategic outreach effort targeting place-based initiatives such as, high poverty areas and Strike Force communities. CF will also require RD state offices to develop and implement an action plan to target investments in place-based regions.

The total budget request of $50 million will create/save approximately 1,010 jobs and improve access to quality health care, education, public safety, and other community infrastructure services by investing in 1,828 community facilities.

(4) <u>No change in funding for rural community development initiative (RCDI) grants ($4,000,000 available in 2015)</u>.

Base funding of $4 million will allow the agency to create or save 81 quality jobs and support 29 projects for organizations to undertake projects related to housing, community facilities, and community and economic development. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

The RCDI grant program provides assistance for intermediary organizations to provide technical assistance and capacity building to rural nonprofit community based organizations, low-income rural communities, and Federally-recognized Indian Tribes. Grants allow organizations to undertake projects related to community and economic development. In 2014, RCDI supported the President and Secretary's commitment to Ladders of Opportunity agenda by addressing poverty, growing economies, and creating opportunity in poverty-stricken rural communities. Funding priority was given to the StrikeForce for Rural Growth and Opportunity Initiative; the President's Promise Zone Initiative which targeted to poverty in rural and tribal communities; and RD's poverty targeting initiative which began in 2014.

In addition, RCDI supports regional innovation efforts and regional economic development, which can bring together multiple units of government and nonprofit organizations, developing their capacities to collaborate to create needed jobs and economic hubs through increased development. Continuation of the program funding is critical because it helps develop the capacity and ability of private, nonprofit community-based housing and community development organizations, and low-income rural communities to improve community facilities and community and economic development projects in rural areas.

The 2016 obligation level, which includes prior-year unobligated and de-obligated funding, will be used to support CF grants and will increase employment and improve access to quality health care, education, public safety, and other community infrastructure services by investing in 46 community facilities.

(5) A decrease of $5,778,000 for the community facilities economic impact initiative grants ($5,778,000 available in 2015).

The budget does not propose funding for this program. This grant program provides assistance to rural communities with extreme unemployment and severe economic depression. The regular CF grant program can be used to fund these projects. In addition to the activities and functions specifically described in the budget request, current year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

(6) An increase of $4,000,000 for the community facilities tribal college grants ($4,000,000 available in 2015).

Base funding for the tribal college grant program provides grants to tribal colleges and universities (land grant status under the 1994 Native American Education Act) to help defray the cost to develop or improve specific tribal colleges and universities. Awarded funds help tribal college facilities improve their quality of education and lay the foundation for sustainable economic development by building an educated workforce. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

- It provides the 34 Indian Tribal institutions identified in Section 7402 of the Equity in Educational Land-Grant Status Act of 1994 with access to grant funding for necessary equipment and capital improvements to deliver education services to tribal communities.
- It provides 1994 Land Grant Institutions with access to grant funding for 95 percent of the total project costs, thus reducing the tribal college's costs to make capital improvements.

As does the base funding, increased funding of $4 million supports RD's objective to create thriving communities. Funding also supports USDA's Strategic Goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving. This funding increase will help support the increasing demand for program assistance. Total funding of $8 million will create/save approximately 162 jobs and improve access to approximately 23 educational facilities and services.

(7) A decrease of $3,500,000 in funding for the community facilities guaranteed loan subsidy ($3,500,000 available in 2015).

There is no requested subsidy for the community facilities loan programs. No program level is requested for community facility guaranteed loans. Current year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

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

State/Territory	2013 Actual Amount	2014 Actual Amount	2015 Estimate Amount	2016 Estimate Amount
Alabama	$8,431	$1,131	-	-
Arizona	7,754	-	-	-
Arkansas	20,560	92	-	-
California	33,676	10,903	-	-
Colorado	20,432	10,159	-	-
Connecticut	13,460	21,386	-	-
Delaware	16,550	18,100	-	-
Florida	20,265	671	-	-
Georgia	14,913	82,932	-	-
Hawaii	20,697	1,000	-	-
Idaho	6,465	3,307	-	-
Illinois	47,166	10,863	-	-
Indiana	2,439	2,184	-	-
Iowa	51,912	24,080	-	-
Kansas	23,415	25,602	-	-
Kentucky	49,630	72,088	-	-
Louisiana	39,182	17,575	-	-
Maine	9,281	769	-	-
Maryland	9,148	7,934	-	-
Massachusetts	20,439	6,174	-	-
Michigan	34,195	65,016	-	-
Minnesota	66,931	95,319	-	-
Mississippi	41,567	3,942	-	-
Missouri	38,110	7,619	-	-
Montana	6,551	2,290	-	-
Nebraska	30,895	47,357	-	-
Nevada	18,117	3,728	-	-
New Hampshire	2,157	-	-	-
New Jersey	1,906	2,966	-	-
New Mexico	2,435	1,103	-	-
New York	11,298	15,236	-	-
North Carolina	92,440	33,957	-	-
North Dakota	30,471	44,787	-	-
Ohio	21,828	10,699	-	-
Oklahoma	132	252	-	-
Oregon	9,432	-	-	-
Pennsylvania	108,261	47,246	-	-
Rhode Island	454	900	-	-
South Carolina	78,397	44,874	-	-
South Dakota	6,265	6,037	-	-
Tennessee	45,640	36,387	-	-
Texas	8,178	26,049	-	-
Utah	12,605	70	-	-
Vermont	1,351	773	-	-
Virginia	47,477	8,234	-	-
Washington	16,708	5,367	-	-
West Virginia	72,272	17,651	-	-
Wisconsin	56,386	41,600	-	-
Wyoming	-	1,000	-	-
Guam	-	26,700	-	-
Puerto Rico	18,421	15,406	-	-
Undistributed	-	-	$1,800,000 a/	$2,200,000 a/
Obligations	1,316,695	929,512	1,800,000	2,200,000
Lapsing Balances	883,305	1,270,488	400,000	-
Total, Available	2,200,000	2,200,000	2,200,000	2,200,000

a/ Totals cannot be distributed at this time.

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

State/Territory	2013 Actual Amount	2014 Actual Amount	2015 Estimate Amount	2016 Estimate Amount
Alabama	$9,360	-	-	-
California	855	-	-	-
Florida	3,000	$860	-	-
Idaho	-	300	-	-
Illinois	9,679	-	-	-
Indiana	-	2,000	-	-
Iowa	3,000	-	-	-
Louisiana	-	8,000	-	-
Maine	5,040	3,473	-	-
Maryland	5,092	-	-	-
Massachusetts	1,865	-	-	-
Minnesota	4,750	7,581	-	-
Mississippi	10,000	-	-	-
Missouri	-	120	-	-
Nebraska	-	4,000	-	-
Nevada	2,449	-	-	-
New Hampshire	-	1,500	-	-
New York	-	1,500	-	-
North Carolina	15,320	16,830	-	-
North Dakota	1,875	150	-	-
Oklahoma	-	900	-	-
Pennsylvania	-	56,020	-	-
Rhode Island	384	-	-	-
South Carolina	9,986	15,000	-	-
Texas	346	1,000	-	-
Utah	11,860	2,000	-	-
Vermont	-	162	-	-
Washington	3,675	-	-	-
Wisconsin	2,500	2,215	-	-
Puerto Rico	-	2,000	-	-
Undistributed	-	-	$135,439 a/	$63,898 a/
Obligations	101,036	125,611	135,439	63,898

a/ Totals cannot be distributed at this time.

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

State/Territory	2013 Actual Amount	2014 Actual Amount	2015 Estimate Amount	2016 Estimate Amount
Alabama	$261	$207	-	-
Alaska	72	127	-	-
Arizona	170	-	-	-
Arkansas	329	580	-	-
California	313	367	-	-
Colorado	105	148	-	-
Connecticut	86	98	-	-
Delaware	319	70	-	-
Florida	295	438	-	-
Georgia	379	473	-	-
Hawaii	64	68	-	-
Idaho	106	159	-	-
Illinois	218	329	-	-
Indiana	165	152	-	-
Iowa	524	788	-	-
Kansas	289	137	-	-
Kentucky	423	695	-	-
Louisiana	214	265	-	-
Maine	131	156	-	-
Maryland	434	281	-	-
Massachusetts	143	113	-	-
Michigan	542	677	-	-
Minnesota	182	223	-	-
Mississippi	641	1,005	-	-
Missouri	369	365	-	-
Montana	79	49	-	-
Nebraska	85	96	-	-
Nevada	102	91	-	-
New Hampshire	100	110	-	-
New Jersey	92	131	-	-
New Mexico	116	137	-	-
New York	339	379	-	-
North Carolina	315	480	-	-
North Dakota	100	140	-	-
Ohio	326	512	-	-
Oklahoma	474	331	-	-
Oregon	83	160	-	-
Pennsylvania	334	458	-	-
Rhode Island	59	61	-	-
South Carolina	282	1,265	-	-
South Dakota	123	169	-	-
Tennessee	319	447	-	-
Texas	393	346	-	-
Utah	68	135	-	-
Vermont	121	205	-	-
Virginia	742	1,285	-	-
Washington	145	145	-	-
West Virginia	179	212	-	-
Wisconsin	217	304	-	-
Wyoming	52	76	-	-
Guam	50	-	-	-
Puerto Rico	112	175	-	-
Other Countries	-	50	-	-
Undistributed	-	-	$13,689 a/	$45,456 a/
Obligations	12,181	15,867	13,689	45,456

a/ Totals cannot be distributed at this time.

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

State/Territory	2013 Actual Amount	2014 Actual Amount	2015 Estimate Amount	2016 Estimate Amount
Arkansas	-	$305	-	-
California	-	995	-	-
Colorado	-	152	-	-
Connecticut	-	152	-	-
Delaware	-	152	-	-
Georgia	-	110	-	-
Hawaii	-	152	-	-
Idaho	-	152	-	-
Illinois	-	71	-	-
Indiana	-	136	-	-
Iowa	-	607	-	-
Kentucky	-	95	-	-
Maine	-	152	-	-
Maryland	-	305	-	-
Massachusetts	-	305	-	-
Minnesota	-	305	-	-
Montana	-	152	-	-
Nebraska	-	130	-	-
New Hampshire	-	260	-	-
New Mexico	-	152	-	-
New York	-	430	-	-
North Carolina	-	457	-	-
Ohio	-	152	-	-
Oklahoma	-	152	-	-
South Dakota	-	305	-	-
Texas	-	50	-	-
Virginia	-	50	-	-
Wisconsin	-	240	-	-
Puerto Rico	-	152	-	-
Undistributed	-	-	$7,189 a/	$7,359 a/
Obligations	-	6,835	7,189	7,359

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

State/Territory	2013 Actual Amount	2014 Actual Amount	2015 Estimate Amount	2016 Estimate Amount
Undistributed	-	-	$20 a/	$17 a/
Obligations	-	-	20	17

a/ Totals cannot be distributed at this time.

RURAL HOUSING SERVICE

Economic Impact Initiative Grants

Geographic Breakdown of Obligations

(Dollars in thousands)

State/Territory	2013 Actual Amount	2014 Actual Amount	2015 Estimate Amount	2016 Estimate Amount
Alabama..................	$20	$129	-	-
Alaska.....................	62	73	-	-
Arizona....................	79	-	-	-
Arkansas...................	613	848	-	-
California.................	197	131	-	-
Colorado..................	73	62	-	-
Connecticut..............	68	59	-	-
Delaware..................	60	55	-	-
Florida.....................	101	106	-	-
Georgia....................	232	96	-	-
Hawaii.....................	57	55	-	-
Idaho.......................	81	69	-	-
Illinois.....................	102	111	-	-
Indiana....................	-	50	-	-
Iowa........................	275	85	-	-
Kansas.....................	90	69	-	-
Kentucky..................	387	297	-	-
Louisiana.................	141	105	-	-
Maine......................	220	77	-	-
Maryland..................	87	67	-	-
Massachusetts............	74	66	-	-
Michigan..................	289	144	-	-
Minnesota.................	128	95	-	-
Mississippi................	624	558	-	-
Missouri...................	164	162	-	-
Montana...................	47	8	-	-
Nebraska..................	79	67	-	-
Nevada....................	69	61	-	-
New Hampshire..........	75	65	-	-
New Jersey................	102	64	-	-
New Mexico..............	87	72	-	-
New York.................	179	79	-	-
North Carolina...........	75	99	-	-
North Dakota.............	-	60	-	-
Oklahoma.................	247	531	-	-
Pennsylvania.............	200	131	-	-
Rhode Island.............	54	53	-	-
South Carolina...........	324	835	-	-
South Dakota.............	74	64	-	-
Tennessee.................	202	190	-	-
Utah........................	-	50	-	-
Vermont...................	102	62	-	-
Virginia...................	415	340	-	-
Washington................	18	63	-	-
West Virginia............	117	91	-	-
Wisconsin.................	69	106	-	-
District of Columbia....	398	289	-	-
Guam......................	34	-	-	-
Puerto Rico...............	88	71	-	-
Other Countries...........	12	50	-	-
Undistributed.............	-	-	$6,744 a/	$1,615 a/
Obligations............	7,289	7,134	6,744	1,615

a/ Totals cannot be distributed at this time.

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

State/Territory	2013 Actual Amount	2014 Actual Amount	2015 Estimate Amount	2016 Estimate Amount
Alaska	$126	$145	-	-
Arizona	126	291	-	-
Michigan	251	436	-	-
Minnesota	251	268	-	-
Montana	879	1,016	-	-
Nebraska	126	145	-	-
New Mexico	-	271	-	-
North Dakota	502	727	-	-
Oklahoma	126	145	-	-
South Dakota	377	391	-	-
Washington	126	145	-	-
Wisconsin	126	145	-	-
Undistributed	-	$ -	$3,785 a/	$7,978 a/
Obligations	3,013	4,126	3,785	7,978

a/ Totals cannot be distributed at this time.

Classification by Objects
(Dollars in thousands)

		2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
41.0	Grants, subsidies, and contributions	$29,303	$40,261	$37,901	$63,933
99.9	Total, new obligations	29,303	40,261	37,901	63,933

RURAL HOUSING SERVICE

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

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

For gross obligations for the principal amount of direct and guaranteed loans as authorized by title V of the
Housing Act of 1949, to be available from funds in the rural housing insurance fund, as follows: $900,000,000
shall be for direct loans and $24,000,000,000 shall be for unsubsidized guaranteed loans;
[$26,279,000]$26,278,000 for section 504 housing repair loans; [$28,398,000]$42,271,000 for section 515 rental
housing; [$150,000,000]$200,000,000 for section 538 guaranteed multi-family housing loans; $10,000,000 for
1 credit sales of single family housing acquired property[; $5,000,000 for section 523 self-help housing land
development loans]; and $5,000,000 for section 524 site development loans.

For the cost of direct and guaranteed loans, including the cost of modifying loans, as defined in section 502 of
the Congressional Budget Act of 1974, as follows: section 502 loans [$66,420,000]$60,750,000 shall be for
direct loans; section 504 housing repair loans,[$3,687,000]$3,424,000; and repair, rehabilitation, and new
construction of section 515 rental housing, [$9,800,000]$12,525,000: *Provided*, That to support the loan
program level for section 538 guaranteed loans made available under this heading the Secretary may charge or
adjust any fees to cover the projected cost of such loan guarantees pursuant to the provisions of the Credit
2 Reform Act of 1990 (2 U.S.C. 661 et seq.), and the interest on such loans may not be subsidized [: *Provided
further*, That applicants in communities that have a current rural area waiver under section 541 of the Housing
Act of 1949 (42 U.S.C. 1490q) shall be treated as living in a rural area for purposes of section 502 guaranteed
loans provided under this heading: *Provided further*, That of the amounts available under this paragraph for
section 502 direct loans, no less than $5,000,000 shall be available for direct loans for individuals whose homes
will be built pursuant to a program funded with a mutual and self-help housing grant authorized by section 523
of the Housing Act of 1949 until June 1, 2015].

In addition, for the cost of direct loans, grants, and contracts, as authorized by 42 U.S.C. 1484 and 1486, [$15,936,000]$15,125,000, to remain available until expended, for direct farm labor housing loans and domestic farm labor housing grants and contracts: *Provided*, That any balances available for the Farm Labor Program Account shall be transferred to and merged with this account.

In addition, for administrative expenses necessary to carry out the direct and guaranteed loan programs,
3 [$415,100,000]$419,530,000 shall be [transferred and merged with]paid to the appropriation for "Rural
Development, Salaries and Expenses".

The first change removes the language for section 523 self-help housing land development loans as the program is not proposed for funding in the 2016 budget.

The second change removes the language specifying rural areas eligible for the section 502 guaranteed loans and specific earmarks for the section 502 direct loans for houses built using the mutual and self-help housing program.

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

RURAL HOUSING SERVICE

RURAL HOUSING INSURANCE FUND PROGRAM ACCOUNT

Lead-Off Tabular Statement

	Loan Level	Subsidy	Grants	Administrative Expenses
Budget Estimate, 2016	$25,207,404,000	$83,488,000	$8,336,000	$419,530,000
2015 Enacted	25,148,279,000	87,507,000	8,336,000	415,100,000
Change in Appropriation	+59,125,000	-4,019,000	-	+4,430,000

Summary of Increases and Decreases
(Dollars in thousands)

Programs	2013 Actual	2014 Change	2015 Change	2016 Change	2016 Estimate
Discretionary Appropriations:					
Sec. 502 single family housing direct loans	$50,153	-$28,136	+$44,402	-$5,670	$60,750
Sec. 515 rural rental housing direct loans	10,268	-3,612	+3,144	+2,725	12,525
Sec. 504 housing repair direct loans	1,960	-778	+2,505	-263	3,424
Sec. 514 farm labor housing loans	7,148	-1,492	+1,944	-811	6,789
Sec. 516 farm labor housing grants	8,278	+58	-	-	8,336
Administrative expenses	383,293	+31,807	-	+4,430	419,530
Total	461,100	-2,152	+51,995	+411	511,354

RURAL HOUSING SERVICE

RURAL HOUSING INSURANCE FUND PROGRAM ACCOUNT

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

Program	2013 Actual			2014 Actual			2015 Enacted			Inc. or Dec.			2016 Estimate		
	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs
Discretionary Appropriations:															
Sec. 502 single family housing direct loans................	$840,090	$50,153	479	$809,470	$22,018	474	$900,000	$66,420	508	- (1)	-$5,670 (11)	-4	$900,000	$60,750	504
Sec. 502 SFH guaranteed loans - blended.................a/	24,000,000	-	684	24,000,000	-	677	24,000,000	-	726	- (2)	-	-6	24,000,000	-	720
Sec. 515 rural rental housing direct loans...................	29,195	10,268	239	28,432	6,656	237	28,398	9,800	254	+$13,874 (3)	+2,725 (11)	-2	42,271	12,525	252
Sec. 538 multi-family housing guaranteed loans.......b/	150,000	-	171	150,000	-	169	150,000 -	-	182	+50,000 (4)	-	-2	200,000	-	180
Sec. 504 housing repair direct loans...........................	14,341	1,960	41	14,280	1,182	41	26,279	3,687	44	-1 (5)	-263 (11)	-1	26,278	3,424	43
Sec. 524 direct site dev. loans...................................c/	-	-	-	5,000	-	-	5,000		-	- (6)	-	+9	5,000	-	9
Sec. 523 self-help housing land dev. loans................d/	5,000	-	17	5,000	-	17	5,000	-	18	-5,000 (7)	-	-9	-	-	9
Single-family housing credit sales............................e/	10,000	-	34	10,000	-	34	10,000	-	36	- (8)	-	-	10,000	-	36
Sec. 514 farm labor housing loans.............................	21,440	7,148	103	23,855	5,656	101	23,602	7,600	109	+252 (9)	-811 (11)	-1	23,855	6,789	108
Sec. 516 farm labor housing grants............................	8,278	8,278	103	8,336	8,336	101	8,336	8,336	109	- (10)	-	-1	8,336	8,336	108
Administrative expenses...f/	-	383,293	-	-	415,100	-	-	415,100	-	-	+4,430	-	-	419,530	-
Subtotal..	25,078,343	461,100	1,871	25,054,373	458,948	1,851	25,156,615	510,943	1,986	+59,124	+411	+2	25,215,740	511,354	1,969
Total Adjusted Approp..	25,078,343	461,100	1,871	25,054,373	458,948	1,851	25,156,615	510,943	1,986	+59,124	+411	+2	25,215,740	511,354	1,969
Recissions, Transfers and Seq. (Net).............................	77,722	34,604	-	102,530	3,456	-	-	-	-	-	-	-	-	-	-
Total Appropriation...	25,195,200	495,704	1,871	25,156,903	462,404	1,851	25,156,615	510,943	1,986	+59,124	+411	+2	25,215,740	511,354	1,969
Transfers Out:															
Working capital transfer...	-11,750	-1,606	-	-102,530	-3,456	-	-	-	-	-	-	-	-	-	-
Subtotal..	-11,750	-1,606	-	-102,530	-3,456	-	-	-	-	-	-	-	-	-	-
Rescission...g/	-26,838	-13,424	-	-	-	-	-	-	-	-	-	-	-	-	-
Rescission...h/	-	-	-	-1,314	-1,314	-	-	-	-	-	-	-	-	-	-
Sequestration...i/	-39,135	-19,574	-	-	-	-	-	-	-	-	-	-	-	-	-
Bal. Available, SOY...	44,567	23,205	-	85,650	22,946	-	33,524	14,512	-	+1,483	-1,515	-	35,006	12,996	-
Recoveries, Other (Net)...	416	165	-	1,561	753	-	6,070	3,596	-	-363	-727	-	5,707	2,869	-
Total Available..	25,162,461	484,470	1,871	25,140,270	481,333	1,851	25,196,209	529,050	1,986	60,244	-1,831	+2	25,256,453	527,220	1,969
Lapsing Balances..	-1,774,648	-794	-	-4,985,372	-361	-	-	-	-	-	-	-	-	-	-
Bal. Available, EOY...	-85,400	-22,946	-	-67,492	-14,512	-	-31,457	-12,996	-	-3,359	+566	-	-34,815	-12,431	-
Total Obligations...	23,302,412	460,731	1,871	20,087,405	466,461	1,851	25,164,752	516,054	1,986	+56,885	-1,265	+2	25,221,637	514,789	1,969

RURAL HOUSING SERVICE

RURAL HOUSING INSURANCE FUND PROGRAM ACCOUNT

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

Program		2013 Actual			2014 Actual			2015 Estimate			Inc. or Dec.					2016 Estimate		
		Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level		Budget Authority		SYs	Program Level	Budget Authority	SYs
Discretionary Appropriations:																		
Sec. 502 single family housing direct loans......................		$827,165	$49,382	479	$808,101	$21,980	474	$900,000	$66,420	508	-	(1)	-$5,670	(11)	-4	$900,000	$60,750	504
Sec. 502 SFH guaranteed loans - blended........................	a/	22,350,462	-	684	19,050,563	-	677	24,000,000	-	726	-	(2)	-		-6	24,000,000	-	720
Sec. 515 rural rental housing direct loans........................		29,135	10,247	239	27,219	6,372	237	28,398	9,800	254	+$13,874	(3)	+2,725	(11)	-2	42,271	12,525	252
Sec. 538 multi-family housing guaranteed loans..............	b/	52,227	-	171	136,162	-	169	150,000	-	182	+50,000	(4)	-		-2	200,000	-	180
Sec. 504 housing repair direct loans................................		14,335	1,960	41	13,806	1,143	41	26,279	3,687	44	-1	(5)	-263	(11)	-1	26,278	3,424	43
Sec. 524 direct site dev. loans...	c/	-	-	-	-	-	-	5,000	-	-	-	(6)	-		+9	5,000	-	9
Sec. 523 self-help housing land dev. loans.......................	d/	-	-	17	-	-	17	5,000	-	18	-5,000	(7)	-		-9	-	-	9
Single-family housing credit sales....................................	e/	653	-	34	960	-	34	10,000	-	36	-	(8)	-		-	10,000	-	36
Sec. 514 farm labor housing loans...................................		18,881	6,295	103	37,659	8,929	101	28,065	9,037	109	-769	(9)	-1,269	(11)	-1	27,296	7,768	108
Sec. 516 farm labor housing grants..................................		9,555	9,555	103	12,936	12,936	101	12,010	12,010	109	-1,218	(10)	-1,218	(11)	-1	10,792	10,792	108
Administrative expenses...	f/	-	383,293	-	-	415,100		-	415,100	-	-		+4,430		-	-	419,530	-
Subtotal...		23,302,412	460,731	1,871	20,087,405	466,461	1,851	25,164,752	516,054	1,986	+56,885		-1,265		+2	25,221,637	514,789	1,969
Total Obligations...		23,302,412	460,731	1,871	20,087,405	466,461	1,851	25,164,752	516,054	1,986	+56,885		-1,265		+2	25,221,637	514,789	1,969
Recoveries, Other (Net)...		-416	-165	-	-1,561	-753	-	-6,070	-3,596	-	+363		+727		-	-5,707	-2,869	-
Lapsing Balances..		1,774,648	794	-	4,985,372	361	-	-	-	-	-		-		-	-	-	-
Bal. Available, EOY..		85,400	22,946	-	67,492	14,512	-	31,457	12,996	-	+3,359		-566		-	34,815	12,431	-
Total Available..		25,162,045	484,305	1,871	25,138,710	480,580	1,851	25,190,139	525,455	1,986	+60,607		-1,104		+2	25,250,746	524,350	1,969
Transfers Out..		11,750	1,606	-	102,530	3,456	-	-	-	-	-		-		-	-	-	-
Recission..	g/	26,838	13,424	-	-	-	-	-	-	-	-		-		-	-	-	-
Rescission...	h/	-	-	-	1,314	1,314	-	-	-	-	-		-		-	-	-	-
Sequestration...	i/	39,135	19,574	-	-	-	-	-	-	-	-		-		-	-	-	-
Bal. Available, SOY..		-44,567	-23,205	-	-85,650	-22,946	-	-33,524	-14,512	-	-1,483		+1,515		-	-35,006	-12,996	-
Total Appropriation..		25,195,200	495,704	1,871	25,156,903	462,404	1,851	25,156,615	510,943	1,986	+59,124		+411		+2	25,215,740	511,354	1,969

Project Statement Footnotes

a/ Negative subsidy rates of 0.25%, 0.14%, a blended rate of 0.60% and 0.13% were calculated for 2013, 2014, 2015, and 2016, respectively. Therefore, corresponding budget authority is not required to support the loan levels.

b/ Negative subsidy rates of 0.04%, 0.19%, 1.27% and 2.97% were calculated for 2013, 2014, 2015, and 2016, respectively. Therefore, corresponding budget authority is not required to support the loan levels.

c/ Negative subsidy rates of 5.95%, 4.82%, and 1.53% were calculated for 2014, 2015, and 2016, respectively. Therefore, corresponding budget authority is not required to support the loan levels.

d/ Negative subsidy rates of 2.15%, 4.51%, and 2.48% were calculated for 2013, 2014, and 2015, respectively. Therefore, corresponding budget authority is not required to support the loan levels.

e/ Negative subsidy rates of 8.97%, 8.97%, 6.41% and 4.87% were calculated for 2013, 2014, 2015, and 2016, respectively. Therefore, corresponding budget authority is not required to support the loan levels.

f/ In 2013, funding of $383,292,764 was appropriated and transferred to the Rural Development Salaries and Expense Account. In 2014, funding of $415,100,000 was appropriated and transferred to the Rural Development Salarie and Expennse Account. In 2015, funding of $415,100,000 was appropriated and transferred to the Rural Development Salaries and Expense Account. In 2016, funding of $419,530,000 is requested and will be paid to the Rural Development Salaries and Expense Account.

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

h/ The amounts are rescinded pursuant to the Consolidated Appropriations Act, 2013, Public Law 113-76, signed January 17, 2014, in accordance with section 733.

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

Justification of Increases and Decreases

(1) No change in funding for the section 502 direct single family housing loans ($900,000,000 available in 2015).

Base funding allows the agency to continue offering homeownership opportunities to low- and very low-income families in rural America. Continued program funding at $900 million will provide an estimated 6,787 homeownership opportunities in rural America by providing direct subsidized financing to income-eligible borrowers who are creditworthy. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

The direct single family housing loan program is critical to achieving USDA's Strategic Goal of creating rural prosperity and fostering self-sustaining, re-populating, and economically thriving communities. This subsidized housing mortgage program provides essential credit access that promotes wealth creation over time and enables rural Americans to invest in their own futures, as well as the future of their communities.

In 2016, this program will continue assisting homebuyers to improve their living conditions and financial footing through investment in neighborhoods. It supports local jobs in retail and services, as well as residential construction that help invigorate local rural economies. It also reinforces foundational community qualities such as stability and security that appeal to businesses seeking new locations and opportunities for expansion.

To better serve our customers, RHS is creating a certification process to bring greater structure to the existing loan application packaging process for eligible loan application packagers. Loan application packagers, who are separate and independent from the agency, provide an optional service to parties seeking mortgage loans by helping them navigate the loan application process. Currently, packagers assisting parties applying for section 502 direct loans do so under an informal arrangement, which is free from agency oversight or minimum competency standards. The rule will be implemented in 2015, this change, which was published as a propose rule in August 2013, will regulate the allowable packaging fee, and will impose experience, training, proficiency, and structure requirements on eligible service providers that will benefit program applicants. RHS anticipates fully implementing regulations in 2015.

By establishing a vast network of competent, experienced, and committed agency-certified packagers, this action is intended to assist low- and very low-income people who wish to achieve homeownership in rural areas. It will educate the public about the agency's housing programs, increase specialized support available to complete applications for assistance, and improve the quality of loan application packages submitted on a borrower's behalf. The final rule is expected to streamline application processing and reduce the burden placed on agency staffing levels.

Continuation of the direct program is critical because:

- Despite low interest rates in the private lending sector and the availability of the section 502 guaranteed single family housing loan program, the very low- and low-income borrowers served by the direct program truly have no other option available to them to obtain homeownership at rates and terms they can reasonably afford and maintain.
- The unique servicing options available under the direct program help borrowers facing temporary challenges remain in their homes while those challenges are overcome.

Mortgage interest rates remain relatively low, providing housing at more affordable levels for millions of rural Americans through the guaranteed loan program. However, these guaranteed loans do not meet the needs of lower income families who require payment assistance offered in the direct program to become successful homeowners. Without the benefit of payment assistance, many very low- and low-income applicants are unable to meet monthly mortgage payment obligations, today's low interest rates notwithstanding.

The single family housing programs will work with public and private agencies, organizations (including Community Development Financial Institutions (CDFI) and philanthropic organizations), and individuals to gather and leverage resources needed to facilitate housing construction and home improvement that will broaden capital investment; promote community involvement and investment; and assure the resilience and sustainability of local economies.

RHS also seeks to address the needs of low- and very low-income borrowers through partnerships with other agencies. In response to a White House initiative setting aggressive goals for eliminating military veteran and chronic family homelessness, RD is actively involved with the U.S. Interagency Council on Homelessness (USICH). The agency is supporting USICH efforts by establishing a partnership with Veterans Affairs (VA). Partnering with VA assures that VA and RD field staff is aware of programs available to serve rural veterans, which promotes increased veteran participation in RD programs.

(2) <u>No change in funding for section 502 guaranteed single family housing loans ($24,000,000,000 available in 2015)</u>.

Funding of $24 billion will allow approximately 163,757 homeownership opportunities in 2016, which will include both home purchases and the refinancing of existing RHS loans. In addition to the activities and functions specifically described in the budget request, base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

The section 502 single family housing guaranteed loan program (GLP) continues to advance the strategic goal of creating prosperity in rural America by addressing the critical need for credit access in rural areas. The gradual economic recovery has not spurred a material rebound in personal income levels for low and moderate income Americans. Many program-eligible rural households have limited savings; they can support monthly mortgage payments but cannot afford conventional loan terms. Without the USDA loan guarantee, lenders will not consider modifying loan terms, and tens of thousands of creditworthy low and moderate-income households that cannot meet standard down payment requirements would not have homeownership opportunities in FY 2016.

The GLP provides low- and moderate-income borrowers access to mortgage credit by guaranteeing loans issued by Agency-approved private sector lenders. These loans, which require no down payment and have low up-front costs, may finance the full acquisition cost of a property (up to 100 percent of the appraised value), as well as the guarantee fee, which may be added into the loan amount. All program mortgages have 30-year terms and competitive fixed rates which are established by the lender and cannot exceed an Agency-determined cap. This program also provides financing to borrowers seeking to refinance existing USDA guaranteed or direct loans.

To improve program efficiency and risk management, a new feature will be added to the Guaranteed Underwriting System (GUS) that will enable third-party originators, such as mortgage brokers, to initiate loans through GUS. Brokers will be able to assign initial loan submissions to agency-approved sponsoring lenders to complete transactions. This project will also produce a business-to-government (B2G) interface enabling lenders to upload data directly from their systems and databases to GUS instead of keying data into GUS on a loan-by-loan basis. The project will save time and money by increasing the ease with which lenders obtain loan guarantees, and will provide the agency with additional data that can be used in lender monitoring. This process improvement rollout is expected to occur in 2016.

At the Federal level, the GLP participates in the Joint Federal Housing Agencies working group which includes participants from Veteran Affairs, Ginnie Mae, and the Federal Housing Administration. This working group is designed to increase cooperation among Federal housing agencies so that regulations and practices can be aligned and resources pooled whenever possible. Other Federal partnership activities include:

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

This funding also assumes two legislative proposals to make this program better:

1) GUS Fee: This proposal will (1) charge a Guaranteed Underwriting User Fee; and (2) allow the User Fee to be retained for Administrative purposes related to the enhancement and maintenance costs for the Guaranteed Underwriting System (GUS) and supporting systems.

2) Delegated lender authority: This proposal is to provide statutory authority for the section 502 single family housing guaranteed loan program (GLP) to delegate loan approval authority to preferred lenders. This authority is similar to current practices at the Federal Housing Administration (FHA) and Veterans Administration (VA), and is already available in the section 538 multi-family guaranteed loan program statute.

(3) <u>An increase of $13,874,000 for section 515 direct rural rental housing loans ($28,398,000 available in 2015)</u>.

Base funding allows the agency to continue funding both preservation and revitalization of existing multi-family housing in USDA's multi-family direct loan program. Continued base funding is crucial to ensuring the continued success of the multi-family housing program and for building a sound portfolio that will serve rural residents for years to come. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is crucial because:

- The need for low and very low-income housing in rural communities is increasing. Not enough housing is available to meet the current or projected need.
- The portfolio is aging and revitalization funding is crucial to ensuring facilities are safe, sanitary and available.

Base funding will support the agency's objective of providing decent, safe and sanitary housing to rural America. It will also help create stabilizing environments needed for building strong communities, families and supportive networks that allow people to thrive, grow and become fully self-sufficient. Funding will allow RD to preserve and revitalize affordable multi-family housing, allowing families and their communities to enjoy modern housing and build a sense of pride in their neighborhoods.

Recognizing limited funding opportunities within direct loan programs, USDA has focused its multi-family direct loan funding on the revitalization and repair of the section 515 loan portfolio through the multi-family preservation and revitalization demonstration program. The focus on revitalization is consistent with RD's priority of maintaining and servicing its existing housing portfolio.

The budget request increase of $13.9 million consists of a) a base program increase of $1.9 million in program level authority for ongoing program operations and b) $12 million in program level authority for the multi-family housing investment in Strike Force and Promise Zone Initiatives.

RD's primary program partner is the LIHTC program, which provides private equity capital for project preservation and reduces debt service, requiring less rental assistance to support the affordable housing. RD also is collaborating with other agencies, such as HUD and Treasury, to streamline the multi-family housing program requirements of RD, HUD, and LIHTC, and working with the Department of Energy to identify alternative approaches to energy conservation. RHS will also target investment opportunities in areas of need through an emphasis on funding rehabilitation of its rental housing in persistent poverty areas .As does the base funding, increased funding of approximately $13.9 million supports RD's objective to provide decent, safe and affordable housing to rural residents residing in multi-family housing facilities and to create thriving communities.

Funding also supports USDA's Strategic Goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving. This funding will also target RD properties where the Promissory Note is maturing in an effort to retain properties in the portfolio and enable tenants to continue living in affordable housing. Funding will also address high poverty areas and serve to revitalize the MFH portfolio. The Promise Zone and Strike Force initiatives will be used in conjunction with MFH's section 515, Rental Assistance, MPR, and Section 538 Guaranteed Loan programs.

Objectives
RD's investment in these zones will demonstrate the benefits of its funding on needy communities. RD will utilize a mix of tools from its multi-family programs to rehabilitate existing rental housing, develop new affordable housing. The objectives of this demonstration program are:

- Develop and maintain attractive rental housing in areas of need.
- Create public/private partnerships that enhance the impact of RD's investment.
- Provide stability for residents in need of affordable rental housing.

Selected Areas
Under this demonstration, RD will target investment of multi-family housing resources in areas of persistent poverty, indicated by their designation as either Promise Zones or Strike Force areas. To maximize the impact of this investment, funding will be limited to communities in four zones: the Promise Zone of Choctaw Nation in Oklahoma, the Promise and Strike Force zones of Kentucky, and Strike Force zones in Alabama and Arkansas. Specific properties will be selected from eligible applications for the preservation and revitalization programs and the section 538 GLP.

Plan
For the areas selected, the goal is to rehabilitate at least two existing RD rental housing facilities in each area and build at least two new affordable rental housing properties in each area. Approximately 30 properties would be provided incentives to stay in the program in the form of additional units of rental assistance. RD plans to allocate $15 million in budget authority among three programs to achieve this objective: section 515, rental assistance and the MPR program, plus utilization of the section 538 GLP.

New construction - Under this demonstration, RD would make section 515 direct multi-family program funding and rental assistance available to create new affordable family housing for those least able to afford market rate housing. The section 515 direct multi-family loan program will provide up to $12 million in program level for up to two new affordable housing family properties in each of the selected areas.

Funding for the section 515 direct rural rental housing loan program contributes to USDA's Strategic Goal of assisting rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving, by expanding the government's investment in rural America through the preservation and modernization of affordable multi-family housing. A key measure of the program's effectiveness is its use of private capital to support preservation efforts. The section 515 program leverages capital markets, particularly through the use of LIHTC, at a minimum ratio of $3 dollars to every dollar of section 515 funding.

(3) An increase of $50,000,000 for the section 538 guaranteed multi-family housing loans ($150,000,000 available in 2015).

Base funding will allow the guaranteed multi-family housing program to provide a loan guarantee to approved lenders to develop and repair apartments for tenants of very low-, low-, or moderate-income households, elderly, and/or disabled. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

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

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

The section 538 Guaranteed multi-family loan program promotes strategic investment in America's housing infrastructure through leveraging high levels of third-party funding that reduces the size of the section 538 loan in the overall transaction, minimizing the cost of the loan to the project and the impact on tenant rents. Primary program partner is the LIHTC program. RD partners with many State tax credit allocating agencies to include the use of tax credits for rural rental housing preservation and construction in those States' Qualified Allocation Plans. For a $1 invested from section 538 program, the agency can leverage about $5.50 of public-private funding.

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

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

The requested $50 million increase in funding supports the Department's Strategic Goal of assisting rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving. Funding will allow RD to grow the multi-family housing program at a pace consistent with expected program demand, as RD continues program outreach efforts. Increased funding will allow the agency to more effectively address the growing need for new housing and rehabilitation of existing facilities. The total budget request of $200 million in guaranteed loan funding will support the development or rehabilitation of 6,800 units, although the number of units will depend upon the amount of third-party funding leverage and ratio of revitalization to new construction for projects awarded section 538 funding.

Section 538 will play a key role in the Promise Zone and Strike Force Initiatives:

Rehabilitation of existing RD rental housing – The average age of existing section 515 rental housing in the four targeted zones is between 21 and 26 years. This housing desperately needs to be revitalized to meet current needs and provide affordable housing that is a source of pride to its residents and the community at large. RD will allocate revitalization funds for the section 538 program.

New construction - Under this demonstration, RD would make section 538 guaranteed loan funding available to create new affordable family housing for those least able to afford market rate housing. Section 538 will use $7 million in program level for up to four new construction properties. RD will encourage construction in the affected areas by offering an interest credit of up to 2 percentage points to reduce the effective rate of the 538 loans, this interest rate will not affect the subsidy cost for this program. RD will work with appropriate housing authorities and other Federal agencies to provide supplemental funding and/or tenant subsidies to increase the affordability of the housing.

(5) A decrease of $1,000 for the section 504 housing repair loans ($26,279,000 available in 2015).

Base funding for the section 504 housing repair loans are available to very low-income applicants who live in rural areas and own and occupy their dwelling. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of this program is critical because it provides:

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

The single family housing programs will work with public and private agencies, organizations (including Community Development Financial Institutions (CDFI) and philanthropic organizations), and individuals to gather and leverage resources needed to facilitate housing construction and home improvement that will broaden capital investment; promote community involvement and investment; and assure the resilience and sustainability of local economies.

The single family housing programs will explore opportunities to work with the Department of Education and other public and private agencies, organizations, and individuals, to eliminate the structural conditions that reinforce persistent poverty, and to create safe and strong communities that provide children of very-low income families the stable and secure environment they need to thrive.

The budget request of $26,278,000 which will support approximately 4,340 very low-income homeowners in receiving necessary repairs, based on an average loan amount of $6,055.

(6) No change for the section 524 direct site development loans ($5,000,000 available in 2015).

Base funding for the section 524 direct site development loan program provides loans to non-profit entities to purchase and develop land which will be subdivided into adequate building sites and sold on a non-profit basis to low-income families. There is no restriction as to the method of construction (i.e., contractor built or self-help method). In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Requested funding will allow eligible non-profit entities to purchase and develop land for low-income families. It provides another possible source for financing development which may not be available to non-profit groups working in rural areas. This program supports USDA’s Strategic Goal of assisting rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

(7) A decrease of $5,000,000 in funding for the section 523 direct site development loans ($5,000,000 available in 2015).

The budget does not propose funding for this program because demand has declined in recent years. The program originated as a way to help non-profits purchase and develop home sites for low- and moderate-income homebuyers. Developed sites are sold on a nonprofit basis. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

A decrease of $5,000,000 for this program will have little to no impact for self-help providers. The section 523 self-help land development loan program has had very low usage rate over the years, primarily due to the two year term of these loans and the restriction that the method of construction be self-help. With economic and housing volatility most non-profit entities have not been able to develop and sell lots within the two year term and they have been unwilling to commit to these funds should their self-help program cease to operate.

(8) No change in funding for single family housing credit sales ($10,000,000 available in 2015).

Base funding of $10 million supports the sale of Real Estate Owned (REO) properties. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Single family housing credit sales provide funding for the purchase of agency REO properties. Credit terms are offered when the buyer is not eligible for section 502 assistance or the property does not qualify as a program property. This funding will allow agency staff to expedite the sale and dispose of REO properties, thereby, saving the government the cost of maintaining these properties.

(9) An increase of $252,000 for section 514 farm labor housing loans ($23,602,000 available in 2015).

Base funding for the section 514 farm labor housing loans will allow the agency to continue providing decent, safe, and sanitary housing for farmers for small, on-farm housing or off-farm multi-family developments. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

- It provides a safe environment for hard-working residents in rural America.
- It fosters the growth of families, communities and the economy.

Base funding supports new construction and rehabilitation of farmworker rural rental housing and provide support to communities with agricultural or food processing industries as they work to increase local economic prosperity.

The use of third-party funds and section 516 farm labor housing grants provides additional leverage to minimize the cost of new construction, and allows the projects to maintain rents at affordable levels. A key program used to access capital markets to leverage RD's sections 514 and 516 funding is the LIHTC program. A few States also provide assistance through grant programs designed to attract farm labor housing development opportunities; RD works very closely with those States to coordinate efforts. For each dollar invested, RHS leveraged 2.1.

As does the base funding, increased funding of $252,000 supports RD's objective to provide decent, safe and affordable housing to rural residents residing in multi-family housing facilities and to create thriving communities. Funding also supports USDA's Strategic Goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

(10) No change in funding for section 516 farm labor housing grants ($8,336,000 available in 2015).

Base funding for the section 516 farm labor housing grant program will provide farmworkers with decent, safe, and sanitary housing for off-farm multi-family farm labor housing developments. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

- It provides a safe environment for hard-working residents in rural America.
- It fosters the growth of families, communities and the economy.

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

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

Base funding in the section 516 program will work in combination with section 514 loans to provide approximately 840 units of farmworker housing.

(11) A decrease of $4,019,000 in direct loan subsidy ($87,507,000 available in 2015).

The decrease in subsidy budget authority is related primarily to the decrease in the subsidy rates. The subsidy amount is necessary to support the estimated loan obligations associated with the requested 2016 loan levels for the programs.

Summary of Proposed Legislation

Program: Section 502 Single Family Housing Guaranteed Loan Program

Proposal: This proposal will: (1) charge a Guaranteed Underwriting User Fee; and (2) allow the User Fee to be retained for Administrative purposes related to the enhancement and maintenance costs for the Guaranteed Underwriting System (GUS) and supporting systems.

Rationale: This proposal will support the cost of developing and maintaining the Single Family Housing Guaranteed Loan Program (SFHGLP) automated underwriting platform and enable the program to continue to be effectively administered irrespective of recent-year staffing reductions. GUS development, which is necessary for sound portfolio risk management, creates operational efficiencies that support both field staff and private sector lenders. The platform enables faster underwriting and promotes higher portfolio loan quality. Important program improvements supported by the fee will include the delegation of underwriting to preferred lenders, and the automated enforceability of a GUS participation requirement. The fee will also ensure the underwriting system incorporates current technological capabilities, including enhanced loan and lender oversight, metrics, and programmatic controls.

The agency believes no user fee revenue will be realized until 2018. Due to the complexity associated with required system enhancements and the completion of prerequisite projects (GUS broker access and system integration), the estimated time for development and user-acceptance testing is two years. During that period, systems will be readied for implementation and regulation requiring the use of GUS will be cleared. These are essential preliminary steps. GUS user fees will not be collected from lenders during this time. The user fee project will be funded within RD's base appropriations for salaries and expenses.

The fees will be similar to those paid by lenders using Freddie Mac and Fannie Mae and other lender/investor underwriting systems. The critical process efficiencies they support will allow USDA staff to allocate the necessary time and resources to the most complex underwriting decisions.

Goal: The goal of this proposal is to ensure that GUS capability keeps pace with changing industry standards so the 502 Guaranteed program, through ongoing technology enhancements, benefits from superior risk management, improved program oversight and more efficient application processing.

Legislative Language: The proposed language for the GUS fee that will be put forward is:

The Secretary may charge a fee for lenders to access Department loan guarantee systems in connection with such lenders' participation in loan guarantee programs of the Rural Housing Service: Provided, That the funds collected from such fees shall be made available to the Secretary without further appropriation and such funds shall be deposited into the Rural Development Expense Account and shall remain available until expended for obligation and expenditure by the Secretary for information technology enhancements, improvements, maintenance and development for GUS and section 502 automated underwriting systems, and not for salaries or other purposes. Provided further, That such fees collected shall not exceed $50 per loan.

Budget Impact: At implementation, it is expected that a fee of between $25 and $50 will provide sufficient support for early system development. Further refinement of the platform to improve capability and efficiency in the future may result in increased development and enhancement costs that require the fee structure flexibility proposed. Collections for the first two years are based on a fee of $25.

	2015	2016	2017	2018	2019
Discretionary Budget Authority	$0	$0	$0	$3.9M	$3.9M
Discretionary Outlays	$0	$0	$0	+$3.9M	+$3.9M

Summary of Proposed Legislation

Program:	Section 502 Single Family Housing Guaranteed Loan Program – Delegated Lender Authority
Proposal:	This proposal is to provide statutory authority for the section 502 single family housing guaranteed loan program (GLP) to delegate loan approval authority to preferred lenders. This authority is similar to current practices at the Federal Housing Administration (FHA) and the Veterans Administration, and is already available in the section 538 multi-family guaranteed loan program statute.
Rationale:	Reductions to Rural Development's salaries and expense have significantly reduced staffing nationwide. The GLP, which is now a negative subsidy program as a result of a fee schedule restructuring, has grown from a commitment authority of approximately $3 billion in 2007 to its current level of $24 billion. The importance of maintaining the GLP is evident. Low and moderate-income rural households rely on the GLP to secure affordable housing. Commercial lending institutions are reluctant to extend mortgage credit absent support from the government. Many other industries benefit as well, including realtors, construction workers, landscapers, home improvement specialists, title closers, real estate appraisers, and others participating in the housing industry. With delegated lender authority, the average loan closing time will be improved. The time-savings benefits will extend both to "Preferred" (i.e., delegation-authorized) lenders, who will not have to await RHS loan approval, and to traditional lenders, who will see fewer loans in the queue for RHS to approve. This will also provide some relief to borrowers who must adhere to specific timeframes throughout the loan-making process as, for example, when locking into an interest rate for 60 days. In addition, this authority will enable RHS staff to focus on approving remaining loans. This change will also allow RHS to engage in what is considered a "best practice" for Federal home loan guarantee programs, and it will better align RHS operationally with the Veterans Administration and FHA. To ensure the risk mitigation benefits of this best practice, RHS will require that: (i) only lenders with proven track records be delegated lending authority; (ii) all loans be approved through the Guaranteed Underwriting System (GUS) which evaluates credit; and (iii) the agency conduct post-closing reviews of a statistically meaningful sample of loans to ensure lender compliance with program origination requirements.
Goal:	To delegate loan approval authority to preferred lenders while continuing to closely supervise other lenders participating in the GLP.
Legislative language:	General Provision Language: <u>Section 723. In carrying out subsection (h) of section 502 of the Housing Act of 1949 (42 U.S.C. 1472(h)), the Secretary may use the authority described in subsections (h) and (j) of section 538 of such Act (42 U.S.C. 1490p-2(h) and (j)).</u>
Budget Impact:	None.

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

State/Territory	2013 Actual Amount	2014 Actual Amount	2015 Estimate Amount	2016 Estimate Amount
Alabama	$17,216	$13,559	-	-
Alaska	8,947	10,849	-	-
Arizona	8,161	10,457	-	-
Arkansas	18,039	11,447	-	-
California	70,279	65,241	-	-
Colorado	12,287	17,944	-	-
Connecticut	4,179	3,200	-	-
Delaware	5,968	6,289	-	-
Florida	20,710	24,748	-	-
Georgia	11,456	10,820	-	-
Hawaii	12,020	10,626	-	-
Idaho	10,736	7,393	-	-
Illinois	21,190	18,583	-	-
Indiana	23,865	20,876	-	-
Iowa	8,536	6,029	-	-
Kansas	9,601	7,691	-	-
Kentucky	26,339	25,828	-	-
Louisiana	16,181	21,739	-	-
Maine	22,197	27,622	-	-
Maryland	3,714	7,278	-	-
Massachusetts	6,035	7,923	-	-
Michigan	22,553	23,352	-	-
Minnesota	13,286	13,480	-	-
Mississippi	21,554	25,142	-	-
Missouri	21,263	22,264	-	-
Montana	14,686	5,577	-	-
Nebraska	4,804	2,547	-	-
Nevada	6,787	10,209	-	-
New Hampshire	8,828	10,063	-	-
New Jersey	8,221	7,816	-	-
New Mexico	15,467	16,181	-	-
New York	15,628	12,761	-	-
North Carolina	31,631	39,167	-	-
North Dakota	5,531	3,677	-	-
Ohio	27,248	17,586	-	-
Oklahoma	16,278	10,135	-	-
Oregon	6,111	9,670	-	-
Pennsylvania	19,894	17,232	-	-
Rhode Island	3,945	2,030	-	-
South Carolina	21,530	27,812	-	-
South Dakota	7,050	8,250	-	-
Tennessee	23,205	19,503	-	-
Texas	50,414	44,247	-	-
Utah	26,712	37,759	-	-
Vermont	6,326	7,378	-	-
Virginia	8,328	9,475	-	-
Washington	34,502	20,885	-	-
West Virginia	10,465	5,455	-	-
Wisconsin	16,135	16,100	-	-
Wyoming	3,668	3,438	-	-
Guam	3,429	8,410	-	-
Puerto Rico	11,208	11,481	-	-
Virgin Islands	1,969	2,194	-	-
Other Countries	848	681	-	-
Undistributed	-	-	$900,000 a/	$900,000 a/
Obligations	827,165	808,101	900,000	900,000
Lapsing Balances	12,924	1,369	-	-
Total, Available	840,090	809,470	900,000	900,000

a/ Totals cannot be distributed at this time.

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

State/Territory	2013 Actual Amount	2014 Actual Amount	2015 Estimate Amount	2016 Estimate Amount
Alabama	$528,189	$432,632	-	-
Alaska	81,490	67,730	-	-
Arizona	451,571	382,669	-	-
Arkansas	464,512	392,007	-	-
California	892,191	658,141	-	-
Colorado	318,660	313,382	-	-
Connecticut	168,069	139,034	-	-
Delaware	158,841	124,316	-	-
Florida	817,891	668,418	-	-
Georgia	560,287	525,813	-	-
Hawaii	326,976	223,347	-	-
Idaho	252,745	220,311	-	-
Illinois	461,361	369,392	-	-
Indiana	594,028	540,934	-	-
Iowa	269,086	240,685	-	-
Kansas	216,158	147,276	-	-
Kentucky	532,570	492,924	-	-
Louisiana	820,275	694,047	-	-
Maine	322,934	268,786	-	-
Maryland	550,402	450,630	-	-
Massachusetts	272,538	217,583	-	-
Michigan	769,362	719,648	-	-
Minnesota	575,272	502,958	-	-
Mississippi	405,881	327,722	-	-
Missouri	650,687	576,834	-	-
Montana	243,855	210,739	-	-
Nebraska	124,229	104,447	-	-
Nevada	142,720	125,028	-	-
New Hampshire	180,892	148,412	-	-
New Jersey	283,756	224,098	-	-
New Mexico	61,751	48,190	-	-
New York	278,959	256,750	-	-
North Carolina	1,169,789	879,867	-	-
North Dakota	64,251	57,080	-	-
Ohio	556,490	481,549	-	-
Oklahoma	329,192	281,798	-	-
Oregon	503,073	419,175	-	-
Pennsylvania	771,475	684,169	-	-
Rhode Island	46,091	31,724	-	-
South Carolina	610,679	542,557	-	-
South Dakota	195,359	188,303	-	-
Tennessee	846,124	817,727	-	-
Texas	1,134,561	926,895	-	-
Utah	445,398	398,450	-	-
Vermont	114,166	88,884	-	-
Virginia	664,846	619,750	-	-
Washington	733,370	581,833	-	-
West Virginia	272,566	242,954	-	-
Wisconsin	486,522	414,611	-	-
Wyoming	262,027	245,182	-	-
Guam	8,071	8,569	-	-
Puerto Rico	357,573	324,116	-	-
Virgin Islands	703	489	-	-
Undistributed	-	-	$24,000,000 a/	$24,000,000 a/
Obligations	22,350,462	19,050,563	24,000,000	24,000,000
Lapsing Balances	1,649,538	4,949,437	-	-
Total, Available	24,000,000	24,000,000	24,000,000	24,000,000

a/ Totals cannot be distributed at this time.

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

State/Territory	2013 Actual Amount	2014 Actual Amount	2015 Estimate Amount	2016 Estimate Amount
Alabama	-	$8,105	-	-
Connecticut	$380	468	-	-
Florida	3,026	-	-	-
Illinois	255	2,082	-	-
Indiana	333	-	-	-
Iowa	263	-	-	-
Kansas	-	924	-	-
Kentucky	703	1,268	-	-
Louisiana	-	368	-	-
Maine	504	-	-	-
Maryland	525	276	-	-
Massachusetts	2,082	493	-	-
Michigan	2,929	-	-	-
Montana	506	-	-	-
New Jersey	5,040	1,040	-	-
New York	3,867	2,655	-	-
North Carolina	5,467	-	-	-
North Dakota	443	-	-	-
Ohio	1,004	1,712	-	-
Oregon	-	893	-	-
South Carolina	-	4,200	-	-
Tennessee	1,359	-	-	-
Vermont	-	1,901	-	-
Wisconsin	-	388	-	-
Wyoming	447	447	-	-
Undistributed	-	-	$28,398 a/	$42,271 a/
Obligations	29,135	27,219	28,398	42,271
Lapsing Balances	60	1,213	-	-
Total, Available	29,195	28,432	28,398	42,271

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

State/Territory	2013 Actual Amount	2014 Actual Amount	2015 Estimate Amount	2016 Estimate Amount
Alabama	-	$2,493	-	-
Arizona	-	968	-	-
California	$21,240	18,833	-	-
Georgia	-	15,825	-	-
Idaho	2,250	-	-	-
Indiana	224	-	-	-
Kansas	-	500	-	-
Kentucky	2,814	-	-	-
Louisiana	-	1,160	-	-
Maryland	1,420	4,496	-	-
Michigan	3,150	650	-	-
Nebraska	807	-	-	-
New Jersey	-	5,000	-	-
North Carolina	3,655	5,996	-	-
North Dakota	1,607	19,339	-	-
Ohio	1,000	4,577	-	-
Oklahoma	-	2,099	-	-
Oregon	-	7,850	-	-
South Carolina	460	12,240	-	-
South Dakota	-	1,226	-	-
Tennessee	1,763	8,875	-	-
Texas	10,079	17,664	-	-
Virginia	-	2,223	-	-
West Virginia	1,759	2,115	-	-
Wyoming	-	2,035	-	-
Undistributed	-	-	$150,000 a/	$200,000 a/
Obligations	52,227	136,162	150,000	200,000
Lapsing Balances	97,773	13,838	-	-
Total, Available	150,000	150,000	150,000	200,000

a/ Totals cannot be distributed at this time.

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

State/Territory	2013 Actual Amount	2014 Actual Amount	2015 Estimate Amount	2016 Estimate Amount
Alabama	$491	$647	-	-
Alaska	13	50	-	-
Arizona	33	92	-	-
Arkansas	257	132	-	-
California	129	56	-	-
Colorado	3	10	-	-
Connecticut	59	35	-	-
Delaware	10	2	-	-
Florida	336	290	-	-
Georgia	320	313	-	-
Hawaii	119	97	-	-
Idaho	63	72	-	-
Illinois	893	959	-	-
Indiana	302	378	-	-
Iowa	331	244	-	-
Kansas	172	77	-	-
Kentucky	1,443	1,217	-	-
Louisiana	484	476	-	-
Maine	351	283	-	-
Maryland	63	83	-	-
Massachusetts	31	45	-	-
Michigan	607	542	-	-
Minnesota	401	241	-	-
Mississippi	714	998	-	-
Missouri	484	537	-	-
Montana	56	3	-	-
Nebraska	42	56	-	-
Nevada	72	98	-	-
New Hampshire	215	255	-	-
New Jersey	49	22	-	-
New Mexico	185	177	-	-
New York	202	188	-	-
North Carolina	991	1,052	-	-
North Dakota	40	54	-	-
Ohio	272	241	-	-
Oklahoma	187	132	-	-
Oregon	85	30	-	-
Pennsylvania	314	157	-	-
Rhode Island	4	15	-	-
South Carolina	382	551	-	-
South Dakota	71	123	-	-
Tennessee	458	489	-	-
Texas	866	766	-	-
Utah	58	66	-	-
Vermont	134	140	-	-
Virginia	201	117	-	-
Washington	144	60	-	-
West Virginia	371	208	-	-
Wisconsin	293	325	-	-
Wyoming	17	11	-	-
Guam	389	7	-	-
Puerto Rico	129	149	-	-
Other Countries	-	437	-	-
Undistributed	-	-	$26,279 a/	$26,278 a/
Obligations	14,335	13,806	26,279	26,278
Lapsing Balances	6	475	-	-
Total, Available	14,341	14,280	26,279	26,278

a/ Totals cannot be distributed at this time.

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

State/Territory	2013 Actual Amount	2014 Actual Amount	2015 Estimate Amount	2016 Estimate Amount
Undistributed......................	-	-	$5,000 a/	$5,000 a/
Obligations......................	-	-	5,000	5,000
Lapsing Balances................	-	$5,000	-	-
Total, Available................	-	5,000	5,000	5,000

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

State/Territory	2013 Actual Amount	2014 Actual Amount	2015 Estimate Amount	2016 Estimate Amount
Undistributed......................	-	-	$5,000 a/	-
Obligations......................	-	-	5,000	-
Lapsing Balances................	$5,000	$5,000	-	-
Total, Available................	5,000	5,000	5,000	-

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

State/Territory	2013 Actual Amount	2014 Actual Amount	2015 Estimate Amount	2016 Estimate Amount
Florida................................	$64	$19	-	-
Idaho...................................	126	182	-	-
Illinois.................................	-	21	-	-
Oregon................................	358	643	-	-
Washington.........................	105	95	-	-
Undistributed......................	-	-	$10,000 a/	$10,000 a/
Obligations......................	653	960	10,000	10,000
Lapsing Balances................	9,347	9,040	-	-
Total, Available................	10,000	10,000	10,000	10,000

a/ Totals cannot be distributed at this time.

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

State/Territory	2013 Actual Amount	2014 Actual Amount	2015 Estimate Amount	2016 Estimate Amount
Arkansas	$533	$282	-	-
California	8,500	20,995	-	-
Colorado	2,000	2,250	-	-
Illinois	1,456	-	-	-
Kansas	500	-	-	-
Michigan	134	147	-	-
Mississippi	-	1,533	-	-
New Jersey	325	-	-	-
New Mexico	-	4,053	-	-
Oregon	3,000	1,000	-	-
Vermont	125	-	-	-
Virginia	-	1,000	-	-
Washington	2,308	2,400	-	-
Undistributed	-	-	$28,065 a/	$27,296 a/
Obligations	18,881	37,659	28,065	27,296

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

State/Territory	2013 Actual Amount	2014 Actual Amount	2015 Estimate Amount	2016 Estimate Amount
Arizona	$128	-	-	-
California	2,346	-	-	-
Colorado	1,250	$3,174	-	-
Florida	-	3,000	-	-
Kansas	965	-	-	-
Michigan	1,209	-	-	-
Mississippi	-	1,162	-	-
New Mexico	210	-	-	-
North Carolina	250	-	-	-
Oregon	3,004	2,000	-	-
Virginia	-	1,000	-	-
Washington	193	2,600	-	-
Undistributed	-	-	$12,010 a/	$10,792 a/
Obligations	9,555	12,936	12,010	10,792

a/ Totals cannot be distributed at this time.

Classification by Objects
(Dollars in thousands)

		2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
25.0	Other purchases of goods and services from government accounts	$383,293	$415,100	$415,100	$419,530
41.0	Grants, subsidies, and contributions	77,438	51,361	100,954	95,259
99.9	Total, new obligations	460,731	466,461	516,054	514,789

RURAL HOUSING SERVICE

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

<u>Rental Assistance Program</u>

For rental assistance agreements entered into or renewed pursuant to the authority under section 521(a)(2) or
agreements entered into in lieu of debt forgiveness or payments for eligible households as authorized by
section 502(c)(5)(D) of the Housing Act of 1949, [$1,088,500,000]<u>$1,171,900,000</u>; and, in addition, such
sums as may be necessary, as authorized by section 521(c) of the Act, to liquidate debt incurred prior to fiscal
year 1992 to carry out the rental assistance program under section 521(a)(2) of the Act: *Provided*, That rental
1 assistance agreements entered into or renewed during the current fiscal year shall be funded [for a 1-year
period] <u>up to one year</u>: *Provided further*, That rental assistance contracts will not be renewed within the 12-
2 month contract period: <u>*Provided further*, That rental assistance will be renewed at the discretion of the</u>
3 <u>Secretary: *Provided further*, That tenants in projects financed under section 514 and 515 shall contribute a</u>
<u>minimum of $50 per month towards the rent, as determined by the Secretary, unless the Secretary determines</u>
<u>a lower amount because the tenant qualifies for a hardship exemption, which shall, to the extent possible and</u>
<u>practical, be consistent with similar hardship exemption requirements and conditions established by the</u>
<u>Secretary of Housing and Urban Development for similar programs</u>: *Provided further*, That any unexpended
balances remaining at the end of such 1-year agreements may be transferred and used for the purposes of any
debt reduction; maintenance, repair, or rehabilitation of any existing projects; preservation; and rental
assistance activities authorized under title V of the Act: *Provided further*, That rental assistance provided
4 under agreements entered into prior to fiscal year [2015]<u>2016</u> for a farm labor multi-family housing project
financed under section 514 or 516 of the Act may not be recaptured for use in another project until such
assistance has remained unused for a period of 12 consecutive months, if such project has a waiting list of
tenants seeking such assistance or the project has rental assistance eligible tenants who are not receiving such
assistance: *Provided further*, That such recaptured rental assistance shall, to the extent practicable, be applied
to another farm labor multi-family housing project financed under section 514 or 516 of the Act.

<u>The first change</u> changes the required timeframe for which the contracts must be renewed. (Funding is based on an assumed contract for 12 months.)

<u>The second change</u> authorizes the Secretary to prioritize funding to the properties where the need may surpass that of other properties.

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

<u>The fourth change</u> modifies the fiscal year from 2015 to 2016 concerning the recapture limitations on rental assistance agreements made for the farm labor multi-family housing projects financed under section 514 or 516 of the Housing Act of 1949, as amended.

RURAL HOUSING SERVICE

RENTAL ASSISTANCE PROGRAM

Lead-Off Tabular Statement

Budget Estimate, 2016	$1,171,900,000
2015 Enacted	-1,088,500,000
Change in Appropriation	+83,400,000

Summary of Increases and Decreases

(Dollars in thousands)

Program	2013 Actual	2014 Change	2015 Change	2016 Change	2016 Estimate
Discretionary Appropriations:					
Rental assistance (sec. 521)	$835,989	+$274,011	-$21,500	+$83,400	$1,171,900
Rental assistance - new construction (sec. 514/516)	+1,065	-1,065	-	-	-
Total	837,054	+272,946	-21,500	+83,400	1,171,900

RURAL HOUSING SERVICE

RENTAL ASSISTANCE PROGRAM

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

Program	2013 Actual Amount	SYs	2014 Actual Amount	SYs	2015 Enacted Amount	SYs	Inc. or Dec. Amount	SYs	2016 Estimate Amount	SYs
Discretionary Appropriations:										
Rental assistance (sec.521)...	$835,989	-	$1,110,000	-	$1,088,500	-	+$83,400 (1)	-	$1,171,900	-
Rental assistance - new construction (sec. 514/516)............	+1,065	-	-	-	-	-	-	-	-	-
Total Adjusted Approp...	837,054	137	1,110,000	135	1,088,500	145	+83,400	-1	1,171,900	144
Rescissions, Transfesr, and Seq. (Net)................................... a/b/	70,074	-	-	-	-	-	-	-	-	-
Total Appropriation...	907,128	137	1,110,000	135	1,088,500	145	+83,400	-1	1,171,900	144
Rescission.. a/	-24,565	-	-	-	-	-	-	-	-	-
Sequestration.. b/	-45,509	-	-	-	-	-	-	-	-	-
Total Available...	837,054	137	1,110,000	135	1,088,500	145	+83,400	-1	1,171,900	144
Lapsing Balances..	-	-	-87	-	-	-	-	-	-	-
Total Obligations...	837,054	137	1,109,913	135	1,088,500	145	+83,400	-1	1,171,900	144

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

Program	2013 Actual Amount	SYs	2014 Actual Amount	SYs	2015 Estimate Amount	SYs	Inc. or Dec. Amount	SYs	2016 Estimate Amount	SYs
Discretionary Obligations:										
Rental assistance (sec. 521)...	$835,989	-	$1,109,913	-	$1,088,500	-	+$83,400 (1)		$1,171,900	-
Rental assistance - new construction (sec. 514/516)............	+1,065	-	-	-	-	-	-	-	-	-
Total Obligations...	837,054	137	1,109,913	135	1,088,500	145	+83,400	-1	1,171,900	144
Lapsing Balances..	-	-	87	-	-	-	-	-	-	-
Total Available...	837,054	137	1,110,000	135	1,088,500	145	+83,400	-1	1,171,900	144
Rescission.. a/	24,565	-	-	-	-	-	-	-	-	-
Sequestration.. b/	45,509	-	-	-	-	-	-	-	-	-
Total Appropriation...	907,128	137	1,110,000	135	1,088,500	145	+83,400	-1	1,171,900	144

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

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

Justification of Increases and Decreases

(1) An increase of $83,400,000 for section 521 rental assistance program grants ($1,088,500,000 available in 2015).

Base funding for the rental assistance (RA) program will continue to provide assistance to eligible tenants residing in section 515 and section 514/516 assisted housing so they pay no more than 30 percent of their adjusted incomes for rent. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

The average RA agreement provides approximately $4,603 per unit per year in assistance, although the actual amount varies depending on many factors, including each tenant's income. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

- RA is vital to beneficiaries as it provides tenants with financial support needed to remain in their home, providing a stable home life to support the tenant and their family.
- Housing stability is critical to elderly and disabled tenants without the means to otherwise live on their own.
- It helps to house residents who may otherwise be homeless.
- It will allow Rural Development (RD) to continue working collaboratively with other agencies to search for ways to increase opportunities for tenants to improve their skill sets to obtain more rewarding employment, while maintaining a secure home life.

Base funding will support the agency's objective of providing decent, safe and sanitary housing to rural America. It will also help create stabilizing environments needed for building strong communities, families and supportive networks that allow people to thrive, grow and, where possible, become fully self-sufficient.

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

The request of $1.172 billion funds anticipated renewals of long-term rental assistance contracts that are expected to need funding in 2016. Renewal need estimates are based on prior year RA usage, with an adjustment for inflation based on the Consumer Price Index (CPI) unadjusted year over year increase in shelter costs. The CPI shelter cost line item appropriately reflects cost increases incurred at multi-family properties. The total budget request of approximately $1.172 billion will provide funding for 254,595 units.

Funding reflects savings in 2016 from implementation of a minimum rent of $50 per month and the elimination of re-renewals of RA agreements that exhaust funding within 12 months of the agreement being funded. These actions are consistent with HUD.

The increase of $83.4 million consists of: a) a base program increase of $78.5 million for ongoing program operations; and b) $4.9 million increase for the multi-family housing investment in Strike Force and Promise Zone Areas Initiative. Funding supports RD's objective to provide decent, safe and affordable housing to rural residents residing in multi-family housing facilities and to create thriving communities. Funding also supports USDA's Strategic Goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

Multi-Family demonstration:
The $4.9 million increase will be used to demonstrate that an investment of multi-family housing loans, grants and rental assistance can create successful community development in areas of critical need such Promise Zones and Strike Force areas. This proposal will also demonstrate that RD's partnerships with public and private investment can generate jobs, while continuing to provide affordable housing, addressing high poverty areas, and revitalizing the MFH portfolio.

The MFH program started an initiative in 2006 to revitalize an aging portfolio of properties. Since the Section 515 loan program started in the last 1970s, many properties are now coming up on the natural maturity date of those loans. If properties leave the RD portfolio, the lower rents afforded by RD financing and the rent subsidy provided by Rental Assistance are no longer available for tenants' benefit. In an effort to keep properties in the portfolio, continuing assisting very low income rural residents, and, very importantly, provide physical improvements and updates to these older properties, MFH proposed this demonstration program, described below.

Objectives
RD's investment in these zones will demonstrate the benefits of its funding on needy communities. RD will utilize a mix of tools from its multi-family programs to rehabilitate existing rental housing, and develop new affordable housing.

The objectives of this demonstration program are:

- Develop and maintain attractive rental housing in areas of need.
- Create public/private partnerships that enhance the impact of RD's investment.
- Provide stability for residents in need of affordable rental housing.

Selected Areas
Under this demonstration, RD will target the value of its investment of multi-family housing resources in areas of persistent poverty, indicated by their designation as either Promise Zones or StrikeForce areas. This demonstration program aims to further USDA's goal of partnering and investing in communities with persistent poverty to create jobs, leverage private investment, increase economic activity, expand educational opportunities, and improve public safety. To maximize the impact of this investment, funding will be limited to communities in four zones: the Promise Zone of Choctaw Nation in Oklahoma, the Promise and Strike Force zones of Kentucky, and Strike Force zones in Alabama and Arkansas. Specific properties will be selected from eligible applications for the preservation and revitalization program and the section 538 guaranteed loan programs.

Plan
RD plans to invest in each of the identified Promise Zones and Strike Force areas. The goal is to rehabilitate at least two existing RD rental housing facilities in each area and build at least two new affordable rental housing property in each area. Approximately 30 properties would be provided incentives to stay in the program in the form of additional units of rental assistance. RD plans to allocate $15 million in budget authority among the following three programs to achieve these objectives: section 515, RA and the multi-family preservation and revitalization demonstration program (MPR).

Rehabilitation of existing RD rental housing - The average age of existing section 515 rental housing in the four targeted zones is between 21 and 26 years. This housing desperately needs to be revitalized to meet current needs and provide affordable housing that is a source of pride to its residents and the community at large. Revitalization often includes the need for additional rental assistance to pay for the increased cost of new loans. RD will provide up to $1 million to pay for the additional cost. This additional RA will also be used to provide exactly 217 new units of assistance to encourage borrowers to participate in the demonstration.

New construction - Under this demonstration, RD would make section 515 funding and RA available to create new affordable family housing for those least able to afford market rate housing. To ensure the success of these new properties, RD will provide RA to subsidize the low and very low income residents.

Rental assistance - $1.4 million in program authority ($1.4 million in budget authority) for 100 percent RA for each of the newly constructed section 515 properties, plus additional assistance to pay for a tenant services coordinator focused on finding job training, educational, and self-sufficiency opportunities for the tenants. The RA will provide one year of subsidy for the 256 estimated tenants at the eight new properties (at $4,600 per unit in annual RA).

Rental Assistance incentives - The cheapest way to maintain affordable housing in needy communities is to retain the housing that already exists. Many of the properties in the areas targeted in this demonstration are eligible to prepay their loans and convert to market rent housing. If they do so, the current tenants in need of affordable housing would be displaced. An effective way to retain the affordable housing is to provide the owners with incentives in the form of additional units of RA. RD will use up to $2.5 million to provide an additional 542 units of RA to owners with the potential to prepay their section 515 loans. In exchange, the owners will agree to maintain these units with affordable housing restrictions for 20 more years.

RA Sustainability Plan

As part of its effort to develop a long-term plan for sustainability of the RA program, RHS will identify proactive management strategies to be applied that will address the full range of issues and challenges facing the housing portfolio. Example issues and challenges to be included in the plan may be the natural maturation of loans within the portfolio; the varied condition of properties; the focus on housing needs in areas of persistent poverty; and consideration given to properties in different location settings — rural/suburban/ urban. Implementation of this plan may require the ongoing provision of RA for tenants in properties where the RD mortgage is maturing or additional RA is needed to support rehabilitation financing. Additional funding is included in this request to support these potential initiatives.

RD is re-proposing programmatic changes designed to improve program performance, efficiencies and effectiveness. Program changes are expected to help create a strong portfolio of housing that will meet the housing needs of generations to come. Changes include:

Rental Assistance Payments: RA is a rent subsidy program for the benefit of tenants in RD-financed multi-family housing properties. RA pays the difference between the rent and the tenant's contribution to rent. About 85 percent of all multi-family housing (MFH) properties financed by section 515 have RA, and approximately 285,000 tenants receive the benefit.

The RA budget consists of funds to replenish money for agreements expected to exhaust funds in the upcoming year. RA agreements are funded based on projected needs for one year, although about three percent of all agreements exhaust funding in less than a year.

In 2013, RD was unable to fund RA agreement renewals in September after program funding was expended due to sequestration. As a result, the agency undertook a strategic review of the overall RA program to develop a long-term strategy that will ensure the sustainability of this program. The annual amount of renewal needs has exceeded $1 billion. Program costs continue to increase due to regular rent increases, routine renewals, and multi-year agreements coming up for renewal. In order to develop a sustainable program within reasonable budgetary projections, the agency began implementing a wide-range of measures designed to manage program costs.

The 2016 budget continues various changes through appropriations language, which will provide increased management flexibility and embarks on a larger effort to reengineer the program. The agency is also seeking authority to better manage the program in times of reduced budgetary funding or funding uncertainty such as continuing resolutions (CRs). Adding the flexibility for renewal amounts and timing will extend available funding to as many properties as possible.

These legislative changes will ensure the RA program continues to provide a safety net to assist the neediest rural residents and the program's long-term sustainability. The budget includes five legislative changes through the appropriation language. Four of these changes will also be requested in tandem with legislative proposals that will make those same authorities included in permanent law. Proposals relating to the rental assistance program are as follows:

Selective Renewals Authority:

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

- Properties that include other Federal funding sources.
- All farm labor housing properties.
- Properties located in rural areas.
- Properties where more than 50 percent of the units are covered by RA.
- Only RA units used within the prior 12 months will be renewed.

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

Authority to Require a Minimum Rent:

The agency evaluated the tenant base of 439,000 residents in the section 515 direct loan properties and approximately 42,300 households pay between $0 and $50 per month toward rent. Requiring these households to pay a minimum of $50 a month will reduce the amount of RA subsidy needed to fill the rent payment gap between the amount of the rent and the tenant contribution. This authority is similar to authorities for like rental assistance programs in HUD.

HUD instituted a minimum rent requirement in 2000. The amount of HUD's minimum rent varies by HUD program type, but is in the $25 to $50 range. RD is seeking authority to implement a minimum rent amount of $50 a month for its section 515 and section 514/516 farm labor housing programs. HUD's minimum rent guidelines provide hardship exemptions for applicants and tenants who cannot pay the minimum, and eviction of tenants is prohibited if they are unable to pay the minimum rent. The agency intends to adopt similar exceptions including exemptions for hardship cases. The agency believes this change will reduce the burden on the rental assistance program, better ensure program funds will be available for all rental assistance agreements that need to be renewed, and foster tenant responsibility for program residents. The agency also believes this change will encourage financial responsibility in tenants, increasing their opportunity for success on the path to homeownership, a major goal of RD's programs.

MFH estimates that the first year a minimum rent requirement is introduced, RHS will save approximately $5 million. Because the minimum rent provision will need to be incorporated into tenants' annual leases, the initial savings is small. Once fully implemented, RD could save $20 million per year.

Improved Income Verification and Fraud Prevention:

Include a general provision that authorizes the Secretary of Agriculture to obtain the same authorities granted to the Secretary of HUD for income verification information from the Internal Revenue Service and the Department of Health and Human Services to be used in USDA's means-tested multi-family and single-family housing programs.

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

These authorities will also be a successful strategy for complying with the Improper Payments Elimination and Recovery Act, signed on July 24, 2010. Using and sharing relevant, reliable, and timely information will help to reduce the number of improper payments made, including both payments that should not have been made or were made for incorrect amounts.

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

Partial Year Funding:

The 2016 appropriations language does not set a required timeframe for which RA contracts must be renewed. While the 2016 budget request still assumes all renewals on a 12-month basis, the removal of the timeframe as a requirement will ensure flexibility when determining the amount of renewal funding, in times such as when the Federal government is operating on a short term CR, sequester, and other budget uncertainties. With this authority, the agency can ultimately continue to meet its mission of providing affordable housing to residents in times of funding shortages.

Summary of Proposed Legislation

Program: Rental Assistance Program – Selective Renewal of Rental Assistance (RA) Agreements

Proposal: The Rural Housing Service is seeking authority to selectively renew RA agreements during Continuing Resolutions and uncertain budget situations. The agency will clearly establish priority order of funding in situations similar to the recent sequestration, when funding was substantially reduced. Current appropriation language required the agency to provide full funding (one year's estimate of need) to agreements on a first-come-first-served basis, until all Rental Assistance funds are expended. The agency had no ability to prioritize or determine renewals for properties where the need may surpass that of other properties.

Rationale: This authority will provide Rural Development with some fiscal relief in the short term should the agency be again be faced with a funding shortage. Priority funding may be based on one or more of the following selection criteria:

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

There is no existing statutory or regulatory language that addresses this issue.

Goal: To most effectively utilize RA resources during times of budget uncertainty.

Budget Impact: None.

Summary of Proposed Legislation

Program: Rental Assistance Program – Minimum Rent Requirement

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

Rationale: A minimum rent requirement is beneficial for several reasons -- it will reduce the burden on the rental assistance program, better ensure program funds will be available for all rental assistance agreements being renewed, and foster tenant responsibility for program residents. The Rural Housing Service (RHS) also believes this change will encourage financial responsibility in tenants, increasing their opportunity for success on the path to homeownership, a major goal of Rural Development's (RD) programs. Exemptions will be provided for hardship cases.

Staff evaluated its tenant base of approximately 439,000 in its direct loan properties. There are approximately 42,300 households paying between $0 and $50 per month towards rent. MFH estimates that the first year a minimum rent is implemented, it will save approximately $2.5 million. This estimate is based on the fact that minimum rent requirements will need to be included in a tenant's annual lease, and only a limited number of those leases will be due for renewal when the minimum rent requirement is implemented. Over time, and once the policy is applied to all lease renewals, RHS will save an estimated $10 million per year.

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

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

Budget Impact:

	2015	2016	2017	2018	2019
Budget Authority	N/A	$5M	$10M	$10M	$10M
Outlays	N/A	$5M	$10M	$10M	$10M

Summary of Proposed Legislation

Program: Rental Assistance Program – Eliminate Automatic Renewals

Proposal: Both the Housing Act (at 521(d)(1)(a)) and the Regulation language in 7 CFR 3560.255(a) direct Rural Development (RD) to automatically replenish Rental Assistance (RA) agreements to the extent that sufficient funds are available. The Rural Housing Service (RHS) estimates RA needs on an annual basis; however, the agency has processed a second obligation in the same 12-month period in approximately 3 percent of the renewals in a fiscal year.

Having to fund these second renewals means some properties receive a disproportionate share of RA funds, to the detriment of other properties. Renewals are staggered throughout the year based on how long funding lasts, so it is not possible to assure owners whose properties may not be due for renewal funding until later in the fiscal year, that funding will be available when a renewal is needed. This change will enable RHS to more confidently estimate renewal needs for budgeting purposes.

With this proposal, the agency seeks to eliminate the automatic renewal process. Properties will receive an allocation for up to a one-year period and will be renewed on the funding anniversary date.

Rationale: This authority will allow RHS to more efficiently utilize agency resources, reduce the uncertainty of future program costs, and provide budget predictability for the rental assistance program.

Goal: To most effectively utilize rental assistance resources to meet the needs all multi-family housing properties renewing rental assistance agreements.

Budget Impact: This legislative proposal estimates savings of about $15 million when the proposal is fully implemented and the automatic renewal requirement is eliminated. Savings will be realized in only one year, and are based on historical data on the cost of second renewals within the 12-month renewal period. Once implemented, RA projections will not include second renewal costs in out-year estimates.

	2015	2016	2017	2018	2019
Budget Authority	N/A	$15M	$0	$0	$0
Outlays	N/A	$15M	$0	$0	$0

Summary of Proposed Legislation

Program: Income Verification of RHS Programs: Sections 502 Single Family Housing, 502 Housing Repair, and Section 542 Housing Vouchers, and 521 Rental Assistance

Proposal: In response to the Inspector General's findings of fraud, waste and abuse within the multi-family housing program, Rural Development (RD) is requesting the authority to access both the Internal Revenue Service and Department of Health and Human Services income verification databases for use by the multi-family and single family housing programs. Because the primary cause for errors is related to information received from applicants which RD cannot verify by an independent source, the agency needs access to such on-time data sources to effectively manage its programs.

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

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

Legislative Proposal:

General Provision Language:

<u>Section 724. The Secretary of Agriculture and the Secretary's designees are hereby granted the same access to information and subject to the same requirements applicable to the Secretary of Housing and Urban Development as provided in section 453 (j) of the Social Security Act (42 U.S.C. 653 (j)) and section 6103 (l)(7)(D)(ix) of the Internal Revenue Code of 1986 (26 U.S.C. 6103 (l)(7)(D)(ix)) to verify the income for individuals, participating in sections 502, 504, 521, and 542 of the Housing Act of 1949 (42 U.S.C. 1472, 1474, 1490(a) and 1490(r).</u>

Budget Impact: None.

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

State/Territory	2013 Actual Amount	2014 Actual Amount	2015 Estimate Amount	2016 Estimate Amount
Alabama	$22,088	$29,501	-	-
Alaska	3,954	6,966	-	-
Arizona	11,002	16,803	-	-
Arkansas	16,721	22,269	-	-
California	64,493	85,548	-	-
Colorado	10,526	13,334	-	-
Connecticut	5,311	7,382	-	-
Delaware	4,971	8,265	-	-
Florida	42,187	54,872	-	-
Georgia	20,596	29,814	-	-
Hawaii	5,418	7,056	-	-
Idaho	10,465	16,529	-	-
Illinois	19,360	24,129	-	-
Indiana	15,618	20,818	-	-
Iowa	16,937	20,476	-	-
Kansas	7,689	9,672	-	-
Kentucky	14,629	20,126	-	-
Louisiana	28,852	36,585	-	-
Maine	22,837	31,540	-	-
Maryland	13,096	16,379	-	-
Massachusetts	7,916	10,559	-	-
Michigan	22,132	33,455	-	-
Minnesota	15,735	19,543	-	-
Mississippi	33,157	42,716	-	-
Missouri	15,430	20,616	-	-
Montana	5,345	5,768	-	-
Nebraska	5,826	6,847	-	-
Nevada	6,434	8,995	-	-
New Hampshire	8,125	12,612	-	-
New Jersey	7,225	12,607	-	-
New Mexico	12,027	16,508	-	-
New York	18,571	23,083	-	-
North Carolina	53,419	73,239	-	-
North Dakota	3,524	4,808	-	-
Ohio	17,193	25,835	-	-
Oklahoma	14,895	19,298	-	-
Oregon	14,745	19,393	-	-
Pennsylvania	20,555	25,267	-	-
Rhode Island	1,538	2,537	-	-
South Carolina	22,273	29,322	-	-
South Dakota	13,221	13,612	-	-
Tennessee	19,738	25,829	-	-
Texas	37,629	47,649	-	-
Utah	6,170	7,924	-	-
Vermont	5,516	9,408	-	-
Virginia	20,953	27,846	-	-
Washington	20,441	26,769	-	-
West Virginia	11,291	13,122	-	-
Wisconsin	14,025	16,873	-	-
Wyoming	4,283	4,879	-	-
Puerto Rico	15,520	19,344	-	-
Virgin Islands	4,383	5,583	-	-
Undistributed	-	-	$1,088,500 a/	$1,171,900 a/
Obligations	835,989	1,109,913	1,088,500	1,171,900
Lapsing Balances	-	87	-	-
Total, Available	835,989	1,110,000	1,088,500	1,171,900

a/ Totals cannot be distributed at this time.

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

State/Territory	2013 Actual Amount	2014 Actual Amount	2015 Estimate Amount	2016 Estimate Amount
Alabama..	$88	-	-	-
California..	484	-	-	-
Colorado..	216	-	-	-
Illinois...	48	-	-	-
Kansas...	44	-	-	-
Oregon..	185	-	-	-
Obligations..	1,065	-	-	-

Classification by Objects
(Dollars in thousands)

		2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
41.0	Grants, subsidies, and contributions....	$837,054	$1,109,913	$1,088,500	$1,171,900
99.9	Total, new obligations...................	837,054	1,109,913	1,088,500	1,171,900

RURAL HOUSING SERVICE

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

Multi-family Housing Revitalization Program Account

For the rural housing voucher program as authorized under section 542 of the Housing Act of 1949, but
notwithstanding subsection (b) of such section, and for additional costs to conduct a demonstration program for
the preservation and revitalization of multi-family rental housing properties described in this paragraph,
[$24,000,000]$34,000,000, to remain available until expended: *Provided*, That of the funds made available
under this heading, [$7,000,000]$15,000,000, shall be available for rural housing vouchers to any low-income
household (including those not receiving rental assistance) residing in a property financed with a section 515
1,2 loan [which]that has been prepaid after September 30, 2005, or that is otherwise paying off the section 515
financing as based on prioritization as determined by the Secretary: *Provided further*, That the amount of such
voucher shall be the difference between comparable market rent for the section 515 unit and the tenant paid rent
for such unit: *Provided further*, That funds made available for such vouchers shall be subject to the availability
of annual appropriations: *Provided further*, That the Secretary shall, to the maximum extent practicable,
administer such vouchers with current regulations and administrative guidance applicable to section 8 housing
vouchers administered by the Secretary of the Department of Housing and Urban Development: *Provided
further*, That, if the Secretary determines that the amount made available for vouchers in this or any other Act is
not needed for vouchers, the Secretary may use such funds for the demonstration program for the preservation
and revitalization of multi-family rental housing properties described in this paragraph: *Provided further*, That
of the funds made available under this heading, [$17,000,000]$19,000,000 shall be available for a
demonstration program for the preservation and revitalization of the sections 514, 515, and 516 multi-family
rental housing properties to restructure existing USDA multi-family housing loans, as the Secretary deems
appropriate, expressly for the purposes of ensuring the project has sufficient resources to preserve the project
for the purpose of providing safe and affordable housing for low-income residents and farm laborers including
reducing or eliminating interest; deferring loan payments, subordinating, reducing or reamortizing loan debt;
and other financial assistance including advances, payments and incentives (including the ability of owners to
obtain reasonable returns on investment) required by the Secretary: *Provided further*, That the Secretary shall as
part of the preservation and revitalization agreement obtain a restrictive use agreement consistent with the terms
of the restructuring: *Provided further*, That, if the Secretary determines that additional funds for vouchers
described in this paragraph are needed, funds for the preservation and revitalization demonstration program may
be used for such vouchers: *Provided further*, That if Congress enacts legislation to permanently authorize a
multi-family rental housing loan restructuring program similar to the demonstration program described herein,
the Secretary may use funds made available for the demonstration program under this heading to carry out such
3 legislation with [the prior of approval of]notice to the Committees on Appropriations of both Houses of
Congress: *Provided further*, That in addition to any other available funds, the Secretary may expend not more
than $1,000,000 total, from the program funds made available under this heading, for administrative expenses
for activities funded under this heading.

The first change removes the word “which” and adds the word “that.”

The second change adds language about paying off the section 515 financing.

The third change changes language for approval to carry out a multi-family rental housing loan restructuring program.

RURAL HOUSING SERVICE

MULTI-FAMILY HOUSING REVITALIZATION PROGRAM ACCOUNT

Lead-Off Tabular Statement

	Loan Level	Subsidy	Grants	Vouchers
Budget Estimate, 2016	$31,174,000	$16,700,000	$2,300,000	$15,000,000
2015 Enacted	25,984,000	15,300,000	1,700,000	7,000,000
Change in Appropriation	+5,190,000	+1,400,000	+600,000	+8,000,000

Summary of Increases and Decreases
(Dollars in thousands)

Program	2013 Actual	2014 Change	2015 Change	2016 Change	2016 Estimate
Discretionary Appropriations:					
Rural housing voucher program and administrative	$9,494	+$3,081	-$5,575	$8,000	$15,000
MFH revitalization zero percent (Sec. 515)	6,000	+1,478	-1,528	+600	6,550
MFH revitalization soft seconds (Sec. 515)	8,882	+1,640	-1,172	+800	10,150
MFH revitalization grants (Sec. 515)	2,000	-	-300	+600	2,300
Total	26,376	+6,199	-8,575	+10,000	34,000

RURAL HOUSING SERVICE

MULTI-FAMILY HOUSING REVITALIZATION PROGRAM ACCOUNT

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

Program	2013 Actual Program Level	2013 Actual Budget Authority	2013 Actual SYs	2014 Actual Program Level	2014 Actual Budget Authority	2014 Actual SYs	2015 Enacted Program Level	2015 Enacted Budget Authority	2015 Enacted SYs	Inc. or Dec. Program Level	Inc. or Dec. Budget Authority	Inc. or Dec. SYs	2016 Estimate Program Level	2016 Estimate Budget Authority	2016 Estimate SYs
Discretionary Appropriations:															
Rural housing voucher program and administrative.....	$9,494	$9,494	34	$12,575	$12,575	34	$7,000	$7,000	36	+$8,000 (1)	+$8,000	-	$15,000	$15,000	36
MFH revitalization zero percent (Sec. 515)..................	10,295	6,000	-	15,304	7,478	-	10,583	5,950	-	+1,836 (2)	+600	-	12,419	6,550	-
MFH revitalization soft seconds (Sec. 515)..................	14,456	8,882	-	20,531	10,522	-	15,401	9,350	-	+3,354 (2)	+800	-	18,755	10,150	-
MFH revitalization grants (Sec. 515)............................	2,000	2,000	-	2,000	2,000	-	1,700	1,700	-	+600 (2)	+600	-	2,300	2,300	-
Subtotal..	36,245	26,376	376	50,410	32,575	338	34,684	24,000	363	+13,790	+10,000	-3	48,474	34,000	360
Total Adjusted Approp...	36,245	26,376	376	50,410	32,575	338	34,684	24,000	363	+13,790	+10,000	-3	48,474	34,000	360
Rescissions, Transfers, and Seq. (Net).............................. a/b/	1,406	1,406	-	-	-	-	-	-	-	-	-	-	-	-	
Total Appropriation..	37,651	27,782	376	50,410	32,575	338	34,684	24,000	363	+13,790	+10,000	-3	48,474	34,000	360
Rescission... a/	-752	-752	-	-	-	-	-	-	-	-	-	-	-	-	-
Sequestration.. b/	-654	-654	-	-	-	-	-	-	-	-	-	-	-	-	-
Bal. Available, SOY..	28,427	22,823	-	53,483	32,232	-	67,247	41,839	-	+17,003	+6,100	-	84,250	47,939	-
Recoveries, Other (Net)...	6,427	6,427	-	4,429	1,821	-	3,645	3,016	-	+1,112	+516	-	4,757	3,532	-
Total Available...	71,100	55,626	376	108,322	66,628	338	105,577	68,855	363	+31,905	+16,616	-3	137,481	85,470	360
Bal. Available, EOY..	-42,178	-32,210	-	-79,109	-41,839	-	-76,849	-47,939	-	-14,015	-5,798	-	-90,863	-53,736	-
Total Obligations..	28,921	23,416	376	29,212	24,790	338	28,728	20,916	363	+17,890	+10,818	-3	46,618	31,734	360

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

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

RURAL HOUSING SERVICE

MULTI-FAMILY HOUSING REVITALIZATION PROGRAM ACCOUNT

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

Program	2013 Actual			2014 Actual			2015 Estimate			Inc. or Dec.			2016 Estimate		
	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs
Discretionary Appropriations:															
Rural housing voucher program and admin...........	$14,138	$14,138	34	$15,093	$15,093	34	$9,731	$9,731	36	+$4,909 (1)	+$4,909	-	$14,640	$14,640	36
MFH revitalization modifications (Sec. 515)........	-	714	-	-	2,762	-	-	680	-	-	-680	-	-	-	-
MFH revitalization zero percent (Sec. 515)...........	10,290	5,997	-	6,265	3,061	-	5,973	3,358	-	+4,645 (2)	+2,242	-	10,618	5,600	-
MFH revitalization soft seconds (Sec. 515)...........	3,339	2,051	-	6,651	3,409	-	9,615	5,837	-	+6,645 (2)	+2,963	-	16,260	8,800	-
MFH revitalization grants (Sec. 515)....................	155	155	-	203	203	-	159	159	-	+1,441 (2)	+1,441	-	1,600	1,600	-
Multi-family housing preservation demo revolving loan fund................................	1,000	362	-	1,000	262	-	3,250	1,151	-	+250	-57	-	3,500	1,094	-
Subtotal..	28,921	23,416	376	29,212	24,790	338	28,728	20,916	363	+17,890	+10,818	-3	46,618	31,734	360
Total Obligations..	28,921	23,416	376	29,212	24,790	338	28,728	20,916	363	+17,890	+10,818	-3	46,618	31,734	360
Bal. Available, EOY..	42,178	32,210	-	79,109	41,839	-	76,849	47,939	-	+14,015	+5,798	-	90,863	53,736	-
Total Available...	71,100	55,626	376	108,322	66,628	338	105,577	68,855	363	+31,905	+16,616	-3	137,481	85,470	360
Rescission... a/	752	752	-	-	-	-	-	-	-	-	-	-	-	-	-
Sequestration.. b/	654	654	-	-	-	-	-	-	-	-	-	-	-	-	-
Bal. Available, SOY..	-28,427	-22,823	-	-53,483	-32,232	-	-67,247	-41,839	-	-17,003	-6,100	-	-84,250	-47,939	-
Other Adjustments (Net)..	-6,427	-6,427	-	-4,429	-1,821	-	-3,645	-3,016	-	-1,112	-516	-	-4,757	-3,532	-
Total Appropriation...	37,651	27,782	376	50,410	32,575	338	34,684	24,000	363	+13,790	+10,000	-3	48,474	34,000	360

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

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

Justification of Increases and Decreases

(1) An increase of $8,000,000 for the section 542 rural housing voucher program ($7,000,000 available in 2015).

Base funds for the section 542 rural housing voucher program will continue to provide tenant protections in properties that prepay their mortgages after September 30, 2005. In addition, these vouchers will be able to be used for tenant protection for residents of Section 515 properties that payoff their mortgages. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

For 2016, the voucher awards will be based on prioritization of need as recommended by the Secretary. These vouchers are portable and will enable tenants to continue to access affordable housing without benefit of traditional rental assistance program. In 2014, RHS provided new and renewed vouchers to 4,007 families at a cost of $14.1 million; an additional $1 million was used for administrative purposes.

Continuation of the program is critical because:

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

Proposed funding will support the agency's objective of providing decent, safe and sanitary housing to rural America. It will also help create stabilizing environments needed for building strong communities, families and supportive networks that allow people to thrive, grow and, where possible, become fully self-sufficient.

The average voucher pays approximately $315 per month per household. Because some of the properties are in suburban areas, alternative housing opportunities may include affordable housing developed through the Low-income Housing Tax Credits (LIHTC) program or housing with available HUD Section 8 or HUD Vouchers. Rural Development intends to explore opportunities to provide continued affordable housing to former RD tenants unable to transition to more expensive market rate rental housing, supporting USDA's strategic goal of self-sustaining and repopulating rural communities.

On August 14, 2013, the Rural Housing Service (RHS) issued a proposed rule to formulize the program to a permanent status. RHS is now preparing the final rule for clearance. RHS is also completing work on a voucher data management system to streamline the program.

As does the base funding, increased funding of $8 million supports RD's objective to provide decent, safe and affordable housing to rural residents residing in multi-family housing facilities and to create thriving communities. Funding also supports USDA's Strategic Goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

Total funding of $15 million will support 3,968 vouchers for low- and very low-income households that were former tenants of RD-financed properties. A new proposal for 2016 will address the housing affordability issue faced by residents in properties that are coming up on natural maturity of the Promissory Notes. When the property leaves the RD portfolio, lower rents and Rental Assistance is no longer available. The tenants in these properties would be eligible to receive vouchers. The revitalization account consists of voucher and multi-family housing preservation and revitalization (MPR) funding, and funds may be interchanged between the two programs as funding needs change during the year.

(2) <u>An increase of $5,790,000 in funding for the section 515 multi-family housing revitalization program level ($27,684,000 available in 2015)</u>.

Base funding for the multi-family housing revitalization program rehabilitates housing, rental properties, or co-ops owned and/or occupied by very low- and low-income rural persons. In 2014, RHS preserved section 515 and section 514/516 properties consisting of 1,816 units of housing through the section 515 multi-family housing revitalization demonstration program. Most, if not all, of the preservation was completed using multiple revitalization strategies. Funding of the multi-family housing revitalization program will provide RHS with an appropriate mix of funds that can be used according to whichever program best suits the individual needs of each revitalization transaction. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

- The average age of the section 515 assisted housing portfolio is 27 years.
- Much of the housing stock is in need of revitalization.
- Projects do not have sufficient reserves to fund ongoing rehabilitation.

Zero percent loan, soft second loan, and revitalization grant programs provide an inexpensive source of funding to preserve and modernize RHS' direct loan housing, increasing the value of the property and instilling its residents with a greater sense of pride in the vitality of their community. A portion of the zero percent, soft second, and revitalization grant funds will be used for the modification program, once subsidy rates can be established for the modifications.

The revitalization tools are critical to attract capital market investment into rural communities through the modernization of existing RD housing. RHS uses the revitalization tools to provide gap financing not covered through the LIHTC or other State or Federal programs. As a result, RHS is able to leverage approximately three times its funds in investments from LIHTC and other sources. A close partnership with State tax credit allocating agencies is critical, because without a financial commitment by RHS through the revitalization tools, the credits and other third-party funding will decrease and rehabilitation of RHS's aging stock of rural rental housing is less likely to occur.

Funding is split between the various revitalization programs according to a general trend of use of those programs; however, these levels are estimates and are not binding. Actual funding for each strategy will be based on the demand and restructuring needs of each project approved for funding. Requested funding is expected to be leveraged into a greater amount of assistance based on how it is disbursed between the various strategies approved under the demonstration program.

Preservation and revitalization projects usually involve more than one revitalization strategy, and also include the use of funding from the section 515 direct loan program. Therefore, it is not possible to define the impact of an increase in one of the revitalization strategies on the number of units of section 515 or section 514/516 rental housing that will benefit from the revitalization. However, in its entirety, funding across all of the revitalization strategies and the section 515 program is expected to revitalize approximately 2,718 units in 2016.

Part of the increase of $5 million, consists of a program level authority for the multi-family housing investment in Strike Force and Promise Zone Areas Initiative. RD is seeking the budget increase to demonstrate that an investment of multi-family housing loans, grants and rental assistance can create successful community development in areas of critical need such Promise Zones and Strike Force areas. This proposal will also demonstrate that RD's partnerships with public and private investment can generate jobs, provide support services to foster self-sufficiency, and make RD rental housing an attractive place to live.

As does the base funding, increased funding of approximately $5.8 million supports RD's objective to provide decent, safe and affordable housing to rural residents residing in multi-family housing facilities and to create thriving communities. Funding also supports USDA's Strategic Goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

Obligations will utilize new year as well as prior-year unobligated and de-obligated funding. The MPR program involves funding from many outside sources and coordination of final closing of the RHS loans usually relies on other funders' timing. RHS has been working with the White House Rental Policy Working Group to better align federal and state funding agency requirements to streamline requirements and eliminate overlap where possible. In addition, RHS has undertaken a business process improvement initiative in the Direct Loans division that will reduce loan processing times.

Objectives

RD's investment in these zones will demonstrate the benefits of its funding on needy communities. RD will utilize a mix of tools from its multi-family programs to rehabilitate existing rental housing, develop new affordable housing. The objectives of this demonstration program are:

- Develop and maintain attractive rental housing in areas of need.
- Create public/private partnerships that enhance the impact of RD's investment.
- Provide stability for residents in need of affordable rental housing.

Selected Areas

Under this demonstration, RD will target investment of multi-family housing resources in areas of persistent poverty, indicated by their designation as either Promise Zones or Strike Force areas. To maximize the impact of this investment, funding will be limited to communities in four zones: the Promise Zone of Choctaw Nation in Oklahoma, the Promise and Strike Force zones of Kentucky, and Strike Force zones in Alabama and Arkansas. Specific properties will be selected from eligible applications for the preservation and revitalization programs and the section 538 guaranteed loan program (GLP).

Plan

The goal is to rehabilitate at least two existing RD rental housing facilities in each area and build at least two new affordable rental housing property in each area. Approximately 30 properties would be provided incentives to stay in the program in the form of additional units of rental assistance. RD plans to allocate $15 million in budget authority among three programs to achieve this objective: section 515, rental assistance and the MPR program, plus utilization of the section 538 GLP.

Rehabilitation of existing RD rental housing

The average age of existing section 515 rental housing in the four targeted zones is between 21 and 26 years. The housing portfolio needs to be revitalized to meet current needs and provide affordable housing that is a source of pride to its residents and the community at large. RD will allocate revitalization funds for the MPR program, which is RD's preferred method for the modernization of existing rental housing. RD will allocate $10 million in program level for new loans and modification of existing loans to provide for the revitalization of an estimated 400 units of housing.

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

Summary of Proposed Legislation

Program: 515 Revitalization Program

Proposal: The Rural Housing Service (RHS) seeks permanent authority for the program, which has been a demonstration program since 2006. The multi-family housing preservation and revitalization (MPR) program is an effective tool to modernize Rural Development's (RD) existing multi-family housing portfolio. The average age of rental housing in the section 515 portfolio is 27 years; much of the housing is in need of revitalization, and projects do not have sufficient reserves to fund ongoing rehabilitation.

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

Advantages include:

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

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

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

Budget Impact: None.

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

State/Territory	2013 Actual Amount	2014 Actual Amount	2015 Estimate Amount	2016 Estimate Amount
Alabama..............................	$72	$166	-	-
Alaska.................................	31	28	-	-
Arizona...............................	21	20	-	-
Arkansas.............................	28	24	-	-
California............................	47	47	-	-
Colorado.............................	24	17	-	-
Delaware.............................	35	33	-	-
Florida.................................	907	1,166	-	-
Georgia................................	272	254	-	-
Idaho...................................	232	238	-	-
Illinois.................................	531	552	-	-
Indiana................................	306	550	-	-
Iowa....................................	915	982	-	-
Kansas.................................	289	232	-	-
Kentucky.............................	152	132	-	-
Louisiana............................	6	6	-	-
Maine..................................	148	134	-	-
Maryland.............................	14	14	-	-
Massachusetts.....................	92	107	-	-
Michigan.............................	654	826	-	-
Minnesota...........................	393	337	-	-
Mississippi..........................	32	22	-	-
Missouri..............................	1,310	1,120	-	-
Montana..............................	245	284	-	-
Nebraska.............................	376	342	-	-
Nevada................................	3	9	-	-
New Hampshire..................	73	86	-	-
New Jersey..........................	330	295	-	-
New Mexico........................	133	111	-	-
New York...........................	1,246	901	-	-
North Carolina....................	173	219	-	-
North Dakota......................	151	150	-	-
Ohio....................................	187	418	-	-
Oklahoma............................	166	123	-	-
Oregon................................	54	49	-	-
Pennsylvania.......................	7	13	-	-
Rhode Island.......................	16	31	-	-
South Carolina....................	563	542	-	-
South Dakota......................	300	652	-	-
Tennessee...........................	164	126	-	-
Texas...................................	669	723	-	-
Utah....................................	8	6	-	-
Virginia...............................	60	33	-	-
Washington.........................	908	923	-	-
West Virginia......................	9	32	-	-
Wisconsin...........................	640	912	-	-
Wyoming............................	107	78	-	-
District of Columbia...........	945	1,000	-	-
Puerto Rico.........................	95	27	-	-
Undistributed......................	-	-	$9,731 a/	$14,640 a/
Obligations......................	14,138	15,093	9,731	14,640

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

State/Territory	2013 Actual Amount	2014 Actual Amount	2015 Estimate Amount	2016 Estimate Amount
Alabama..............................	-	$493	-	-
Indiana................................	-	172	-	-
Louisiana............................	-	2,050	-	-
New Hampshire..................	-	281	-	-
New York...........................	-	2,927	-	-
North Carolina....................	$8,814	-	-	-
Ohio....................................	-	344	-	-
Wisconsin...........................	1,476	-	-	-
Undistributed......................	-	-	$5,973 a/	$10,618 a/
Obligations......................	10,290	6,265	5,973	10,618

a/ Totals cannot be distributed at this time.

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

State/Territory	2013 Actual Amount	2014 Actual Amount	2015 Estimate Amount	2016 Estimate Amount
Arizona	$25	-	-	-
Indiana	291	-	-	-
Kansas	-	$684	-	-
Maryland	-	1,226	-	-
Michigan	22	290	-	-
Nebraska	-	1,065	-	-
New Mexico	951	356	-	-
North Dakota	-	255	-	-
Ohio	803	-	-	-
Oregon	-	1,929	-	-
South Carolina	977	-	-	-
Washington	269	-	-	-
West Virginia	-	846	-	-
Undistributed	-	-	$9,615 a/	$16,260 a/
Obligations	3,339	6,651	9,615	16,260

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

State/Territory	2013 Actual Amount	2014 Actual Amount	2015 Estimate Amount	2016 Estimate Amount
Maine	$26	-	-	-
Missouri	-	$203	-	-
Montana	49	-	-	-
Nebraska	80	-	-	-
Undistributed	-	-	$159 a/	$1,600 a/
Obligations	155	203	159	1,600

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

State/Territory	2013 Actual Amount	2014 Actual Amount	2015 Estimate Amount	2016 Estimate Amount
Maryland	$1,000	-	-	-
Pennsylvania	-	$1,000	-	-
Undistributed	-	-	$3,250 a/	$3,500 a/
Obligations	1,000	1,000	3,250	3,500

a/ Totals cannot be distributed at this time.

Classification by Objects
(Dollars in thousands)

		2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
41.0	Grants, subsidies, and contributions	$23,416	$24,790	$20,916	$31,734
99.9	Total, new obligations	23,416	24,790	20,916	31,734

RURAL HOUSING SERVICE

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

Rural Housing Assistance Grants

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

The first change removes reference to housing preservations grants as the program is not requesting funding in 2016.

The second change removes authorizing legislation reference for the housing preservation grants program as there is no proposed program in 2016.

RURAL HOUSING SERVICE

RURAL HOUSING ASSISTANCE GRANTS

Lead-Off Tabular Statement

Budget Estimate, 2016	$25,000,000
2015 Enacted	+32,239,000
Change in Appropriation	-7,239,000

Summary of Increases and Decreases
(Dollars in thousands)

Program	2013 Actual	2014 Change	2015 Change	2016 Change	2016 Estimate
Discretionary Appropriation:					
Very low-income housing repair grants....	$27,217	+$1,484	-	-$3,701	$25,000
Rural housing preservation grants............	3,355	+183	-	-3,538	-
Total Discretionary Appropriations.......	30,572	+1,667	-	-7,239	25,000

RURAL HOUSING SERVICE

RURAL HOUSING ASSISTANCE GRANTS

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

Program	2013 Actual		2014 Actual		2015 Enacted		Inc. or Dec.		2016 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Very low-income housing repair grants......................	$27,217	-	$28,701	-	$28,701	-	-$3,701 (1)	-	$25,000	-
Rural housing preservation grants..............................	3,355	-	3,538	-	3,538	-	-3,538 (2)	-	-	-
Subtotal..	30,572	267	32,239	264	32,239	283	-7,239	-2	25,000	281
Total Adjusted Appropriation....................................	30,572	267	32,239	264	32,239	283	-7,239	-2	25,000	281
Rescissions, Transfers, and Seq. (Net)........................... a/b/	2,564	-	-	-	-	-	-	-	-	-
Total Appropriation..	33,136	267	32,239	264	32,239	283	-7,239	-2	25,000	281
Rescission... a/	-897	-	-	-	-	-	-	-	-	-
Sequestration... b/	-1,667	-	-	-	-	-	-	-	-	-
Bal. Available, SOY..	3,389	-	3,578	-	3,701	-	-1,499	-	2,202	-
Recoveries, Other (Net)...	882	-	996	-	1,030	-	+5	-	1,035	-
Total Available..	34,843	267	36,813	264	36,970	283	-8,733	-2	28,237	281
Bal. Available, EOY..	-3,578	-	-3,701	-	-2,202	-	-183	-	-2,385	-
Total Obligations...	31,264	267	33,112	264	34,768	283	-8,916	-2	25,852	281

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

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

RURAL HOUSING SERVICE

RURAL HOUSING ASSISTANCE GRANTS

Project Statement

Obligations Detail and Staff Years (SYs)

(Dollars in thousands)

Program		2013 Actual		2014 Actual		2015 Estimate		Inc. or Dec.			2016 Estimate	
		Amount	SYs	Amount	SYs	Amount	SYs	Amount		SYs	Amount	SYs
Discretionary Obligations:												
Very low-income housing repair grants.....		$27,168	-	$28,289	-	$29,771	-	-$4,437	(1)	-	$25,334	-
Rural housing preservation grants.............		4,086	-	4,808	-	3,956	-	-3,472	(2)	-	484	-
Compensation for construction defects......		10	-	15	-	41	-	-7		-	34	-
Processing workers housing grants…….....		-	-	-	-	1,000	-	-1,000		-	-	-
Subtotal...		31,264	267	33,112	264	34,768	283	-8,916		-2	25,852	281
Total Obligations.......................................		31,264	267	33,112	264	34,768	283	-8,916		-2	25,852	281
Bal. Available, EOY.....................................		3,578	-	3,701	-	2,202	-	+183		-	2,385	-
Total Available..		34,843	267	36,813	264	36,970	283	-8,733		-2	28,237	281
Rescission...	a/	897	-	-	-	-	-	-		-	-	-
Sequestration...	b/	1,667	-	-	-	-	-	-		-	-	-
Bal. Available, SOY.....................................		-3,389	-	-3,578	-	-3,701	-	+1,499		-	-2,202	-
Recoveries, Other (Net)................................		-882		-996		-1,030		-5			-1,035	
Total Appropriation..................................		33,136	267	32,239	264	32,239	283	-7,239		-2	25,000	281

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

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

Justification of Increases and Decreases

(1) A decrease of $3,701,000 for section 504 housing repair grants ($28,701,000 available in 2015).

Base funding will allow agency staff to provide assistance to the neediest elderly rural families for essential repairs and home improvements. With an average grant of $6,100, it is estimated that approximately 4,097 elderly homeowners will benefit from this program, within the 2016 requested funding. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

This program supports USDA's Strategic Goal of assisting rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving. Continuation of the program is critical because of the extreme need of the very low-income elderly population served whose homes require repair. The program improves their quality of life by assuring a safe and functional environment. By providing these small grants, RD advances the twin strategic objectives of ensuring decent, safe and affordable housing to rural Americans, and building stronger, more sustainable and economically thriving rural communities.

Recipients of these grants cannot afford a loan and have no other recourse to funds. Grants up to $7,500 are available to improve accessibility or to remove health and safety hazards. Grants must be repaid to the government if the property is sold within three years. Although this program is limited in size, the grants allow very low-income elderly homeowners on a fixed budget to live independently at home.

RHS will work with public and private agencies, organizations (including Community Development Financial Institutions (CDFI) and philanthropic organizations), and individuals to gather and leverage resources needed to facilitate housing construction and home improvement that will broaden capital investment; promote community involvement and investment; and assure the resilience and sustainability of local economies.

The 2016 obligation level in housing repair grant funding includes funds from previous years that were not utilized and will be used to support the backlog of pending grant applications in 2016.

(2) A decrease of $3,538,000 for section 533 housing preservation grants ($3,538,000 available in 2015).

The program allows the agency to continue helping to improve the quality of existing multi-family housing and some single family housing units through partnerships with various local public bodies and non-profit organizations. Grants of approximately $4.8 million were made to non-profit and public entities improving the housing quality of approximately 1,341 families in 2014. In addition to the activities and functions specifically described in the budget request, current year funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

For 2016, preservation activities are being prioritized through the multi-family revitalization program account funding and 515 funding, where budget authority can be leveraged into providing more assistance than these preservation grants can.

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

State/Territory	2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
	Amount	Amount	Amount	Amount
Alabama	$845	$958	-	-
Alaska	70	118	-	-
Arizona	412	475	-	-
Arkansas	506	386	-	-
California	328	426	-	-
Colorado	141	294	-	-
Connecticut	129	95	-	-
Delaware	44	34	-	-
Florida	783	506	-	-
Georgia	1,137	908	-	-
Hawaii	268	145	-	-
Idaho	141	150	-	-
Illinois	920	1,080	-	-
Indiana	722	680	-	-
Iowa	411	496	-	-
Kansas	396	328	-	-
Kentucky	1,127	1,580	-	-
Louisiana	860	995	-	-
Maine	558	481	-	-
Maryland	165	236	-	-
Massachusetts	181	144	-	-
Michigan	1,009	999	-	-
Minnesota	656	472	-	-
Mississippi	1,011	1,888	-	-
Missouri	828	933	-	-
Montana	145	64	-	-
Nebraska	231	81	-	-
Nevada	183	199	-	-
New Hampshire	288	366	-	-
New Jersey	147	138	-	-
New Mexico	375	495	-	-
New York	737	847	-	-
North Carolina	1,670	1,785	-	-
North Dakota	95	83	-	-
Ohio	659	730	-	-
Oklahoma	413	478	-	-
Oregon	172	184	-	-
Pennsylvania	1,067	863	-	-
Rhode Island	60	35	-	-
South Carolina	1,041	1,337	-	-
South Dakota	196	189	-	-
Tennessee	1,051	1,241	-	-
Texas	1,724	1,613	-	-
Utah	169	137	-	-
Vermont	219	243	-	-
Virginia	708	409	-	-
Washington	396	210	-	-
West Virginia	475	415	-	-
Wisconsin	702	622	-	-
Wyoming	19	14	-	-
Guam	8	8	-	-
Puerto Rico	296	290	-	-
Virgin Islands	37	22	-	-
Other Countries	239	385	-	-
Undistributed	-	-	$29,771 a/	$25,334 a/
Obligations	27,168	28,289	29,771	25,334

a/ Totals cannot be distributed at this time.

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

State/Territory	2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
	Amount	Amount	Amount	Amount
Alabama	$92	$92	-	-
Alaska	50	50	-	-
Arizona	55	105	-	-
Arkansas	71	72	-	-
California	461	847	-	-
Colorado	50	50	-	-
Connecticut	50	50	-	-
Delaware	50	50	-	-
Florida	100	90	-	-
Georgia	130	120	-	-
Hawaii	50	50	-	-
Idaho	50	-	-	-
Illinois	100	70	-	-
Indiana	67	67	-	-
Iowa	50	42	-	-
Kansas	50	35	-	-
Kentucky	120	106	-	-
Louisiana	98	99	-	-
Maine	56	58	-	-
Maryland	50	92	-	-
Michigan	100	93	-	-
Minnesota	52	202	-	-
Mississippi	108	99	-	-
Missouri	76	77	-	-
Montana	70	50	-	-
Nebraska	50	-	-	-
Nevada	100	50	-	-
New Hampshire	100	50	-	-
New Jersey	100	92	-	-
New Mexico	44	50	-	-
New York	85	116	-	-
North Carolina	139	140	-	-
North Dakota	100	50	-	-
Ohio	107	107	-	-
Oklahoma	59	60	-	-
Oregon	70	44	-	-
Pennsylvania	114	115	-	-
Rhode Island	50	-	-	-
South Carolina	83	84	-	-
South Dakota	50	50	-	-
Tennessee	102	137	-	-
Texas	236	238	-	-
Utah	50	50	-	-
Vermont	300	250	-	-
Virginia	82	83	-	-
Washington	54	54	-	-
West Virginia	60	60	-	-
Wisconsin	58	58	-	-
Wyoming	50	50	-	-
Puerto Rico	152	153	-	-
Undistributed	-515	-	$3,956 a/	$484 a/
Obligations	4,086	4,808	3,956	484

a/ Totals cannot be distributed at this time.

RURAL HOUSING SERVICE

Compensation for Construction Defects

Geographic Breakdown of Obligations

(Dollars in thousands)

State/Territory	2013 Actual Amount	2014 Actual Amount	2015 Estimate Amount	2016 Estimate Amount
Alabama	-	$6	-	-
Georgia	-	9	-	-
Virginia	$10	-	-	-
Undistributed	-	-	$41 a/	$34 a/
Obligations	10	15	41	34

Processing Workers Housing Grants

Geographic Breakdown of Obligations

(Dollars in thousands)

State/Territory	2013 Actual Amount	2014 Actual Amount	2015 Estimate Amount	2016 Estimate Amount
Undistributed	-	-	$1,000 a/	-
Obligations	-	-	1,000	-

a/ Totals cannot be distributed at this time.

Classification by Objects

(Dollars in thousands)

		2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
41.0	Grants, subsidies, and contributions	$31,264	$33,112	$34,768	$25,852
99.9	Total, new obligations	31,264	33,112	34,768	25,852

RURAL HOUSING SERVICE

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

<u>Mutual and Self-Help Housing Grants</u>

For grants and contracts pursuant to section 523(b)(1)(A) of the Housing Act of 1949 (42 U.S. 1490c), [$27,500,000]<u>$10,000,000</u>, to remain available until expended.

RURAL HOUSING SERVICE

MUTUAL AND SELF-HELP HOUSING GRANTS

Lead-Off Tabular Statement

Budget Estimate, 2016	$10,000,000
2015 Enacted	+27,500,000
Change in Appropriation	-17,500,000

Summary of Increases and Decreases
(Dollars in thousands)

Program	2013 Actual	2014 Change	2015 Change	2016 Change	2016 Estimate
Mutual and self-help housing grants	$27,678	-$2,678	+$2,500	-$17,500	$10,000
Total	27,678	-2,678	+2,500	-17,500	10,000

RURAL HOUSING SERVICE

MUTUAL AND SELF-HELP HOUSING GRANTS

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

Program		2013 Actual		2014 Actual		2015 Enacted		Inc. or Dec.			2016 Estimate	
		Amount	SYs	Amount	SYs	Amount	SYs	Amount		SYs	Amount	SYs
Discretionary Appropriations:												
Mutual and self-help housing grants............		$27,678	17	$25,000	18	$27,500	18	-$17,500	(1)	-	$10,000	18
Total Adjusted Approp................................		27,678	17	25,000	18	27,500	18	-17,500		-	10,000	18
Rescissions, Transfers, and Seq. (Net)............	a/b/	2,322	-	-	-	-	-	-		-	-	-
Total Appropriation....................................		30,000	17	25,000	18	27,500	18	-17,500		-	10,000	18
Rescission..	a/	-812	-	-	-	-	-	-		-	-	-
Sequestration..	b/	-1,509	-	-	-	-	-	-		-	-	-
Bal. Available, SOY......................................		12,366	-	9,080	-	18,008	-	-3,934		-	14,074	-
Recoveries, Other (Net).................................		418	-	2,219	-	1,489	-	+97		-	1,586	-
Total Available..		40,462	17	36,299	18	46,997	18	-21,337		-	25,659	18
Bal. Available, EOY......................................		-9,080	-	-18,008	-	-14,074	-	+9,122		-	-4,951	-
Total Obligations...		31,382	17	18,291	18	32,923	18	-12,215		-	20,708	18

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

b/ The amounts are pursuant to the sequestration order signed by the President on March 1, 2013, in accordance with section 251A of the Balanced Budget

and Emergency Deficit Control Act of 1985, as amended.

RURAL HOUSING SERVICE

MUTUAL AND SELF-HELP HOUSING GRANTS

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

Program		2013 Actual		2014 Actual		2015 Estimate		Inc. or Dec.			2016 Estimate	
		Amount	SYs	Amount	SYs	Amount	SYs	Amount		SYs	Amount	SYs
Discretionary Obligations:												
Mutual and self-help housing grants..................		$31,382	17	$18,291	18	$32,923	18	-$12,215	(1)	-	$20,708	18
Total Obligations...		31,382	17	18,291	18	32,923	18	-12,215		-	20,708	18
Bal. Available, EOY...		9,080	-	18,008	-	14,074	-	-		-	4,951	-
Total Available...		40,462	17	36,299	18	46,997	18	-21,337		-	25,659	18
Rescission...	a/	812	-	-	-	-	-	-		-	-	-
Sequestration...	b/	1,509	-	-	-	-	-	-		-	-	-
Bal. Available, SOY...		-12,366	-	-9,080	-	-18,008	-	+3,934		-	-14,074	-
Recoveries, Other (Net).......................................		-418	-	-2,219	-	-1,489	-	-97		-	-1,586	-
Total Appropriation..		30,000	17	25,000	18	27,500	18	-17,500		-	10,000	18

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

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

Justification of Increases and Decreases

(1) A decrease of $17,500,000 for the section 523 mutual and self-help housing (MSHH) grants ($27,500,000 available in 2015).

Base funding of $10 million supports local nonprofit organizations providing technical assistance to low- and very low-income families building their own homes through the mutual self-help method in rural areas. Grants are available to rural public and private not-for-profit organizations, local governments and Tribal organizations. Grant terms are two years and funds may be used, among other things, to pay salaries, office rent, and expenses associated with operating the organization. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Requested funding will maintain existing grant organizations who wish to continue with their mutual and self-help housing programs. The MSHH program gives families, especially minorities and those with very low-incomes, the opportunity to own a home. It advances the Rural Development strategic objectives of ensuring decent, safe and affordable housing to rural Americans, and building stronger, more sustainable and economically thriving rural communities.

Families participating in the MSHH program work together in teams of six-to-ten to build each other's homes under the supervision of qualified contractors. This program makes homes affordable through sweat equity. In 2014, a total of 868 families were assisted with mortgage loans totaling $124 million to build their homes through the mutual and self-help program. In 2015, a total of about 1,100 families are expected to benefit with new homes made possible with $27.5 million available for two-year technical and management assistance grants and contracts. With the proposed $10 million in funding in 2016, the program will serve approximately 600 rural families.

Continuation of this program is critical because:

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

The requested funding will continue to provide funds for local nonprofits to continue with their MSHH programs. The 2016 obligation level includes base funding as well as prior year funding not utilized because numerous projects were not ready to close as planned. RHS expects to obligate these funds in 2016.

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

State/Territory	2013 Actual Amount	2014 Actual Amount	2015 Estimate Amount	2016 Estimate Amount
Alaska	-	$944	-	-
Arizona	$3,155	297	-	-
Arkansas	1,630	487	-	-
California	10,493	3,063	-	-
Colorado	-	540	-	-
Delaware	2,408	852	-	-
Florida	3,048	1,046	-	-
Hawaii	1,383	-	-	-
Idaho	-	380	-	-
Kansas	677	-	-	-
Kentucky	450	279	-	-
Louisiana	368	-	-	-
Maine	-	320	-	-
Michigan	239	-	-	-
Minnesota	-	612	-	-
Mississippi	291	-	-	-
Montana	567	-	-	-
New Mexico	487	184	-	-
North Dakota	-	2,842	-	-
Oklahoma	3,222	270	-	-
Oregon	1,072	-	-	-
South Carolina	-	547	-	-
South Dakota	-	1,657	-	-
Texas	293	-	-	-
Utah	496	3,864	-	-
Washington	761	107	-	-
District of Columbia	106	-	-	-
Other Countries	237	-	-	-
Undistributed	-	-	$32,923 a/	$20,708 a/
Obligations	31,382	18,291	32,923	20,708
Bal. Available, SOY	-18,137	-9,080	-18,008	-14,074
Recoveries	-2,148	-418	-1,489	-
Bal. Available, EOY	12,366	9,080	14,074	4,951
Total, Adjusted Approp.	27,678	25,000	27,500	10,000

a/ Totals cannot be distributed at this time.

Classification by Objects
(Dollars in thousands)

	2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
41.0 Grants, subsidies, and contributions	$31,382	$18,291	$32,923	$20,708
99.9 Total, new obligations	31,382	18,291	32,923	20,708

RURAL HOUSING SERVICE

STATUS OF PROGRAMS

As a part of USDA Rural Development (RD), the Rural Housing Service's (RHS) mission is to improve the quality of life in rural areas. RHS assists rural communities and individuals by providing direct loans, loans guarantees, grants and payments for housing and community facilities. RHS also provides funding for single family homes, apartments for low-income persons and the elderly, housing for farm laborers, childcare centers, fire and police stations, hospitals, libraries, nursing homes, schools, and much more. In partnership with non-profits, Indian tribes, State and Federal government agencies, and local communities, RHS creates packages of technical assistance and loan and grant funds to assist rural communities and individuals.

Rural Housing Insurance Fund

Current Activities:

RHS continues to provide homeownership opportunity for rural families with limited incomes. The section 502 single family housing (SFH) direct and guaranteed loan programs constitute the largest of all RD programs; they continue to fill critical funding gaps and create local jobs, build strong communities, and ensure thousands of rural Americans achieve the goal of owning their own homes.

In 2014, RHS housing programs issued:

- 139,828 mortgage loan guarantees for $19.1 billion provided by approved industry lenders; and
- 6,560 direct housing loans for $808.1 million provided by USDA funding.

Program enhancements implemented in 2015 in both the direct and guaranteed housing programs will continue to improve delivery and position these programs to meet current and future challenges with today's reduced staffing levels. Innovative workload distribution options are also being explored to improve workflow.

The guaranteed program is transitioning to a new final rule, 7 CFR Part 3555, which was published on December 9, 2013. The rule, which became effective December 1, 2014, will improve the program's reach and effectiveness. The new provisions include a "single close" feature which eliminates the need for two loan closings (pre- and post-construction) when purchasing a newly constructed home. In addition, smaller lenders, including credit unions, will be able to participate in the guaranteed program, thereby expanding credit access to rural Americans in smaller, more remote communities.

The guaranteed loan program is also implementing an Automated Loan Closing System (ALCS), a Signature Process Improvement which is expected to generate combined savings of $14.9 million per year for USDA and the private sector. Once implemented in three phases, all loan origination documents will be maintained and distributed electronically, creating a highly efficient and virtually "paperless" loan closing environment. The benefits are significant; the private sector will no longer be required to produce paper checks to pay guarantee fees, photocopy documents, and forward application packages by overnight mail to the agency. Instead, lenders will submit guarantee fees and documents electronically. The agency, in turn, avoids having to process paper checks and photocopy documents. In addition, loan note guarantees and other documents formerly issued manually will be issued electronically. As of the end of 2014, more than 50 percent of loan closings were being submitted electronically through the Phase I rollout. Phase II development and user-testing of the loan guarantee electronic issuance process began in 2014, rollout scheduled for completion by March 2015. Phase 3 rollout of the conditional commitment electronic issuance process will follow.

In 2014, the direct loan program evaluated comments received in response to the proposed Certified Loan Packager rule. These new regulations will help households in need of program benefits by increasing the effectiveness of the participating nonprofits extending the program to remote communities. The draft final rule is expected to be published during 2015. The rule will finalize the operation of a network of competent, experienced agency-certified packagers able to identify and pre-qualify borrowers and help them submit complete loan applications to RD for processing. This community outreach extension is expected to increase the number of high-quality loan applications RD receives for processing.

The direct program also completed the rollout of the Underwriting, Pre-Closing and Compliance Review Tool, which has strengthened the underwriting of USDA Section 502 direct loans. The tool improves field office focus on underwriting components and loan documentation requirements, and also helps Loan Approving Officials validate system information and certify the accuracy and completeness of key loan documents before loan closing. These controls promote sound underwriting which protects taxpayers and helps ensure homeownership opportunities are right for program borrowers.

The program completed the business design and system requirements for the direct loan program automated underwriting system. System development is underway. This customized underwriting system will improve loan application processing by generating an automated eligibility analysis and credit risk prediction for 502 direct loan applicants. System testing is scheduled for the second quarter of 2015.

During the summer of 2014, the direct program conducted three section 502 direct and two section 523 program review visits. These program visits primarily focused on evaluating loan- and grant-making activities in the field, as well as identifying process improvement opportunities. Although the scope and results of the program visits varied across the States visited, RHS was able to identify a few similar challenges and opportunities. Common findings include: the need for consistent training; inconsistent interpretation of the agency's lending guidelines; opportunities to use existing technology to implement a paperless application process; and the need to better monitor loan application packager activities.

RHS is taking steps to address these challenges. In August 2014, the direct program presented the National SFH Direct Underwriting Training in Washington, DC. Almost 80 housing staff members from across the nation attended. In 2015, RHS plans to update field office program guidance and continue investing in technologies that will improve its program delivery system.

Process improvements were also initiated at USDA's Centralized Servicing Center which supports the 502 single family housing programs. These changes are expected to improve loan quality, expedite loss claim payment processing and, streamline servicing operations.

<u>Section 502 Direct Single Family Housing Loans</u>:

Section 502 direct loans are available for low- and very low-income households seeking homeownership in rural areas. Applicants who are willing and financially able to meet their monthly loan obligations may obtain 100 percent financing to purchase a newly constructed or existing dwelling, or a site on which to construct a home. Monthly mortgage payments are subsidized so as not to exceed 24 percent of a household's adjusted income. The subsidy, which is recaptured when the loan is paid off or refinanced, allows this program to reach a portion of the population whose income is too low to obtain credit elsewhere, even with a government guarantee.

Loan terms are typically 33 years although they may be extended to 38 years for qualified very low-income borrowers for whom the monthly payments are not otherwise affordable. Special loan servicing options, such as temporary payment moratoriums, are available when borrowers experience a disruption in income or other challenge that, absent effective relief measures, might result in a home foreclosure.

<u>Section 502 Guaranteed Single Family Housing Loans</u>:

The guaranteed loan program provides low- and moderate-income borrowers access to mortgage credit by guaranteeing loans issued by agency-approved private sector lenders. These loans may finance the full acquisition cost of a property (up to 100 percent of the appraised value or acquisition cost), as well as the guarantee fee, which may be added into the loan amount. All program mortgages have 30-year terms and fixed rates which are negotiated with the lender and cannot exceed an agency-determined cap. This program also provides financing to borrowers seeking to refinance existing USDA guaranteed or direct loans. Program credit costs are not subsidized by taxpayers through a Federal budget appropriation; the program maintains its neutral or slightly negative subsidy status through the guarantee and annual loan fees collected by lenders from borrowers.

The agency's delinquency rate for loan guarantees was 9.35 percent as of June 2014, meeting RHS's performance target to be within 50-basis points of the U.S. Department of Housing and Urban Development's Federal Housing Administration (FHA) loan delinquency rate of 8.90 percent for the same period. The FHA fixed-rate loan portfolio performance serves as the RD program benchmark. In addition, the agency's 1.56 percent guaranteed foreclosure rate was 104 basis points below the FHA benchmark's 2.56 percent guaranteed rate for the same period.

<u>Section 515 Multi-Family Housing (MFH) Preservation and Revitalization Programs</u>:

The objective of this program is to repair or rehabilitate multi-family housing. The program provides alternative financing tools for repair or rehabilitation, including zero percent loans, soft second loans, grants, and loan modifications of existing section 515 or section 514/516 farm labor housing loans. The program is also a critical part of the rehabilitation program as it helps attract third-party funding to assist in the preservation of projects. In addition, RHS uses these revitalization tools to provide gap financing not covered through Low-Income Housing Tax Credit (LIHTC) or other State or Federal programs. As a result, RHS is able to leverage approximately two and a half times its funding in investments from LIHTC and other sources. A close partnership with State tax credit allocating agencies is critical, because without a financial commitment by RHS through the revitalization tools, the credits and other third-party funding will dry up and rehabilitation of the agency's aging stock of rural rental housing will not occur. In 2014, MFH used more than $50.6 million to preserve section 515 properties consisting of a total of 3,305 units of housing through the section 515 direct and preservation and revitalization programs.

<u>Section 515 Direct Rural Rental Housing Program</u>:

Section 515 rural rental housing program funding supports both preservation and revitalization of existing multi-family housing in USDA's multi-family direct loan program. This program is critical because the need for low- and very low-income housing in rural communities is increasing; the portfolio is aging and needs to be revitalized; and it helps create stabilizing environments needed for building strong communities, families and supportive networks that allow people to thrive, grow and, where possible, become fully self-sufficient.

Recognizing the limited funding opportunities within direct loan programs, USDA is focusing its multi-family direct loan funding on the revitalization and repair of the section 515 loan portfolio through the multi-family preservation and revitalization demonstration program. The focus on revitalization is consistent with RD's priority of maintaining and servicing its existing housing portfolio.

<u>Selected examples of recent progress:</u>

In 2014, the MFH Section 515 program rehabilitated 33 properties for $26.2 million and was able to leverage funding of $20 million from outside sources in order to continue offering decent, safe and sanitary housing for rural America's tenants. The Multi-Family Preservation and Revitalization program (MPR) was able to preserve 74 properties at a cost of $57.7 million. An example of the type of improved properties that are being done under the MPR program is Kachina Apartments.

The Kachina Apartments (Kachina) in Casa Grande, Arizona, a 96-unit section 515 financed senior property, was acquired and preserved using tax credits. Kachina included solar panel installation and a water reclamation system as part of its preservation. The 148 solar panels can generate over 31 KW of electricity, which is enough to meet half the electricity needs of the community room, laundry room and outdoor usage. The 20,400 gallon water reclamation system harvests water runoff from the 21,000 sq. ft. parking lot and stores it in buried tanks to reduce costs by collecting the runoff and using it for landscaping needs rather than paying for water from a utility. Construction also included a dedicated office space for the Pinal-Gila Council for Senior Citizens within the community room. This dedicated office space makes Kachina Apartments a central point for the Council and other local community groups. In addition, the raised garden beds provide tenants with an opportunity to grow fresh produce.

Section 538 Guaranteed Rural Rental Housing Program:

RD made great strides in attracting lenders and investors into the guaranteed rural rental housing program (GRRHP). In prior years, a fraction of the loans guaranteed were sold in the secondary market. Because of strong relationships with Ginnie Mae and Fannie Mae, this program has been able to attract new lenders and investors. Rural markets are attracting more private capital as a result of these relationships and through the program's expanding lender network. The GRRHP and its associated private capital has created new rental housing construction in rural communities, and helped preserve existing section 515 direct rental housing.

In 2014, the GRRHP committed loan guarantee funds in excess of $136.2 million, providing funding to rehabilitate approximately 2,777 affordable housing units and build approximately 2,151 new affordable housing units. The 98 properties using the GRRHP during 2014 utilized other public and private funding in excess of a 3.44 to 1 ratio. This means that for every dollar of loan guarantee funds, the property attracted $3.44 of other funding.

Selected example of recent progress:

McCook, Nebraska was experiencing a shortage of affordable housing in the community, especially for the elderly and handicapped. A group of citizens, along with the McCook Housing Authority, formed the East Ward Village, LLC and developed plans to convert the existing building and playground of the former East Ward Elementary School into affordable housing to meet this need. RD was one of several public and private partners that made East Ward Village Apartments a reality. A USDA guaranteed rural rental housing loan of $705,000 provided the final piece of the financing, which also included funding from the LIHTC program, the Federal Home Loan Bank of Topeka, City of McCook, an equity contribution from McCook Housing Authority, and the Borrower, East Ward Village, LLC. Through this partnership, an unused former grade school was re-purposed into 15 rental units. The remaining land was used for six newly constructed duplexes for a total of 27 units. Old windows were removed and openings reduced to improve energy efficiency. Energy efficient geothermal heating and cooling systems were installed in the new duplexes, and air-to-heat pumps were installed in the former school building, along with free Wi-Fi for the tenants.

Section 504 Housing Repair Loans:

The section 504 home repair loan program provides assistance for repairs to very low-income homeowners. These one percent interest loans are used to improve or modernize a home, or address health and safety issues. Since 1950, USDA has provided more than188,000 rural families with repair loans totaling $778.7 million. In 2014, the program provided 2,372 loans totaling $13.8 million. The average loan was approximately $5,820.

Rural Housing Assistance Program

Current Activities:

RD faces many challenges in its multi-family housing (MFH) programs resulting from rapidly aging MFH direct loan portfolios which serves the affordable rental needs of the most vulnerable residents in rural communities. Our on-going focus includes:

1. Continued engagement with funding partners to draw third-party funding into transactions that preserve the portfolio or establish new rental housing units (particularly through the section 514/516 farm labor housing or section 538 guaranteed rural rental housing programs) in underserved rural areas. One significant step in these efforts is participation in the White House Rental Policy Working Group's efforts to align funding and operational requirements between the Departments of Housing and Urban Development, Agriculture's rental housing programs and Treasury's tax credit program. Improved alignment of funding will help USDA and partners better leverage resources available through the other agencies. Another goal of the working group is to make Federal rental housing programs more attractive to our partners by improving program efficiency and reducing duplication of Federal regulatory requirements. Current efforts include elimination of multiple property inspections, revision of RD requirements for property annual financial reporting, and creation of an

electronic Capital Needs Assessment tool that will be used to assess needs of the U.S. Housing and Urban Development and RD multi-family properties.

2. Ongoing training, undertaken by MFH program staff, to provide guidance to field staff with less than five years of experience servicing the loan portfolio or handling asset management responsibilities.

3. Increased focus on attracting private funding for preservation and rehabilitation projects in order to make RD's funding go further. In 2014, the MFH housing programs attracted approximately $2.62 in external project funding for each $1 of RD funding.

<u>Multi-Family Housing Transfer Application Process Continuous Process Improvement</u>:

Industry stakeholders expressed concern about the length of time needed for RD to approve transfers of property ownership. In May 2014, RD began streamlining the transfer process through a Transfer Application project using Lean Six Sigma continuous process improvement tools. With the help of two Lean Six Sigma experts, the multi-family team began the improvement effort by defining the scope, measuring the data, and evaluating and analyzing the current transfer process.

Through a process improvement effort, RD will improve its customer service while meeting its goal of providing quality affordable rental housing in rural America. Through this collaborative effort, MFH will meet the agency goals and attracts private partners providing the financial resources needed to address the renovation requirements of the current aging affordable rural rental housing.

<u>Section 521 Rental Assistance Program</u>:

In 2014, $1.110 billion was used to fund 252,418 agreements, including 202 new rental assistance (RA) units for Farm Labor Housing new construction. The agency began an initiative in 2010 to aggressively service non-performing projects and non-compliant borrowers, with the objective of recapturing remaining obligation balances from RA units of properties that leave the portfolio either through foreclosure or prepayment of an RD mortgage. Aggressive servicing requires RD field staff to focus on the continued need and suitability of defaulted properties, and evaluate the available resources to rehabilitate or strengthen a property's financial position.

Staff continues to work with industry groups to ensure appropriate property manager training in an effort to lower improper payment error rates. The error rate for 2014 continues to be below two percent. Staff has also undertaken efforts to improve transparency by enhancing information available on the electronic portal used by borrowers to submit data to the agency. Information now available includes the date of RA agreement renewal, the number of RA units funded, the balance remaining on the RA agreement, and the expected remaining term of the agreement based on current RA usage rates. Internally, the agency has made technological improvements as well, to assist loan specialists in the field to better monitor and manage the RA program.

<u>Section 514/516 Farm Labor Housing Program</u>:

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

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

The MFH program financed the construction and repair of 616 farm labor housing units in 2014. The selection process for farm labor housing loans and grants is conducted through a Federal Register notice, which establishes the criteria used by RD to allocate these loans and grants. One RD goal is to attract more external funding. Typically, groups attracting external financing, receive more credit in the application review process. Overall, this program obligated approximately $43.8 million in 2014. For each loan or grant dollar obligated, in excess of $0.85 of external funding was leveraged.

Section 542 Voucher Program:

Since program inception in 2006, the voucher program has offered more than 19,135 housing vouchers to residents in rural America. During that time, more than $70.5 million in voucher funds were obligated. The program is intended to provide a simple, direct and responsive approach to program delivery, without duplicating other Federal rent assistance programs. In 2014, the program obligated $14.1 million, the highest level yet, and issued or renewed 4,007 vouchers. An average voucher paid approximately $298 per month per household in 2014 as compared to $290 per month in 2013.

Section 523 Mutual and Self-Help Housing Grants:

The mutual and self-help program provides the only opportunity for many of the lowest income families in rural areas, including minorities, to achieve their homeownership goal. Since 1966, USDA has provided nearly $769 million to non-profit organizations around the country to organize more than 2,500 groups of families to build their own communities.

Nearly 50,000 families have built their homes through USDA's self-help program. In 2014, a total of 868 families were assisted with mortgage loans totaling $124.5 million. The program obligated $18.3 million in section 523 technical assistance grants and contracts to organizations supporting these groups of rural families.

Families participating in the self-help program work together in teams of six-to-ten to build each other's homes under the supervision of qualified contractors hired by the grantee organizations. This program makes homes affordable through sweat equity. It serves a high percentage of those who would never be able to obtain a home through conventional means. Average income for participating families was only $30,306 per year even though Self-Help loans are concentrated in western States in areas where incomes and housing costs are higher. About 56 percent of those who participated are minorities. Based on the appraised value of the house versus its cost, we estimate the average self-help family attains about $25,000 in equity from their work contribution.

Rural Housing Assistance Grants

Current Activities:

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

Section 504 Housing Repair Grants:

The section 504 housing repair grant program is available only to very low-income homeowners age 62 or older. Grant funds must be used to remove health and safety hazards or make dwellings more accessible to household members with disabilities. These grants average $6,057. In 2014, a total of 4,670 elderly families obtained $28.3 million to make essential repairs to their homes.

Section 509 Compensation For Construction Defects:

This program provides funds to section 502 direct homeowners to repair structural defects in newly constructed homes. Grants are available only if the contractor refuses, or is unable to honor the warranty, and only covers structural defects within 18 months of completion of the home. One grant totaling $ $6,051 was obligated in 2014.

Section 533 Housing Preservation Grant Program:

The housing preservation grant program strives to improve the quality of existing MFH and some SFH units through partnerships with various local public bodies and non-profit organizations. Grants of approximately $4.8 million were made to non-profit and public entities improving the housing quality of approximately 1,341 families in 2014.

The housing preservation grant program is administered through a public notice process, in which nonprofit and public bodies are invited to apply for grants to repair SFH and MFH housing units that are below housing standards. In 2014, this program attracted more than $3.28 of private and public funds for each $1 of RD housing preservation grants.

Community Facilities Direct Program

Current Activities:

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

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

Selected Examples of Recent Progress:

Below are examples of Public-Private Partnerships essential to the growth of rural America.

Chadron Community Hospital: With a service region covering six counties in Nebraska and South Dakota, Chadron Community Hospital was no longer able to properly care for its customers. Overcrowding, a lack of adequate space for patients and physicians, and modern building code and Americans with Disabilities Act concerns indicated a need for a new community hospital.

To help meet this need, Chadron Community Hospital turned to RD for the bulk of the estimated $21 million needed to construct their new facility. The CF Program provided nearly $9 million in a direct loan funding, along with a nearly $9 million loan guarantee from the First National Bank of Omaha. In addition, the citizens of Chadron voted overwhelmingly to provide the balance of the needed funding through a levy, along with a donation from the Chicoine Trust and the hospital's own funding.

The new 94,000-square-foot critical access hospital was constructed in May 2010, and not only provides 25 private rooms, but room for more than a dozen specialty practices and a family practice clinic. Combined, the hospital and clinic employ more than 200 people, and provide good-paying jobs.

University of Pikeville: Recruitment of highly skilled healthcare providers in this Central Appalachia, a high poverty region and Presidential Promise Zone, remains a difficult challenge for local healthcare facilities. The University of Pikeville (UPIKE) is responding by providing regional access to education, including advanced healthcare degrees and medical doctorates. University data indicates students with a connection to this impoverished region are more likely to practice in the area post-graduation.

To address the regional educational needs, a strategic plan outlining needed upgrades was developed and a Public-Private Partnership established. Total strategic plan costs are estimated at $52 million, including the $40million in direct loan funding provided by CF for the construction of Kentucky's first, and the Nation's 22nd College of Optometry. Additional partner-funding includes $5.5 million from UPIKE; $3.7 million in private donations; a $1.5 million Appalachian Regional Commission Grant; and a $1.3 million U.S. Economic Development Administration Grant.

The completed College of Optometry is expected to add 75 new jobs to the local economy. It will also create a much-needed distributed community-based clinic model which will employ an additional 25 to 30 rural resident.

Community Facilities Grant Program

Current Activities:

The CF grant program continues to develop and improve access to critical essential facilities and services. To spur economic growth, jobs creation, and improve the quality of life in rural America. This program helps communities:

- Improve rural economic vitality;
- Enhance rural-urban economies of scale;
- Create jobs and provide improved employment opportunities;
- Improve the quality of education and health care;
- Provide a safer rural America;
- Further business development and economic growth; and
- In 2014, the CF programs invested $932 million in 419 new or improved essential community facilities, which created or saved 22,080 jobs.

Selected Examples of Recent Progress:

The Spokane Tribe of Indians located in Wellpinit, Washington, needed a safe, affordable child learning facility for 30 to 40 local children. The current space, an aging collection of older manufactured trailers, did not provide adequate space or meet current building codes.

The Spokane Tribe dreamt of having a modern, environmental-friendly facility that would not only meet the needs of the community, but be constructed to match the integrity of the Tribe's adjacent administration building. The Tribe also wanted to incorporate local employment opportunities designed to teach valuable skills to its members and continue the arts of construction and project management.

To assist with this project, a Public-Private Partnership was established with RD, the Spokane Tribe of Indians, the U.S. Housing and Urban Development, the U.S. Department of the Interior's Bureau of Indian Affairs, the U.S. Department of Education and community and local foundations. In support of the total project cost of $1.5 million, RD awarded a CF grant for $7,700 and an Economic Impact Initiative grant for $94,000.

Today, the Spokane Tribe of Indians has a bright, engaging and modern early-learning center. The Pauline Stearns Early Learning facility, named after a local tribal member and founder of the original early education center, exemplifies a true success story: partners working together to provide project funding; community members coming together to construct a facility needed by the community, and the sharing of values and skills with future generations.

Rural Community Development Initiative Grants

Current Activities:

The rural community development initiative grants (RCDI) program continues to develop the capacity and ability of nonprofit organizations, low-income rural communities and federally recognized tribes to undertake projects related to housing, community facilities or community and economic development in rural areas. The RCDI program is currently providing grants to intermediary organizations to train recipient organizations on various topics, such as housing development; economic development capacity building; housing preservation; renewable energy to name a few. Recipients then provide training to the residents in their service area, who are the ultimate beneficiaries of this program. In 2014, the agency provided 49 grants totaling $6.8 million in RCDI funding.

Selected Examples of Recent Progress:

The Western Main Community Action Program (WMCAP) has received several RCDI grants in recent years. They have a pending 2014 application for funding to support a Regional Collaboration focusing on regional job creation, as well as, technical assistance and training for Maine's energy auditors, private contractors, and other community assistance partners providing support services to the elderly. The Keeping Seniors Home program is also working to sustain the trend of decreasing Maine's dependence on high-cost nursing home care. By reducing nursing home costs, the state is reducing taxpayer burden as the percent of public spending as more elders remaining independent.

WMCAP has a long and successful operating history of delivering essential services to the State's elder citizens. To-date, the Keeping Seniors Home Programs has served over 2,990 rural low-income elder homeowners and leveraged over $12 million in rural home investment. WMCAP is achieving its goals by ensuring that elders have safe, secure homes that meet their daily basic needs.

Community Facilities Tribal College Grant

Current Activities:

CF is providing Tribal College grants to tribal colleges and universities (land grant status under the 1994 Native American Education Act) to help defray the cost of developing or improving specific tribal colleges and universities to improve existing facilities and lay the foundation for sustainable economic development through an educated workforce.

In 2014, the CF programs invested $4.1 million in 29 new or improved essential community facilities, which created or saved 83 jobs.

Selected Examples of Recent Progress:

As Little Priest Tribal College in Winnebago, Nebraska, pursued a robust recruiting and public relations campaign, student enrollment increased. As a result, additional classroom space was needed.

Tribal College Grant funding of $158,656, along with the school's match of $41,625 from their U.S. Department of Education's Title III, Part F program, leveraged with $30,000 from the Winnebago Community Development Fund, provided the $230,281 needed to fund the College's expansion. Fronting Highway 77 in the beautiful Ho-Chunk Village development, the 2,000 square feet wood framed classroom building is the first of the Tribal College Complex on the new North Campus. Just in time for the fall semester's enrollment, Little Priest Tribal College opened the new classroom building that provides space for math, science, composition, speech and other course work, a small administrative office, handicap accessible restrooms, and a changing room/breastfeeding center.

Economic Impact Initiative Grants

Current Activities:

In 2014, the CF program funded a total of $6.85 million in support of 220 facilities in education, public safety, health care, and public building and improvement located in economically depressed areas with a 'not employed rate' of at least 19.5 percent. Funding under the Economic Impact Initiative (EII) program serviced nearly 180,000 rural Americans in providing $545,000 in grant funding to improve critical health care services in areas of critical need. EII grant funding made even larger enhancements to rural education. In 2014, a total of $1.2 million in EII grant funds were used to enhance educational services to over 225,000 rural Americans. Similarly, improved services were granted to over 500,000 rural Americans in support of Public Safety enhancements totaling over $3.4 million in CF grant funds to further develop EII eligible areas. The remaining $1.7 million in 2014 EII funding assisted in the further development of other essential community facilities, and services, which serviced over 200,000 rural America.

Selected Examples of Recent Progress:

The City of Niagara, Wisconsin in Marinette County was approved for two grants totaling $38,000 to be used towards a vehicle and equipment for the Niagara Police Department.

A CF grant for $34,200 and an EII grant for $3,800 funded the purchase of basic essentials including portable radios, squad car laptops and radar units, in addition to a squad car. The Niagara Police Department provides services to the citizens of Niagara and neighboring communities, and assists Marinette County deputies as requested, making these improvements vital for officer and citizen safety. The funding provided to the City of Niagara helps its police department care for the safety of their community.

CF Program Evaluations

A USDA Inspector General (IG) Report (Audit Report 04703-0002-HY) entitled Rural Development's Controls Over Eligibility Determinations for the Rural Community Facilities Program's Direct Loan and Grant Recovery Act Activities-Phase 2 was issued in September 2012. The IG noted three findings for which they accepted management's explanation as resolution.

In addition, RD will complete required Management Control and Improper Payment Reviews, as scheduled during 2016. Reviews are conducted by RD teams or program staff members. All activities and reports will be completed by the end of 2015.

RURAL HOUSING SERVICE

Summary of Budget and Performance
Statement of Department Goals and Objectives

The Rural Housing Service (RHS) delivers both housing programs authorized by the Housing Act of 1949, as amended and the Cranston-Gonzalez National Affordable Housing Act of 1990, and community facilities programs authorized by the Consolidated Farm and Rural Development Act of 1972, as amended. RHS is comprised of three program areas: (1) Single Family Housing (SFH), (2) Multi-Family Housing (MFH), and (3) Community Facilities (CF).

The agency strives to improve the quality of life and invigorate local economies in Rural America by: 1) providing decent, safe, and affordable housing, and 2) developing community infrastructure. In partnership with non-profits, Indian tribes, State and Federal government agencies, and local communities, RHS provides technical assistance and loan and grant funds to assist rural communities and individuals. RHS has one strategic goal and four strategic objectives that contribute to two Strategic Objectives within one of the Department Strategic Goals.

USDA Strategic Goal: Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving

USDA Strategic Objectives: Enhance rural prosperity, including leveraging capital markets to increase Government's investment in rural America (Objective 1.1)

Agency Strategic Goal	**Agency Objectives**	**Programs that Contribute**	**Key Outcomes**
Goal 1: Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving.	1.1. Enhance Rural Prosperity 1.2 Create Thriving Communities	• Single Family Housing • Multi-Family Housing • Community Facilities	USDA and its partners are creating thriving communities where people want to live and raise families and where children have a bright future. Reduction in the percentage of rural communities in persistent poverty. Reduction in rural out-migration. Increase in median net farm income and median non-metro household income.

Key Performance Measures:

Community Facilities (CF) Programs

	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Target	2016 Target
Percentage of rural residents who are provided access to new or improved essential community facilities – (1) Health Facilities, (2) Safety Facilities, and (3) Educational Facilities							
(1) Heath Care	3.2	5.2	7.3	5.4	6.8	4.5	4.5
(2) Public Safety	3.2	4.3	3.7	3.4	3.7	3.7	2.7
3) Education	3.8	3.8	6.4	9.3	6.2	4.5	4.5

Selected Past Accomplishments Toward the Achievement of Key Outcome:

In 2014, even with continued reductions in field staff and expertise and a surge in workload and initiatives, CF obligated 1,346 loans and grants for approximately $1.1 billion, our third highest year since program inception in 1974 (excluding funding under the American Recovery and Reinvestment Act of 2009). CF met or exceeded all of its 2014 performance goals.

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

- Improve rural America's access to capital for community infrastructure;
- Strengthen CF underwriting with another set of eyes to evaluate projects;
- Bring financial, project development, and technical resources, innovation and expertise to strengthen project financial feasibility and sustainability.
- Reduce the agency's exposure to risk; and
- Protect the safety and soundness of our portfolio.

Selected Accomplishments:

Chadron Community Hospital: Plagued by overcrowding, a lack of adequate space for patients and physicians, and need for modern building code and Americans with Disabilities Act upgrade, new hospital facilities were needed. Through a public-private partner, the $21 million in funding to build the new facilities was secured from CF through nearly $9 million in direct loan funding, a $9 million loan guarantee from the First National Bank of Omaha, donations from the Chicoine Trust, the hospital's own funding and a citizen-approved levy. Combined, Chadron's new hospital and clinic employs more than 200 people and provides good paying jobs for the community.

University of Pikeville (UPIKE) in the Heart of Appalachia: Recruitment of highly skilled healthcare professionals in the heart of Central Appalachia, a high-poverty region and located within a Presidential Promise Zone, remains a difficult challenge for local healthcare providers. To address the regional educational needs in the health care sector, a strategic plan outlining the needed upgrades for UPIKE was developed, and a Public-Private Partnership established. Construction costs for a new educational facility were estimated at $52 million. Through a public-private partnership, the $52 million in construction costs for the new education facilities were secured -- $40 million in CF direct loan funds; $5.5 million from UPIKE; $3.7 million in private donations; a $1.5 million Appalachian Regional Commission Grant; and a $1.3 million U.S. Economic Development Administration Grant. The completed College of Optometry is expected to add 75 new jobs to the local economy. It will also create a much-needed distributed community-based clinic model and employ an additional 25 to 30 rural resident.

Little Priest Tribal College: Little Priest Tribal College in Winnebago, Nebraska, is growing as the college pursues a robust recruiting and public relations campaign. As a result, additional classroom space was needed to meet this demand for higher education on the Winnebago Tribe of Nebraska's reservation. With $158,656 in CF Tribal College grant funding, $41,625 from the U.S. Department of Education and $30,000 from the Winnebago Community Development Fund, the college was able to construct a new classroom, building providing space for math, science, composition, speech and other course work, a small administrative office, handicap accessible restrooms, and a changing room/breastfeeding center.

Centennial Mental Health Center: Strong growth, coupled with continued demand for accessible services, expected population increases, and outdated facilities serving ten counties in NE Colorado, Centennial is no longer capable of supporting current patient needs. A $3,565,213 Community Facilities direct loan, leveraged with $500,000 from Centennial Mental Health Clinic, $500,000 from Colorado Health Foundation and $150,000 from the Anschutz Foundation, will construct a new two-level, 17,655 square foot facility to better serve rural Colorado and foster coordinated care for residents of the region.

<u>Selected Accomplishments Expected at the FY 2016 Proposed Resource Level</u>:
The CF program seeks to build on its mission of developing community infrastructure with the proposed 2016 resources level through:

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

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

- ***Prioritize Local and Regional Food System Projects*** - A priority focus of the CF program for 2016 and beyond will be projects related to strengthening local and regional food system infrastructure. USDA supports local and regional marketing opportunities as a component of RD's portfolio because the economic and community benefits accrue locally, generating job opportunities in rural America and strengthening the connection between food producers and consumers. In 2016, CF will adopt a priority focus on local and regional food system infrastructure;

- ***MOU with the Rural Community College Alliance and the American Association of Community Colleges* –** In 2016, CF will continue its partnership with the Rural Community College Alliance and the American Association of Community Colleges. Funding will strengthen the rural economy and assist in facilitating access to capital for rural community college infrastructure projects, increased cooperation between USDA RD and rural community colleges, and encourage partners to work together more effectively toward the goal "to reach more and teach more;" and

- ***StrikeForce Initiative* –** In 2016, the CF program will look to improve the identification, outreach, and investment in critical infrastructure in these targeted areas.

Single Family Housing Programs

	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Target	2016 Target
Number Of Homeownership Investments – Direct Loan (units are Section 502 loans) 1/							
Number of Loans	8,505	9,685	7,918	7,112	6,560	7,059	6,787
Cost	$1.0B	$1.1B	$899M	$827M	$808M	$900M	$900M
Number Of Homeownership Investments – Guarantees Of Approved Lender Loans (units are Section 502 loan guarantees) 2/							
Number of Loans	119,230	130,415	145,109	162,943	139,828	170,307	163,757
Cost	$15.1B	$16.8M	$19.2B	$22.3B	$19B	$24B	$24B

Footnotes:

1/ Includes initial and subsequent direct loans.

2/ Includes loan guarantees for both purchase and re-finance loans.

Other Single Family Housing Performance Measures: RHS developed additional performance measures to be utilized by managers to more effectively and efficiently manage Agency programs. Current and new performance measures include:

	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Target	2016 Target
Self-Help Families for Which Homes Were Built 1/	1,243	1,015	922	1,084	868	1,100	600
Cost	$42,686	$34,337	$37,919	$31,383	$18,291	$27,500	$10,000
Very-Low Income Families Assisted With Home Repairs (units are Section 504 loans and grants) 2/							
Number of loans and grants	10,272	9,553	7,003	7,006	7,042	9,164	8,437
Cost	$58M	$54M	$40M	$42M	$42M	$55M	$51M

Footnotes:

1/ Section 523 grants are for 2-years and provide technical and management assistance for local Self-Help providers. Most participating families are funded with Section 502 direct loans.

2/ Includes all loans and grant to very-low income households.

Selected Past Accomplishments Toward the Achievement of the Key Outcome:

- The 502 Guaranteed Loan program Interim Rule 3555 became effective December 1, 2014. It promotes important program priorities, including new-home construction and expanded participation of small lenders serving remote areas.
- Single Family Housing introduced significant cost-savings efficiencies in the guaranteed program loan closing process. Phase 1 of the newly automated loan closing process is very near completion. Phase 2, which automates the delivery of the loan note guarantee, rolled out on December 1, 2014, and is quickly being adopted by lenders. Phase 3, which automates the issuance of the conditional commitment and is the final step toward a "paperless" loan application processing environment, is scheduled to roll out in the first half of 2015.
- Further progress was made in 2014 toward the certification of 502 Direct loan packagers and automated underwriting, both of which will be implemented in 2015. These initiatives will expand the outreach, efficiency, and risk management of the Direct program.
- In 2014 the single family housing programs provided more than 146,000 homeownership and home improvement opportunities for program-eligible moderate-, low-, and very low-income borrowers who could not obtain affordable credit in the commercial mortgage markets.
- More than 33,400 very low- and low-income borrowers were assisted by the Single-Family Direct and Guaranteed Programs.
- Over 6,500 families were served by the 502 Direct Loan Program in 2014, which obligated more than $808 million despite the government shutdown.

- In rural communities, 868 families built their own homes through the mutual self-help housing program.

Selected Accomplishments Expected at the FY 2016 Proposed Resource Level:

- This budget enables the Single Family Housing programs to provide more than 170,500 homeownership opportunities for very low-, low-, and moderate-income rural borrowers. The capital access provided by these programs will also spur job creation and contribute toward the economic revitalization of rural communities.
- More than 8,400 very low-income borrowers are projected to receive home improvement financing assistance.
- FY 2016 will be the first full year during which the direct loan program will be able to take full advantage of the streamlining and risk management benefits of the new automated underwriting system.
- Important new program efficiencies are anticipated. By March 31, 2015, the guaranteed program will have completed the automated loan closing initiative, and 2016 will be the first full year during which the processing of loan applications will be virtually paperless. In addition, mortgage broker access to the Guaranteed Underwriting System is expected to rollout by the end of 2015 and should be implemented in 2016.
- The Guaranteed Loan program rollout of the Investor Loan Status Reporting initiative in 2015, with full implementation in 2016, will increase the quality and quantity of data the agency receives from lenders concerning their loan portfolio characteristic. This effort will improve lender oversight and provide important program compliance capability, which can improve the quality of service provided borrowers and help minimize taxpayer risk.
- The Single Family Housing programs will continue to meet the specific needs of rural borrowers, requiring effective program delivery in remote areas, as well as areas of persistent poverty and areas targeted by Administration initiatives.

Multi-Family Housing

	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Target	2016 Target
Families assisted with new/renewed contracts (Section 521 Rental Assistance)							
Number of Projects	219,148	216,654	206,216	190,697	252,418	243,402	254,595
Cost	$979M	$954M	$905M	$837M	$1.110B	$1.088B	$1.172B

Other Performance Measures: RHS developed additional performance measures to be utilized by managers to more effectively and efficiently manage Agency programs. Current and new performance measures include:

	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Target	2016 Target
Leveraged Funds In New Construction And Rehabilitation (Section 514, Section 515, Section 538, and Multi-Family Housing Preservation and Revitalization)							
Amount of Leveraged Funding	$690M	$512M	$413M	$605M	$600M	$600M	$750M
Rural Housing Voucher Program							
Number of Vouchers	2,245	2,682	3,298	3,842	4,007	2,655	3,968
Cost	$7.6M	$8.5M	$10.5M	$13.1M	$14.3M	$7M	$15M
Units Selected For Construction Or Rehabilitation (Section 515, Section 514/516, Section 538, and Multi-Family Housing Preservation and Revitalization)							
Number of Units	n/a	n/a	n/a	4,906	10,190	9,050	11,708
Cost	n/a	n/a	n/a	$134M	$228M	$236M	$308M

Units Selected For New Construction Or Rehabilitation In High Poverty Areas (Section 514, Section 515, Section 538, and Multi-Family Housing Preservation and Revitalization)							
Number of Units	n/a	n/a	n/a	100	1,611	1,847	2,228
Cost	n/a	n/a	n/a	n/a	$46.5M	$48.6M	$58.6M
Units Selected For New Construction Or Rehabilitation Including Energy Conservation Or Generation (Section 514, Section 515, Section 538, and Multi-Family Housing Preservation and Revitalization)							
Number of Units	n/a	n/a	n/a	978	1,200	1,847	2,228
Cost	n/a	n/a	n/a	n/a	$48.6M	$48.6M	$58.6M

Note: n/a means the Performance measure was not calculated separately in this fiscal year.

Selected Past Accomplishments Toward the Achievement of the Key Outcome:

- In 2014, RD invested more than $257 million from all multi-family housing loan and grant programs, and attracted more than $600 million in private capital to modernize its affordable rental housing portfolio.
- In 2014, RD further promoted the use of renewable energy by incorporating additional priority points in all multi-family loan funding notices for improvements that conserve or generate energy. The agency expects to reap the benefits of this emphasis on energy savings through reductions in property utility expenses, which will reduce the need for rental assistance to support property operating costs.
- Multi-Family Housing leveraged a rate of more than $2.50 for every dollar.
- Invested more than $1.1 billion in rural communities by providing rental assistance to support affordable rental housing funded by Rural Development. These funds were used by rental properties within the local community to pay for salaries, supplies and other expenses.
- Multi-Family Housing partnered with the Food and Nutrition Service to make the Summer Lunch program available to children at 134 apartments funded by Rural Development.
- Staff began a continuous process improvement effort to streamline the transfer of ownership or Rural Development-funded properties. The improvements will encourage existing owners to transfer their properties to others committed to retaining the affordable housing, rather than pay off a Rural Development loan and converting the housing to market rate rent. This process improvement effort included field staff and industry representatives.
- Staff coordinated efforts with HUD to eliminate duplication in financial reporting requirements for properties receiving both Rural Development and HUD benefits. The streamlined financial reporting will reduce audit costs, helping sustain affordable rents and free up funds for continued property improvement.
- Staff trained 400 Rural Development field staff on multi-family servicing and underwriting requirements to increase program expertise and improve partnerships between field staff, property owners, property managers, and tenants.
- Staff conducted outreach and marketing to support potential buyers and sellers of multi-family properties.

Selected Accomplishments Expected at the FY 2016 Proposed Resource Level:

- RD is focused on better targeting of agency resources to areas of poverty; multi-family housing expects to include priority points to its 2015 and 2016 funding notices to encourage investment in high poverty areas to create economically thriving communities in those areas.
- Initiate Multi-Family Housing Investment in StrikeForce and Promise Zone Areas by providing a combination of new construction and rehabilitated properties, with rental assistance support, to Promise Zones and Strike Force areas in four selected States.
- To help keep MFH properties facing loan maturity dates serving rural residents into the future, RHS is proposing a demonstration program that will focus investment in areas of persistent poverty, such as Promise Zones or StrikeForce areas. The goal will be to rehabilitate at least two existing RD rental housing facilities and build at least two new affordable rental housing property in each area.
- RD is enhancing its analysis of property financial reports, and expects to utilize this enhanced analysis capability to monitor the completion of conservation improvements and their impact on operating costs.
- RD plans to expand its partnership with State housing finance authorities by increasing the number of authorities that include a Low Income Housing Tax Credit set-aside for rural housing, and a set-aside for preservation of existing rental housing, in their Qualified Allocation Plan.

- RD expects to add at least one new authority as an approved Section 538 Guaranteed Rural Rental Housing program lender.
- RD expects to add at least two new active lenders in the Section 538 Guaranteed Rural Rental Housing program.
- Raise customer satisfaction by continuing to implement ownership transfer process improvements, and undertaking new process improvements. Through the current transfer process improvement, processing times will be reduced by a minimum of 10 percent.
- Increase the number of RD-funded multi-family properties participating in the Summer Lunch program by 50 percent.
- Establish a performance-based management fee structure to ensure safe, decent and affordable housing.
- Establish new electronic Capital Needs Assessment (CNA) tool to create standardized CNA reports, reducing report costs incurred by RD-funded properties.
- Continued development of RD field expertise through program training with the goal to provide at least six regional trainings per year, subject to available funding.
- Manage the potential loss of RD's multi-family housing portfolio by increasing participation at conferences to promote communication with potential property buyers and sellers.

RURAL HOUSING SERVICE

Strategic Goal Funding Matrix

(Dollars in thousands)

Program	FY 2013 Actual	FY 2014 Actual	FY 2015 Budget	FY 2016 Estimate
Department Strategic Goal 1 : Assist Rural Communities to Create Prosperity so they are self-sustaining and economically thriving				
Department Objective 1: Enhance Rural Prosperity, including leveraging capital markets to increase government's investment in rural America				
Rural Housing Service……	$1,029,859	$1,277,728	$1,298,360	$1,394,724
Total Cost, Strategic Goal 1……	1,029,859	1,277,728	1,298,360	1,394,724
Staff Years, Strategic Goal……	3,419	3,383	3,630	3,598

RURAL HOUSING SERVICE

Full Cost by Department Strategic Goal
(Dollars in thousands)

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

Rural Housing Service Programs	2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
Rural Community Facility Programs				
Program Level	$1,440,214	$1,089,085	$1,966,866	$2,262,000
Budget Authority	29,303	40,261	37,901	62,000
Administrative costs (direct)	67,413	72,472	76,285	77,230
Indirect costs	31,724	34,104	32,693	31,545
Total Costs	128,440	146,837	146,879	170,775
FTEs	752	744	799	790
Performance Measure:				
Percent of rural residents who are provided access to new and/or improved essential community facilities-Educational Facilities 1/	9.3	6.2	4.5	4.5
Cost per measure (unit cost)	13,810.70	23,683.45	32,639.78	37,950.00
Section 502 Direct Single Family Housing Loans and Section 524 Housing Site Development Loans				
Program Level	827,165	808,101	905,000	905,000
Budget Authority	49,382	21,980	66,420	60,750
Administrative costs (direct)	42,899	46,118	48,545	50,127
Indirect costs	20,188	21,703	20,805	20,475
Total Costs	112,469	89,801	135,770	131,352
FTEs	479	474	508	513
Performance Measure:				
Home purchase loans	7,112	6,560	7,059	6,787
Cost per measure (unit cost)	15.81	13.69	19.23	19.35
Section 502 Guaranteed Single Family Housing Loans				
Program Level	22,350,462	19,051,253	24,000,000	24,000,000
Administrative costs (direct)	61,285	65,883	69,350	70,340
Indirect costs	28,840	31,004	29,721	28,730
Total Costs	90,125	96,887	99,071	99,070
FTEs	684	677	726	720
Performance Measure:				
Home purchase loan guarantees	162,943	139,828	170,307	163,757
Cost per measure (unit cost)	0.55	0.69	0.58	0.60
Section 515 Direct Rural Rental Housing Loans				
Program Level	29,135	27,219	28,398	42,271
Budget Authority	10,247	6,372	9,800	12,525
Administrative costs (direct)	21,450	23,059	24,272	24,607
Indirect costs	10,094	10,851	10,402	10,051
Total Costs	41,791	40,282	44,474	47,183
FTEs	239	237	254	252
Performance Measure:				
Units selected for new construction or rehab	1,399	871	961	1,020
Cost per measure (unit cost)	29.87	46.25	46.28	46.26

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

Rural Housing Service Programs	2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
Section 538 Guaranteed Multi-Family Housing				
Program Level	52,227	136,162	150,000	200,000
Administrative costs (direct)	15,321	16,471	17,337	17,576
Indirect costs	7,210	7,751	7,430	7,179
Total Costs	22,531	24,222	24,767	24,755
FTEs	171	169	182	180
Performance Measure:				
Units selected for new construction or rehab	2,062	4,923	5,174	6,800
Cost per measure (unit cost)	10.93	4.92	4.92	3.64
Section 504 Housing Repair Loans				
Program Level	14,335	13,806	26,279	26,278
Budget Authority	1,960	1,143	3,687	3,424
Administrative costs (direct)	3,677	3,953	4,161	4,218
Indirect costs	1,730	1,860	1,783	1,723
Total Costs	7,367	6,956	9,631	9,365
FTEs	41	41	44	43
Performance Measure:				
Number of families assisted	2,412	2,372	4,426	4,340
Cost per measure (unit cost)	3.05	2.93	2.18	2.16
Section 523 Self-Help Land Development Housing Loans				
Program Level	-	-	5,000	-
Administrative costs (direct)	1,532	1,647	1,734	878
Indirect costs	721	775	743	359
Total Costs	2,253	2,422	2,477	1,237
FTEs	17	17	18	9
Single and Multi-Family Housing Credit Sales				
Program Level	653	960	10,000	10,000
Administrative costs (direct)	3,064	3,294	3,467	3,515
Indirect costs	1,442	1,550	1,486	1,436
Total Costs	4,506	4,844	4,953	4,951
FTEs	34	34	36	36
Performance Measure:				
Number of loans to facilitate REO property sales	12	15	15	15
Cost per measure (unit cost)	375.50	322.93	330.20	330.07
Section 521/502 Rental Assistance				
Program Level	837,054	1,109,913	1,088,500	1,171,900
Budget Authority	837,054	1,109,913	1,088,500	1,171,900
Administrative costs (direct)	12,257	13,177	13,870	14,061
Indirect costs	5,768	6,201	5,944	5,743
Total Costs	855,079	1,129,291	1,108,314	1,191,704
FTEs	137	135	145	144
Performance Measure:				
Familites assisted with new/renewed Sec.521 RA contracts	190,697	252,418	243,402	254,595
Cost per measure (unit cost)	4.48	4.47	4.55	4.68

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

Rural Housing Service Programs	2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
Section 514 Farm Housing Loans				
Program Level	18,881	37,659	28,065	23,855
Budget Authority	6,295	8,929	9,037	6,789
Administrative costs (direct)	9,193	9,882	10,402	10,546
Indirect costs	4,326	4,651	4,458	4,307
Total Costs	19,814	23,462	23,897	21,642
FTEs	103	101	109	108
Performance Measure:				
Units selected for financing or new contruction	353	616	825	840
Cost per measure (unit cost)	56.13	38.09	28.97	25.76
Section 516 Domestic Farm Labor Housing Grants				
Program Level	9,556	12,936	12,010	8,336
Budget Authority	9,556	12,936	12,010	8,336
Administrative costs (direct)	9,193	9,882	10,402	10,546
Indirect costs	4,326	4,651	4,458	4,307
Total Costs	23,075	27,469	26,870	23,189
FTEs	103	101	109	108
Rural Housing Vouchers				
Program Level	14,138	15,093	9,731	15,000
Budget Authority	14,138	15,093	9,731	15,000
Administrative costs (direct)	3,064	3,294	3,467	3,515
Indirect costs	1,442	1,550	1,486	1,436
Total Costs	18,644	19,937	14,684	19,951
FTEs	34	34	36	36
Performance Measure:				
Tenants Protected	3,842	4,007	2,655	3,968
Cost per measure (unit cost)	4.85	4.98	5.53	3,559.00
Multifamily Housing Revitalization Program				
Program Level	14,784	14,119	18,997	33,474
Budget Authority	9,279	9,697	11,185	19,000
Administrative costs (direct)	30,642	32,942	34,675	35,152
Indirect costs	14,420	15,502	14,861	14,358
Total Costs	54,341	58,141	60,721	68,510
FTEs	342	338	363	360
Performance Measure:				
Tenants Protected	-	2,434	4,409	2,868
Cost per measure (unit cost)	-	23.89	13.77	23.89
Section 523 Mutual Self-Help Grants				
Program Level	31,383	18,291	32,923	10,000
Budget Authority	31,383	18,291	32,923	10,000
Administrative costs (direct)	1,532	1,647	1,734	1,758
Indirect costs	721	775	743	718
Total Costs	33,636	20,713	35,400	12,476
FTEs	17	17	18	18
Performance Measure:				
Number of families who build their own homes	1,084	868	1,100	600
Cost per measure (unit cost)	31.03	23.86	32.18	20.79

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

Rural Housing Service Programs	2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
Rural Housing Assistance Grants				
Program Level	31,264	33,112	34,768	25,000
Budget Authority	31,264	33,112	34,768	25,000
Administrative costs (direct)	23,901	25,694	27,046	27,419
Indirect costs	11,248	12,091	11,591	11,199
Total Costs	66,413	70,897	73,405	63,618
FTEs	266	264	283	281
Performance Measure:				
Number of housing assistance grants	5,669	6,012	5,724	4,097
Cost per measure (unit cost)	11.72	11.79	12.82	15.53
Total, Rural Housing Service Programs				
Program Level	25,671,250	22,367,708	28,316,537	28,733,114
Budget Authority	1,029,859	1,277,727	1,315,962	1,394,724
Administrative costs (direct)	306,423	329,415	346,747	351,488
Indirect costs	144,200	155,019	148,604	143,566
Total Costs, All Strategic Goals	1,480,482	1,762,161	1,811,313	1,889,778
Total FTEs, All Strategic Goals	3,419	3,383	3,630	3,598

Totals may not balance due to rounding.

1/ In FY 2013 the Performance Measure for Rural Commnunity Facility Programs was: "Percent of rural population with new or improved public safety services."