2019 President's Budget
Rural Housing Service

Contents

RURAL DEVELOPMENT HOUSING PROGRAMS

Purpose Statement

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

RHS delivers both housing programs authorized by the Housing Act of 1949 (Housing Act), as amended and the Cranston-Gonzalez National Affordable Housing Act of 1990, and community facilities programs authorized by the Consolidated Farm and Rural Development Act of 1972, as amended.

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

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

Authorization and Program Descriptions

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

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

Section 502 SFH Direct Loan Program. Authorized by the Housing Act of 1949, as amended, fixed-interest direct loans are available to low- and very low-income families unable to obtain credit elsewhere to purchase, build, repair or renovate, modest homes in rural areas. The standard loan term is 33 years; however, 38-year loans are available to borrowers unable to afford a 33-year repayment structure. Program-eligible, credit-worthy borrowers may obtain

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

up to 100 percent financing. 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 sector of the population whose income is too low to obtain credit elsewhere, even with a government guarantee.

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

Section 523 SFH Mutual Self-Help Grants Program. Authorized by the Housing Act, P.L. 89-117, P.L. 89-754, and 42 U.S.C. 1490c, these two-year technical assistance grants allow qualified nonprofit organizations and public entities to help very low- and low-income individuals and families work cooperatively to build their own homes by the self-help "sweat-equity" method or complete essential repairs for very low-income homeowners. 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. Mortgage financing for self-help home construction is provided through the section 502 direct program. Home repairs are financed through the section 504 direct program.

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

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

Section 515 MFH Rural Rental Housing Direct Loans Program. Authorized by the Housing Act, P.L. 102-550, and 42 U.S.C. 1485, 1490a, this program offers direct loan financing to purchase, construct or rehabilitate affordable rental or cooperative housing or to develop manufactured housing projects for very low-, low- and moderate-income residents. 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. Through program subsidy, interest on loans may be reduced to an equivalent rate of one percent.

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

facilities, small infirmaries, laundry facilities, day care centers, other essential equipment and facilities or recreation areas. Funding may also be used to pay certain fees and interest incidental to the project. Restrictions on the use of funds include developers' fees, resident services, cost of unrelated commercial space, and costs associated with other lenders/grantors.

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

Section 538 MFH Guaranteed Loan Program. Authorized by Title V, Section 538 of the Housing Act of 1949 and 42 U.S.C. 1490, the guaranteed loan program increases the supply of affordable MFH in rural areas through partnerships between RD and major lending sources, as well as State and local housing finance agencies and bond insurers. Guarantees are offered on loans made by approved public and private lenders to build or preserve affordable housing. Loans made for the construction, acquisition, or rehabilitation of rural MFH can be guaranteed up to 90 percent of principal and interest.

Section 542 MFH Rural Housing Vouchers. Authorized by the Housing Act, P.L. 93-128, and 42 U.S.C. 1471 et. seq., vouchers are available to provide tenant protections in Section 515 properties prepaying mortgages after September 30, 2005. Vouchers are portable and enable tenants to seek tenancy elsewhere by offsetting the rent costs at other rental housing.

MFH Preservation and Revitalization Demonstration Program. The MFH Preservation and Revitalization (MPR) program preserves and rehabilitates existing Section 515 rural rental housing and Section 514/516 farm labor housing. These projects offer safe, decent, and sanitary rental homes for very low-, and low-income rural families and seniors. The MPR funding tools include: debt deferral of existing Section 515 loans, soft second loans, zero percent loans, and grants to address a project's exigent health and safety needs. Project owners participating in the MPR program agree to a Restrictive Use Covenant for the project to remain affordable for 20 years, the remaining term of any loans, or the remaining term of any existing restrictive-use provisions, whichever ends later.

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

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

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

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

CF Technical Assistance and Training Grants. These grants to public bodies, private nonprofit corporations, and Indian tribes on Federal and State reservations provide technical assistance and/or training to identify and plan for community facility needs, and to identify public and private resources to finance those identified community facility needs.

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, 2017, there were 4,697 permanent full-time employees, including 1,505 in the headquarters and 3,192 in the field offices.

OIG Reports – In Progress

#04601-018-CH	MFH Rural Rental Housing Program Project Costs and Inspection Procedures (Cross Reference: 04601-020-CH) (Report Date: 09/27/2012) -- Recommendations: 7; Closed: 1. The Final Rule on Civil Monetary Penalties was published on October 25, 2017, with an implementation date of November 24, 2017. Handbook changes are in process. Audit closeout is expected by September 28, 2018.
#04601-001-31	Survey: SFH Direct Loan Servicing and Payment Subsidy Recapture (Report Date: 7/18/2014). Recommendations: 15; Closed: 14; Pending: 1. Information technology (IT) requirements must be met in order to close the final recommendation. Staff continues to work towards final implementation.
#04901-001-13-TE	MFH Review of Rural Rental Housing's Tenant and Owner Information Using Data Analytics. Recommendations: 9; Closed: 2. Final action on 3 recommendations was recently completed; closeout activity for these recommendations is underway. Completion of all outstanding recommendations is expected by September 28, 2018.
#04601-002-31	Rural Development Single Family Housing Direct Loan Credit Reporting. (Report Date: March 28, 2016) -- Recommendations: 9; Closed: 4. Action on one additional recommendation recently completed; closeout is pending. Testing of automation changes underway needed to address another recommendation is underway. Staff continues to work towards final implementation, with completion of all pending activities during 2018.
04601-0001-22(1)	Rural Housing Service's Controls over Originating and Closing Single Family Housing Direct Loans - Interim Report (PDF), (Report Date: January 2017) -- Recommendations: 2; Closed: 0. Status: Final action requires resolution of a pending civil rights filing. The investigation is ongoing. Final action on pending recommendations is expected in June 2018.

GAO Reports – In Progress

GAO-11-329	Final Report – RHS: Opportunities Exist to Strengthen FLH Program Management and Oversight (Report Date: 07/13/2011). Recommendations: 7; Completed: 4. Work on outstanding recommendations is complete; closeout paperwork is in process. Audit is expected to close by September 28, 2018.
GAO-12-296	Final Report – Foreclosure Mitigation: Agencies Could Improve Effectiveness of Federal Efforts with Additional Data Collection and Analysis (Report Date: 06/01/2012). Recommendations: 3: Completed: 0. Recommendations are expected to be closed with the rollout of the new electronic status reporting system, which will close these recommendations, slated to go live on July 1, 2018.
GAO-12-554	Final Report – Housing Assistance: Opportunities Exist to Increase Collaboration and Consider Consolidation (Report Date: 08/16/2012). Recommendations: 3; Completed: 2. Work is ongoing. The report recommends USDA, The Department of Housing and Urban Development (HUD), and others continue efforts to consolidate and align housing program policies and services that serve similar populations and purposes. These evaluation efforts are ongoing. The White House Working Group is addressing this issue. The outcome may include program statutory and regulatory adjustments.
GAO-12-624	Final Report – Rural Housing Service: Efforts to Identify and Reduce Improper RA Assistance Payments Could Be Enhanced (Report Date: 07/03/2012). Recommenda-

	tions: 7; Completed: 6. Efforts are ongoing. The 2016 Consolidated Appropriations Bill provided RHS the authority to access the same income information available to the Department of Housing and Urban Development to help reduce improper payments. Subsequent to this appropriations law, The Office of Management and Budget (OMB) undertook an effort to extend the requested authority to all departments in the Federal government. RD has deferred any further action to implement this authority to OMB.
GAO-14-255	Final Report -- Native American Housing: Additional Actions Needed to Better Support Tribal Efforts (Report Date: 3/27/2014). GAO directed agencies involved in Native American housing to develop and implement a coordinated environmental review process. The Senate Report accompanying the 2015 appropriations bill designated HUD as the lead agency for this effort. A report to Congress was submitted in December 2015. This report developed several short- and long-term recommendations to increase the efficiency of environmental reviews for jointly-funded Tribal projects. Recommendations included such actions as harmonizing each agency's categorical excluded actions, providing training and outreach for agency staff, Tribes creating an online tool for Tribal use, as well as, several other measures. RD finalized new environmental regulations (7 CFR 1970) on April 1, 2016, which streamlined the environmental process in general, and specifically aligned the environmental review requirements for many categories of projects to more closely match those of HUD. These actions will help all of our applicants working on housing projects, including Tribes. The interagency group continues to meet. In FY2017, HUD organized several Tribal outreach events where Tribes were invited to comment on the draft Memorandum of Understanding (MOU). Tribal comments were considered and incorporated into the draft MOU, which is nearing the final draft stage. The MOU will encourage signatory agencies to consider adoption of each other's environmental documents and streamline the environmental process. After the MOU is executed, the work group will begin development of other ideas noted in the report. Work related to this audit is expected to be completed by December 31, 2018.
GAO-16-193	Final Report – Actions Needed to Strengthen Management of the Single Family Mortgage Guarantee Program (Report Date: March 2016). Recommendations: 11; Completed: 3. On-going progress is being made to implement recommendations, some of which include automation, inter-Agency coordination, and Federal Register publications. Most of the work related to this audit should be completed by December 31, 2018, with the remainder by September 30, 2019.
GAO-17-725	Final Report – Additional Actions Would Help Ensure Reasonableness of Rental Assistance Estimates (Report Date: September 13, 2017). Recommendations: 4; Completed: 0. The Statement of Action was submitted to GAO, outlining Agency plans for addressing GAO recommendations. All work related to this audit should be completed by December 31, 2018.

RURAL HOUSING SERVICE

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

<u>Rural Community Facilities Program Account (including transfers of funds)</u>

For gross obligations for the principal amount of direct loans as authorized by section 306 and described in section 381E(d)(1) of the Consolidated Farm and Rural Development Act, [$2,600,000,000]<u>$3,500,000,000</u> for direct loans: *Provided*, That for the purposes of determining eligibility or level of program assistance the Secretary shall not include incarcerated prison populations.

In addition, for administrative expenses necessary to carry out the direct and guaranteed loan programs, $147,591,000 shall be paid to the appropriation for "Rural Development, Salaries and Expenses".

RURAL HOUSING SERVICE

RURAL COMMUNITY FACILITIES PROGRAM ACCOUNT

Lead-Off Tabular Statement

	Loan Level	Subsidy	Grants	Administrative Expenses
Budget Estimate, 2019	$3,500,000,000	-	-	$147,591,000
2018 Annualized Continuing Resolution	2,744,381,000	$3,299,000	$43,481,000	-
Change in Appropriation	+755,619,000	-3,299,000	-43,481,000	+147,591,000

RURAL HOUSING SERVICE

RURAL COMMUNITY FACILITIES PROGRAM ACCOUNT

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

Program	2016 Actual			2017 Actual			2018 Estimate			Inc. or Dec.			2019 President's Budget		
	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	-	618	$2,600,000	-	611	$2,600,000	-	618	+$900,000 (1)	-	-	$3,500,000	-	618
Community facility guaranteed loans............	148,305	$3,500	-	148,304	$3,322	-	100,900	$3,299	-	-$100,900 (2)	-$3,299 (7)	-	-	-	-
Community facility grants............................	25,000	25,000	99	30,000	30,000	99	29,796	29,796	99	-29,796 (3)	-29,796	-	-	-	99
Rural community devel. initiative grants.......	4,000	4,000	31	4,000	4,000	31	3,973	3,973	31	-3,973 (4)	-3,973	-	-	-	31
Economic impact initiative grants.................	5,778	5,778	-	5,778	5,778	-	5,739	5,739	-	-5,739 (5)	-5,739	-	-	-	-
Tribal college grants......................................	4,000	4,000	23	4,000	4,000	23	3,973	3,973	23	-3,973 (6)	-3,973	-	-	-	23
Administrative Expenses............................... d/	-		-	-	- -	-	-	-	-	-	+147,591	-	-	$147,591	-
Subtotal..	2,387,083	42,278	771	2,792,082	47,100	764	2,744,381	46,780	771	+755,619	+100,811	-	3,500,000	147,591	771
Total Appropriation.......................................	2,387,083	42,278	771	2,792,082	47,100	764	2,744,381	46,780	771	+755,619	+$100,811	-	3,500,000	147,591	771
Rescinded Balances.. e/f/	-	-	-	-633	-633	-	-	-	-	17,507	3,046	-	17,507	3,046	-
Bal. Available, SOY...	59,012	13,513	-	7,597	6,424	-	39,711	10,160	-	+5,886	+569	-	45,597	10,729	-
Recoveries, Other (Net)....................................	1,967	1,967	-	48,891	4,496	-	40,442	3,991	-	-1,559	-21	-	38,882	3,970	-
Total Available..	2,448,062	57,758	771	2,847,936	57,387	764	2,824,534	60,931	771	+759,945	+101,359	-	3,584,479	162,290	771
Bal. Available, EOY...	34,890	-6,424	-	-54,555	-10,160	-	-41,424	-10,729	-	-43,055	-3,970	-	-84,479	-14,699	-
Total Obligations...	2,482,953	51,334	771	2,793,381	47,227	764	2,783,110	50,202	771	+716,890	+97,389	-	3,500,000	147,591	771

Note: Table may not add down due to rounding.

a/ Negative subsidy rates of 8.04% was calculated for 2016, and 2.56% was calculated for 2017, and 8.10% was calculated for 2018, and 7.61% was calculated for 2019. Therefore, corresponding budget authority is not required to support the program levels.

d/ In 2019, funding of $147,591,000 is requested and will be paid to the Rural Development Salaries and Expense Account. Any justifications for the administrative expenses can be found in the Rural Development Salaries and Expenses account.

e/ Rescission of unobligated balances pursuant to GP 758 and GP 759 of the Consolidated Appropriations Act, 2017, P.L. 115-31, dated May 5, 2017.

f/ A rescission of unobligated balances in the amount of $3,000,000 is proposed for this account in FY 2019.

RURAL HOUSING SERVICE

RURAL COMMUNITY FACILITIES PROGRAM ACCOUNT

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

Program	2016 Actual			2017 Actual			2018 Estimate			Inc. or Dec.		2019 President's Budget		
	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	Program Level	Budget Authority	SYs
Discretionary Obligations:														
Community facility direct loans...................... a/	$1,798,400	-	618	$2,596,000	-	611	$2,600,000	-	618	+$900,000 (1)	-	$3,500,000	-	618
Community facility Relending direct loans.... b/	401,600	-	-	4,000	-	-	-	-	-	-	-	-	-	-
Community facility guaranteed loans.............	237,217	$5,598	-	149,503	$3,349	-	137,401	$4,493	-	-137,401 (2)	-$4,493 (7)	-	-	-
Community facility grants..............................	26,705	26,705	99	30,120	30,120	99	30,347	30,347	99	-30,347 (3)	-30,347	-	-	99
Rural community devel. initiative grants........	9,169	9,169	31	4,089	4,089	31	4,389	4,389	31	-4,389 (4)	-4,389	-	-	31
Economic impact initiative grants..................	5,857	5,857	-	5,670	5,670	-	7,001	7,001	-	-7,001 (5)	-7,001	-	-	-
Tribal college grants.......................................	4,004	4,004	23	4,001	4,001	23	3,972	3,972	23	-3,972 (6)	-3,972	-	-	23
Administrative Expenses................................ d/	-	-		-	- -	-	-	-	-	-	+147,591	-	$147,591	-
Total Obligations..	2,482,953	51,334	771	2,793,381	47,227	764	2,783,110	50,202	771	+716,890	+97,389	3,500,000	147,591	771
Recoveries, Other (Net).....................................	-	-		48,891	4,496		40,442	3,991		- -	- -	38,882	3,970	
Lapsing Balances...	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rescinded Balances... e/	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bal. Available, EOY..	-34,890	6,424	-	54,555	10,160	-	41,424	10,729	-	+43,055	+3,970	84,479	14,699	-
Total Available...	2,448,062	57,758	771	2,847,936	57,387	764	2,824,534	60,931	771	+759,945	+101,359	3,584,479	162,290	771
Rescission.. e/f/	-	-		633	633		-	-		-	-	-	-	-
Bal. Available, SOY..	-59,012	-13,513	-	-7,597	-6,424	-	-39,711	-10,160	-	-5,886	-569	-45,597	-10,729	-
Other Adjustments (Net)....................................	-1,967	-1,967	-	-48,891	-4,496	-	-40,442	-3,991	-	+1,559	+21	-38,882	-3,970	-
Total Appropriation..	2,387,083	42,278	771	2,792,082	47,100	764	2,744,381	46,780	771	+755,619	+100,811	3,500,000	147,591	771

Note: Table may not add down due to rounding.

a/ Negative subsidy rates of 8.04% was calculated for 2016, and 2.56% was calculated for 2017, and 8.10% was calculated for 2018, and 7.61% was calculated for 2019. Therefore, corresponding budget authority is not required to support the program levels.

b/ Negative subsidy rates of 1.79% was calculated for 2016 and 3.83% was calculated for 2017. Therefore, corresponding budget authority is not required to support the program levels.

d/ In 2019, funding of $147,591,000 is requested and will be paid to the Rural Development Salaries and Expense Account. Any justifications for the administrative expenses can be found in the Rural Development Salaries and Expenses account.

e/ Rescission of unobligated balances pursuant to GP 758 and GP 759 of the Consolidated Appropriations Act, 2017, P.L. 115-31, dated May 5, 2017.

f/ A rescission of unobligated balances in the amount of $3,000,000 is proposed for this account in FY 2019.

Justification of Increases and Decreases

CF investments support rural municipalities, nonprofits, and Federally-recognized Indian tribes by financing a wide variety of community based infrastructure including hospitals, rural mental health facilities, education facilities, airports, bridges, and fire, rescue and first responders. These critical investments meet locally identified needs and help counter outmigration by creating opportunities and a sense of place in rural communities. The CF program also leverages critical resources and expertise by facilitating public private partnerships to maximize its ability to improve rural America's access to capital for rural community facilities and infrastructure and to better manage credit risk.

Continuation of the CF program is critical because:

- CF investments will help meet the surge in demand for essential community facilities in rural communities;
- CF direct loan investments will spur economic growth, job creation and access to improved healthcare, educational, and public safety facilities and services;
- This program is one of the primary programs furthering the Department's goal to develop and strengthen rural communities through the financing of essential community facilities and community infrastructure, and is often the only source of affordable credit for many rural communities;
- The CF program supports rural economic prosperity by investing in health care and educational institutions, which are frequently the top employers in rural communities, with quality paying jobs; and
- Rural community infrastructure is a threshold condition for attracting new business and industry.

The CF program directly support the Presidential Executive Order on Promoting Agriculture and Rural Prosperity in America, dated April 25, 2017, and supports the vision of the interagency task force on rural prosperity. The CF programs provide rural communities with access to affordable capital to develop or improve community infrastructure and essential community facilities and services, directly supporting the Secretary's Strategic Goal 4, "Facilitate rural prosperity and economic development" and enhances rural prosperity through access to capital infrastructure.

CF funding is essential for rural communities to attract businesses and institutions needed for sound economic growth; secure investment in critical healthcare and education services for local residents; address local crises, such as the opioid epidemic; and stimulate the development needed for economic prosperity.

Improved Access to Capital to Address Substance Abuse and the Opioid Crisis affecting Rural America: CF will use its direct loan program to improve access to capital for rural healthcare providers and other critical services such as first responders and transitional housing to prevent and treat substance abuse and opioid addiction. CF will collaborate with Federal, State, and local governments, nonprofit organizations, healthcare providers, and other community partners. Stakeholders will assist with outreach, due diligence, and bring specialized skills and knowledge to expand investments that support substance abuse treatment and prevention services, including mental healthcare facilities, critical care clinics, hospitals, and transitional housing facilities to aid rural communities struggling with substance abuse disorders. The opioid crisis disproportionately affects rural communities in part due to the lack of outreach and treatment resources available in remote areas and the CF program can help make a critical contribution to mitigating this crisis.

Funding for the CF Program is requested as follows:

(1) An increase of $900,000,000 for the community facilities direct loan program ($2,600,000,000 available in 2018).

The CF Direct Loan Program provides rural communities with access to affordable fixed rate, long-term capital to develop or improve essential community facilities and community infrastructure. An increase of $900 million in 2019 will help the agency to meet the growing need for program funding without additional cost to the government since the performance of direct loans, combined with the current economic assumptions, result in a negative credit subsidy rate for this program.

There is unprecedented demand to fund essential community facilities in rural America. As of December 2017, demand for program funds is approximately $3.1 billion, indicating strong interest in CF Direct Loan Program. The agency anticipates this increased level of demand to continue in

FY 2019. In addition to supporting the critical community infrastructure needs in rural America, total program funding of $3.5 billion is estimated to create about 82,950 jobs in FY 2019.

(2) A decrease of $100,900,000 in program level for guaranteed community facilities loans ($100,900,000 available in 2018).

Funding for this program is not requested. Sufficient Direct Loan funding is available to assist rural communities address community facility needs.

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 are guaranteed by the Federal government. With a program level of $3.5 billion in the CF direct loan program in 2019, communities will still have access to funding for eligible facilities.

(3) A decrease of $29,796,000 in funding for the community facilities grant program ($29,796,000 available in 2018).

Funding for this program is not requested. Direct Loan funding is available to assist rural communities address community facility needs.

(4) A decrease of $3,973,000 in funding for rural community development initiative grants ($3,973,000 available in 2018).

Funding for this program is not requested. Direct Loan funding is available to assist rural communities address community facility needs.

(5) A decrease of $5,739,000 for the economic impact initiative grants ($5,739,000 available in 2018).

Funding for this program is not requested. Direct Loan funding is available to assist rural communities address community facility needs.

(6) A decrease of $3,973,000 in funding for tribal college grants ($3,973,000 available in 2018).

Funding for this program is not requested. Direct Loan funding is available to assist rural communities address community facility needs.

(7) A decrease of $3,299,000 in funding for the community facilities guaranteed loan subsidy ($3,299,000 available in 2018).

There is no requested subsidy for the community facilities guaranteed loan program since funding for this program is not requested in the budget.

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

State/Territory	2016 Actual	2017 Actual	2018 Estimate	2019 President's Budget
	Amount	Amount	Amount	Amount
Alabama	$16,572	$4,909	-	-
Alaska	426	6,409	-	-
Arizona	2,999	4,719	-	-
Arkansas	36,585	9,053	-	-
California	50,076	118,554	-	-
Colorado	7,423	100,801	-	-
Connecticut	46,613	14,800	-	-
Delaware	12,555	11,704	-	-
Florida	2,461	17,759	-	-
Georgia	61,107	330,423	-	-
Hawaii	26,179	4,134	-	-
Idaho	1,309	13,312	-	-
Illinois	4,409	119,468	-	-
Indiana	4,909	78,059	-	-
Iowa	171,644	159,345	-	-
Kansas	55,866	34,646	-	-
Kentucky	51,259	92,022	-	-
Louisiana	78,415	-	-	-
Maine	1,594	9,250	-	-
Maryland	12,676	13,625	-	-
Massachusetts	20,178	3,000	-	-
Michigan	79,235	79,750	-	-
Minnesota	60,642	123,508	-	-
Mississippi	57,745	18,575	-	-
Missouri	52,455	8,832	-	-
Montana	8,207	1,310	-	-
Nebraska	34,338	15,586	-	-
Nevada	15,835	12,670	-	-
New Hampshire	38,613	19,740	-	-
New Jersey	15,314	38,564	-	-
New Mexico	-	3,000	-	-
New York	24,617	18,188	-	-
North Carolina	140,169	128,961	-	-
North Dakota	62,812	12,150	-	-
Ohio	70,955	85,414	-	-
Oklahoma	-	16,706	-	-
Oregon	1,888	13,807	-	-
Pennsylvania	3,973	183,066	-	-
Rhode Island	5,461	824	-	-
South Carolina	89,467	79,864	-	-
South Dakota	21,145	8,511	-	-
Tennessee	71,196	113,954	-	-
Texas	66,837	113,397	-	-
Utah	42,307	29,550	-	-
Vermont	9,214	95,526	-	-
Virginia	72,643	70,227	-	-
Washington	14,107	23,026	-	-
West Virginia	24,605	52,474	-	-
Wisconsin	17,720	68,918	-	-
Wyoming	1,644	8,107	-	-
Guam	9,200	-	-	-
Puerto Rico	18,001	5,803	-	-
Other Countries	2,805	-	-	-
Undistributed	-	-	$2,600,000 a/	$3,500,000 a/
Obligations	1,798,400	2,596,000	2,600,000	3,500,000

a/ Totals cannot be distributed at this time.

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

State/Territory	2016 Actual Amount	2017 Actual Amount	2018 Estimate Amount	2019 President's Budget Amount
Alabama...............................	$40,000	-	-	-
Alaska..................................	15,000	-	-	-
Arizona................................	10,000	-	-	-
Arkansas..............................	32,000	-	-	-
California.............................	5,000	-	-	-
Delaware..............................	5,000	-	-	-
Kentucky.............................	85,000	-	-	-
Maine...................................	20,000	-	-	-
Maryland.............................	25,000	-	-	-
Minnesota............................	-	$4,000	-	-
Mississippi...........................	40,000	-	-	-
Montana...............................	13,800	-	-	-
New York............................	20,000	-	-	-
North Carolina.....................	10,000	-	-	-
Oklahoma............................	25,000	-	-	-
South Carolina.....................	10,000	-	-	-
South Dakota.......................	20,000	-	-	-
Texas...................................	5,000	-	-	-
Washington..........................	20,800	-	-	-
Obligations.......................	401,600	4,000	-	-

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

State/Territory	2016 Actual Amount	2017 Actual Amount	2018 Estimate Amount	2019 President's Budget Amount
Arizona................................	-	$2,295	-	-
California.............................	-	8,132	-	-
Colorado..............................	$25,210	500	-	-
Connecticut..........................	1,500	-	-	-
Florida.................................	2,970	5,000	-	-
Georgia................................	32,000	21,948	-	-
Hawaii.................................	-	2,760	-	-
Idaho....................................	-	1,000	-	-
Illinois..................................	10,000	-	-	-
Indiana.................................	-	11,000	-	-
Iowa.....................................	11,647	2,250	-	-
Kentucky.............................	40,000	-	-	-
Maine...................................	1,248	2,200	-	-
Massachusetts......................	948	-	-	-
Minnesota............................	-	14,980	-	-
Mississippi...........................	8,755	2,000	-	-
Montana...............................	4,545	-	-	-
Nebraska..............................	1,744	2,000	-	-
New York............................	-	11,381	-	-
North Carolina.....................	18,301	4,152	-	-
North Dakota.......................	600	-	-	-
Ohio.....................................	-	1,400	-	-
Pennsylvania........................	30,000	-	-	-
South Carolina.....................	7,000	1,933	-	-
Tennessee............................	14,875	10,500	-	-
Texas...................................	-	16,550	-	-
Utah.....................................	10,925	-	-	-
Vermont...............................	2,800	8,000	-	-
Virginia................................	9,400	-	-	-
Washington..........................	2,749	13,223	-	-
West Virginia.......................	-	5,000	-	-
Wisconsin............................	-	1,300	-	-
Undistributed.......................	-	-	$137,401 a/	-
Obligations.......................	237,217	149,503	137,401	-

a/ Totals cannot be distributed at this time.

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

State/Territory	2016 Actual	2017 Actual	2018 Estimate	2019 President's Budget
	Amount	Amount	Amount	Amount
Alabama...............................	$731	$511	-	-
Alaska..................................	149	183	-	-
Arizona................................	234	415	-	-
Arkansas..............................	1,147	1,161	-	-
California.............................	954	805	-	-
Colorado..............................	284	536	-	-
Connecticut.........................	188	119	-	-
Delaware..............................	169	151	-	-
Florida..................................	741	1,180	-	-
Georgia................................	955	639	-	-
Hawaii.................................	101	189	-	-
Idaho....................................	323	262	-	-
Illinois..................................	641	648	-	-
Indiana.................................	542	494	-	-
Iowa.....................................	472	755	-	-
Kansas.................................	302	635	-	-
Kentucky.............................	1,050	833	-	-
Louisiana.............................	497	94	-	-
Maine...................................	358	310	-	-
Maryland.............................	384	457	-	-
Massachusetts......................	217	-	-	-
Michigan..............................	1,073	1,390	-	-
Minnesota............................	447	496	-	-
Mississippi...........................	1,554	523	-	-
Missouri...............................	547	684	-	-
Montana...............................	213	239	-	-
Nebraska..............................	289	435	-	-
Nevada.................................	178	176	-	-
New Hampshire...................	309	368	-	-
New Jersey..........................	202	342	-	-
New Mexico........................	235	123	-	-
New York............................	729	751	-	-
North Carolina.....................	930	1,174	-	-
North Dakota.......................	314	330	-	-
Ohio.....................................	768	994	-	-
Oklahoma............................	889	1,003	-	-
Oregon.................................	306	320	-	-
Pennsylvania........................	773	1,046	-	-
Rhode Island........................	121	119	-	-
South Carolina.....................	971	3,762	-	-
South Dakota.......................	199	447	-	-
Tennessee............................	751	1,053	-	-
Texas...................................	930	1,035	-	-
Utah.....................................	205	180	-	-
Vermont...............................	637	627	-	-
Virginia................................	995	857	-	-
Washington.........................	328	178	-	-
West Virginia......................	430	414	-	-
Wisconsin............................	461	447	-	-
Wyoming.............................	135	151	-	-
Guam...................................	45	-	-	-
Puerto Rico..........................	250	54	-	-
Other Countries...................	55	25	-	-
Undistributed.......................	-	-	$30,347 a/	-
Obligations.......................	26,705	30,120	30,347	-

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	2016 Actual Amount	2017 Actual Amount	2018 Estimate Amount	2019 President's Budget Amount
Arkansas	$250	$250	-	-
California	1,250	195	-	-
Colorado	138	554	-	-
Delaware	305	218	-	-
Georgia	54	110	-	-
Idaho	75	-	-	-
Illinois	152	-	-	-
Indiana	86	-	-	-
Iowa	-	180	-	-
Kentucky	501	130	-	-
Maine	143	100	-	-
Maryland	1,000	488	-	-
Massachusetts	495	250	-	-
Mississippi	250	-	-	-
Missouri	210	-	-	-
New York	500	400	-	-
North Carolina	350	250	-	-
North Dakota	-	-	-	-
Ohio	632	250	-	-
Oklahoma	-	250	-	-
Oregon	250	-	-	-
South Carolina	250	-	-	-
South Dakota	-	214	-	-
Tennessee	250	250	-	-
Texas	250	-	-	-
Vermont	230	-	-	-
Virginia	150	-	-	-
Washington	699	-	-	-
West Virginia	700	-	-	-
Undistributed	-	-	$4,389 a/	-
Obligations	9,169	4,089	4,389	-

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

State/Territory	2016 Actual Amount	2017 Actual Amount	2018 Estimate Amount	2019 Presidents Budget Amount
Alaska	$143	$140	-	-
Arizona	143	280	-	-
Michigan	429	398	-	-
Minnesota	286	280	-	-
Montana	1,001	841	-	-
Nebraska	286	280	-	-
New Mexico	143	280	-	-
North Dakota	715	562	-	-
Oklahoma	143	140	-	-
South Dakota	429	377	-	-
Washington	143	140	-	-
Wisconsin	143	280	-	-
Undistributed	-	-	$3,972 a/	-
Obligations	4,004	4,001	3,972	-

a/ Totals cannot be distributed at this time.

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

State/Territory	2016 Actual Amount	2017 Actual Amount	2018 Estimate Amount	2019 President's Budget Amount
Alabama	$130	$101	-	-
Alaska	107	58	-	-
Arkansas	119	424	-	-
California	391	150	-	-
Colorado	75	-	-	-
Connecticut	62	14	-	-
Delaware	56	54	-	-
Florida	137	159	-	-
Georgia	163	192	-	-
Hawaii	87	56	-	-
Idaho	66	73	-	-
Illinois	90	99	-	-
Iowa	285	170	-	-
Kansas	-	80	-	-
Kentucky	130	150	-	-
Louisiana	104	44	-	-
Maine	77	83	-	-
Maryland	72	82	-	-
Massachusetts	66	-	-	-
Michigan	143	166	-	-
Minnesota	122	155	-	-
Mississippi	115	244	-	-
Missouri	119	147	-	-
Montana	92	-	-	-
Nebraska	167	71	-	-
Nevada	60	63	-	-
New Hampshire	65	59	-	-
New Jersey	64	68	-	-
New Mexico	72	-	-	-
New York	127	147	-	-
North Carolina	163	169	-	-
North Dakota	60	62	-	-
Ohio	141	164	-	-
Oklahoma	496	119	-	-
Oregon	75	45	-	-
Pennsylvania	142	210	-	-
Rhode Island	53	64	-	-
South Carolina	126	344	-	-
South Dakota	63	50	-	-
Tennessee	139	161	-	-
Utah	21	37	-	-
Vermont	62	76	-	-
Virginia	333	628	-	-
Washington	71	54	-	-
West Virginia	91	101	-	-
Wisconsin	91	119	-	-
Wyoming	41	-	-	-
District of Columbia	101	112	-	-
Puerto Rico	70	-	-	-
Other Countries	158	50	-	-
Undistributed	-	-	$7,001 a/	-
Obligations	5,857	5,670	7,001	-

a/ Totals cannot be distributed at this time.

RURAL COMMUNITY FACILITIES PROGRAM ACCOUNT

Classification by Objects
(Dollars in thousands)

		2016 Actual	2016 Actual	2018 Estimate	2019 President's Budget
25.0	Other purchases of goods and services from government accounts................	-	-	-	$147,591
41.0	Grants, subsidies, and contributions...................	$51,334	$47,227	$50,202	-
99.9	Total, new obligations..................................	51,334	47,227	50,202	147,591

RURAL HOUSING SERVICE

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

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

For gross obligations for the principal amount of direct and guaranteed loans as authorized by title V of the Housing Act of 1949, to be available from funds in the rural housing insurance fund, as follows: $24,000,000,000 shall be for unsubsidized guaranteed loans; $250,000,000 for section 538 guaranteed multi-family housing loans; and $10,000,000 for credit sales of single family housing acquired property: *Provided*, That to support the loan program level for section 538 guaranteed loans made available under this heading the Secretary may charge or adjust any fees to cover the projected cost of such loan guarantees pursuant to the provisions of the Credit Reform Act of 1990 (2 U.S.C. 661 et seq.), and the interest on such loans may not be subsidized: *Provided further*, That applicants in communities that have a current rural area waiver under section 541 of the Housing Act of 1949 (42 U.S.C. 1490q) shall be treated as living in a rural area for purposes
1 of section 502 guaranteed loans provided under this heading[.]: *Provided further*, That all balances, including obligated balances, available for all demonstration programs for the preservation and revitalization of section 514, 515, and 516 multi-family rental housing properties in the "Multi-Family Housing Revitalization Program Account" shall be transferred to and merged with this account, and shall be available for the preservation and revitalization of section 514, 515, and 516 multi-family rental housing properties, including the restructuring of existing USDA multi-family housing loans: *Provided further*, That following the transfer of balances described in the preceding proviso, any adjustments to obligations for demonstration programs for the preservation and revitalization of section 514, 515, and 516 multi-family rental housing properties incurred in the "Multi-Family Housing Revitalization Program Account" shall be made in this account.

In addition, for administrative expenses necessary to carry out the direct and guaranteed loan programs, [$409,455,000] $244,249,000 shall be paid to the appropriation for “Rural Development, Salaries and Expenses”.

The first change makes available any balances from the Multi-Family Housing Revitalization Program Account to restructure existing USDA multi-family housing loans. This change provides technical flexibility for modification of 514, 515 and 516 Loans.

RURAL HOUSING SERVICE

RURAL HOUSING INSURANCE FUND PROGRAM ACCOUNT

Lead-Off Tabular Statement

	Loan Level	Subsidy	Grants	Administrative Expenses
Budget Estimate, 2019.......................................	$24,260,000,000	-	-	$244,249,000
2018 Annualized Continuing Resolution...........	26,096,466,000	$88,695,000	$8,279,000	409,455,000
Change in Appropriation....................................	-1,836,466,000	-88,695,000	-8,279,000	-165,206,000

RURAL HOUSING SERVICE

RURAL HOUSING INSURANCE FUND PROGRAM ACCOUNT

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

Program	2016 Actual Program Level	2016 Actual Budget Authority	2016 Actual SYs	2017 Actual Program Level	2017 Actual Budget Authority	2017 Actual SYs	2018 Estimate Program Level	2018 Estimate Budget Authority	2018 Estimate SYs	Inc. or Dec. Program Level	Inc. or Dec. Budget Authority	Inc. or Dec. SYs	2019 President's Budget Program Level	2019 President's Budget Budget Authority	2019 President's Budget SYs
Discretionary Appropriations:															
Sec. 502 single family housing direct loans a/	$900,000	$60,750	499	$1,000,000	$67,700	495	$1,746,502	$67,240	499	-$1,746,502 (1)	-$67,240 (11)	-181	-	-	318
Sec. 502 SFH guaranteed loans b/	24,000,000	-	702	24,000,000	-	697	24,000,000	-	702	- (2)	-	-	$24,000,000	-	702
Sec. 515 rural rental housing direct loans	28,397	8,414	245	35,000	10,360	243	39,109	10,289	245	-39,109 (3)	-10,289 (11)	-98	-	-	147
Sec. 538 multi-family housing guaranteed loans c/	150,000	-	176	230,000	-	175	230,000	-	176	+20,000 (4)	-	-	250,000	-	176
Sec. 504 housing repair direct loans	26,278	3,424	42	26,278	3,663	42	29,506	3,638	42	-29,506 (5)	-3,638 (11)	-17	-	-	25
Sec. 524 direct site dev. loans d/	5,000	-	-	5,000	111	-	9,504	110	-	-9,504 (6)	-110 (11)	-	-	-	-
Sec. 523 self-help housing land dev. loans e/	5,000	-	9	5,000	417	9	5,635	414	9	-5,635 (7)	-414 (11)	-	-	-	9
Single-family housing credit sales f/	10,000	-	35	10,000	-	35	10,000	-	35	- (8)	-	-	10,000	-	35
Sec. 514 farm labor housing loans	23,855	6,789	105	23,853	7,051	104	26,209	7,003	105	-26,209 (9)	-7,003 (11)	-	-	-	105
Sec. 516 farm labor housing grants	8,337	8,336	105	8,336	8,336	104	8,279	8,279	105	-8,279 (10)	-8,279	-	-	-	105
Administrative expenses g/	-	417,854	-	-	412,254	-	-	409,455	-	-	-165,206	-	-	$244,249	-
Total Adjusted Approp.	25,156,866	505,567	1,918	25,343,467	509,892	1,904	26,104,745	506,429	1,918	-1,844,745	-262,180	-296	24,260,000	244,249	1,622
Rescissions, Transfers and Seq. (Net)	-	-	-	6,277	875	-	-	-	-	-3,618	-3,601	-	-3,618	-3,601	-
Total Appropriation	25,156,866	505,567	1,918	25,349,744	510,767	1,904	26,104,745	506,429	1,918	-1,848,363	-265,781	-296	24,256,382	240,648	1,622
Transfers In:															
Multi-family housing revitalization	-	-	-	-	-	-	-	-	-	+3,618	+3,601	-	3,618	3,601	-
Transfers Out:															
Working capital transfer	-	-	-	-6,277	-875	-	-	-	-	-	-	-	-	-	-
Bal. Available, SOY	98,354	21,657	-	18,572	8,381	-	47,323	18,463	-	+$7,171	+$2,748	-	54,494	21,210	-
Recoveries, Other (Net)	223	118	-	16,156	12,511	-	11,388	6,355	-	-9,964	-5,450	-	1,423	905	-
Total Available	25,255,443	527,342	1,918	25,378,195	530,784	1,904	26,163,455	531,247	1,918	-1,847,538	-264,882	-296	24,315,918	266,364	1,622
Lapsing Balances	-7,633,022	-931	-	-4,798,723	-1	-	-7,640,732	-28,740	-	+7,640,732	+28,740	-	-	-	-
Bal. Available, EOY	-19,164	-8,381	-	-23,079	-18,463	-	-54,494	-21,210	-	-5,314,376	-905	-	-5,368,871	-22,115	-
Total Obligations	17,603,257	518,029	1,918	20,556,392	512,321	1,904	18,468,230	481,296	1,918	+478,817	-237,047	-296	18,947,047	244,249	1,622

Note: Table may not add down due to rounding.

a/ For setion 502 Single Family Direct Loan, Congress has provided about $1 billion loan level in current years. The subsidy rate for this program in 2017 was 6.77 percent requiring an appropriation of $67.7 million. The 2018 full year continuing resolution assumes $67.24 million in budget authority which supports $1.75 billion in program level as the subsidy dropped to 3.85 percent. The justification is based on a $1 billion program level.

b/ Negative subsidy rates of blended rate of 0.15% was calculated for 2016, 0.76% was calculated for 2017, 0.71% was calculated for 2018, and 0.71% was calculated for 2019. Therefore, corresponding budget authority is not required to support the program levels.

c/ Negative subsidy rates of 2.97% was calculated for 2016, 3.53% was calculated for 2017, 3.62% was calculated for 2018, and 4.79% was calculated for 2019. Therefore, corresponding budget authority is not required to support the program levels.

d/ Negative subsidy rate of 1.53% was calculated for 2016. Therefore, corresponding budget authority is not required to support the program levels.

e/ Negative subsidy rate of 0.30% was calculated for 2016. Therefore, corresponding budget authority is not required to support the program levels.

f/ Negative subsidy rates of 4.87% was calculated for 2016, 2.36% was calculated for 2017, 5.45% was calculated for 2018, and 2.42% was calculated for 2019. Therefore, corresponding budget authority is not required to support the program levels.

g/ In 2016, funding of $417,854,000 is requested and will be paid to the Rural Development Salaries and Expense Account. In 2017, funding of $417,854,000 is requested and will be paid to the Rural Development Salaries and Expense Account. In 2018, funding of $409,455,000 is requested and will be paid to the Rural Development Salaries and Expense Account. In 2019, funding of $244,249,000 is requested and will be paid to the Rural Development Salaries and Expense Account. Any justifications for the administrative expenses can be found in the Rural Development Salaries and Expenses account.

RURAL HOUSING SERVICE

RURAL HOUSING INSURANCE FUND PROGRAM ACCOUNT

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

Program	2016 Actual Program Level	2016 Actual Budget Authority	2016 Actual SYs	2017 Actual Program Level	2017 Actual Budget Authority	2017 Actual SYs	2018 Estimate Program Level	2018 Estimate Budget Authority	2018 Estimate SYs	Inc. or Dec. Program Level	Inc. or Dec. Budget Authority	Inc. or Dec. SYs	2019 President's Budget Program Level	2019 President's Budget Budget Authority	2019 President's Budget SYs
Discretionary Obligations:															
Sec. 502 single family housing direct loans...................... a/	$903,537	$60,969	499	$999,991	$67,699	495	$1,000,000	$38,500	499	-$1,000,000 (1)	-$38,500 (11)	-181	-	-	318
Secretary's Interchange transfer..	54,870	3,704	-	-	-	-	-	-	-	-	-	-	-	-	-
Sec. 502 SFH guaranteed loans.. b/	16,357,172	-	702	19,279,918	-	697	17,272,756	-	702	+1,622,291 (2)	-	-	$18,895,047	-	702
Sec. 515 rural rental housing direct loans.........................	28,397	8,414	245	35,000	10,360	243	39,109	10,289	245	-39,109 (3)	-10,289 (11)	-98	-	-	147
Sec. 538 multi-family housing guaranteed loans.............. c/	186,935	-	176	176,970	-	175	71,124	-	176	-21,124 (4)	-	-	50,000	-	176
Sec. 504 housing repair direct loans.................................	17,407	2,273	42	19,638	2,737	42	29,506	3,638	42	-29,506 (5)	-3,638 (11)	-17	-	-	25
Sec. 524 direct site dev. loans... d/	5,000	-	-	370	8	-	9,504	110	-	-9,504 (6)	-110 (11)	-	-	-	-
Sec. 523 self-help housing land dev. loans........................ e/	233	-	9	-	-	9	5,635	414	9	-5,635 (7)	-414 (11)	-	-	-	9
Single-family housing credit sales.................................... f/	1,875	-	35	669	-	35	1,890	-	35	+110 (8)	-	-	2,000	-	35
Sec. 514 farm labor housing loans....................................	32,174	9,157	105	34,890	10,313	104	28,000	8,185	105	-28,000 (9)	-8,185 (11)	-	-	-	105
Sec. 516 farm labor housing grants..................................	15,658	15,658	105	8,948	8,948	104	10,705	10,705	105	-10,705 (10)	-10,705	-	-	-	105
Administrative expenses.. g/	-	417,855	-	-	412,254	-	-	409,455	-	-	-165,206	-	-	$244,249	-
Total Obligations..	17,603,257	518,029	1,918	20,556,392	512,321	1,904	18,468,230	481,296	1,918	+478,817	-237,047	-296	18,947,047	244,249	1,622
Lapsing Balances...	7,633,022	931	-	4,798,723	1	-	7,640,732	28,740	-	-7,640,732	-28,740	-	-	-	-
Bal. Available, EOY..	19,164	8,381	-	23,079	18,463	-	54,494	21,210	-	+5,314,376	+905	-	5,368,871	22,115	-
Total Available...	25,255,443	527,342	1,918	25,378,195	530,784	1,904	26,163,455	531,247	1,918	-1,847,538	-264,882	-296	24,315,918	266,364	1,622
Transfers In...	-	-	-	-	-	-	-	-	-	-3,618	-3,601	-	-3,618	-3,601	-
Transfers Out...	-	-	-	6,277	875	-	-	-	-	-	-	-	-	-	-
Bal. Available, SOY...	-98,354	-21,657	-	-18,572	-8,381	-	-47,323	-18,463	-	-7,171	-2,748	-	-54,494	-21,210	-
Recoveries, Other (Net)...	-223	-118	-	-16,156	-12,511	-	-11,388	-6,355	-	+9,964	+5,450	-	-1,423	-905	-
Total Appropriation..	25,156,866	505,567	1,918	25,349,744	510,767	1,904	26,104,745	506,429	1,918	-1,848,363	-265,781	-296	24,256,382	240,648	1,622

Note: Table may not add down due to rounding.

a/ For setion 502 Single Family Direct Loan, Congress has provided about $1 billion loan level in current years. The subsidy rate for this program in 2017 was 6.77 percent requiring an appropriation of $67.7 million. The 2018 full year continuing resolution assumes $67.24 million in budget authority which supports $1.75 billion in program level as the subsidy dropped to 3.85 percent. The justification is based on a $1 billion program level.

b/ Negative subsidy rates of blended rate of 0.15% was calculated for 2016, 0.76% was calculated for 2017, 0.71% was calculated for 2018, and 0.71% was calculated for 2019. Therefore, corresponding budget authority is not required to support the program levels.

c/ Negative subsidy rates of 2.97% was calculated for 2016, 3.53% was calculated for 2017, 3.62% was calculated for 2018, and 4.79% was calculated for 2019. Therefore, corresponding budget authority is not required to support the program levels.

d/ Negative subsidy rate of 1.53% was calculated for 2016. Therefore, corresponding budget authority is not required to support the program levels.

e/ Negative subsidy rate of 0.30% was calculated for 2016. Therefore, corresponding budget authority is not required to support the program levels.

f/ Negative subsidy rates of 4.87% was calculated for 2016, 2.36% was calculated for 2017, 5.45% was calculated for 2018, and 2.42% was calculated for 2019. Therefore, corresponding budget authority is not required to support the program levels.

g/ In 2016, funding of $417,854,000 is requested and will be paid to the Rural Development Salaries and Expense Account. In 2017, funding of $417,854,000 is requested and will be paid to the Rural Development Salaries and Expense Account. In 2018, funding of $409,455,000 is requested and will be paid to the Rural Development Salaries and Expense Account. In 2019, funding of $244,249,000 is requested and will be paid to the Rural Development Salaries and Expense Account. Justifications for the administrative expenses can be found in the Rural Development Salaries and Expenses account.

Justification of Increases and Decreases

Base funding for the Rural Housing Insurance Fund (RHIF) allows the agency to continue its mission by providing housing for low-, very low-, and moderate-income residents across rural America. Continuing the base funding is crucial to ensure the continued success of the RHIF housing programs, and for fostering growth and stability in rural communities.

RHIF provides a variety of housing assistance for residents in rural America, including Single Family Housing (SFH) and Multi-Family Housing (MFH). SFH programs offer loans designed to meet most homeowner needs for moderate-, low- and very low-income customers in rural America. These programs help homeowners purchase or build their homes. Programs are also available to assist qualified organizations with the purchase and development of home sites for self-help home build projects.

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

RHIF funding is also essential for fostering the safety and security of families and children, providing locations for summer food programs for students, and providing stable living environments necessary to foster community, economic and personal growth and stability. This funding is also essential for our program residents with special needs, as well as the elderly.

Continuation of the RHIF programs is critical because:

- Without this funding, many of the programs' residents would likely be compelled to live in less secure and stable housing situations, and could become homeless.
- The funding supports the workforce housing needed to foster economic growth in rural communities.

Funds will be used for the purchase of single family housing and for the purchase or rehabilitation of multi-family housing units across rural America.

SFH program priorities:

- *Promote rural prosperity by improving rural America's infrastructure*: Affordable housing is often regarded as infrastructure because it addresses two fundamental governmental concerns: it facilitates business access to labor, a critical economic input, and it helps avoid costly residential alternatives that can burden economies. Approximately 85 percent of the program's borrowers are first-time homebuyers, who require affordable and decent housing, and often go to urban areas to seek a better quality of life for their families.

- *Maintain customer service focus:* The program efficiently addresses the lack of credit access in rural America for limited income rural homebuyers by guaranteeing loans that feature a uniquely affordable repayment structure, which has proven extremely popular among rural borrowers who often have very little liquidity.

- *Promote sustainable wealth creation:* The program deepens relationships between rural communities and the lender community, establishing an important credit network whose expansion over time strengthens the economic foundation of rural America.

MFH program priorities:

- *Promote rural prosperity by preserving and supporting housing affordability in rural America:* Currently there exists a critical shortage of affordable housing in rural communities. The Multi-Family programs serve very low-, low-, and moderate-income rural residents. Many of these are elderly or disabled and have very few housing alternatives or none at all; they feel most acutely the hardships imposed by rising residency costs. By addressing their housing needs and those of others who have chosen to reside in rural America, the programs provide essential housing infrastructure that preserves rural communities, supports retail and other businesses, attracts investment capital into towns and communities that can benefit from stronger investor relationships, and helps communities avoid health care and other costs associated with insufficient housing resources.

- *Strengthen program delivery through increased customer service focus:* The Multi-Family programs effectively partner with a wide variety of stakeholders, including non-profit entities, state housing authorities, other private lenders, investment funds, and other Federal agencies to shelter rural Americans who would have no other housing options.

Funding for the Rural Housing Insurance Fund is requested as follows:

(1) <u>A decrease of $1,000,000,000 in funding for the section 502 direct single family housing (SFH) loans ($1,000,000,000 available in 2018).</u>

The 2019 budget does not include funding for activity in the section 502 direct single family loan program. Rural areas once isolated from easy access to credit have shrunk as internet access and use has grown. Therefore, USDA is now in a position to utilize solely the guarantee program and still achieve the Administration's home goals for the rural areas at a lower cost to taxpayers. The 2019 budget maintains a robust level of funding for the section 502 guaranteed loan program, and the program has implemented numerous delivery enhancements in recent years to improve program performance.

In 2018, the direct loan program expects to finance 6,993 mortgages. The estimated average loan size is $143,000, or $317 per month, less than the Guaranteed Loan Program loans.

(2) <u>No change in funding for section 502 single family housing guaranteed loans ($24,000,000,000 available in 2018).</u>

Base funding of $24 billion will guarantee an estimated 163,482 home loans in 2019, including home purchases and the refinancing of existing Rural Housing Service (RHS) loans. Section 502 SFH Guaranteed Loan Program (GLP) provides low- and moderate-income rural families access to mortgage credit by guaranteeing loans issued by agency-approved private sector lenders. These loans require no down payment, have low up-front costs and can finance up to 100 percent of the appraised value, plus the guarantee fee. Loan terms of 30 years are provided at a competitive rate, which is capped by the agency. The program also refinances existing guaranteed or direct loans.

Continuation of the program is crucial because:

- The need for low- and moderate-income housing in rural communities is increasing. Housing inventory is tight, and the existing supply of decent and affordable housing cannot satisfy this pressing need.
- The program strengthens rural housing markets and provides needed support for new construction, as well as, fortifies communities through job creation and the reinvigoration of the local economy.
- The program is crucial to ensuring that limited-income rural residents have access to credit and decent housing. Approximately 85 percent of the loans the program guarantees are made to first-time homebuyers whose participation in the local workforce and community involvement is critically important to the health of local rural economies.
- Without the Federal loan guarantee, lenders would not extend mortgage credit. As a result, tens of thousands of creditworthy low- and moderate-income rural Americans who cannot meet down payment requirements would have fewer affordable homeownership opportunities.
- Only USDA enables rural borrowers, who do not have sufficient savings for a down payment and cannot qualify for veterans' benefits, to purchase a home through a mortgage program with an exceptionally low foreclosure rate.

In 2018, this program expects to guarantee 164,829 loans, the majority of which will be new homeownership loans. The average loan size for the program is expected to be $145,605.

(3) A decrease of $39,109,000 in funding for section 515 direct rural rental housing loans ($39,109,000 available in 2018).

The focus for multi-family housing in 2019 will be the section 538 guaranteed multi-family housing loans. The budget proposes to move any remaining funds from the Revitalization Program Section 515 loans into the Rural Housing Insurance Fund. In 2019, the budget does not include funding for activity in the Section 515 direct rural rental housing loan program, including the Revitalization Program loans.

(4) An increase of $20,000,000 in funding for section 538 guaranteed multi-family housing loans ($230,000,000 available in 2018).

Base funding of $250 million will allow the Multi-Family Housing Guaranteed Loan Program to continue providing new affordable rental housing or modernizing existing housing for communities throughout rural America. Base funding in 2019 is estimated to build or modernize 8,051 rental housing units.

The program provides affordable homes to low- and moderate-income families including elderly and disabled living on fixed incomes who are least able to afford market rate rental housing. Section 538 loan guarantees program provide funding for new construction of rental housing in rural communities, at time when there is concern about the decreasing availability of affordable housing.

The section 538 Guaranteed Multi-Family Housing loan program also supports the Presidential Executive Order on Promoting Agricultural and Rural Prosperity in America, dated April 25, 2017. Section 2 of that order calls for the "Establishment of the Interagency Task Force on Agriculture and Rural Property by supporting the construction and rehabilitation of multi-family housing in rural America. The program also supports the Secretary's Strategic Goal 4: Facilitate Rural Prosperity and Economic Development.

The program is designed to promote rural prosperity by strengthening investment in rural rental housing, which addresses the most pressing and fundamental local housing needs in a cost-effective manner, and serves as a critical stepping stone in building prosperous rural communities. It provides access to capital for the construction or renovation of affordable rental housing through public and private partners, including lenders, developers, investors, State housing finance agencies, Federal agencies, and government-sponsored enterprises that function as secondary market facilitators, such as the Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac). Through these public and private partners, RD is able to leverage its investment in housing; in 2017, almost $3 was invested by partners for every RD dollar.

(5) A decrease of $29,506,000 in funding for the section 504 housing repair loan program ($29,506,000 available in 2018).

Funding for this program is not requested in 2019. The focus for 2019 will be loan guarantee housing programs.

(6) A decrease of $9,504,000 in funding for section 524 direct site development loans ($9,504,000 available in 2018).

Funding for this program is not requested in 2019. The focus for 2019 will be loan guarantee housing programs.

(7) A decrease of $5,635,000 in funding for section 523 self-help site development loans ($5,635,000 available in 2018).

Funding for this program is not requested. The focus for 2019 will be loan guarantee housing programs.

(8) No change in funding for credit sales ($10,000,000 available in 2018).

Base funding allows the agency to continue financing the sale of agency non-program Real Estate Owned

(REO) properties taken into inventory after foreclosure. Continuing the base funding ensures that the agency has the tools and resources needed to mitigate impacts of housing foreclosures on the SFH portfolio in a way that serves the best interests of the government.

Continuation of the program is warranted because:

- To avoid sizable losses, the agency must manage its REO housing inventory continuously. This program enables the agency to better manage its REO inventory.
- The program reduces taxpayer exposure to losses in inventory and market value, and helps maintain the health of the local housing market in rural communities.

The program, funded at the historical loan level, helps to mitigate the shortage of affordable workforce and senior housing for residents of rural communities, and by doing so, will contribute to a stronger, more stable, local environment.

In 2017, approximately $669 thousand was spent on credits sales under the section 502 Direct Loan Program. Eight loans were approved, with an average loan of approximately $83,625.

(9) A decrease of $26,209,000 in funding for section 514 farm labor housing loans ($26,209,000 available in 2018).

Funding for this program is not requested. The focus for multi-family housing in 2019 will be the section 538 guaranteed multi-family housing loans.

Funding for this program is used to construct, improve, repair and purchase affordable housing for year-round and migrant or seasonal domestic farm laborers. The housing may be constructed in urban or rural areas, as long as there is a demonstrated need.

(10) A decrease of $8,279,000 in funding for section 516 farm labor housing grants ($8,279,000 available in 2018).

Funding for this program is not requested. The focus for multi-family housing in 2019 will be the section 538 guaranteed multi-family housing loans.

Funding for this program is used to construct, improve, repair and purchase affordable housing for year-round and migrant or seasonal domestic farm laborers. The housing may be constructed in urban or rural areas, as long as there is a demonstrated need.

(11) A decrease of $88,695,000 in direct loan subsidy for the Rural Housing Insurance Fund ($88,695,000 available in 2018).

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

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

State/Territory	2016 Actual	2017 Actual	2018 Estimate	2019 President's Budget
	Amount	Amount	Amount	Amount
Alabama	$17,460	$14,947	-	-
Alaska	20,032	16,813	-	-
Arizona	15,305	20,333	-	-
Arkansas	14,643	12,631	-	-
California	108,861	111,350	-	-
Colorado	13,566	13,451	-	-
Connecticut	4,250	3,130	-	-
Delaware	10,449	6,035	-	-
Florida	32,111	41,166	-	-
Georgia	17,891	21,963	-	-
Hawaii	14,000	18,117	-	-
Idaho	8,494	9,514	-	-
Illinois	17,404	18,891	-	-
Indiana	22,526	31,910	-	-
Iowa	9,548	10,307	-	-
Kansas	2,538	6,502	-	-
Kentucky	23,447	20,274	-	-
Louisiana	12,140	17,866	-	-
Maine	24,126	19,556	-	-
Maryland	9,520	6,597	-	-
Massachusetts	8,397	7,959	-	-
Michigan	32,006	38,068	-	-
Minnesota	16,900	17,230	-	-
Mississippi	35,124	19,417	-	-
Missouri	16,688	18,519	-	-
Montana	8,139	4,498	-	-
Nebraska	3,004	6,023	-	-
Nevada	6,512	3,696	-	-
New Hampshire	14,257	11,112	-	-
New Jersey	8,491	4,538	-	-
New Mexico	11,473	11,853	-	-
New York	16,418	20,073	-	-
North Carolina	59,798	61,213	-	-
North Dakota	3,321	2,773	-	-
Ohio	21,900	28,267	-	-
Oklahoma	14,731	16,016	-	-
Oregon	9,433	11,033	-	-
Pennsylvania	23,391	19,199	-	-
Rhode Island	3,802	3,934	-	-
South Carolina	22,501	30,127	-	-
South Dakota	10,944	10,198	-	-
Tennessee	21,935	25,433	-	-
Texas	36,318	39,701	-	-
Utah	37,342	39,600	-	-
Vermont	8,968	10,864	-	-
Virginia	18,940	28,717	-	-
Washington	35,748	35,878	-	-
West Virginia	4,003	6,198	-	-
Wisconsin	14,743	15,778	-	-
Wyoming	12,248	8,094	-	-
Guam	7,180	5,714	-	-
Puerto Rico	11,661	13,646	-	-
Virgin Islands	3,067	2,706	-	-
Other Countries	562	562	-	-
Undistributed	-	-	$1,000,000 a/	-
Obligations	903,537	999,991	1,000,000	-
Secretary's Interchange	54,870	-	-	-
Lapsing Balances	-	9	746,502	-
Total, Available	958,406	1,000,000	1,746,502	-

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	2016 Actual	2017 Actual	2018 Estimate	2019 President's Budget
	Amount	Amount	Amount	Amount
Alabama	$420,392	$510,251	-	-
Alaska	92,523	108,177	-	-
Arizona	219,205	266,651	-	-
Arkansas	372,971	454,887	-	-
California	406,202	473,156	-	-
Colorado	231,461	276,470	-	-
Connecticut	107,396	139,617	-	-
Delaware	124,320	154,769	-	-
Florida	582,403	648,849	-	-
Georgia	535,465	642,480	-	-
Hawaii	170,305	210,999	-	-
Idaho	163,403	234,781	-	-
Illinois	293,905	343,505	-	-
Indiana	554,731	681,643	-	-
Iowa	204,960	231,973	-	-
Kansas	123,158	152,501	-	-
Kentucky	447,061	539,639	-	-
Louisiana	623,916	706,335	-	-
Maine	243,028	265,441	-	-
Maryland	451,380	581,841	-	-
Massachusetts	156,620	191,573	-	-
Michigan	639,359	705,081	-	-
Minnesota	460,363	508,176	-	-
Mississippi	330,716	394,587	-	-
Missouri	573,980	682,677	-	-
Montana	156,922	184,781	-	-
Nebraska	97,135	113,470	-	-
Nevada	109,314	110,352	-	-
New Hampshire	117,359	124,774	-	-
New Jersey	113,929	155,041	-	-
New Mexico	34,985	50,012	-	-
New York	200,030	205,790	-	-
North Carolina	841,365	956,932	-	-
North Dakota	46,720	68,005	-	-
Ohio	499,197	602,716	-	-
Oklahoma	235,202	285,308	-	-
Oregon	367,470	391,545	-	-
Pennsylvania	591,853	693,095	-	-
Rhode Island	19,300	15,795	-	-
South Carolina	489,583	548,176	-	-
South Dakota	150,940	181,400	-	-
Tennessee	812,037	954,404	-	-
Texas	616,189	684,479	-	-
Utah	335,661	440,401	-	-
Vermont	68,441	67,110	-	-
Virginia	575,275	744,345	-	-
Washington	413,458	468,982	-	-
West Virginia	226,896	263,632	-	-
Wisconsin	317,590	374,913	-	-
Wyoming	163,396	192,170	-	-
Guam	1,989	5,114	-	-
Puerto Rico	224,660	290,677	-	-
Virgin Islands	1,051	239	-	-
Other Countries	-	200	-	-
Undistributed	-	1.09900	$17,272,756 a/	$18,895,047 a/
Obligations	16,357,172	19,279,918	17,272,756	18,895,047

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	2016 Actual	2017 Actual	2018 Estimate	2019 President's Budget
	Amount	Amount	Amount	Amount
Alabama.............................	-	$1,396	-	-
Alaska................................	$575	-	-	-
Arkansas.............................	857	-	-	-
Colorado............................	1,063	-	-	-
Georgia..............................	-	2,885	-	-
Idaho..................................	400	250	-	-
Kansas................................	-	550	-	-
Kentucky............................	306	307	-	-
Louisiana............................	3,909	1,283	-	-
Michigan............................	420	-	-	-
Missouri.............................	-	1,175	-	-
Nebraska............................	-	109	-	-
New Hampshire.................	6,390	-	-	-
New Jersey.........................	-	10,160	-	-
New Mexico.......................	-	227	-	-
North Carolina...................	9,767	5,995	-	-
Oklahoma...........................	-	3,592	-	-
Oregon...............................	-	1,545	-	-
South Carolina...................	-	1,187	-	-
South Dakota......................	-	846	-	-
Tennessee...........................	-	620	-	-
Vermont.............................	1,950	545	-	-
Virginia..............................	-	1,089	-	-
Wisconsin..........................	2,760	1,237	-	-
Undistributed.....................	-	-	$39,109 a/	-
Obligations......................	28,397	35,000	39,109	-

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

State/Territory	2016 Actual	2017 Actual	2018 Estimate	2019 President's Budget
	Amount	Amount	Amount	Amount
Alabama.............................	$897	-	-	-
Alaska................................	1,400	-	-	-
Arizona..............................	3,265	-	-	-
Arkansas.............................	2,251	-	-	-
California...........................	29,552	$37,756	-	-
Florida................................	16,321	-	-	-
Georgia..............................	-	18,950	-	-
Hawaii................................	8,895	-	-	-
Idaho..................................	5,556	2,175	-	-
Illinois................................	-	1,050	-	-
Indiana...............................	3,158	-	-	-
Iowa...................................	-	3,830	-	-
Kansas................................	907	730	-	-
Kentucky............................	5,789	3,527	-	-
Louisiana............................	4,665	-	-	-
Michigan............................	1,601	650	-	-
Minnesota..........................	1,300	-	-	-
Mississippi.........................	6,390	-	-	-
Nebraska............................	-	3,393	-	-
Nevada...............................	1,300	-	-	-
New Jersey.........................	2,200	4,486	-	-
New Mexico.......................	5,075	-	-	-
New York...........................	-	950	-	-
North Carolina...................	39,566	27,744	-	-
Ohio...................................	3,725	2,000	-	-
Oklahoma...........................	7,100	8,191	-	-
South Carolina...................	2,450	22,316	-	-
Tennessee...........................	400	5,275	-	-
Texas..................................	32,172	20,379	-	-
Virginia..............................	500	9,708	-	-
West Virginia.....................	500	2,030	-	-
Virgin Islands.....................	-	1,830	-	-
Undistributed.....................	0	-	$71,124 a/	$50,000 a/
Obligations......................	186,935	176,970	71,124	50,000

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	2016 Actual	2017 Actual	2018 Estimate	2019 President's Budget
	Amount	Amount	Amount	Amount
Alabama................................	$404	$566	-	-
Alaska..................................	8	27	-	-
Arizona.................................	148	204	-	-
Arkansas...............................	260	262	-	-
California.............................	247	358	-	-
Colorado..............................	25	37	-	-
Connecticut..........................	49	61	-	-
Delaware..............................	23	16	-	-
Florida..................................	685	466	-	-
Georgia................................	255	392	-	-
Hawaii..................................	185	180	-	-
Idaho....................................	64	34	-	-
Illinois..................................	1,270	1,050	-	-
Indiana.................................	287	340	-	-
Iowa.....................................	349	369	-	-
Kansas..................................	71	65	-	-
Kentucky..............................	1,352	1,535	-	-
Louisiana..............................	571	653	-	-
Maine...................................	225	366	-	-
Maryland..............................	77	55	-	-
Massachusetts......................	28	75	-	-
Michigan..............................	720	1,305	-	-
Minnesota............................	255	370	-	-
Mississippi...........................	1,111	958	-	-
Missouri...............................	370	400	-	-
Montana...............................	-	15	-	-
Nebraska..............................	18	34	-	-
Nevada.................................	30	27	-	-
New Hampshire...................	260	207	-	-
New Jersey...........................	25	2	-	-
New Mexico.........................	148	102	-	-
New York.............................	315	280	-	-
North Carolina.....................	1,336	1,806	-	-
North Dakota.......................	31	59	-	-
Ohio.....................................	554	617	-	-
Oklahoma.............................	103	198	-	-
Oregon.................................	107	158	-	-
Pennsylvania........................	558	652	-	-
Rhode Island........................	6	-	-	-
South Carolina.....................	520	457	-	-
South Dakota.......................	56	158	-	-
Tennessee.............................	661	1,092	-	-
Texas....................................	1,385	1,205	-	-
Utah......................................	63	51	-	-
Vermont...............................	167	151	-	-
Virginia................................	440	711	-	-
Washington..........................	170	160	-	-
West Virginia.......................	188	168	-	-
Wisconsin............................	134	162	-	-
Wyoming.............................	23	14	-	-
Puerto Rico..........................	244	346	-	-
Virgin Islands.......................	-	5	-	-
Other Countries....................	828	657	-	-
Undistributed.......................	-	-	$29,506 a/	-
Obligations.......................	17,407	19,638	29,506	-

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	2016 Actual	2017 Actual	2018 Estimate	2019 President's Budget
	Amount	Amount	Amount	Amount
Arizona................................	$50	-	-	-
California............................	2,100	-	-	-
Florida.................................	2,752	-	-	-
North Carolina.....................	-	$370	-	-
South Dakota.......................	98	-	-	-
Undistributed.......................	0	-	$9,504 a/	-
Obligations.......................	5,000	370	9,504	-

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

State/Territory	2016 Actual	2017 Actual	2018 Estimate	2019 President's Budget
	Amount	Amount	Amount	Amount
Florida.................................	$233	-	-	-
Undistributed.......................	-	-	$5,635 a/	-
Obligations.......................	233	-	5,635	-

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

State/Territory	2016 Actual	2017 Actual	2018 Estimate	2019 President's Budget
	Amount	Amount	Amount	Amount
Arizona................................	$88	-	-	-
Florida.................................	58	-	-	-
Idaho....................................	236	$125	-	-
Kansas.................................	85	-	-	-
Missouri..............................	22	-	-	-
New Mexico........................	43	-	-	-
Oregon.................................	1,326	543	-	-
Washington..........................	17	-	-	-
Undistributed.......................	-	-	$1,890 a/	$2,000
Obligations.......................	1,875	669	1,890	2,000

a/ Totals cannot be distributed at this time.

RURAL HOUSING SERVICE

RURAL HOUSING INSURANCE FUND PROGRAM ACCOUNT

Classification by Objects
(Dollars in thousands)

		2016 Actual	2017 Actual	2018 Estimate	2019 President's Budget
25.0	Other purchases of goods and services from government accounts...............	$417,855	$412,254	$409,455	$244,249
41.0	Grants, subsidies, and contributions..................	100,174	100,067	71,841	-
99.9	Total, new obligations................................	518,029	512,321	481,296	244,249

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

Rental Assistance Program (Including Transfer of Funds)

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
1 502(c)(5)(D) of the Housing Act of 1949, and for rural housing voucher program as authorized under section
542 of the Housing Act of 1949, notwithstanding subsection (b) of such section,
[$1,345,293,000]$1,351,400,000, of which $40,000,000 shall be made available until September 30, 2020; 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*,
2 That of the amounts made available under this heading $1,331,400,000 shall be available for rental assistance
agreements: *Provided further*, That rental assistance agreements entered into or renewed during the current
3 fiscal year shall be funded for a one-year period: *Provided further*, That tenants in projects financed under
section 514 and 515 shall contribute a minimum of $50 per month towards the rent, as determined by the
Secretary, unless the Secretary determines a lower amount because the tenant qualifies for a hardship
exemption, which shall, to the extent practicable, be consistent with similar hardship exemption requirements
4 and conditions established by the Secretary of Housing and Urban Development for similar programs: *Provided*
further, That notwithstanding any other provision of the Act, the Secretary may recapture funds provided for
rental assistance under agreements entered into prior to fiscal year 2019 for a project that the Secretary
determines no longer needs rental assistance: *Provided further*, That such recaptured funds shall remain
5 available for obligation in fiscal year 2019 for the purposes specified under this heading: *Provided further*, That
of the amounts made available under this heading $20,000,000 shall be available for rural housing vouchers to
any low-income household, including a household that does not receive rental assistance, residing in a property
financed with a section 515 loan that has been prepaid or otherwise paid off after September 30, 2005: *Provided*
further, That the amount of such voucher shall be equal to the difference between comparable market rent for
the section 515 unit and the tenant paid rent for such unit: *Provided further*, That 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 any balances available for the rural housing voucher program in the "Multi-Family
Housing Revitalization Program Account" shall be transferred to and merged with this account and available for
6 the rural housing voucher program: *Provided further*, That if the Secretary determines that the amount made
available for vouchers or rental assistance in this Act is not needed for vouchers or rental assistance, the
7 Secretary may use such funds for any of the programs described under this heading.[That any unexpended
balances remaining at the end of such one-year agreements may be transferred and used for purposes of any debt reduction; maintenance, repair, or rehabilitation of any existing projects; preservation; and rental assistance activities authorized under title V of the Act: *Provided further*, That rental assistance provided under agreements entered into prior to fiscal year 2018 for a farm labor multi-family housing project financed under section 514 or 516 of the Act may not be recaptured for use in another project until such assistance has remained unused for a period of 12 consecutive months, if such project has a waiting list of tenants seeking such assistance or the project has rental assistance eligible tenants who are not receiving such assistance: *Provided further*, That such recaptured rental assistance shall, to the extent practicable, be applied to another farm labor multi-family housing project financed under section 514 or 516 of the Act: *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. *Provided further*, That except as provided in the third proviso under this heading and notwithstanding any other provision of the Act, the Secretary may recapture rental assistance provided under agreements entered into prior to fiscal year 2018 for a project that the Secretary determines no longer needs rental assistance and use such recaptured funds for current needs.]

The first change provides language authorizing a rural housing voucher program and allows for carryover of $40,000,000 available through September 30, 2020.

The second change makes $1,331,400,000 available for rental assistance agreements of the total funding provided to the account.

The third change allows the rental assistance program to have tenants contribute a minimum of $50 monthly towards the rent.

The fourth change allows the program to recapture funds from rental assistance agreements entered into prior to fiscal year 2019.

The fifth change makes available $20 million in voucher funding and allows for the transfer of all balances of voucher funding within the multi-family housing revitalization program account into this account. The voucher program is for tenants residing in pre-payment and paid off section 515 multi-family housing projects and should be administered the same as section 8 housing vouchers administered by the Department of Housing and Urban Development.

The sixth change provides language allowing transfer of funding between the rental assistance and voucher programs within this account.

The seventh change removes language which was moved into other places in the language and also removes language concerning recapture of section 514 and 516 farm labor housing for prior year obligations.

RURAL HOUSING SERVICE

RENTAL ASSISTANCE PROGRAM

Lead-Off Tabular Statement

Budget Estimate, 2019	$1,351,400,000
2018 Annualized Continuing Resolution	1,395,493,000
Change in Appropriation	-44,093,000

RURAL HOUSING SERVICE

RENTAL ASSISTANCE PROGRAM

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

Program	2016 Actual		2017 Actual		2018 Estimate		Inc. or Dec.		2019 President's Budget	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Appropriations:										
Rental assistance (sec.521).................................. a/	$1,389,695	140	$1,405,033	140	$1,395,493	140	-$64,093 (1)	-	$1,331,400	140
Rural housing voucher program..........................	-	-	-	-	-	-	+20,000 (2)	+35	20,000	35
Subtotal...	1,389,695	140	1,405,033	140	1,395,493	140	-44,093	-	1,351,400	140
Total Appropriation...	1,389,695	140	1,405,033	140	1,395,493	140	-44,093	-	1,351,400	140
Bal. Available, SOY..	-	-	-	-	40,000	-	-	-	40,000	-
Unobligated balances transferred in........................	-	-	-	-	-	-	+1,549	-	1,549	-
Recoveries, Other (Net)..	-	-	-	-	-	-	+1,300	-	1,300	-
Total Available..	1,389,695	140	1,405,033	140	1,435,493	140	-41,244	-	1,394,249	140
Bal. Available, EOY...	-	-	-40,000	-	-40,000	-	-	-	-41,300	-
Total Obligations...	1,389,695	140	1,365,033	140	1,395,493	140	-42,544	-	1,352,949	140

a/ Of the 2017 Appropriations, $40,000,000 shall be available until September 30, 2018. Of the 2018 Appropriations, $40,000,000 shall be available until September 30, 2019. Of the 2019 funding, $40,000,000 is proposed to be available until September 30, 2020.

RURAL HOUSING SERVICE

RENTAL ASSISTANCE PROGRAM

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

Program	2016 Actual		2017 Actual		2018 Estimate		Inc. or Dec.		2019 President's Budget	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Obligations:										
Rental assistance (sec. 521)... a/	$1,389,695	140	$1,365,033	140	$1,395,493	140	-$64,093 (1)	-	$1,331,400	140
Rural housing voucher program...	-		-		-		+21,549 (2)		21,549	-
Total Obligations...	1,389,695	140	1,365,033	140	1,395,493	140	-42,544 -	-	1,352,949	140
Bal. Available, EOY...	-	-	40,000	-	40,000	-	+1,300	-	41,300	-
Total Available...	1,389,695	140	1,405,033	140	1,435,493	140	-41,244	-	1,394,249	140
Bal. Available, SOY...	-	-	-	-	-40,000	-	-	-	-40,000	-
Recoveries, Other (Net)...	-	-	-	-	-	-	-1,300	-	-1,300	-
Unobligated balances transferred in...	-	-	-	-	-	-	-1,549	-	-1,549	-
Total Appropriation...	1,389,695	140	1,405,033	140	1,395,493	140	-44,093	-	1,351,400	140

a/ Of the 2017 Appropriations, $40,000,000 shall be available until September 30, 2018. Of the 2018 Appropriations, $40,000,000 shall be available until September 30, 2019. Of the 2019 funding, $40,000,000 is proposed to be available until September 30, 2020.

Justification of Increases and Decreases

Rental Assistance (RA) is a project-based rent subsidy program that benefits tenants residing in Section 515 and 514/516 Multi-Family Housing (MFH) properties financed by Rural Development. Some properties receive no RA, and some receive RA for a limited number of tenants. Projects receiving RA must be financed by the RHS direct loan made to a for-profit entity, broad-based nonprofit organization, or State or local agency. The subsidy caps the rent payments of eligible tenants at 30 percent of a tenant's income. Through RA the agency pays the difference between the rent, which is based on project operating costs, and the tenant's income-derived contribution to the rent.

RA payments are discontinued when a Section 515 or 514/516 property is foreclosed, the borrower prepays the mortgage, or the loan matures. In the event of foreclosure or prepayment of a Section 515 loan, RD can continue to assist tenants needing affordable housing by providing vouchers, which unlike RA are tenant-based. The amount of the voucher is based upon the local market rent less the amount of rent the tenant was paying on the prepayment or foreclosure date. The voucher amount is fixed and does not vary with locality or income changes. Tenants may use vouchers at any apartment nationwide that meets RD standards, though most continue to reside in the original property.

By providing scarce affordable housing and addressing the essential residential needs of rural communities, both RA and voucher programs support USDA's Strategic Goal 4 of promoting rural prosperity and economic development.

(1) A decrease of $64,093,000 in rental assistance ($1,395,493,000 available in 2018).

Base funding provides tenants with financial support needed to remain in their homes, increasing family and community stability, and enabling tenants, the majority of whom are elderly or disabled, to live more safely and securely. Base funding is crucial to ensuring continued success of the entire Multi-Family Housing program.

Funding for the RA program is critical because:

- RA provides tenants with the financial support needed to live in safe homes where they can enjoy greater security and stability. Tenants receiving RA benefits have average annual incomes of less than $11,000. These very low-income families have very few viable housing options, and would often be homeless without RA.
- More than 60 percent of eligible tenants are elderly or disabled, which further reduces their income generating potential and their housing options. Access to affordable, stable housing is especially critical to these tenants who cannot otherwise live on their own.
- RA maintains the economic viability of properties providing affordable housing. Section 515 and Section 514/516 rents are based upon operating costs, and without RA payments to supplement rent contributions from very low-income tenants, the properties could not operate. This would lead to high default and foreclosure rates for the two Rural Development (RD) portfolios, and exacerbate the critical shortage of affordable housing in rural communities.
- RA attracts critically needed capital investment to rural communities. Without RA, investors would not fund the revitalization of the aging section 515 portfolio.
- No other Federal agency is issuing new tenant rent subsidies to RD tenants, so tenants unable to pay the full rent would have no other rent subsidy available.
- RA spares rural communities some of the very high costs associated with homelessness and substandard housing. If RA were not provided and tenants were homeless or housed in less stable and secure environments, the costs of health care, mental health care, sheltering, law enforcement, rehabilitative and other services would all be expected to increase. RA preserves the health of tenants and communities.

Total funding of $1.331 billion will support the funding of 273,951 units, at an estimated cost of $4,860 per unit. At this funding level, 8,365 units would be re-renewed.

More than 92 percent of RA recipients are very low-income, with income less than 50 percent of the area median. These residents are at the greatest risk of becoming homeless without the RA benefit.

Approximately two-thirds of RA recipients are white, non-Hispanic; 20 percent are black, non-Hispanic; and 11 percent are Hispanic.

Program improvements and efficiencies: Staff evaluated the RA Obligation Tool implemented in 2016, and recommended enhancements to further improve the tool's predictive capability, which includes: 1) changed the methodology for calculating each property's RA needs, increasing the accuracy of the amount of RA obligated, and 2) automating most of the obligation process, reducing processing times and saving an estimated 2,000 hours.

(2) An increase of $20,000,000 in multi-family housing vouchers ($0 available in 2018).

Vouchers provide tenant protections in properties that are foreclosed upon, or that prepay their mortgages after September 30, 2005. The cost of each voucher remains the same for the life of the voucher. In 2017, RHS provided new and renewed vouchers to 5,609 families with funding of slightly more than $22 million. The monthly voucher averaged approximately $327 per month per household. The agency is projecting to issue at 4,912 and 5,099 in FY 2018 and FY 2019, consistent with funding levels of $18.3 million and $20 million in the respective years. The agency will seek opportunities to reduce program costs, which tend to increase directly with voucher demand as new recipients from prepaying Section 515 properties are added to voucher rolls and long-term recipients continue to receive vouchers.

The 2019 budget proposes to merge this program with the Rental Assistance Program. In prior years, this program was funded in the Multi-Family Preservation and Revitalization Program account.

Voucher funding supports rural prosperity by ensuring low- and very low-income residents don't lose their homes and require assistance from their community. Continuation of the program is critical for many of the same reasons RA is critical:

- Without a voucher from RD, low- and very low-income voucher recipients might otherwise be unable to afford the higher market rents they could be forced to pay as the property converts from affordable to market rate housing. Vouchers reduce the incidence of homelessness, and enable rural residents who have very few housing options to live safely and securely.
- The voucher assistance allows the elderly, disabled, and other vulnerable tenants the time needed to find other affordable housing. Section 515 rural rental housing or other subsidy assistance programs might not be immediately available at the time of a foreclosure or loan prepayment.
- No other Federal agency is issuing new tenant rent subsidies to RD tenants, so tenants facing the loss of their existing affordable housing rental assistance have no other assistance available.
- Vouchers can mitigate the costs borne by communities when RA is discontinued on Section 515 and 514/516 properties and a shortage of affordable housing leads to increased homelessness and other complex issues.
- Vouchers encourage the exploration of alternative market solutions to the affordable housing crisis that may be unrelated to RD-financed properties.

Program improvements and efficiencies: The new RD Voucher Program data management system and new unit for program delivery were fully operational in 2017. RD continues to monitor the success of these program improvements.

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

State/Territory	2016 Actual	2017 Actual	2018 Estimate	2019 President's Budget
	Amount	Amount	Amount	Amount
Alabama	$36,953	36,847	-	-
Alaska	6,349	7,704	-	-
Arizona	18,802	20,329	-	-
Arkansas	26,659	27,663	-	-
California	106,141	106,779	-	-
Colorado	15,426	15,489	-	-
Connecticut	9,131	9,829	-	-
Delaware	8,061	8,622	-	-
Florida	68,402	68,757	-	-
Georgia	37,491	36,530	-	-
Hawaii	10,975	8,567	-	-
Idaho	19,198	19,112	-	-
Illinois	30,476	30,649	-	-
Indiana	23,977	25,830	-	-
Iowa	27,319	28,141	-	-
Kansas	13,149	13,138	-	-
Kentucky	26,299	25,045	-	-
Louisiana	46,592	45,530	-	-
Maine	40,293	37,745	-	-
Maryland	19,859	18,611	-	-
Massachusetts	13,957	12,705	-	-
Michigan	36,878	38,072	-	-
Minnesota	23,892	27,128	-	-
Mississippi	53,253	53,205	-	-
Missouri	27,066	26,374	-	-
Montana	8,343	8,188	-	-
Nebraska	8,252	8,710	-	-
Nevada	11,031	12,680	-	-
New Hampshire	15,024	14,617	-	-
New Jersey	12,185	12,259	-	-
New Mexico	18,600	19,109	-	-
New York	32,883	28,681	-	-
North Carolina	88,359	83,511	-	-
North Dakota	6,687	6,630	-	-
Ohio	31,122	32,980	-	-
Oklahoma	23,259	24,458	-	-
Oregon	27,624	22,766	-	-
Pennsylvania	34,699	31,760	-	-
Rhode Island	3,570	2,460	-	-
South Carolina	39,974	34,081	-	-
South Dakota	16,900	18,641	-	-
Tennessee	34,844	31,352	-	-
Texas	60,003	60,611	-	-
Utah	9,138	10,613	-	-
Vermont	11,430	10,507	-	-
Virginia	34,666	34,878	-	-
Washington	35,678	34,523	-	-
West Virginia	16,840	17,922	-	-
Wisconsin	17,855	19,723	-	-
Wyoming	6,092	5,510	-	-
Puerto Rico	26,810	22,098	-	-
Virgin Islands	7,675	5,500	-	-
Undistributed	3,558	1,866	$1,395,493 a/	$1,331,400
Obligations	1,389,695	1,365,033	1,395,493	1,331,400

a/ Totals cannot be distributed at this time.

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

State/Territory	2016 Actual	2017 Actual	2018 Estimate	2019 President's Budget
	Amount	Amount	Amount	Amount
Undistributed	-	-	-	$21,549 a/
Obligations	-	-	-	21,549

a/ Totals cannot be distributed at this time.

Classification by Objects
(Dollars in thousands)

		2016 Actual	2017 Actual	2018 Estimate	2019 President's Budget
41.0	Grants, subsidies, and contributions	$1,389,695	$1,365,033	$1,395,493	$1,352,949
99.9	Total, new obligations	1,389,695	1,365,033	1,395,493	1,352,949

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, $20,000,000, to remain available until expended: *Provided*, That the funds made available under this heading shall be available for rural housing vouchers to any low-income household (including those not receiving rental assistance) residing in a property financed with a section 515 loan which has been prepaid after September 30, 2005: *Provided further*, That the amount of such voucher shall be the difference between comparable market rent for the section 515 unit and the tenant paid rent for such unit: *Provided further*, That funds made available for such vouchers shall be subject to the availability of annual appropriations: *Provided further*, That the Secretary shall, to the maximum extent practicable, administer such vouchers with current regulations and administrative guidance applicable to section 8 housing vouchers administered by the Secretary of the Department of Housing and Urban Development: *Provided further*, That 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.]

This change removes the appropriations language for this account. Revitalization loan funding will be moved to the Rural Housing Insurance Fund accounts. No revitalization funding is requested in 2019. Section 538 funding is available for preservation and rehabilitation of Section 515 properties. Vouchers are funded under the Rental Assistance Account t $20,000,000.

RURAL HOUSING SERVICE

MULTI-FAMILY HOUSING REVITALIZATION PROGRAM ACCOUNT

Lead-Off Tabular Statement

	Loan Level	Subsidy	Grants	Vouchers
Budget Estimate, 2019	-	-	-	-
2018 Annualized Continuing Resolution	$39,428,000	$20,857,000	$993,000	$19,268,000
Change in Appropriation	-39,428,000	-20,857,000	-993,000	-19,268,000

RURAL HOUSING SERVICE

MULTI-FAMILY HOUSING REVITALIZATION PROGRAM ACCOUNT

Project Statement

Adjusted Appropriations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2016 Actual			2017 Actual			2018 Estimate			Inc. or Dec.					2019 President's Budget		
	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 administrative...	$15,000	$15,000	350	$22,400	$22,400	347	$19,268	$19,268	350	-$19,268	(1)	-$19,268	-140		-	-	210
MFH revitalization zero percent (Sec. 515)	18,983	10,000	-	5,849	3,000	-	12,182	5,959	-	-12,182	(2)	-5,959	-	(6)	-	-	-
MFH revitalization soft seconds (Sec. 515)	12,934	7,000	-	26,311	15,000	-	27,246	14,898	-	-27,246	(3)	-14,898	-	(6)	-	-	-
MFH revitalization grants (Sec. 515)	5,000	5,000	-	1,000	1,000	-	993	993	-	-993	(4)	-993	-		-	-	-
MFH preservation pilot program	-	-	-	1,000	1,000	-	993	993	-	-993	(5)	-993	-		-	-	-
Subtotal	51,917	37,000	350	56,560	42,400	347	60,682	42,112	350	-60,682		-42,112	-140		-	-	210
Total Adjusted Approp	51,917	37,000	350	56,560	42,400	347	60,682	42,112	350	-60,682		-42,112	-140		-	-	210
Total Appropriation	51,917	37,000	350	56,560	42,400	347	60,682	42,112	350	-60,682		-42,112	-140		-	-	210
Transfers Out:																	
Rental assistance account	-	-	-	-	-	-	-	-	-	-1,549		-1,549	-		-$1,549	-$1,549	-
Rural housing insurance fund accounts	-	-	-	-	-	-	-	-	-	-3,618		-3,601	-		-3,618	-3,601	-
Subtotal	-	-	-	-	-	-	-	-	-	-5,168		-5,150	-		-5,168	-5,150	-
Rescission	-	-	-	-100	-100	-	-	-	-	-		-	-		-	-	-
Bal. Available, SOY	35,107	23,898	-	3,041	3,028	-	12,997	13,995	-	-7,829		-8,845	-		5,168	5,150	-
Recoveries, Other (Net)	746	2,979	-	6,157	5,916	-	3,448	3,061	-	-3,448		-3,061	-		-	-	-
Total Available	87,770	63,877	350	65,658	51,244	347	77,127	59,168	350	-77,127		-59,168	-140		-	-	210
Bal. Available, EOY	3,600	-3,028	-	-18,441	-14,010	-	-5,168	-5,150	-	+5,168		+5,150	-		-	-	-
Total Obligations	91,371	60,849	350	47,218	37,234	347	71,960	54,018	350	-71,960		-54,018	-140		-	-	210

Note: Totals may not add due to rounding.

RURAL HOUSING SERVICE

MULTI-FAMILY HOUSING REVITALIZATION PROGRAM ACCOUNT

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

Program	2016 Actual			2017 Actual			2018 Estimate			Inc. or Dec.			2019 President's Budget		
	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:															
Rural housing voucher program and administrative.....	$20,965	$20,965	350	$22,443	$22,443	347	$22,340	$22,340	350	-$22,340 (1)	-$22,340	-140	-	-	210
MFH revitalization modifications (Sec. 515)................	-	2,063	-	-	600	-	-	4,000	-	-	-4,000 (6)	-	-	-	-
MFH revitalization zero percent (Sec. 515)..................	11,652	6,138	-	-	-	-	12,878	6,300	-	-12,878 (2)	-6,300 (6)	-	-	-	-
MFH revitalization soft seconds (Sec. 515)..................	55,840	30,220	-	24,619	14,035	-	32,370	17,700	-	-32,370 (3)	-17,700	-	-	-	-
MFH revitalization grants (Sec. 515)...........................	802	802	-	156	156	-	1,395	1,395	-	-1,395 (4)	-1,395	-	-	-	-
Multi-family housing preservation demo revolving loan fund..	2,111	660	-	-	-	-	983	290	-	-983	-290	-	-	-	-
MFH preservation pilot program..................................	-	-	-	-	-	-	1,993	1,993	-	-1,993 (5)	-1,993	-	-	-	-
Subtotal...	91,371	60,849	350	47,218	37,234	347	71,960	54,018	350	-71,960	-54,018	-140	-	-	210
Total Obligations..	91,371	60,849	350	47,218	37,234	347	71,960	54,018	350	-71,960	-54,018	-140	-	-	210
Bal. Available, EOY..	-3,600	3,028	-	18,441	14,010	-	5,168	5,150	-	-5,168	-5,150	-	-	-	-
Total Available...	87,770	63,877	350	65,658	51,244	347	77,127	59,168	350	-77,127	-59,168	-140	-	-	210
Transfers Out..	-	-	-	-	-	-	-	-	-	5,168	5,150	-	$5,168	$5,150	-
Rescission...	-	-	-	100	100	-	-	-	-	-	-	-	-	-	-
Bal. Available, SOY..	-35,107	-23,898	-	-3,041	-3,028	-	-12,997	-13,995	-	+7,829	+8,845	-	-5,168	-5,150	-
Other Adjustments (Net)..	-746	-2,979	-	-6,157	-5,916	-	-3,448	-3,061	-	+3,448	+3,061	-	-	-	-
Total Appropriation...	51,917	37,000	350	56,560	42,400	347	60,682	42,112	350	-60,682	-42,112	-140	-	-	210

Note: Totals may not add due to rounding.

Justification of Increases and Decreases

The multi-family housing revitalization activities are being transferred and merged into other accounts in 2019. Section 515 multi-family revitalization and preservation loans will be moved to the Rural Housing Insurance Funds (RHIF) account, and will not be funded. Rural Housing Vouchers will be moved to the Rental Assistance account, with funding of $20 million.

(1) A decrease of $19,268,000 in funding for multi-family housing vouchers ($19,268,000 proposed for 2018).

In 2019, Rural Housing Vouchers will be consolidated into the Rental Assistance Program. The 2019 budget is requesting $20 million to continue the voucher program. Please see the Rental Assistance Program justification for details on Voucher Program funding.

(2) A decrease of $12,182,000 in funding for the multi-family housing revitalization program zero percent loans ($12,182,000 proposed for 2018).

The budget does not include funding for the Multi-Family Housing Revitalization Program. Prior activity is transferred and merged into the RHIF account. Please see the RHIF account for more details.

(3) A decrease of $27,246,000 in funding for the multi-family housing revitalization program soft second loans ($27,246,000 proposed for 2018).

The budget does not include funding for the Multi-Family Housing Revitalization Program. Prior activity is transferred and merged into the RHIF account. Please see the RHIF account for more details.

(4) A decrease of $993,000 in funding for the multi-family housing revitalization program grants ($993,000 proposed for 2018).

The budget does not include funding for the Multi-Family Housing Revitalization Program. Prior activity is transferred and merged into the RHIF account. Please see the RHIF account for more details.

(5) A decrease of $993,000 in funding for the multi-family housing revitalization program Pilot Program ($993,000 proposed for 2018).

The budget proposes no funding for a MFH Revitalization Pilot Program. Initial funding was provided by Congress in 2017, P.L. 115-31, to help non-profit organizations provide grants to public housing authorities and qualified non-profit organizations, as well as technical assistance, including financial and legal services, to RHS multi-family housing borrowers. The funding was intended to facilitate the acquisition of RHS multi-family housing properties in areas where the Secretary determined a risk of loss of affordable housing. Funding was authorized for use until September 30, 2018.

(6) A decrease of $20,857,000 in funding for multi-family housing revitalization program loan subsidy ($20,857,000 proposed for 2018).

The revitalization loans are not funded in 2019, resulting in a decrease of subsidy needed to support the operation of the program.

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

State/Territory	2016 Actual Amount	2017 Actual Amount	2018 Estimate Amount	2019 President's Budget Amount
Alabama	$164	$321	-	-
Alaska	28	61	-	-
Arizona	86	83	-	-
Arkansas	110	130	-	-
California	31	23	-	-
Colorado	21	140	-	-
Delaware	33	33	-	-
Florida	1,214	1,457	-	-
Georgia	523	490	-	-
Idaho	384	383	-	-
Illinois	559	723	-	-
Indiana	801	1,095	-	-
Iowa	1,150	875	-	-
Kansas	298	299	-	-
Kentucky	98	88	-	-
Louisiana	3	10	-	-
Maine	344	307	-	-
Maryland	23	10	-	-
Massachusetts	107	149	-	-
Michigan	830	1,839	-	-
Minnesota	531	607	-	-
Mississippi	175	257	-	-
Missouri	1,147	1,181	-	-
Montana	291	496	-	-
Nebraska	442	357	-	-
Nevada	16	9	-	-
New Hampshire	58	355	-	-
New Jersey	239	223	-	-
New Mexico	147	120	-	-
New York	847	1,125	-	-
North Carolina	163	459	-	-
North Dakota	209	208	-	-
Ohio	582	489	-	-
Oklahoma	264	264	-	-
Oregon	96	186	-	-
Pennsylvania	187	180	-	-
Rhode Island	16	23	-	-
South Carolina	665	651	-	-
South Dakota	1,334	1,591	-	-
Tennessee	342	144	-	-
Texas	824	606	-	-
Utah	96	124	-	-
Virginia	102	100	-	-
Washington	1,012	871	-	-
West Virginia	110	82	-	-
Wisconsin	2,601	2,575	-	-
Wyoming	80	68	-	-
District of Columbia	1,498	441	-	-
Puerto Rico	7	12	-	-
Virgin Islands	78	127	-	-
Undistributed	-	-	$22,340 a/	-
Obligations	20,965	22,443	22,340	-

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

State/Territory	2016 Actual Amount	2017 Actual Amount	2018 Estimate Amount	2019 President's Budget Amount
Florida	$1,546	-	-	-
Kentucky	273	-	-	-
Louisiana	56	-	-	-
Massachusetts	243	-	-	-
Nevada	645	-	-	-
New Hampshire	571	-	-	-
North Carolina	638	-	-	-
South Carolina	1,501	-	-	-
South Dakota	4,000	-	-	-
Vermont	2,180	-	-	-
Undistributed	-	-	$12,878 a/	-
Obligations	11,652	-	12,878	-

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	2016 Actual Amount	2017 Actual Amount	2018 Estimate Amount	2019 President's Budget Amount
Connecticut	$4,560	-	-	-
Florida	17,327	-	-	-
Illinois	6,013	-	-	-
Indiana	137	-	-	-
Kentucky	3,799	-	-	-
Louisiana	52	-	-	-
Maine	4,915	-	-	-
Maryland	-	$2,770	-	-
Michigan	559	3,088	-	-
Minnesota	259	-	-	-
Missouri	542	-	-	-
Nevada	1,091	-	-	-
New Jersey	394	5,064	-	-
New York	1,340	3,694	-	-
North Carolina	486	-	-	-
Ohio	2,873	747	-	-
Pennsylvania	-	3,293	-	-
South Carolina	104	-	-	-
South Dakota	6,863	-	-	-
Tennessee	-	1,158	-	-
Vermont	3,166	336	-	-
Virginia	-	1,875	-	-
Washington	975	2,593	-	-
Wisconsin	385	-	-	-
Undistributed	-	-	$32,370 a/	-
Obligations	55,840	24,619	32,370	-

Multi-Family Housing Revitalization Grants

Geographic Breakdown of Obligations

(Dollars in thousands)

State/Territory	2016 Actual Amount	2017 Actual Amount	2018 Estimate Amount	2019 President's Budget Amount
Maine	$37	-	-	-
Nebraska	-	$49	-	-
South Dakota	765	-	-	-
Washington	-	107	-	-
Undistributed	-	-	$1,395 a/	-
Obligations	802	156	1,395	-

Multi-Family Housing Preservation Demonstration Revolving Loans

Geographic Breakdown of Obligations

(Dollars in thousands)

State/Territory	2016 Actual Amount	2017 Actual Amount	2018 Estimate Amount	2019 President's Budget Amount
Wisconsin	$2,111	-	-	-
Undistributed	-	-	$983 a/	-
Obligations	2,111	-	983	-

a/ Totals cannot be distributed at this time.

Classification by Objects

(Dollars in thousands)

		2016 Actual	2017 Actual	2018 Estimate	2019 President's Budget
41.0	Grants, subsidies, and contributions	$60,849	$37,234	$54,018	-
99.9	Total, new obligations	60,849	37,234	54,018	-

RURAL HOUSING SERVICE

RURAL HOUSING ASSISTANCE GRANTS

Lead-Off Tabular Statement

Budget Estimate, 2019	-
2018 Annualized Continuing Resolution	$33,472,136
Change in Appropriation	-33,472,136

RURAL HOUSING SERVICE

RURAL HOUSING ASSISTANCE GRANTS

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

Program	2016 Actual		2017 Actual		2018 Estimate		Inc. or Dec.		2019 President's Budget	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Appropriations:										
Very low-income housing repair grants....................	$28,701	-	$28,701	-	$28,506	-	$-28,506 (1)	-	-	-
Rural housing preservation grants............................	3,538	-	5,000	-	4,966	-	-4,966 (2)	-	-	-
Processing Workers Housing Grants........................	-	-	-2,285	-	-	-	-	-	-	-
Compensation for Construction Defects..................	-	-	-135	-	-	-	-	-	-	-
Total Adjusted Approp..	32,239	-	31,281	-	33,472	-	-33,472	-	-	-
Rescissions, Transfers, and Seq. (Net)………..	-	-	2,420	-	-	-	-	-	-	-
Total Appropriation...	32,239	273	33,701	271	33,472	273	-33,472	-	-	273
Rescission..	-	-	-2,420	-	-	-	-	-	-	-
Bal. Available, SOY..	4,313	-	3,346	-	3,370	-	-378	-	$2,993	-
Recoveries, Other (Net)..	1,338	-	2,573	-	1,200	-	-200	-	1,000	-
Total Available..	37,890	273	37,200	271	38,043	273	-34,050	-	3,993	273
Bal. Available, EOY..	-3,346	-	-3,370	-	-2,993	-	34,050	-	-3,993	-
Total Obligations..	34,544	273	33,830	271	35,050	273	-	-	-	273

Note: Table may not add down due to rounding.

RURAL HOUSING ASSISTANCE GRANTS

Project Statement

Obligations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2016 Actual		2017 Actual		2018 Estimate		Inc. or Dec.		2019 President's Budget	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Obligations:										
Very low-income housing repair grants......	$30,648	-	$28,874	-	$29,500	-	$-29,500 (1)	-	-	-
Rural housing preservation grants.............	3,871	-	4,869	-	5,500	-	-5,500 (2)	-	-	-
Compensation for construction defects.......	24	-	86	-	50	-	-50	-	-	-
Subtotal...	34,544	273	33,830	271	35,050	273	-35,050	-	-	273
Total Obligations.......................................	34,544	273	33,830	271	35,050	273	-35,050	-	-	273
Bal. Available, EOY....................................	3,346	-	3,370	-	2,993	-	+1,000	-	$3,993	-
Total Available..	37,890	273	37,200	271	38,043	273	-34,050	-	3,993	273
Rescission..	-	-	2,420	-	-	-	-	-	-	-
Bal. Available, SOY.....................................	-4,313	-	-3,346	-	-3,370	-	+378	-	-2,993	-
Recoveries, Other (Net)................................	-1,338	-	-2,573	-	-1,200	-	+200	-	-1,000	-
Total Appropriation..................................	32,239	273	33,701	271	33,472	273	-33,472	-	-	273

Note: Table may not add down due to rounding.

Justification of Increases and Decreases

(1) A decrease of $28,506,000 in funding for section 504 housing repair grants ($28,506,000 available in 2018).

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

(2) A decrease of $4,966,000 for section 533 housing preservation grants ($4,966,000 available in 2018).

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

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

State/Territory	2016 Actual	2017 Actual	2018 Estimate	2019 President's Budget
	Amount	Amount	Amount	Amount
Alabama	$638	$678	-	-
Alaska	221	239	-	-
Arizona	490	633	-	-
Arkansas	652	592	-	-
California	697	810	-	-
Colorado	101	184	-	-
Connecticut	148	89	-	-
Delaware	75	30	-	-
Florida	916	591	-	-
Georgia	1,248	1,233	-	-
Hawaii	104	83	-	-
Idaho	143	46	-	-
Illinois	1,109	965	-	-
Indiana	645	617	-	-
Iowa	594	654	-	-
Kansas	262	190	-	-
Kentucky	1,919	1,751	-	-
Louisiana	755	786	-	-
Maine	572	566	-	-
Maryland	251	204	-	-
Massachusetts	130	191	-	-
Michigan	1,150	1,036	-	-
Minnesota	385	339	-	-
Mississippi	1,427	1,139	-	-
Missouri	708	712	-	-
Montana	75	99	-	-
Nebraska	44	119	-	-
Nevada	79	29	-	-
New Hampshire	459	456	-	-
New Jersey	142	87	-	-
New Mexico	342	293	-	-
New York	814	609	-	-
North Carolina	2,069	2,197	-	-
North Dakota	129	71	-	-
Ohio	1,126	737	-	-
Oklahoma	320	383	-	-
Oregon	132	138	-	-
Pennsylvania	1,195	1,230	-	-
Rhode Island	26	36	-	-
South Carolina	967	804	-	-
South Dakota	116	159	-	-
Tennessee	1,338	1,331	-	-
Texas	2,153	1,886	-	-
Utah	171	227	-	-
Vermont	343	374	-	-
Virginia	1,089	1,156	-	-
Washington	307	252	-	-
West Virginia	342	288	-	-
Wisconsin	460	349	-	-
Wyoming	100	50	-	-
Puerto Rico	545	553	-	-
Virgin Islands	53	73	-	-
Other Countries	379	532	-	-
Undistributed	-	-	$29,500 a/	-
Obligations	30,648	28,874	29,500	-

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	2016 Actual	2017 Actual	2018 Estimate	2019 President's Budget
	Amount	Amount	Amount	Amount
Alabama	$92	$121	-	-
Alaska	46	100	-	-
Arizona	56	73	-	-
Arkansas	72	94	-	-
California	146	311	-	-
Colorado	21	-	-	-
Connecticut	46	50	-	-
Delaware	58	50	-	-
Florida	91	118	-	-
Georgia	121	158	-	-
Hawaii	46	71	-	-
Idaho	46	50	-	-
Illinois	71	15	-	-
Indiana	68	88	-	-
Iowa	42	55	-	-
Kansas	35	46	-	-
Kentucky	109	142	-	-
Louisiana	99	130	-	-
Maine	52	60	-	-
Maryland	64	100	-	-
Massachusetts	46	50	-	-
Michigan	93	150	-	-
Minnesota	52	68	-	-
Mississippi	100	-	-	-
Missouri	77	101	-	-
Montana	-	50	-	-
Nebraska	46	50	-	-
Nevada	8	50	-	-
New Hampshire	52	50	-	-
New Jersey	52	54	-	-
New Mexico	45	59	-	-
New York	86	115	-	-
North Carolina	141	184	-	-
North Dakota	140	283	-	-
Ohio	108	141	-	-
Oklahoma	60	78	-	-
Oregon	45	100	-	-
Pennsylvania	116	50	-	-
Rhode Island	46	46	-	-
South Carolina	84	110	-	-
South Dakota	46	-	-	-
Tennessee	90	121	-	-
Texas	240	312	-	-
Utah	52	50	-	-
Vermont	262	192	-	-
Virginia	83	109	-	-
Washington	-	100	-	-
West Virginia	61	50	-	-
Wisconsin	59	90	-	-
Wyoming	46	46	-	-
Puerto Rico	154	180	-	-
Undistributed	-	-	$5,500 a/	-
Obligations	3,871	4,869	5,500	-

a/ Totals cannot be distributed at this time.

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

State/Territory	2016 Actual	2017 Actual	2018 Estimate	2019 President's Budget
	Amount	Amount	Amount	Amount
Arkansas	$24	-	-	-
Mississippi		$12	-	-
North Carolina	-	13	-	-
Ohio	-	13	-	-
Utah	-	49	-	-
Undistributed	-	-	$50 a/	-
Obligations	24	86	50	-

a/ Totals cannot be distributed at this time.

RURAL HOUSING ASSISTANCE GRANTS

Classification by Objects
(Dollars in thousands)

	2016 Actual	2017 Actual	2018 Estimate	2019 Estimate
41.0 Grants, subsidies, and contributions	$34,544	$33,830	$35,050	-
99.9 Total, new obligations	34,544	33,830	35,050	-

RURAL HOUSING SERVICE

MUTUAL AND SELF-HELP HOUSING GRANTS

Lead-Off Tabular Statement

Budget Estimate, 2019	-
2018 Annualized Continuing Resolution	$29,796,270
Change in Appropriation	-29,796,270

RURAL HOUSING SERVICE

MUTUAL AND SELF-HELP HOUSING GRANTS

Project Statement

Adjusted Appropriations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2016 Actual		2017 Actual		2018 Estimate		Inc. or Dec.			2019 President's	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount		SYs	Amount	SYs
Discretionary Appropriations:											
Mutual and self-help housing grants....................	$27,500	17	$29,970	17	$29,796	17	-$29,796	(1)	-	-	17
Total Adjusted Approp.......................................	27,500	17	29,970	17	29,796	17	-29,796		-	-	17
Rescissions, Transfers, and Seq. (Net)..	-	-	30	-	-		-		-	-	-
Total Appropriation..	27,500	17	30,000	17	29,796	17	-29,796		-	-	17
Rescission.. a/	-	-	-30	-	-		-		-	-	-
Bal. Available, SOY..	8,972	-	10,113	-	6,263	-	+$1,230		-	$7,493	-
Recoveries, Other (Net)...	2,169	-	2,795	-	1,404	-	-70		-	1,334	-
Total Available..	38,641	17	42,877	17	37,463	17	-28,636		-	8,827	17
Bal. Available, EOY..	-10,113	-	-6,263	-	-7,493	-	-1,334		-	-8,827	-
Total Obligations..	28,529	17	36,614	17	29,970	17	-29,970		-	-	17

Note: Totals may not add down due to rounding.

a/ Rescission of unobligated balances pursuant to GP 759 of the Consolidated Appropriations Act, 2017, P.L. 115-31, dated May 5, 2017.

RURAL HOUSING SERVICE

MUTUAL AND SELF-HELP HOUSING GRANTS

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

Program	2016 Actual		2017 Actual		2018 Estimate		Inc. or Dec.			2019 President's Budget	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount			Amount	SYs
Discretionary Obligations:											
Mutual and self-help housing grants..........	$28,529	17	$36,614	17	$29,970	17	-$29,970	(1)	-	-	17
Total Obligations......................................	28,529	17	36,614	17	29,970	17	-29,970		-	-	17
Bal. Available, EOY....................................	10,113	-	6,263	-	7,493	-	+1,334		-	$8,827	-
Total Available...	38,641	17	42,877	17	37,463	17	-28,636		-	8,827	17
Rescission.. a/	-	-	30	-	-	-	-		-	-	-
Bal. Available, SOY.....................................	-8,972	-	-10,113	-	-6,263	-	-1,230		-	-7,493	-
Recoveries, Other (Net)...............................	-2,169	-	-2,795	-	-1,404	-	+70		-	-1,334	-
Total Appropriation..................................	27,500	17	30,000	17	29,796	17	-29,796		-	-	17

Note: Totals may not add down due to rounding.

a/ Rescission of unobligated balances pursuant to GP 759 of the Consolidated Appropriations Act, 2017, P.L. 115-31, dated May 5, 2017.

Justification of Increases and Decreases

(1) A decrease of $29,796,000 in funding for the section 523 mutual and self-help housing (MSHH) grants program ($29,796,000 available in 2018).

Funding for this program is not requested in 2019. The purpose of this program is to encourage future homeowners to build their homes. Homeowners benefiting from this program get a Section 502 direct loan. Since the budget is not requesting funding for single family direct loans, no funding is requested for the Section 523 Mutual and Self-Help Program.

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

State/Territory	2016 Actual	2017 Actual	2018 Estimate	2019 President's Budget
	Amount	Amount	Amount	Amount
Alabama	$334	-	-	-
Alaska	476	$537	-	-
Arizona	2,013	-	-	-
Arkansas	1,140	854	-	-
California	2,796	13,726	-	-
Colorado	600	-	-	-
Delaware	1,694	1,240	-	-
Florida	3,503	5,672	-	-
Hawaii	1,383	-	-	-
Idaho	-	422	-	-
Louisiana	368	279	-	-
Maine	-	794	-	-
Mississippi	654	-	-	-
Montana	907	621	-	-
North Carolina	-	214	-	-
Ohio	-	600	-	-
Oklahoma	3,911	4,296	-	-
Oregon	-	1,054	-	-
Pennsylvania	-	300	-	-
South Dakota	-	719	-	-
Tennessee	833	-	-	-
Texas	282	294	-	-
Utah	4,033	1,962	-	-
Washington	3,495	2,276	-	-
Wisconsin	-	319	-	-
District of Columbia	107	77	-	-
Other Countries	-	360	-	-
Undistributed	-	-	$29,970 a/	-
Obligations	28,529	36,614	29,970	-

a/ Totals cannot be distributed at this time.

Classification by Objects
(Dollars in thousands)

	2016 Actual	2017 Actual	2018 Estimate	2019 President's Budget
41.0 Grants, subsidies, and contributions	$28,529	$36,614	$29,970	-
99.9 Total, new obligations	28,529	36,614	29,970	-

RURAL HOUSING SERVICE

Status of Programs

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

RHS-wide Strategic Management Initiative

Current Activities:

RHS remains focused on meeting the housing and community development needs of rural America today and into the future. The agency continues to build public-private partnerships; enhance program implementation tools and information technology capabilities; streamline work processes; implement evidence-based decision-making; assess and manage risk; and further improve program outreach, accessibility, and ease of use for borrowers, customers, and other program stakeholders. In 2017:

- SFH programs provided 149,454 families with approximately $20.3 billion in funding for the purchase, refinance, or repair of their homes. These programs provide both homeownership and wealth creation opportunities for rural Americans with limited incomes, they strengthen communities, create jobs, support local employers, and make families more secure.
- MFH programs helped about 10,338 families obtain affordable rental housing through the construction or renovation of nearly 300 MFH complexes, utilizing all appropriated funds in nearly every program.
- RHS provided approximately $2.8 billion to support Community Facilities investments, supporting almost 24 million rural residents. Funding was used to develop essential facilities such as hospitals, schools, day care centers, and police and fire stations.

Selected Examples of Recent Progress:

Program Improvements:

- SFH enhanced 504 repair loan and grant policies by eliminating the requirement for a household budget, which was highly subjective and burdensome to complete, and replacing it with debt coverage ratios used by other loan programs. This action increased the efficiency and consistency of the loan and grant eligibility determination process, and it eliminated unnecessary inspections and property visits for minor repairs.
- SFH introduced a pilot program that enabled more small lenders to benefit from construction-to-permanent financing. This type of "single close" financing is designed to improve rural housing stock, create jobs, and stimulate local rural economies.
- MFH protected the economic stability of families, members of the workforce, and seniors by initiating a demonstration program incentivizing non-profit investors to acquire Section 515 rental housing at risk of maturing out of the Section 515 program. Retention of the affordable housing will allow the very low- and low-income residents to continue to receive the benefit of housing assistance. This program was initiated in September 2016.
- CF developed and implemented a strategic outreach and community engagement plan for underserved areas, which increased CF investments in persistent poverty rural areas. Due to increased outreach, CF exceeded 100 percent utilization of funds appropriated for persistent poverty counties. In 2017, CF invested $222 million in direct and guaranteed loan and grant funds in 128 projects, in 17 states.
- To improve rural America's access to capital and better manage credit risk, CF is continuing to host and facilitate a series of Public-Private Partnership (P3) meetings, spurring significantly increased deal flow for larger community infrastructure transactions, and leveraging over $735 million from institutional investors and capital credit markets.

Process Improvements:

- Rural Development (RD) created a Guaranteed SFH Loss Claim Payment Model for projecting property sales values, which is now in place. The projected reduction in claim payments is expected to be about $5.1 million annually, after revised Regulation 3555 is implemented.
- SFH rolled out the Portfolio Risk Management Tool to mitigate program risk through the use of dashboards that provide comparative performance data for State and national originators and servicers. The tool increases staff awareness of potential lender performance issues, such as increasing delinquencies, and facilitates communication with lenders to improve staff effectiveness and response time. It also promotes staff education and enriches the dialogue with lenders.
- MFH began an effort to improve the operating budget and financial reporting processes. The process improvement is being led by a team of experts from RD field offices, industry partners, and headquarters staff. The goal is to simplify financial reporting and reduce approval times. The process improvements are expected to also produce time savings for both RD and its borrowers. The agency is currently finalizing business requirements, which are expected to be completed by the end of June 2018.
- CF developed three credit risk assessment tools for its largest portfolio sectors: health care, primary and secondary education and higher education. The tools are being used to monitor borrower accounts, to provide early warning signs of potential problems and to contribute to the strength of the CF portfolio.

Training:

- SFH deployed a YouTube video of the "Applicant Orientation Guide" for the Single Family Housing Direct Loan program, eliminating the need for field staff to review the guide with each applicant. The video has been reviewed nearly 13,000 times, which equates to a savings of as much as 15,000 staff-hours, and eliminates the need for the applicant to travel to an RD office. In addition, personnel in 18 States were trained on the implementation and use of the Electronic Customer File (ECF) system for the 502 SFH Direct Loan and 504 Very-Low Income Housing Repair Loan and Grant Programs. With these additions, 33 States are now utilizing ECF in some capacity.
- MFH conducted three consolidated regional MFH training sessions, attended by over 300 field staff, along with numerous State-level training sessions, covering loan underwriting using the new Program Assessment Tool, direct loan servicing, and guaranteed loans.
- CF held monthly servicing meetings to discuss key delinquent accounts; collaborate on best practices; and enlist guidance toward resolving delinquencies and building the project analysis skills of the CF team. CF also held webinars, conducted meetings, facilitated multi-State public-private partnership round table meetings with community based tribal lenders, and took a leadership role in helping to build capacity for effective implementation of community infrastructure transactions for Native Americans and tribal members.
- SFH deployed 48 online training modules for guaranteed loan lenders and program staff. The modules are short and very subject specific, making them easy to take and digest. Subjects include how to analyze credit, how to calculate income, and how to use the Guaranteed Underwriting System.

Outreach, Stakeholder Communications, Building Coalitions:

- SFH streamlined direct loan processing and increased program outreach capability by implementing e-File, which enables application packagers or other third-party participants to submit the applicant's loan application electronically. This enhancement eliminates the agency's need to re-key information into an application, and reduces RD staff processing time by at least one hour per loan.
- Completed a final rule aligning multi-family borrower financial review reporting with the Department of Housing and Urban Development's (HUD) requirements. The rule will eliminate program duplication, as well as, the need for multiple audits, resulting in savings to borrowers. The rule was developed based on numerous discussions with the industry. The final rule became effective on November 24, 2017.
- CF took a leadership role in facilitating and strengthening public-private partnerships to increase rural America's access to capital for rural community infrastructure and to leverage resources and expertise to better manage credit risk. CF, in partnership with our private sector partners, hosted three multi-State P3 roundtable meetings in Oklahoma City, Oklahoma; Charlotte, North Carolina; and Reno, Nevada. These events strengthened ongoing collaboration with our private sector lending partners, professional consultants, and industry experts resulting in a surge of interest in the CF program.

Borrower Success, Risk Mitigation and Lender Monitoring:

- MFH's portfolio performance improved significantly. At the end of 2017, the MFH Direct Loan Portfolio 30-day delinquency rate was 1.6 percent. This success was the result of continued servicing training that has improved monitoring of the portfolio, as well as final resolution of some troubled loans. The Section 538 guaranteed portfolio continued to perform well; the 30-day delinquency rate was 0.47 percent at the end of 2017.
- MFH continues to focus on attracting private funding for preservation and rehabilitation projects in order to make RHS's funding go farther. In 2017, the MFH housing programs attracted approximately $4.00 in external project funding for each $1.00 of RHS funding.

Community Facilities (CF)

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

The CF program continues to take a leadership role in coordinating, facilitating and strengthening Public-Private Partnerships (P3) to increase investment in rural community infrastructure such as health care, public safety, and education through collaboration with the capital credit markets, institutional investors, and industry experts; thereby, spurring economic growth, job creation and access to improved health care, education and other critical facilities and services. CF's focus on P3s seeks institutional investors and the capital credit markets that are interested in long-term investment opportunities to: improve rural America's access to capital for rural community infrastructure; leverage private resources and expertise to increase investment in rural areas; strengthen underwriting and oversight; reduce the agency's exposure to credit risk; and protect the safety and soundness of the agency's portfolio.

The quality of schools, health care and public safety facilities have a direct impact on the quality of life, and competitiveness of rural communities, and is often a threshold condition for rural prosperity.

Current Activities:

CF utilized 100 percent of the 2017 appropriated funds, resulting in the obligation of $2.6 billion in direct loan funds, $149.5 million in guaranteed loan funds, and $47.1 million in grant program funds, for total CF investments of over $2.8 billion in 1,334 rural community infrastructure and essential community facilities projects serving approximately 24 million rural Americans.

Selected Examples of Recent Progress:

Leveraging Partnerships and Outreach: As a result of CF's outreach efforts, there was a surge in P3 community infrastructure projects across rural America. CF continued to take a leadership role in facilitating and strengthening public-private partners to increase rural America's access to capital for rural community infrastructure and to leverage resources and expertise to better management credit risk. These P3 efforts have brought together critical financial, project development, technical expertise, resources, and innovation to rural community infrastructure. Partnerships have strengthened CF underwriting with another set of eyes and have provided a long-term collaborator for helping to service the portfolio. More importantly, partnerships have allowed USDA and our private sector lending partners to assist more rural communities invest in more essential community facilities and serve more rural Americans. In 2017, CF, in partnership with our private sector partners, hosted three multi-State P3 roundtable meetings held in Oklahoma City, Oklahoma; Charlotte, North Carolina; and Reno, Nevada. These events strengthened ongoing collaboration with our private sector lending partners, professional consultants, and industry experts, resulting in a surge of interest in the CF program. Each event included industry experts in the area of charter schools, public safety, health care and higher education.

Assisting American Indians and Alaska Natives: CF also continued its strong outreach efforts to Native Americans and Tribal communities. CF staff held webinars, conducted meetings, facilitated multi-State P3 table meetings with community based tribal lenders, and took a leadership role in helping to build the capacity to structure community infrastructure transactions for Native Americans and tribal members. In 2017, CF invested approximately $32.7 million in 73 facilities in 19 States to strengthen investments in Tribal community infrastructure.

<u>Selected Examples of Progress</u>:

Investing in Rural Community Infrastructure: In 2017, CF continued to rebuild rural America's community infrastructure. CF invested over $1.5 billion in direct loan funds leveraged with $735 million from the capital credit markets, institutional investors and other stakeholders, which included 122 projects in 34 States.

Supporting Rural Healthcare: Ensuring rural America has access to quality health care services is a top priority for USDA under the CF programs. CF invested over $1.1 billion in 157 rural healthcare facilities servicing over $3.7 million rural Americans. These investments included critical access hospitals, rural health clinics, assisted and skilled living facilities, mental and behavior health, and vocational and medical rehabilitation.

Addressing the Substance Use Disorder and Opioid Crisis: The CF program can help address a wide range of mental and behavioral health needs, as well as substance use and opioid disorders. CF can support prevention efforts, such as funding for the construction, expansion and/or improvement of rural mental health facilities, and the purchase and installation of equipment and telemedicine services. CF can improve access to treatment with the construction of hospitals and clinics, as well as the funding for equipment and vehicles to support first responders. Lastly, the CF program can also finance transitional housing, homeless shelters, food pantries, and other essential community facilities and services that support the recovery process. In 2017, CF invested approximately $242 million in direct and guaranteed loans and grants in 17 essential community facilities that provided for the prevention, treatment, and recovery of substance abuse and opioid disorders.

Strengthening Rural Education: Strengthening investment in rural educational infrastructure is also a top priority. Colleges and universities are often the largest employers in a rural community and provide educational programs to meet regional industry needs and address skilled professional shortages. CF provides financial assistance to a wide range of elementary, secondary, and higher education facilities.

In 2017, CF invested over $1.3 billion in 251 rural education facilities serving approximately 7.4 million rural residents. These investments included public and nonprofit schools, charter schools, community colleges, Tribal colleges, Universities, vocational schools, educational facilities for peoples with disabilities and libraries.

Farm Bill Program Activities:

- Section 6025 Set-Aside, Strategic Economic and Community Development (SECD): This sets aside funds for projects that support multi-jurisdictional SECD plans. In 2017, CF obligated $40.8 million in direct loan funds, $8.1 million in guaranteed loan funds, and $1.1 million in grant awards under the SECD set-aside.
- Technical Assistance and Training Grant Program: Thirteen projects, from 13 States received $1.5 million in funding in 2017 to assist rural communities to effectively access CF programs and implement community infrastructure projects. Four of the 13 projects selected will assist persistent poverty counties.

Performance Accomplishments: CF exceeded all three of its performance measures for 2017. The percentage of rural Americans served with new/improved:

- Health care facilities was 6.39 percent, exceeding 2017's goal of 5.0 percent;
- Public safety facilities was 14.92 percent, exceeding 2017's goal of 3.2 percent; and
- Educational facilities was 12.63 percent, exceeding 2017's goal of 5.0 percent.

Credit Risk Management Plan for Portfolio and Enterprise Risk Management: CF made great strides in implementing several credit risk management strategies in 2017. At fiscal yearend 2017, direct loan delinquencies were 1.89 percent of number of loans and guaranteed loan delinquencies were 1.63percent of number of loans.

Currently, direct loan delinquencies are at 1.78 percent of number of loans, and guaranteed delinquencies are at 1.31 percent of number of loans, meeting the agency's goal of less than a 2 percent delinquency rate.

Examples of CF projects funded:

- CF provided a $6.9 million direct loan to United Tribes Technical College, North Dakota, to construct a 36-unit family student housing facility to accommodate an identified need for more affordable student-family housing units.
- CF made a $58.5 million direct loan, leveraged with a $16.5 million guaranteed loan and applicant contributions of $8.5 million, to the Uvalde County Hospital Authority, a critical access hospital. The funds will help construct a new replacement health care campus that aligns with their outpatient and inpatient services, and to meet the community's growing needs now and into the future.
- CF also invested $67.2 million in Ohio Northern University (ONU). Funds will help with a campus expansion and better position the University to educate the next generation of Science, Technology, Engineering and Math leaders. Funding will help finance the construction of a 109,500-square-foot, Leadership in Energy and Environmental Design-certified building to house ONU's College of Engineering.

Rural Housing Insurance Fund – SFH

The SFH programs have served more than 4.2 million limited-income families in rural America since President Truman signed the Housing Act in 1949. SFH loan guarantees and direct loans today represent more than 62 percent of the entire RD loan portfolio. The Section 502 Guaranteed Loan Program guarantees loans through approved lenders.

<u>SFH Direct Loan Program</u>

The Section 502 Direct Loan Program provides loans directly to very low- and low-income homeowners[1] who have no other financing options. The Section 502 Direct Loan Program enables loan applicants, who are willing and financially able to meet their monthly loan obligations, to obtain 33-year, fixed-rate, 100 percent financing to purchase a newly constructed or existing dwelling, or a site on which to construct a home. For applicants with lower incomes who need more manageable loan terms to qualify, loan terms of up to 38 years are available. Mortgage payments are subsidized so that the monthly payment can be as low as 24 percent of a household's adjusted income. The subsidy is recaptured when the loan is paid off or refinanced, enabling many rural families, who would otherwise have no mortgage financing alternatives through private lenders or government programs, to enjoy successful, long-term homeownership. Risk management is also a priority. The program's first-year delinquency rate at the end of 2017 of 2.98 percent, reflected rigorous program guidelines, management, review, tracking and other practices designed to ensure sound underwriting. The program has provided mortgage financing in rural communities for more than five decades, and it continues to be oversubscribed.

The Direct Loan Program also helps strengthen rural communities with loans for home repairs for very low-income households, and grants for critical home repairs for very low-income seniors. The "Self Help" housing program provides technical assistance grants so groups of very low- and low-income families can reduce their mortgages by constructing their own homes, also utilizing section 502 direct loans. Direct loans are also available for affordable site development when future occupancy is reserved for rural homebuyers with limited incomes. Collectively, these programs not only address the homeownership needs of rural families, they also create jobs, support local employers, and strengthen local economies in rural communities throughout the Nation.

<u>Current Activities</u>

The Section 502 Direct Loan Program utilized its entire $1 billion appropriation in 2017. Program funding provided homeownership opportunities for a total of 7,186 rural families, including 3,039 very low- and 4,147 low-income households.

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[1] "Very low-income" and "low-income" equates to household income of less than 50 percent (very low) and between 50 and 80 percent (low) of the area median.

Selected Examples of Progress:

In 2017, the SFH Direct Loan Program increased operational efficiency by leveraging recently introduced technology. The rollout of ECF allows RD employees at any location to access application and loan documents electronically, and eliminates the reliance on paper casefiles. Implementation of this system enabled savings of both staff time and program expense. In 2017, there were 65,997 documents added to ECF for Section 504 case files, and 201,643 documents added for Section 502 direct loan case files. In addition, the program dramatically streamlined direct loan processing and increased program outreach capability by leading development of eForms, a tool that enables application packagers or other third-party participants to submit a loan application electronically. In 2017, 800 homeowners were assisted by self-help organizations, and over 350 homeowners were assisted by packaging organizations; the timesaving efficiencies enabled by eForms were substantial.

The SFH Direct Loan Program also continued the development and implementation of Direct-US, the direct loan program's new automated underwriting system. When fully implemented, Direct-US will have a profound effect on program operations. This system combines a rules engine and score card to expedite underwriting determinations and ensure greater underwriting consistency. The system's quick identification of strong applications enables greater staff focus on applications requiring closer review. With Direct-US, the program expects to replicate the strong portfolio risk management benefits the Guaranteed Underwriting System provides the SFH guaranteed loan program.

SFH Guaranteed Loan Program

The SFH Guaranteed Loan Program guarantees affordable, no-money down, 30-year loans through agency-approved private sector lenders. It is the largest single program within RD from loan volume and portfolio share perspectives. These loan guarantees enable lenders to finance affordable housing for rural families with incomes of up to 115 percent of the area median who cannot afford conventional financing terms. The credit costs associated with program operations are offset by fees, and do not require taxpayer support.

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

Current Activities:

In 2017, the Guaranteed Loan Program continued to expand its rural footprint with risk-sensitive mortgage financing solutions designed to meet the needs of rural Americans. Program obligations of $19.3 billion funded 134,072 guarantees, a 14.9 percent increase over 2016, and the expansion and innovation was not limited to purchase loan guarantees. The program issued 5,136 refinance loan guarantees, a 330 percent increase relative to the previous year, as families who wanted to reduce their monthly payments took advantage of Streamlined-Assist, a simplified refinance option that was published June 2016. Borrowers opting for the new refinancing alternative saved from $50 to as much as $600 per month. Refinements to the new "single close" construction-to-permanent loan process are being evaluated in a pilot program, and will make it easier for small lenders to help provide new construction that is badly needed in rural America. The new single close construction loan contributed to the slight increase in new construction lending in 2017, and is expected to have a more significant positive impact in 2018.

Selected Examples of Recent Progress:

In 2017, the Guaranteed Loan Program maintained its strong focus on risk management. Foreclosure rates decreased to 1.01 percent from 1.20 percent, reflecting the continuing emphasis on sound underwriting and active lender monitoring to keep families in their homes without relying on taxpayers to support program credit costs. The first-year Guaranteed Loan Program delinquency rates increased slightly to 2.13 percent in September 2017, from 2.04 percent in September 2016, as a result of the severe hurricane activity at the end of the fiscal year. To ensure broad awareness of risk management and program delivery best practices, the agency completed the rollout of 46 online training modules to field staff and lenders. Throughout the course of the year, the training and resource library was utilized more than 92,000 times, providing access to as much as 945,000 hours of online training.

SFH Other Loan and Grant Programs

Current Activities:

The Section 504 Home Repair Loan Program provides assistance for repairs to very low-income homeowners. These one-percent interest loans of up to $20,000 are used to improve or modernize a home, and to address health and safety issues. Since 1950, USDA has provided more than 197,000 rural families with repair loans totaling $830 million. In 2017, the program provided 3,431 loans, a 9 percent increase over the prior year. The average loan size was approximately $5,724. More than 19 percent of the borrowers served by the Section 504 loan program were in persistent poverty counties.

The Section 504 Home Repair Grant Program funds home repairs and improvements with grants of up to $7,500 that resolve health and safety hazards for very low-income elderly rural homeowners. In 2017, the program provided 4,765 grants, totaling more than $28.9 million. More than 23 percent of the borrowers served by the Section 504 Grant Program were in persistent poverty counties.

The Section 523 Self Help Grant Program provides funding to qualified non-profit organizations for the technical assistance required by very low- and low-income homeowners who contribute their own labor to reduce construction costs and make their new homes more affordable. This very important program continues to be a springboard for many homeowners, and is one of the only sources of affordable new construction in rural America. In 2017, the Self-Help Program enabled 846 very low- or low-income families to build and own their own homes through the self-help method. Self-Help obligations to grantees totaled $36.6 million, including two persistent poverty grants for approximately $1.17 million. In addition, four Regional Technical and Management Assistance Contract extensions and interagency agreements totaled $8.97 million.

The Section 524 Site Loans provide two-year loans to Native American tribal, public, and non-profit organizations seeking to acquire and develop sites for low-and moderate-income families in eligible rural areas. In 2017, one loan was funded for $369,500.

The Credit Sales program provides market rate financing for properties taken into USDA inventory after a foreclosure and sold to non-program owners and investors. In 2017, the program extended almost $669 thousand to finance eight credit sales.

Selected Examples of Recent Progress – Customer Service Center:

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

In 2017, CSC extended the Interagency Agreement under the Economy Act with the Department of Veterans Affairs (VA) to sell Real Estate Owned properties through their contract vehicle through 2019. To date 2,039 properties were sent to the VA for Sale, with 1,433 properties sold since FY 2016. The VA is selling properties in less than 90 days, with 89 percent of original Net Recovery Value obtained at sale.

Guaranteed SFH loss claims processing timeframes exceeded improvement expectations, and were reduced from 261 days to 50 days through the Lean Six Process Improvement and staff realignment.

A guaranteed SFH loss claims payment model for projecting property sales values was created and is in place. Projected reduction in claim payments is expected to be about $5.11 million annually, after revised Regulation 3555 is implemented.

Rural Housing Insurance Fund – MFH

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

MFH Guaranteed Loan Program

Current Activities:

The Section 538 Guaranteed Rural Rental Housing Program (GRRHP) made great strides in attracting lenders and investors into the program. 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 2017, MFH continued to aggressively market its GRRHP program to attract new lenders to the program; three new lenders were approved to participate in the program. MFH's marketing also increased awareness of the program in the lending community as well as with multi-family developers, continuing to generate strong demand for the program. In 2017, MFH obligations were down by approximately 5 percent over 2016; however, 2017 obligations of $177 million were still the second highest total in the program's 20-year history. These funds helped rehabilitate or construct 106 properties, consisting of nearly 6,050 affordable housing units. The properties using the GRRHP also utilized other public and private funding, as well as, RD Section 515 and preservation funding, through RD's public-private partnerships.

Selected Examples of Recent Progress:

Section 538 loans often provide the critical financing needed to finalize the construction of affordable housing created through State tax credit programs. One example is Hopewell Cottages, a 50-unit workforce family housing development in Hebron, Licking County, Ohio. The 100 percent affordable suburban development will consist of 10 newly constructed buildings housing a mix of 1-, 2-, and 3-bedroom, single-story cottage units, with attached garages. The workforce housing project is located within the Newark Ohio Industrial Park, a 600-acre industrial corridor housing 49 industrial businesses, with over 6 million square feet of commercial real estate, and a workforce of over 4,000. The industrial park's diversified and highly skilled workforce is home to twelve of Licking County's seventy-five largest employers and three Fortune 500 companies.

The project is strategically located along the Village of Hebron's High Street sidewalk system; a system funded through the Licking County Transportation Study Metropolitan Planning Organization. The sidewalk system provides the residents of Hopewell Cottages with direct walking access to the Newark Ohio Industrial Park. Furthermore, the owner has executed a Memorandum of Understanding with GROW Licking County Community Improvement Corporation to provide on-site workforce training for the project's residents through the project's community center.

MFH Direct Loan Program

Current Activities:

Section 515/Farm Labor Housing MFH Preservation and Revitalization Program: This program provides alternative financing tools for repair or rehabilitation, including zero percent loans, soft second loans, grants, and loan modifications of existing Section 515 or Section 514/516 farm labor housing loans. Section 515 funds may also be used for the preservation of Section 515 properties. The program is also a critical part of the rehabilitation program as it helps attract third-party funding to assist in the preservation of projects. In addition, RHS uses these revitalization tools to provide gap financing not covered through Low-Income Housing Tax Credit (LIHTC) or other State or Federal programs. As a result, RHS is able to leverage approximately two and a half times its funding in investments from LIHTC and other sources. A close partnership with State tax credit allocating agencies is critical, because without a financial commitment by RHS through the revitalization tools, the credits and other third-party funding will dry up and rehabilitation of the agency's aging stock of rural rental housing will not occur.

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

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

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

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

<u>Selected Examples of Recent Progress</u>:

In 2014, MFH began an improvement process for the purpose of streamlining the transfer of Section 515 housing properties between owners. The goal was to reduce transfer approval times and bring consistency to RHS' review of transfer transactions. The effort included industry partners, RD field staff, and personnel from RD's MFH headquarters office. The process improvement resulted in a number of changes that streamlined the transfer cycle and better aligned agency requirements with industry standards. In 2017, MFH formalized those improvements into its guidelines by publishing a revised chapter on MFH transfer policies into its servicing handbook.

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

In 2017, MFH made significant progress on its borrower annual report process through a Lean Six Sigma business process improvement project. The purpose of the process is to reduce inefficiencies in the annual report process, while improving RD's customer service and reducing processing times for RD field staff. A team of MFH staff, field staff, and industry partners were selected to participate in the project. The team met twice during the year to map out a streamlined reporting process, and then to identify specific improvements to the reporting process that will reduce both the time required and the number of "touches" needed by both RD and borrowers to complete the financial reporting. As specific improvements are scoped out, the team will be able to determine what resources will be needed to bring the project to a successful completion. The overall objective of this effort is to reduce the total submission and review time expended to approve or decline Housing Project Budget Reports to 30 days, and review of Annual Financial Reports to 60 days

MFH Rental Assistance (RA)

Current Activities:

The RA program offers a rental subsidy to qualified residents of RD-financed housing. Assistance is paid on behalf of residents and covers the difference between the actual monthly rental cost and 30 percent of the tenant's adjusted income. In 2017, approximately $1.4 billion was used to fund 302,451 agreements, including 380 new RA units for Farm Labor Housing new construction.

Selected Examples of Recent Progress:

In 2017, MFH completed its final regulation to eliminate duplication of property-based financial reporting. The final rule was published in the Federal Register on October 25, 2017, and became effective on November 24, 2017. Prior to that date, multi-family properties submitted operating budgets, financial audit reviews, or agreed-upon procedure reviews so RD can monitor the financial performance of the properties. The regulation aligns MFH's audit requirements with the HUD Audit Guide, and eliminates agreed-upon procedure reviews for smaller properties. The alignment also reduces audit costs by creating a unified approach for audits that meets the requirements of both Federal agencies, RD and HUD, providing assistance to the property or its tenants.

MFH Voucher Program

Current Activities:

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

Selected Examples of Recent Progress:

In 2017, MFH successfully transitioned from long-term contractors in the DC area to contracting staff at the CSC in St. Louis, Missouri, and implemented new data systems to manage the Voucher Program. The new data management system for the program was completed in the summer of 2016, and populated with data from the prior contractor through November 2016. The system became fully operational as the delivery system of record in early 2017, and administrative responsibilities were transferred to a unit of staff dedicated solely to delivery of the program. MFH provided a total of 5,609 vouchers in 2017.

Summary of Budget and Performance

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

RHS offers a variety of programs to build or improve housing and essential community facilities in rural areas. RHS also provides technical assistance loans and grants in partnership with nonprofit organizations, Indian tribes, state and federal government agencies, and local communities. RHS works with its partners to ensure that rural America continues to be a great place to live, work and raise a family.

Single-Family Housing (SFH) provides essential credit access primarily to first time homebuyers, and expanding the affordable housing infrastructure that sustains local economies, spurs job growth, and enables rural families to enjoy greater wealth creation over time in prospering rural communities.

Multi-Family Housing (MFH) partners with organizations and businesses to provide the affordable housing infrastructure rural communities require to meet their basic residential needs and to fundamentally strengthen local economies through deeper capital market penetration and enhanced community stability which together promote increased rural prosperity.

Community Facilities (CF) Programs leverage critical resources and expertise by facilitating public private partnerships to maximize its ability to improve rural America's access to capital for rural community facilities and infrastructure and to better manage credit risk. CF investments support rural municipalities, nonprofits, and Federally-recognized Indian tribes by financing a wide variety of essential community facilities including hospitals, rural mental health facilities, education facilities, airports, bridges, and fire, rescue and first responders. These critical investments meet locally identified needs and help counter outmigration by creating opportunities and a sense of place in rural communities.

All RHS program directly support the Department's Strategic Goal 4 to facilitate rural prosperity and economic development by providing access to affordable capital for essential community facilities and partnering with the private sector to invest in needed community infrastructure.

Key Performance Measures: Community Facilities

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							
	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Estimate	2019 Estimate
(1) Heath Care	5.4	6.8	12.0	11.65	6.39	6.8	6.8
(2) Public Safety	3.4	3.7	7.2	5.02	14.92	4.3	4.3
(3) Education	9.3	6.2	7.9	14.97	12.63	6.8	6.8
Allowable Data Range for Met **-** Given the range of eligible CF project types and the varying service area to be expected for each, developing a rationale is difficult. Results within 0.2 points on either side of the target will be considered to "meet" the goal.							

Selected Past Accomplishments Toward the Achievement of the Key Outcome:

- CF invested over $2.8 billion in 1,334 rural community infrastructure and essential community facilities serving nearly 24 million rural residents, and improving rural America's access to capital for community infrastructure.
- CF successfully facilitated four multi-state public-private partnership roundtable meetings designed to generate synergies, networks and relationships between the agency and its private sector partners.
- CF invested in 122 Public Private Partnership community infrastructure projects across rural America in 34 states, leveraging expertise and over $735 million from institutional investors and the capital credit markets. These partnerships brought together financial resources, technical skills, innovation and added expertise to strengthen project financial feasibility and sustainability, also reducing the agency's exposure to credit risk.
- CF invested over $1.1 billion in 157 healthcare facilities improving access to rural mental and other health. CF leveraged $255 million, including $165 million in interim financing, in other funding sources for mental healthcare related projects. These investments, along with additional CF investments in a wide range of healthcare facilities, including hospitals and critical care clinics, as well as transitional housing facilities, helped address the growing opioid crisis in rural America. In FY 2017, CF invested approximately $242 million in 17 essential community facilities that provide for the prevention, treatment, and recovery of substance use and opioid disorders. These funds were leveraged with $239 million from public private partnerships, applicant contribution and other funding sources.
- In 2017, CF invested $4 million in Tribal College Initiative projects to 29 tribes. These investments supported eligible community facilities projects such as schools, education equipment, libraries, dorms, renovation and improvements, vehicles and major equipment, and education and cultural projects.
- In FY 2017, CF successfully implemented a new Technical Assistance and Training Grant program funding 13 applicants for a total of $1.5 million.
- CF investments also strengthened access to education in rural communities, as an educated and skilled workforce is essential to helping attract new business, quality jobs and for economic prosperity. In FY 2017, CF invested over $1.3 billion in 251 rural education infrastructure projects serving nearly 7.4 million rural residents. These facilities included public and nonprofit schools, community colleges, Tribal colleges, universities, vocational schools, and educational facilities for peoples with disabilities and libraries.

Selected Accomplishments Expected at the FY 2019 Proposed Resource Level:

- Strategic Investments in Rural Community Infrastructure: CF will continue to make strategic investments in rural community infrastructure to support the development and improvement of community-based assets, hospitals, schools and colleges, airports, utilities, bridges, and fire and police assets. These investments help meet the increasing demand for essential infrastructure and facilities in rural communities, bringing improved access to healthcare, educational opportunities, safety and security to provide the resources necessary for a rural community to attract businesses, generate jobs or provide basic infrastructure to improve commerce in a rural area.

- Critical Investments to target Opioid Crisis: CF will continue and expand investments that support substance abuse treatment services, including mental healthcare facilities, critical care clinics, hospitals, and transitional housing facilities to aid rural communities struggling with substance abuse disorders. The opioid crisis disproportionately affects rural communities in part due to the lack of outreach and treatment resources available in remote areas.

- The agency's ability to meet 2019 targets for the CF program will depend upon whether communities that need essential facilities are able to successfully apply for CF funding. The agency will mitigate this issue through streamlined processes, reduced regulatory burdens, and increased partnerships.

Key Performance Measures: Single Family Housing Programs

Homeownership Opportunities Provided: Number of Loans							
	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Estimate	2019 Estimate
Direct Loans	7,112	6,560	7,060	7,089	7,186	6,993	0
Guaranteed Loans	162,943	139,828	134,254	116,728	134,072	164,829	163,482
Total Loans	170,055	146,388	141,314	123,817	141,258	171,822	163,482
Allowable Data Range for Met - Historically, the number of homes financed by the guaranteed and direct SFH programs varied. The allowable data range for this measure to be considered "Met" is +/- 25 percent.							

Selected Past Accomplishments Toward the Achievement of the Key Outcome:

In 2017, SFH focused on strategy, streamlining, and execution in order to make programs more available, more efficient, and more relevant to all of our customers. Ensuring that programs are easy to access, easy to use, targeted to meet customer needs, promote greater prosperity in rural communities and enables the fullest return on the investment taxpayers make each year in our government. In addition, SFH programs must continue to strive to meet the needs of its target borrowers. To achieve this goal, the agency must provide effective program delivery in remote areas, as well as areas of persistent poverty.

By promoting homeownership in a way that is both cost and risk sensitive, SFH contributes directly to the economic revitalization of rural communities, supporting jobs in construction, retail, services and other industries. Homeownership also reinforces foundational community values, such as stability and security that appeal to businesses seeking new locations and opportunities for expansion.

- In 2017, the SFH programs provided 141,258 homeownership opportunities, including mortgage re-financings, for program-eligible moderate, low- and very low-income borrowers who would otherwise have no access to affordable credit in the commercial mortgage markets.
- The guaranteed program's loan production grew with a larger demand for affordable mortgage financing in rural communities. The program provided purchase or refinancing mortgage credit to 134,072 homeowners through private lenders, resulting in 17,344 more homeownership opportunities than in the prior year, an increase of 14.9 percent. The program serves low- and moderate-income families, and approximately 85 percent of the program borrowers are first-time homebuyers. In 2017, the program ended the year with a foreclosure rate of less than 1.01 percent, its lowest rate on record.
- Homeowners seeking to lower their monthly mortgage payments constituted a larger percentage of the Guaranteed program borrowers in 2017. Guarantees issued for refinance loans increased by 330 percent to 5,136 relative to the previous year, as families took advantage of Streamlined-Assist. This simplified refinance option, which was published in June 2016, saves borrowers as much as $600 per month.
- Of the total new Section 502 homeowners, 7,186 were SFH Direct Loan Program borrowers. The Direct Loan Program, which serves low- and very low-income households, utilized its entire appropriation in 2017, with approximately, 2,980 borrowers having incomes less than 50 percent of the area median area income. Direct Loan Program total obligations increased by approximately 1.4 percent over the prior year.

Significant Process Improvements: SFH demonstrated its focused, customer-centric approach to business in 2017 by streamlining processes, eliminating unneeded or antiquated procedures, leveraging technology and funding more effectively, and expanding outreach.

- The guaranteed program focused on improving customer service and program delivery by investing in the training and development of staff and program partners. The program completed a total of 46 online training modules for guaranteed lenders and the field. The guaranteed training and resource library was accessed more than 92,000 times in 2017, and provided as many as 945,000 hours of online training. The guaranteed program also implemented numerous policy enhancements expanding the opportunities for smaller lenders to participate in the program; finalized streamlined refinance procedures for existing RHS borrowers; and provided a new single-close construction-to-permanent loan product.

- The direct programs initiated a staggered rollout of Direct-US, an automated underwriting platform. Direct-US, which will reduce the number of manually underwritten loans, was deployed to 31 states to date, and full roll-out is expected by the end of FY 2018. This new system, which consists of a custom scorecard and underwriting rules, will enable program specialists to analyze individual loans applications far more efficiently. The system is expected to improve application processing times for the SFH direct loans and grants by at least one hour per application.

- The Direct Loan Program published new handbook guidance that accelerates the marketing of Real Estate Owned (REO) properties to program eligible buyers, and reduces agency holding periods from 210 days to 60 days. Reduced holding periods eliminate aging REO inventory and helps rural communities avoid properties that deteriorate, become stale to the market, detract from otherwise attractive neighborhoods, and put downward pressure on local housing values. It also dramatically cuts property preservation and reduces agency maintenance and other costs. The accelerated timeline introduces auction and sealed-bid sales methods much earlier in the liquidation process, which agency data suggests will increase net recoveries on REO properties.

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

One example of this type of innovation is the Direct Program's implementation of E-File, which dramatically streamlined Direct Loan processing and increased program outreach capability. E-File enables packagers and other third-party participants to electronically submit loan applications. E-File also eliminates the agency's need to re-key application information, and reduces processing time by at least one hour per loan.

<u>Selected Accomplishments Expected at the FY 2019 Proposed Resource Level:</u>

The SFH Guaranteed Loan Program is implementing a process to assess and collect a guaranteed loan system user fee from lenders using the agency's automated loan systems. Revenue from the user fee will provide funding for Information Technology (IT) system improvements in the SFH programs. A Federal Register notice will be published in FY 2019 announcing the fee, and system development is underway to automate the billing and collection of the fee. Fee revenues, once the automation work is completed, are expected to approximate $3.7 million per year, and provide a steady income stream going forward for the IT needs.

Additional Program Performance Measures

In addition to the key performance measures noted above, RHS employs additional performance measures to more effectively manage Agency programs. These measures include:

<u>Single Family Housing</u>:

The 504 Repair Grant Program continues to be oversubscribed, while the 504 Loan Repair Program funding was not fully utilized in FY 2017. Program improvements designed to improve consistency and efficiency were published in October 2017; they will save an estimated 43,000 staff hours, and reduce the paper burden on Agency staff and the public. In addition, partner organizations that support the direct 502 loan program applicants through nonprofit certified packagers, as well as self-help grantees, assisted more families in FY 2017 than in the previous year.

	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Target	2019 Target
Families Assisted With Self-Help contracts (units are number of homes built by Self-Help that are funded with 502 direct loans) *							
Self-Help Families for Which Homes Were Built	1,084	868	840	867	846	850	0
Cost	$31,383	$18,291	$38,393	$28,529	$36,614	$29,796	0
Very Low-Income Families Assisted With Home Repairs (units are Section 504 loans and grants) **							
Number of loans ***	2,412	2,372	2,510	3,162	3,431	4,450	0
Number of grants ***	4,594	4,670	4,728	5,010	4,765	4,600	0
Total Cost: Section 504	$41.5M	$41.4M	$44.1M	$48.1M	$48.5M	$58M	0

* Section 523 grants are two-year grants which provide technical and management assistance for local self-help providers. The home loans for most participating families are funded by the SFH Direct Loan Program.
** Includes all loans and grants to very low-income households.
*** The loan and grant program results had previously been aggregated for performance measurement purposes. This has been discontinued to provide improved transparency and to better reflect the operational independence of the programs.

Selected Past Accomplishments Toward the Achievement of Agency Goals

- Since 1950, USDA has provided more than 197,000 rural families with repair loans totaling $830 million. In 2017, the program provided 3,431 loans, a 9 percent increase over the prior year. The average loan size was approximately $5,724.
- In 2017, the Section 504 Home Repair Grant Program provided 4,765 grants totaling more than $28.9 million, a decrease compared to 2016 due to reduced appropriations and carryover. More than 23 percent of the borrowers served by the Section 504 grant program were in persistent poverty areas.
- In 2017, the $30 million in Self-Help funding enabled approximately 850 rural families to join with their soon to be neighbors participating in the Self-Help program to literally build their homes and achieve the American dream as homeowners.

Accomplishments Expected at the FY 2019 Proposed Resource Level/Challenges for the Future

The FY 2019 budget does not propose funding for the Self-Help grant program or Section 504 Repair Loan and Grant Program. Therefore, no accomplishments are expected.

SFH program priorities:

- *Promote rural prosperity by improving rural America's infrastructure*: Affordable housing is often regarded as infrastructure because it addresses two fundamental governmental concerns: it facilitates business access to labor, a critical economic input, and it helps avoid costly residential alternatives that can burden economies. The program supports this critical infrastructure by increasing housing affordability and providing homes that improve the quality of life for rural families. Approximately, 85 percent of the program's borrowers are first-time homebuyers, who require affordable and decent housing, and often go to urban areas to seek a better quality of life for their families. These working families are needed to sustain a local tax base that supports a rural population that is older than its urban counterpart. The program helps to create jobs, retain a reliable workforce, and strengthen the housing market in rural communities.

- *Support financial safety net for farmers and ranchers:* As rural economies tilt less toward agriculture and more toward service and other industry sectors, the need to maintain workforce housing increases.[1] Small

[1] The rural economy has diversified substantially since 1970. In terms of employment, agriculture declined from 13 percent and 23 percent in high-

businesses are the backbone of rural America. In 2016, more than three quarters of farmers' household income came from off-farm businesses and activities, and the percentage has increased since that time as agricultural commodity prices have declined.

- *Maintain customer service focus:* The program efficiently addresses the lack of credit access in rural America for limited income rural homebuyers by guaranteeing loans that feature a uniquely affordable repayment structure, which has proven extremely popular among rural borrowers who often have very little liquidity.

- *Promote sustainable wealth creation:* The program deepens relationships between rural communities and the lender community, establishing an important credit network whose expansion over time strengthens the economic foundation of rural America. More than 1,900 local, State, regional, and National lenders participate in the program, providing mortgage loans that help make senior housing, and housing for first-time homeowners in the workforce, more affordable at a time when housing inventory is extremely low and prices are rising nationally. The program also funds needed new construction and enables USDA program borrowers to take advantage of today's low interest rates through mortgage refinance. Homeownership can be a path to prosperity and wealth creation as borrowers gain equity in their homes as they appreciate in value over time.

- *Maintain program efficiency:* The program's very low default rate enables very cost-efficient support for rural communities that are important to the Nation's prosperity and security.

SFH Operational strategies and objectives:

- Housing is a powerful economic driver which promotes rural prosperity and economic development. Homeownership has been demonstrated to build wealth as owners gain equity and improve their net worth. Based on an internal economic model, for every $1 million in home loan guarantees, 12.4 jobs are created. For every $1 million in direct loans, 14.1 jobs are created. SFH will continue to work with packagers and lenders to ensure program delivery to remote rural areas.

- Another SFH initiative which will both facilitate rural prosperity and deliver the program more effectively is to address the lack of affordable housing in rural America through a "single close" construction-to- permanent loan guarantee which streamlines the construction process, makes it more efficient, and provides better customer service. The single close feature enables the closing of construction and mortgage loans through one settlement process instead of two, making the process faster and more efficient for private sector lenders, homebuilders, realtors, and low- or moderate-income households. The new construction initiative also expedites the loan guarantee process, facilitating the sale of the guaranteed loans in the secondary markets, thereby increasing capital and liquidity in the economy.

Multi-Family Housing:

	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Target	2019 Target
Families assisted with new/renewed contracts (Section 521 Rental Assistance)							
Number of Projects (units)	190,697	252,418	244,505	301,792	302,451	290,485	273,951
Cost	$837M	$1.110B	$1.088B	$1.390B	$1.365B	$1.395B	1.331B

Leveraged Funds In New Construction And Rehabilitation (Section 515, Section 514/516, Section 538, and Multi-Family Housing Preservation and Revitalization)							
Amount of Leveraged Funding	$605M	$600M	$799M	$1.200B	$1,167B	$1.136B	1.105B

and low-density rural areas, respectively, in 1970, to 6 percent and 12 percent in 2007. Conversely, the service economy's role as a jobs provider increased from 16 percent and 15 percent in high- and low-density rural areas, respectively, in 1970, to 34 percent and 30 percent in 2007. See the Council of Economic Advisors Report, "Strengthening the Rural Economy—the Current State of Rural America", dated April 2010.

Rural Housing Voucher Program							
Number of Vouchers	3,842	4,007	4,469	5,303	5,609	4,912*	5,099*
Cost	$13.1M	$14.3M	$13.5M	$19.5M	$22.0M	$19.3M	$20.0M
**Units Selected For Construction Or Rehabilitation (Section 515, Section 514/516, Section 538, and Multi-Family Housing Preservation and Revitalization) ** **							
Number of Units	4,906	10,190	9,050	13,597	9,277	11,046	8,051
Cost	$134M	$228M	$236M	$365M	$284M	$344M	$250M
**Units Selected For New Construction Or Rehabilitation In High Poverty Areas (Section 514/516, Section 515, Section 538, and Multi-Family Housing Preservation and Revitalization) ** **							
Number of Units	100	1,611	735	5,280	559	708	515
Cost	n/a	$46.5M	$46.8M	$118.4M	$15.7M	$22.5M	$15.5M
**Units Selected For New Construction Or Rehabilitation Including Energy Conservation Or Generation (Section 514/516, Section 515, Section 538, and Multi-Family Housing Preservation and Revitalization) ** **							
Number of Units	978	1,200	2,791	3,446	3,980	4,282	2,825
Cost	n/a	$48.6M	$68.3M	$115.7M	$102.0M	$105.7M	$67.0M
Note: n/a means that the performance measure was not calculated separately in this fiscal year.							
Allowable Data Range for Met: None.							
Measures Used to Verify and Validate Data: Data is validated by staff using application data verified through third-party data sources and industry professionals. Rental assistance and voucher data is verified through various agency review mechanisms.							
Sources of the Data: Data is collected through customer applications, the Data Warehouse, internal accounting systems, and internal data tracking. Internal systems are updated daily and reported monthly or quarterly.							
Quality and Level of Accuracy of Data: Data analyses are conducted to identify errors and ensure data reliability. Quality of data keyed is satisfactory. Customer application data is verified against related applications submitted to third parties such as State housing finance agencies. Rental Assistance accuracy is verified through Federal reporting requirements such as Improper Payment Improvement Act reviews which are conducted annually.							
Limitations to Data and Compensation for Such Limitations: Accuracy is dependent upon third-party data certifications and complete submission of information is required to confirm data validity. Limitations are mitigated through periodic data reviews and verification of information submitted.							

* Voucher projections are based upon the average per voucher cost in FY 2017, and correspond to the funding level assumptions in FY 2018 and FY 2019. Demand for vouchers continues to increase -- by 4.6 percent in FY 2017, and by an average of 11 percent per year over the past five years.

** Units selected in High Poverty Areas and Energy Conservation and Generation are two of several sectors of the total universe of Units Selected for New Construction and Rehabilitation.

Selected Past Accomplishments Toward the Achievement of Agency Goals:

Infrastructure Investment and Partnerships: In FY 2017, MFH obligated more than $280 million to build, preserve and revitalize over 9,000 affordable rural rental units. The Section 538 Guaranteed Loan program obligated approximately $177 million of that total to build, rehabilitate, or modernize affordable apartment units, which included the rehabilitation of a portion of the Section 515 affordable rental housing portfolio. The Section 538 program receives no subsidy, and its credit costs require no taxpayer support.

The total investment in the preservation of these properties far exceeded RD's obligations. The additional investment was provided by third-parties through investment partnerships RD facilitated. RD-investment leveraged more than $1.2 billion of external capital, which translates into almost three dollars of external investment for each dollar of RD investment. By pursuing outside investment capital and public private partnerships, RD is able to preserve and improve critical housing infrastructure, increase return on investment, and reduce potential taxpayer risk exposure.

Rental Assistance: In FY 2017, the agency provided RA support to more than 302,000 housing units. From a risk perspective, the program continues to improve. Rental Assistance is not designated a "high priority" program in terms of improper payment risk; the Office of Inspector General's FY 2016 "Compliance with Improper Payment Requirements" report published in May 2017 noted that improper payments trended downward in recent years. Nevertheless, estimating annual RA needs remains particularly challenging. The universe of units needing funding constantly changes. When properties use their RA allocation at a faster-than-expected rate (due to changes in tenant characteristics, such as income or family status), RD has been required by statute to renew those agreements as soon as funding is exhausted, even if that occurs prior to the twelve-month funding anniversary. In prior years, the rate of second renewals has been about 5 percent of all agreements, or approximately 12,000 units. These second renewals have created a lack of predictability in estimating program funding needs.

To mitigate execution risk, the program has introduced technology that incorporates macro-economic data and projections to help anticipate funding needs. The implementation of the RA Obligation Tool in FY 2016 has introduced a rigorous analytical methodology which will be further refined in years ahead as additional performance data becomes available.

Process Improvement: In FY 2017, the Multi-Family Housing Program began an effort to improve its process for borrowers to submit financial reports. This effort is similar to the property transfer process improvement completed in FY 2016, and includes experts from both RHS and outside stakeholders. The goal of this financial reporting process improvement is to streamline the budget and financial statement processes, reducing approval times, improving communication between RD field staff and borrowers, and eliminating uncertainty during the budget review. RD expects that successful completion of this process improvement will result in both time and cost savings to both field staff and borrowers.

Selected Accomplishments Expected at the FY 2019 Proposed Resource Level:

SFH programs strive to meet the homeownership needs of rural America. To achieve this goal, the agency must provide excellent customer service to guaranteed lending partners in order to achieve effective program delivery in remote areas, as well as areas of persistent poverty. With fewer staffing resources than previous years, the keys to success are critical regulatory reforms, promotion of the program's unique benefits, and innovative technology.

Infrastructure Investment and Partnerships: The agency's partnership formation and capital market leveraging efforts have been highly successful for several years, and the agency will refine outreach and communication strategies to maximize investor participation in FY 2019. However, the ongoing success of the agency's capital sourcing efforts will be determined in part by market factors beyond the agency's control. The capital markets are highly competitive and maintaining third-party investor interest in providing a significant percentage of the funds used to rehabilitate RD's portfolio cannot be assumed.

Rental Assistance: RA demand projections generated by the RA Obligation Tool indicate that funding levels in 2019, will be sufficient to satisfy Rental Assistance needs. The accuracy of these projections is essential, as RA is critical to the health of both rural families and rural communities. It provides housing for the elderly, disabled, and low-income workforce, it maintains the economic viability of affordable housing, which is in critically short supply, and it addresses the fundamental infrastructure needs of communities. The Multi-Family Housing programs will continue to refine the Obligation Tool's analytical capabilities to ensure the validity of RA projections.

Vouchers: Voucher demand continues to increase as new voucher recipients from prepaying Section 515 properties are added to voucher rolls, and long-term recipients continue to receive vouchers. In FY 2017, voucher issuance increased by 4.6 percent, and over the past five years, voucher demand has grown by an average of 11 percent annually.

MFH program priorities:

- *Promote rural prosperity by preserving and supporting housing affordability in rural America:* The Multi-Family programs serve very low-, low-, and moderate-income rural residents. Many of these are elderly or disabled and have very few housing alternatives or none at all; they feel most acutely the hardships imposed by rising residency costs. By addressing their housing needs and those of others who have chosen to reside in rural America, the programs provide essential housing infrastructure that preserves rural communities, supports retail and other businesses, attract investment capital into towns and communities that can benefit from stronger investor relationships, and helps communities avoid health care and other costs associated with insufficient housing resources.

- *Strengthen program delivery through increased customer service focus:* The Multi-Family programs effectively partner with a wide variety of stakeholders, including non-profit entities, state housing authorities, other private lenders, investment funds, and other Federal agencies to shelter rural Americans who would have no other housing options. To maximize effectiveness, the programs must be responsive to diverse stakeholder needs. This requires program area-wide emphasis on communication, coordination, and transparency.

- *Manage portfolios prudently to protect taxpayer assets:* The programs must be mindful of their responsibilities to taxpayers. Executive Order 13589 states that "executive departments and agencies (agencies) also must act in a fiscally responsible manner" and it is incumbent upon Multi-Family Housing programs to manage the portfolios in cost and risk-sensitive ways.

MFH Operational strategies and objectives:

- *Develop a comprehensive, data-driven preservation strategy:* To manage agency resources effectively and address increasing program demand, maturing mortgages, property prepayments, budget constraints and other complex issues, the program needs a comprehensive preservation strategy informed by data analysis with property level detail. The program took a critical step toward incorporating more granular data in the decision-making processes that support strategic direction with the FY 2016 implementation of the Rental Assistance Obligation Tool. By expanding data collection and evaluation efforts, the agency will be able to take advantage of leveraging and other opportunities to strengthen the portfolio. These data collection efforts should also be designed to improve the agency's awareness of the costs communities incur when program benefits are not available, so that cost mitigation can be appropriately incorporated into program priorities.
- *Strengthen program coordination with customers and stakeholders:* The diverse organizations that comprise the Multi-Family program stakeholder group include public agencies, private lenders, non-profit organizations, investment funds, state housing authorities and others. To harness the far-ranging capabilities of these entities to assist portfolio preservation efforts and increase participation in program initiatives, the agency must expand and refine its communication efforts, with greater emphasis on outreach and transparency. These enhancements should be fully documented and quantified, when possible.

- *Manage portfolio risk and improve program reach by leveraging capital, partnerships, and technologies*: To offset program staffing and funding limitations the agency must explore efficiencies and savings that derive from the deployment of new technologies, the expansion of partnerships, and the leveraging of partner capital through creative financing structures. In each of these areas, the agency has made progress, and strategies to further this advancement must be formalized and implemented in each of these areas.