# 2020 USDA EXPLANATORY NOTES – RURAL HOUSING SERVICE

## *AGENCY-WIDE*

### PURPOSE STATEMENT

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

Section 2 of the Housing Act outlines the purpose of RHS's programs, which is, "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 to 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 offers loans, grants and loan guarantees to help create jobs and support economic development and essential services such as housing, health care, first responder services and equipment, and water, electric and communications infrastructure.

### Authorizations and Program Descriptions

RHS offers a Single Family Housing (SFH) program for individual homeownership, a Multi-Family Housing program (MFH), which offers rental housing for rural communities across America, and a Community Facilities (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, multiple years, or no year, depending on 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 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 loan program. Home repairs are financed through the section 504 direct loan 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 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 farm labor housing must be occupied by domestic farm laborers or retirees, or individuals deriving a substantial portion of their income from farm labor or food processing.

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 that finance properties with very low and low-income tenants. Properties with very low-income tenants receive first priority. The grants allow eligible tenants 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's 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 issuers. 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, and section 515 properties in foreclosure. Vouchers are portable and enable residents to seek tenancy elsewhere by offsetting the rent and utility 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 either 20 years, the remaining term of any loans, or the remaining term of any existing restrictive-use provisions, whichever period expires last.

***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, guarantees and grants provide affordable funding to develop essential community facilities in rural areas. An essential community facility is defined as a facility that provides an essential service to the local community for the orderly development of the community in a primarily rural area, and does not include private, commercial or business undertakings. Financing is available to public bodies, community-based nonprofit organizations, and Federally-recognized tribes. Funds can be used to purchase, construct, and/or improve essential community facilities, purchase equipment and pay related project expenses. 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 facilities such as hospitals, mental and behavioral facilities, medical clinics, dental clinics, nursing homes or assisted living facilities; educational facilities such as schools, colleges, universities, museums and libraries; transportation facilities including roads, bridges, airports, inland waterways, intermodal terminals and street improvements; public buildings and improvements; industrial park sites, fire and rescue services; and utility extensions.

***CF Rural Community Development Initiative Grants (RCDI)***

These grants enable public or non-profit intermediaries to provide a program of financial and technical assistance to recipients such as low-income rural communities, community-based nonprofit organizations, and federally recognized tribes to strengthen their capacity to assist beneficiaries in their communities.

***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 Federally-recognized tribes provide technical assistance and/or training to assist communities, tribes, and nonprofit corporations 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, 2018, there were 4,470 permanent full-time employees, including 1,445 in the headquarters office and 3,025 in the field offices.

## OIG and GAO Reports

***Table RHS-1. In-Progress OIG Reports***

| ID | Title |
|---|---|
| 04601-0001-22 | Rural Housing Service's Controls over Originating and Closing Single Family Housing Direct Loans: Legal issues are under review. Concerns to be addressed through changes to RHS procedures and loan documentation requirements, staff training, program oversight and an evaluation of staffing. Activities are ongoing. |

| ID | Title |
|---|---|
| 04601-0001-23(1) | Interim Report: SFH Guaranteed Loan Program – Liquidation Value Appraisals: OIG finished their field work. A discussion draft is expected in January 2019. |
| 04601-0003-31 | Multi-Family Housing Tenant Eligibility: New audit notification received September 11, 2018. Review underway. |
| 04601-0001-41 | Single Family Housing Guaranteed Loan Program Appraisals: Entrance conference was held December 5, 2018. Audit is ongoing. |
| 04601-018-CH | RD Project Cost and Inspection Procedures for the RRH Program: Review underway; responses drafted on two open recommendations. |

***Table RHS-2. In-Progress GAO Reports***

| ID | Title |
|---|---|
| GAO-11-329 | Opportunities Exist to Strengthen Farm Labor Housing Program Management and Oversight: Working on proposed rule and programmatic changes. |
| GAO-16-193 | Actions Needed to Strengthen Management of the Single Family Mortgage Guarantee Program: Working on proposed rule and automated access to Treasury's Do Not Pay Portal. Developing performance measures to monitor program. |
| GAO-17-725 | Additional Actions Would Help Ensure Reasonableness of Rental Assistance Estimates: Developing business rules for ongoing program monitoring and provided program training. Funding needed for required IT enhancements. |
| GAO-18-232 | Older Adult Housing: Future Collaborations on Housing and Health Services Should Include Relevant Agencies and Define Outcomes: RHS Statement of Action approved. Addressing need with the Departments of Housing and Urban Development and Health and Human Services. |
| GAO-18-285 | Better Data Controls, Planning and Additional Options Could Help Preserve Affordable Rental Units: Statement of Action under review. |
| GAO-14-255 | Native American Housing: Additional Actions Needed to Better Support Tribal Efforts: The Department of Housing and Urban Development is the lead on audit activities. A draft Memorandum of Understanding is under review. Audit is expected to be closed by December 31, 2019. |
| JC 102099 | Ginnie Mae Operations: Entrance conference held August 16, 2017. Field work is ongoing. |
| JC 102562 | Housing and Related Needs of Older Adults: Entrance conference held May 2, 2018. Field work is ongoing. |
| JC 102611 | Domestic Rental Housing: Entrance conference held July 16, 2018. Field work is ongoing. |

## *ACCOUNT 1: RURAL COMMUNITY FACILITIES PROGRAM ACCOUNT*

### APPROPRIATIONS LANGUAGE

The appropriations language follows (new language underscored):

(INCLUDING TRANSFERS OF FUNDS)

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

For the cost of grants for rural community facilities programs as authorized by section 306 and described in section 381E(d)(1) of the Consolidated Farm and Rural Development Act, $60,000,000, to remain available until expended: *Provided*, That $10,000,000 shall be available for community facilities grants to tribal colleges, as authorized by section 306(a)(19) of such Act: *Provided further*, That sections 381E–H and 381N of the Consolidated Farm and Rural Development Act shall not apply to the funds made available under this heading.

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".

### Change Description

The first change (third line of paragraph 1) adds language requesting guaranteed loans in the budget.

The second change (paragraph 2) adds language requesting community facilities grants in the Budget.

### LEAD-OFF TABULAR STATEMENT

***Table RHS-3. Lead-Off Tabular Statement***

| Item | Grants | Loan Level | Subsidy | Administrative Expenses |
|---|---|---|---|---|
| 2019 Annualized Continuing Resolution ..... | $43,778,000 | $2,948,287,000 | $4,849,000 | 0 |
| Change in Appropriation.............................. | +16,222,000 | +51,713,000 | -4,849,000 | + $147,591,000 |
| Budget Estimate, 2020 ................................ | 60,000,000 | 3,000,000,000 | 0 | 147,591,000 |

## PROJECT STATEMENT

***Table RHS-4. Project Statement ((Program Level-PL, Budget Authority-BA) thousands of dollars)***

| Item | 2017 Actual PL | 2017 Actual BA | 2018 Actual PL | 2018 Actual BA | 2019 Estimate PL | 2019 Estimate BA | Inc. or Dec. PL | Chg Key | Inc. or Dec. BA | Chg Key | 2020 Budget PL | 2020 Budget BA |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Discretionary Appropriations: | | | | | | | | | | | | |
| CF direct loans [a] | $2,600,000 | - | $2,800,000 | - | $2,800,000 | - | -$300,000 | (1) | - | | $2,500,000 | - |
| CF guaranteed loans [b] | 148,304 | $3,322 | 148,287 | $4,849 | 148,287 | $4,849 | +351,713 | (2) | -$4,849 | (7) | 500,000 | - |
| CF grants | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | +20,000 | (3) | +20,000 | | 50,000 | $50,000 |
| RCDI grants | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | -4,000 | (4) | -4,000 | | - | - |
| EIIG | 5,778 | 5,778 | 5,778 | 5,778 | 5,778 | 5,778 | -5,778 | (5) | -5,778 | | - | - |
| Tribal college grants | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | +6,000 | (6) | +6,000 | | 10,000 | 10,000 |
| Administrative Expenses [c] | - | - | - | - | - | - | - | | +147,591 | | - | $147,591 |
| Rescission of unobligated balance [f] | - | - | - | - | - | - | -4,200 | | -4,200 | | -4,200 | -4,200 |
| Total Adjusted Approp | 2,792,082 | 47,100 | 2,992,065 | 48,627 | 2,992,065 | 48,627 | 67,935 | | 158,964 | | 3,055,800 | 203,391 |
| Rsc, Trns, Other (Net) | - | - | - | - | - | - | +4,200 | | +4,200 | | 4,200 | 4,200 |
| Total Appropriation | 2,792,082 | 47,100 | 2,992,065 | 48,627 | 2,992,065 | 48,627 | 72,135 | | 163,164 | | 3,060,000 | 207,591 |
| Transfers Out: | | | | | | | | | | | | |
| Unobligated balances [d] | - | - | -4,782 | -2,029 | - | - | - | | - | | - | - |
| Rescinded Balances [e] | -633 | -633 | - | - | - | - | - | | - | | - | - |
| Rescission [f] | - | - | - | - | - | - | -4,200 | | -4,200 | | -4,200 | -4,200 |
| Recoveries, Other (Net) | 48,891 | 4,496 | 43,726 | 3,098 | 43,355 | 2,628 | -41,142 | | -415 | | 2,213 | 2,213 |
| Bal. Available, SOY | 7,597 | 6,424 | 40,862 | 10,160 | 50,247 | 7,696 | -41,859 | | +691 | | 8,388 | 8,388 |
| Total Available | 2,847,936 | 57,387 | 3,071,871 | 59,855 | 3,085,667 | 58,952 | -15,067 | | 159,240 | | 3,066,401 | 213,992 |
| Lapsing Balances | - | - | -812,701 | - | -39,422 | - | +39,422 | | - | | - | - |
| Bal. Available, EOY | -54,555 | -10,160 | -48,936 | -7,696 | -46,932 | -8,388 | +41,041 | | +2,497 | | -5,891 | -5,891 |
| Total Obligations | 2,793,381 | 47,227 | 2,210,235 | 52,159 | 2,999,314 | 50,564 | 65,396 | | 161,737 | | 3,060,510 | 208,101 |

[a] Negative subsidy rates of 2.56% was calculated for 2017, and 8.10% was calculated for 2018, and 7.61% was calculated for 2019, and for 2020, 4.96% was calculated. Therefore, corresponding budget authority is not required to support the program levels

[b] Negative subsidy rate of .51% was calculated for 2020 assuming publication of the final rule implementing an annual and upfront fee as well as the related IT changes to allow RD to collect the fee. Therefore, corresponding budget authority is not required to support the program levels.

[c] In 2020, 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 Expense Account.

[d] A transfer of unobligated balances in the amount of $2,029,090.81, pursuant to section 702 of Public Law 111-80, to the Rural Development Disaster Assistance Fund, Treasury Symbol 12X0405.

[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 $1,200,000 for CF Guaranteed loan subsidy and $3,000,000 for CF Direct loan subsidy is proposed for this account in FY 2020.

The numbered justifications items are keyed to the Change Key (Chg Key) column on the Project Statement

## JUSTIFICATIONS

### Community Facilities Programs

The CF program supports USDA's Strategic Goal to facilitate rural prosperity and economic development. It also supports several priorities in the report from the Task Force on Agriculture and Rural Prosperity, chaired by Secretary Perdue, by: providing access to debt capital; incentivizing private investment; leveraging existing market opportunities; modernizing health care access; improving community resiliency; improving rural access to education and training; modernizing rural utilities; and rebuilding rural infrastructure.

The CF program is essential to the development of rural America. It provides rural communities with access to affordable capital which is not otherwise available for rural community infrastructure development. CF funding is essential to sustaining and fostering growth in rural communities. Rural community infrastructure is a critical threshold condition for attracting and retaining business and industry and supporting the agricultural industry across rural America. For example, access to healthcare is a critical component for a vibrant and prosperous rural economy. You cannot have a healthy rural economy without a healthy rural community. In 2018, CF investments served a total of 16 million rural residents across America. CF's healthcare investments alone served more than 5.5 million rural residents, providing much needed access to healthcare.

The agency is uniquely positioned to deliver this service utilizing its field-based delivery system and local rural presence. USDA staff live and work in the communities they serve. The agency has boots on the ground and can put people around the table in support of facilitating and structuring rural community infrastructure investments.

Community Facilities has a long-proven track record of facilitating public private partnerships, identifying opportunities, and attracting leveraged investments from private sector partners including the capital credit markets, institutional investors and industry experts, to bring wide-ranging experts and institutional investors together around the table in support of rural community infrastructure. For instance, rural communities can build or repair rural transportation infrastructure quicker and at a lower cost through public private partnership ventures, bringing together resources, technical expertise and innovation. CF loan and grant programs can help finance much needed rural transportation infrastructure such as airport expansions, inland waterways, roads, bridges, port and railroad related infrastructure, intermodal terminal facilities, and street improvements. Most of the country's food, fiber, manufactured goods – and even most of its energy – come from rural America. Therefore, investing in rural infrastructure, especially transportation infrastructure, is vital not just to the people that live there, but for every American and our overall national economy.

(1) <u>A decrease of $300,000,000 in community facilities direct loan funding ($2,800,000,000 available in 2019).</u>

Base funding of $2.5 billion for the negative-subsidy direct loan program will continue to strengthen rural communities across America, delivering this critical program to communities to meet infrastructure needs. The reduced loan level is projected to meet anticipated demand and can be delivered with the existing staffing levels. This program's percentage of delinquent loans was approximately 1.78 percent in 2017. CF will leverage financial resources from the capital credit markets and other funding partners to bring together critical financial, project development and technical expertise in 2020, resulting in a reduction in needed funding.

The community infrastructure and institutions developed with CF funding serve as anchors in rural communities, attracting additional investments, jobs, and economic opportunity to rural communities, and encouraging people to live and invest in rural places. This program provides affordable financing to communities that could not otherwise meet their essential community infrastructure needs. Base funding is estimated to create 59,250 quality paying jobs in 2020.

Funding is essential for sustainable rural community development. In 2018, approximately, $2.2 billion in CF funding, including all loans and grants, provided 1,622 community facilities projects, including, but not limited to, 152 health care projects, 161 fire, rescue and public projects, 80 cultural and educational facilities, 86 public buildings and improvements, 46 industrial development projects, and 30 miscellaneous projects, including 1 dam, 3 agricultural fairgrounds and 1 farmers market. Similar projects, such as rural healthcare facilities, education facilities and public safety infrastructure are anticipated to be funded by CF programs in 2020.

(2) <u>An increase of $351,713,000 in community facilities guaranteed loan funding ($148,287,000 available in 2019).</u>

The guaranteed loan program complements the very successful CF direct loan program. Communities use the guaranteed loan program to leverage private sector investment and expertise in needed infrastructure. By increasing the one-time upfront fee from 1 percent to 1.5 percent for these guaranteed loans, and implementing a new minimal annual fee of 0.5 percent, the agency will ensure a negative credit subsidy rate for 2020. Fee collections supporting a negative subsidy rate were authorized by the Agriculture Improvement Act of 2018, Public Law 115-334, signed December 20, 2018. The Agency plans to begin collecting the fee in 2020 pending a final rule implementing the new authorization, as well as the corresponding IT changes necessary to collect the fees from the lender.

The 2020 requested increase in CF guaranteed lending authority will offset the decrease in requested direct lending authority and provide $3 billion in total CF direct and guaranteed lending authority. This additional guaranteed funding will facilitate increased private sector investment in rural community infrastructure through partnerships with private sector financial institutions. By leveraging the financial, project development and technical expertise, resources and innovation from our private sector partners, USDA will be able to assist more rural communities, invest in more essential community facilities or larger infrastructure projects, and serve more rural Americans.

In recent years, rural America and USDA have increasingly relied on joint-risk public private partnerships to fund rural America's essential facilities and services, and to foster development in rural communities. These public private partnerships help bring together critical financial, project development and technical expertise, resources, and innovation for large complex community infrastructure projects; they strengthen CF's underwriting with another set of eyes and provide the agency with long-term partnerships to help service its portfolio.

In 2018, approximately $176 million in guaranteed loans supported 49 community facilities projects, including, but not limited to, 12 critical access hospitals, 7 general and surgical hospitals, 4 senior citizen retirement or nursing homes, 4 colleges, 4 charter schools, 2 public schools, and 1 social services building. Base loan request of $500 million is projected to create 11,850 quality paying jobs in 2020.

(3) <u>An increase of $20,000,000 in community facilities grant funding ($30,000,000 available in 2019).</u>

The CF Grant Program provides grants to nonprofit organizations in high-need, high-poverty areas to develop or improve essential community facilities and services to ensure that rural residents have an opportunity for a brighter future with good schools, quality healthcare, and adequate public safety facilities and service. Grants are often used in conjunction with loans to meet the funding needs of communities. Grants can help defray predevelopment costs and enable communities to move forward with needed projects. Grant funds can also cover costs associated with compliance.

Funding of $50 million will allow CF to continue helping rural communities create prosperity and to expand its outreach to underserved communities. In 2018, CF developed and implemented a strategic outreach and community engagement plan for underserved areas. The additional increase in this program will be used to continue the emphasis in underserved communities. In addition, grant funds will support community efforts to implement innovative projects that help address the opioid crisis in rural America.

In 2018, approximately $30 million in all CF grant funds helped fund 428 projects including, 20 assisted living facilities, equipment for 8 critical access hospitals, 3 physicians clinics, 157 police cars, 41 civil defense buildings, 19 rescue and ambulance services and 19 related buildings, 37 fire trucks and 38 fire protection equipment needs, 19 public schools, 19 adult day care centers, 10 city halls, and 38 street maintenance equipment purchases. In 2018, of this total, CF invested $6.2 million in grant funds in 76 projects in 22 states to support prevention, treatment, and recovery opportunities in rural America.

(4) <u>A decrease of $4,000,000 in rural community development initiative grants funding ($4,000,000 available in 2019).</u>

Funding for this program is not requested. Direct loan and general grant funding is available to assist rural communities address community facility needs.

(5) <u>A decrease of $5,778,000 in economic impact initiative grants funding ($5,778,000 available in 2019).</u>

Funding for this program is not requested. Direct and guaranteed loan and general grant funding is available to assist rural communities address community facility needs.

(6) <u>An increase of $6,000,000 in tribal college grants funding ($4,000,000 available in 2019).</u>

Tribal colleges and universities maintain, preserve, and restore Native languages and cultural traditions; offer a high-quality college education; provide career and technical education, job training, and other career building programs; and often serve as anchors in some of the country's poorest and most remote areas. An educated and skilled workforce is essential for attracting new business, quality jobs and for economic prosperity. Tribal colleges and universities bring these needed resources to American Indian and Alaska Native communities.

Tribal college grants help defray the cost to develop or improve specific tribal colleges and universities. Funds can be used by Tribal Colleges for infrastructure improvements, to purchase equipment and to develop essential community facilities. Grant funds can support a variety of projects including libraries, laboratories, dorms, rehabilitation and expansion projects and the purchase of vehicles and needed equipment.

In 2018, CF Tribal College Grants supported 31 Tribal Colleges for a variety of projects including the purchase of needed equipment and campus renovations.

Additional grant funds will strengthen and support high quality education and career-building opportunities in Tribal colleges and universities and provide them with resources to expand STEM (Science, Technology, Engineering and Math) education opportunities. Grant funds will also help tribal colleges and universities expand approaches to addressing the substance use disorder and opioid misuse crisis in tribal communities.

(7) <u>A decrease of $4,849,000 in funding for the community facilities loan subsidy ($4,849,000 available in 2019).</u>

There is no requested subsidy for the community facilities direct and guaranteed loan programs since both programs will be negative subsidy programs in 2020.

## GEOGRAPHIC BREAKDOWN OF OBLIGATIONS

*Table RHS-5. Community Facilities Loans (thousands of dollars)*

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Alabama | $4,909 | $9,269 | - | - |
| Alaska | 6,409 | 4,955 | - | - |
| Arizona | 4,719 | 31,041 | - | - |
| Arkansas | 9,053 | 830 | - | - |
| California | 118,554 | 473,707 | - | - |
| Colorado | 100,801 | 27,785 | - | - |
| Connecticut | 14,800 | - | - | - |
| Delaware | 11,704 | 15,000 | - | - |
| Florida | 17,759 | 35,849 | - | - |
| Georgia | 330,423 | 23,496 | - | - |
| Hawaii | 4,134 | 580 | - | - |
| Idaho | 13,312 | 2,610 | - | - |
| Illinois | 119,468 | 74,002 | - | - |
| Indiana | 78,059 | 35,278 | - | - |
| Iowa | 159,345 | 48,844 | - | - |
| Kansas | 34,646 | 92,483 | - | - |
| Kentucky | 92,022 | 3,030 | - | - |
| Louisiana | - | 35,643 | - | - |
| Maine | 9,250 | 5,407 | - | - |
| Maryland | 13,625 | 1,201 | - | - |
| Massachusetts | 3,000 | 2,835 | - | - |
| Michigan | 79,750 | 16,871 | - | - |
| Minnesota | 123,508 | 37,999 | - | - |
| Mississippi | 18,575 | 4,214 | - | - |
| Missouri | 8,832 | 56,659 | - | - |
| Montana | 1,310 | 8,080 | - | - |
| Nebraska | 15,586 | 14,731 | - | - |
| Nevada | 12,670 | 11,459 | - | - |
| New Hampshire | 19,740 | 21,624 | - | - |
| New Jersey | 38,564 | - | - | - |
| New Mexico | 3,000 | 210 | - | - |
| New York | 18,188 | 56,144 | - | - |
| North Carolina | 128,961 | 120,879 | - | - |
| North Dakota | 12,150 | 45,507 | - | - |
| Ohio | 85,414 | 77,767 | - | - |
| Oklahoma | 16,706 | 24,921 | - | - |
| Oregon | 13,807 | - | - | - |
| Pennsylvania | 183,066 | 88,349 | - | - |
| Puerto Rico | 5,803 | 1,205 | - | - |
| Rhode Island | 824 | - | - | - |
| South Carolina | 79,864 | 111,260 | - | - |
| South Dakota | 8,511 | 23,861 | - | - |
| Tennessee | 113,954 | 18,965 | - | - |
| Texas | 113,397 | 4,202 | - | - |
| Utah | 29,550 | 57,764 | - | - |
| Vermont | 95,526 | 43,433 | - | - |
| Virginia | 70,227 | 93,369 | - | - |
| Washington | 23,026 | 20,984 | - | - |
| West Virginia | 52,474 | 31,482 | - | - |
| Wisconsin | 68,918 | 37,585 | - | - |
| Wyoming | 8,107 | 33,932 | - | - |
| Distribution Unknown [a] | - | - | $2,760,578 | $2,500,000 |
| Obligations | 2,596,000 | 1,987,299 | 2,760,578 | 2,500,000 |

[a] Totals cannot be distributed at this time for 2019 and 2020.

***Table RHS-6. Community Facilities Grants (thousands of dollars)***

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Alabama | $511 | $912 | - | - |
| Alaska | 183 | 141 | - | - |
| Arizona | 415 | 510 | - | - |
| Arkansas | 1,161 | 1,335 | - | - |
| California | 805 | 1,850 | - | - |
| Colorado | 536 | 253 | - | - |
| Connecticut | 119 | 37 | - | - |
| Delaware | 151 | 35 | - | - |
| Florida | 1,180 | 650 | - | - |
| Georgia | 639 | 790 | - | - |
| Hawaii | 189 | - | - | - |
| Idaho | 262 | 214 | - | - |
| Illinois | 648 | 817 | - | - |
| Indiana | 494 | 489 | - | - |
| Iowa | 755 | 1,103 | - | - |
| Kansas | 635 | 431 | - | - |
| Kentucky | 833 | 1,606 | - | - |
| Louisiana | 94 | 374 | - | - |
| Maine | 310 | 525 | - | - |
| Maryland | 457 | 41 | - | - |
| Massachusetts | - | 2 | - | - |
| Michigan | 1,390 | 944 | - | - |
| Minnesota | 496 | 393 | - | - |
| Mississippi | 523 | 722 | - | - |
| Missouri | 684 | 840 | - | - |
| Montana | 239 | 122 | - | - |
| Nebraska | 435 | 318 | - | - |
| Nevada | 176 | 363 | - | - |
| New Hampshire | 368 | 255 | - | - |
| New Jersey | 342 | 364 | - | - |
| New Mexico | 123 | 234 | - | - |
| New York | 751 | 575 | - | - |
| North Carolina | 1,174 | 820 | - | - |
| North Dakota | 330 | 318 | - | - |
| Ohio | 994 | 636 | - | - |
| Oklahoma | 1,003 | 1,356 | - | - |
| Oregon | 320 | 239 | - | - |
| Pennsylvania | 1,046 | 1,118 | - | - |
| Puerto Rico | 54 | - | - | - |
| Rhode Island | 119 | 87 | - | - |
| South Carolina | 3,762 | 2,939 | - | - |
| South Dakota | 447 | 449 | - | - |
| Tennessee | 1,053 | 1,597 | - | - |
| Texas | 1,035 | 808 | - | - |
| Utah | 180 | 443 | - | - |
| Vermont | 627 | 942 | - | - |
| Virginia | 857 | 661 | - | - |
| Washington | 178 | 347 | - | - |
| West Virginia | 414 | 468 | - | - |
| Wisconsin | 447 | 544 | - | - |
| Wyoming | 151 | 120 | - | - |
| Other Countries | 25 | 150 | - | - |
| Distribution Unknown [a] | - | - | $30,562 | $50,510 |
| Obligations | 30,120 | 31,284 | 30,562 | 50,510 |

[a] Totals cannot be distributed at this time for 2019 and 2020.

*Table RHS-7. Economic Impact Initiative Grants (thousands of dollars)*

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Alabama | $101 | - | - | - |
| Alaska | 58 | $33 | - | - |
| Arizona | - | 87 | - | - |
| Arkansas | 424 | - | - | - |
| Baker Island | - | 674 | - | - |
| California | 150 | 410 | - | - |
| Connecticut | 14 | - | - | - |
| Delaware | 54 | - | - | - |
| District of Columbia | 112 | 106 | - | - |
| Florida | 159 | 187 | - | - |
| Georgia | 192 | 163 | - | - |
| Hawaii | 56 | - | - | - |
| Idaho | 73 | - | - | - |
| Illinois | 99 | 90 | - | - |
| Iowa | 170 | 399 | - | - |
| Kansas | 80 | 74 | - | - |
| Kentucky | 150 | 130 | - | - |
| Louisiana | 44 | - | - | - |
| Maine | 83 | 77 | - | - |
| Maryland | 82 | - | - | - |
| Michigan | 166 | 345 | - | - |
| Minnesota | 155 | 94 | - | - |
| Mississippi | 244 | 674 | - | - |
| Missouri | 147 | 127 | - | - |
| Nebraska | 71 | 67 | - | - |
| Nevada | 63 | 60 | - | - |
| New Hampshire | 59 | 65 | - | - |
| New Jersey | 68 | 64 | - | - |
| New Mexico | - | 52 | - | - |
| New York | 147 | 128 | - | - |
| North Carolina | 169 | 163 | - | - |
| North Dakota | 62 | 58 | - | - |
| Ohio | 164 | 141 | - | - |
| Oklahoma | 119 | 539 | - | - |
| Oregon | 45 | 78 | - | - |
| Pennsylvania | 210 | 192 | - | - |
| Puerto Rico | 64 | - | - | - |
| South Carolina | 344 | 126 | - | - |
| South Dakota | 50 | 63 | - | - |
| Tennessee | 161 | 330 | - | - |
| Utah | 37 | 61 | - | - |
| Vermont | 76 | 62 | - | - |
| Virginia | 628 | 336 | - | - |
| Washington | 54 | - | - | - |
| West Virginia | 101 | 91 | - | - |
| Wisconsin | 119 | 87 | - | - |
| Other Countries | 50 | - | - | - |
| Distribution Unknown [a] | - | - | $6,159 | - |
| Obligations | 5,670 | 6,433 | 6,159 | - |

[a] Totals cannot be distributed at this time for 2019.

*Table RHS-8. Guaranteed Community Facilities Loans (thousands of dollars)*

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Arizona | $2,295 | $7,027 | - | - |
| California | 8,132 | 660 | - | - |
| Colorado | 500 | 5,886 | - | - |
| Florida | 5,000 | 4,380 | - | - |
| Georgia | 21,948 | 2,593 | - | - |

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Hawaii | 2,760 | - | - | - |
| Idaho | 1,000 | 3,000 | - | - |
| Illinois | - | 10,000 | - | - |
| Indiana | 11,000 | 2,000 | - | - |
| Iowa | 2,250 | 3,600 | - | - |
| Kansas | - | 11,163 | - | - |
| Kentucky | - | 14,200 | - | - |
| Louisiana | - | 6,000 | - | - |
| Maine | 2,200 | 2,570 | - | - |
| Michigan | - | 1,092 | - | - |
| Minnesota | 14,980 | - | - | - |
| Mississippi | 2,000 | 750 | - | - |
| Montana | - | 3,250 | - | - |
| Nebraska | 2,000 | 15,000 | - | - |
| Nevada | - | 4,271 | - | - |
| New Hampshire | - | 6,350 | - | - |
| New York | 11,381 | - | - | - |
| North Carolina | 4,152 | 2,931 | - | - |
| North Dakota | - | 2,000 | - | - |
| Ohio | 1,400 | 1,500 | - | - |
| Oklahoma | - | 9,800 | - | - |
| Pennsylvania | - | 897 | - | - |
| South Carolina | 1,933 | 14,631 | - | - |
| Tennessee | 10,500 | 1,500 | - | - |
| Texas | 16,550 | 4,000 | - | - |
| Utah | - | 6,262 | - | - |
| Vermont | 8,000 | 8,600 | - | - |
| Virginia | - | 10,700 | - | - |
| Washington | 13,223 | 2,507 | - | - |
| West Virginia | 5,000 | - | - | - |
| Wisconsin | 1,300 | 5,000 | - | - |
| Wyoming | - | 2,428 | - | - |
| Distribution Unknown [a] | - | - | $193,772 | $500,000 |
| Obligations | 149,503 | 176,549 | 193,772 | 500,000 |

[a] Totals cannot be distributed at this time for 2019 and 2020.

***Table RHS-9. Direct Commnity Facilities Loans Relending Program (thousands of dollars)***

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Minnesota | $4,000 | - | - | - |
| Obligations [a] | 4,000 | - | - | - |

***Table RHS-10. Rural Community Development Initiative Grants (thousands of dollars)***

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Arkansas | $250 | $250 | - | - |
| California | 195 | 725 | - | - |
| Colorado | 554 | - | - | - |
| Delaware | 218 | - | - | - |
| Georgia | 110 | - | - | - |
| Iowa | 180 | 272 | - | - |
| Kentucky | 130 | 229 | - | - |
| Maine | 100 | 179 | - | - |
| Maryland | 488 | 350 | - | - |
| Massachusetts | 250 | 215 | - | - |
| Minnesota | - | 250 | - | - |
| Missouri | - | 241 | - | - |
| New Hampshire | - | 138 | - | - |
| New York | 400 | 411 | - | - |
| North Carolina | 250 | 250 | - | - |
| Ohio | 250 | 250 | - | - |

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Oklahoma | 250 | - | - | - |
| South Dakota | 214 | - | - | - |
| Tennessee | 250 | 250 | - | - |
| Vermont | - | 250 | - | - |
| Virginia | - | 250 | - | - |
| Washington | - | 169 | - | - |
| Distribution Unknown [a] | - | - | $4,232 | - |
| Obligations | 4,089 | 4,679 | 4,232 | - |

[a] Totals cannot be distributed at this time for 2019.

***Table RHS-11. Tribal College Grants (thousands of dollars)***

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Alaska | $140 | $129 | - | - |
| Arizona | 280 | 258 | - | - |
| Michigan | 398 | 387 | - | - |
| Minnesota | 280 | 258 | - | - |
| Montana | 841 | 903 | - | - |
| Nebraska | 280 | 258 | - | - |
| New Mexico | 280 | 258 | - | - |
| North Dakota | 562 | 645 | - | - |
| Oklahoma | 140 | 129 | - | - |
| South Dakota | 377 | 378 | - | - |
| Washington | 140 | 129 | - | - |
| Wisconsin | 280 | 258 | - | - |
| Distribution Unknown [a] | - | - | $4,011 | $10,000 |
| Obligations | 4,001 | 3,989 | 4,011 | 10,000 |

[a] Totals cannot be distributed at this time for 2019 and 2020.

## CLASSIFICATION BY OBJECTS

***Table RHS-12 Classification by Objects (thousands of dollars)***

| Item No. | Item | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|---|
| | Other Objects: | | | | |
| 25.3 | Other goods and services from Federal sources | - | - | - | $147,591 |
| 41.0 | Grants, subsidies, and contributions | $47,227 | $52,159 | $50,564 | 60,510 |
| | Total, Other Objects | 47,227 | 52,159 | 50,564 | 208,101 |
| 99.9 | Total, new obligations | 47,227 | 52,159 | 50,564 | 208,101 |

## *ACCOUNT 2: RURAL HOUSING INSURANCE FUND PROGRAM ACCOUNT*

### APPROPRIATIONS LANGUAGE

The appropriations language follows (new language underscored):

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 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, $244,249,000 shall be paid to the appropriation for ‘‘Rural Development, Salaries and Expenses’’.

### LEAD-OFF TABULAR STATEMENT

***Table RHS-13. Lead-Off Tabular Statement***

| Item | Grants | Loan Level | Subsidy | Administrative Expenses |
|---|---|---|---|---|
| 2019 Annualized Continuing Resolution | $8,336,000 | $24,963,332,000 | $63,126,000 | $412,254,000 |
| Change in Appropriation | -8,336,000 | -703,332,000 | -63,126,000 | -168,005,000 |
| Budget Estimate, 2020 | 0 | 24,260,000,000 | 0 | 244,249,000 |

## PROJECT STATEMENT

***Table RHS-14. Project Statement ((Program Level-PL, Budget Authority-BA) thousands of dollars)***

| Item | 2017 Actual PL | 2017 Actual BA | 2018 Actual PL | 2018 Actual BA | 2019 Estimate PL | 2019 Estimate BA | Inc. or Dec. PL | Chg Key | Inc. or Dec. BA | Chg Key | 2020 Budget PL | 2020 Budget BA |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Discretionary Appropriations: | | | | | | | | | | | | |
| Sec. 502 SFH direct loans.................... | $1,000,000 | $67,700 | $1,101,771 | $42,299 | $625,554 | $42,350 | -$625,554 | (4) | -$42,350 | (11) | - | - |
| Sec. 502 SFH guaranteed loans [a].......... | 24,000,000 | - | 24,000,000 | - | 24,000,000 | - | - | (1) | - | | $24,000,000 | - |
| Sec. 515 RRH direct loans.................. | 35,000 | 10,360 | 40,000 | 10,524 | 40,000 | 10,524 | -40,000 | (5) | -10,524 | (11) | - | - |
| Sec. 538 MFH guaranteed loans [b]....... | 230,000 | - | 230,000 | - | 230,000 | - | +20,000 | (2) | - | | 250,000 | - |
| Sec. 504 direct loans........................... | 26,278 | 3,663 | 19,997 | 2,466 | 27,997 | 3,452 | -27,997 | (6) | -3,452 | (11) | - | - |
| Sec. 524 direct site dev. Loans............ | 5,000 | 111 | - | - | 1,652 | 58 | -1,652 | (7) | -58 | (11) | - | - |
| Sec. 523 self-help hsg. land dev. Loans | 5,000 | 417 | - | - | 4,274 | 368 | -4,274 | (8) | -368 | (11) | - | - |
| SFH credit sales [c]................................ | 10,000 | - | 10,000 | - | 10,000 | - | - | (3) | - | | 10,000 | - |
| Sec. 514 FLH loans............................. | 23,853 | 7,051 | 23,855 | 6,374 | 23,855 | 6,374 | -23,855 | (9) | -6,374 | (11) | - | - |
| Sec. 516 FLH grants ........................... | 8,336 | 8,336 | 8,336 | 8,336 | 8,336 | 8,336 | -8,336 | (10) | -8,336 | | - | - |
| Administrative expenses [d]................... | - | 412,254 | - | 412,254 | - | 412,254 | - | | -168,005 | | - | $244,249 |
| Subtotal................................................ | 25,343,467 | 509,892 | 25,433,959 | 482,253 | 24,971,668 | 483,716 | -711,668 | | -239,467 | | 24,260,000 | 244,249 |
| Supplemental Appropriations: | | | | | | | | | | | | |
| Sec. 515 RRH direct loans HIM ........... | - | - | 70,969 | 18,672 | - | - | - | | - | | - | - |
| Total Adjusted Approp ........................ | 25,343,467 | 509,892 | 25,504,928 | 500,925 | 24,971,668 | 483,716 | -711,668 | | -239,467 | | 24,260,000 | 244,249 |
| Rsc, Trns, Other (Net).......................... | 6,277 | 875 | 19,778 | 1,908 | - | - | 1,493 | - | 1,062 | - | 1,493 | 1,062 |
| Total Appropriation ............................. | 25,349,744 | 510,767 | 25,524,706 | 502,833 | 24,971,668 | 483,716 | -710,175 | | -238,405 | | 24,261,493 | 245,311 |
| Transfers In: | | | | | | | | | | | | |
| Multi-family housing [e]......................... | - | - | - | - | | | +1,493 | | +1,062 | | 1,493 | 1,062 |
| Transfers Out: | | | | | | | | | | | | |
| Working capital transfer [f]..................... | -6,277 | -875 | -18,007 | -1,412 | - | - | - | | - | | - | - |
| Unobligated balances [g]......................... | - | - | -1,771 | -496 | - | - | - | | - | | - | - |
| Subtotal................................................ | -6,277 | -875 | -19,778 | -1,908 | - | - | - | | - | | - | - |
| Recoveries, Other (Net) ....................... | 16,156 | 12,511 | 82,128 | 2,823 | 10,697 | 5,720 | -2,272 | | -572 | | 8,425 | 5,148 |
| Bal. Available, SOY ............................ | 18,572 | 8,381 | 53,334 | 17,588 | 94,502 | 25,234 | -83,762 | | -18,981 | | 10,740 | 6,253 |
| Total Available .................................... | 25,378,195 | 530,784 | 25,640,390 | 521,336 | 25,076,867 | 514,670 | -794,715 | | -256,897 | | 24,280,659 | 256,711 |
| Lapsing Balances ................................. | -4,798,723 | -1 | -6,944,615 | -39 | -5,770,589 | -1,074 | -91,944 | | +1,074 | | -5,862,533 | - |
| Bal. Available, EOY ............................ | -23,079 | -18,463 | -466,259 | -25,234 | -10,701 | -6,253 | -8,465 | | -4,719 | | -19,165 | -10,971 |
| Total Obligations ................................. | 20,556,393 | 512,320 | 18,229,516 | 496,063 | 19,295,577 | 507,344 | -895,124 | | -260,542 | | 18,398,960 | 245,740 |

[a] Negative subsidy rates of blended rate of 0.76% was calculated for 2017, 0.71% was calculated for 2018, 0.71% was calculated for 2019, and 0.56% was calculated for 2020. Therefore, corresponding budget authority is not required to support the program levels.

[b] Negative subsidy rates of 3.53% was calculated for 2017, of 3.62% was calculated for 2018, of 4.79% was calculated for 2019, and of 4.53% was calculated for 2020. Therefore, corresponding budget authority is not required to support the program levels.

[c] Negative subsidy rates of 2.36% was calculated for 2017, of 5.45% was calculated for 2018, 2.42% was calculated for 2019, and 1.85% was calculated for 2020. Therefore, corresponding budget authority is not required to support the program levels.

[d] In 2017, funding of $412,254,000 was appropriated and transferred to the Rural Development Salaries and Expense Account. In 2018, funding of $412,254,000 was appropriated and transferred 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. In 2020, funding of $244,249,000 is requested and will be paid to the Rural Development Salaries and Expense Account.
[e] In 2020 funds are being transferred in from the MFH Revitalization Programs including all unobligated and obligated balances.
[f] In 2017 and 2018, funds were transferred to the Working Capital Fund.
[g] Rescission of unobligated balances pursuant to GP 759 of the Consolidated Appropriations Act, 2017, P.L. 115-31, dated May 5, 2017.

The numbered justifications items are keyed to the Change Key (Chg Key) column on the Project Statement.

## JUSTIFICATIONS

### Rural Housing Insurance Fund (RHIF)

These housing programs support USDA's Strategic Goal of facilitating rural prosperity and economic development. They allow rural residents to avoid living in substandard, overcrowded, or less-secure environments, which disproportionately affect seniors and rural residents with disabilities. Program benefits include: providing a safety net for tenants in greatest need so that they have opportunities to transition out of poverty and avoid homelessness; addressing the critical need for low and moderate-income housing in rural communities; expanding access to capital for rural developers and strengthening ties to credit markets that can provide substantial benefits for rural communities with diverse capital needs; fostering the safety and security of families and children by providing locations for adult education classes and summer food programs for students that promote community stability; and contributing to the economic vibrancy of rural communities by providing essential workforce housing, attracting businesses, strengthening communities, and stimulating local economies.

Affordable housing is often regarded as infrastructure because it addresses two fundamental 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, both rented and owned, that improve the quality of life for rural families. As rural economies tilt less toward agriculture and more toward service and other industry sectors, 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. The programs efficiently address the lack of credit access in rural America for limited income rural homebuyers and investors by guaranteeing loans that feature a uniquely affordable repayment structure.

The programs deepen relationships between rural communities and the lender community, establishing important credit relationships whose expansion over time strengthens the economic foundation of rural America. In 2018, approximately 1,450 local, State, regional, and national lenders approved loans in the program, providing opportunities for first-time homeowners at a time when rural housing inventory was extremely low and prices were 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.

The agency is uniquely positioned to deliver these housing services utilizing its field-based delivery system and local rural presence. Many USDA staff live and work in the communities they serve. The agency has boots on the ground and is aware of the needs of the communities as well as the local residents. As a result, staff can help structure financing packages needed to meet the needs of a single homeowner or MFH investor. RHS has a proven track record of facilitating public private partnerships, identifying opportunities, and leveraging investments from the private sector, and assembling the industry experts and institutional investors needed to support housing projects.

(1) No Change in funding for the section 502 single family housing guaranteed loans ($24,000,000,000 available in 2019).

Base funding of $24 million will guarantee an estimated 160,000 units, including home purchases and the refinancing of existing loans. Base funding will allow RD to promote rural prosperity and economic development. This housing program helps to mitigate challenges posed by the lack of credit access and affordable housing in rural communities across the Nation. These conditions are especially challenging for limited-income homebuyers. Continuing program level funding is critical to ensure more effective lender outreach to homebuyers in rural communities that are often quite remote.

This program is crucial because the need for low-and moderate-income housing in rural communities is increasing, and the existing supply of decent and affordable housing cannot satisfy this pressing need. It 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. This program supports a significant number of jobs, which are critical to local economies in rural areas. Housing has long been a powerful economic driver in the Nation. Multipliers developed by USDA economists suggest that the program creates or maintains 12.4 jobs for each million dollars in loan guarantees. In 2018, an estimated 208,650 full-time jobs were created as a result of the SFH guaranteed loan program.

The program ensures 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, Finally, without the Federal loan guarantee, lenders would not extend mortgage credit, causing tens of thousands of creditworthy low-and moderate-income rural Americans unable to meet down payment requirements to miss out on a homeownership opportunity and a chance to build personal wealth.

With its specialized focus on rural communities, RD is uniquely positioned among Federal agencies to address rural housing needs effectively and efficiently. The program's very low foreclosure rate of 0.71 percent as of October 31, 2018, is a testament to its success.

The agency plans the following program improvements:

> Delegating loan guarantee approval authority to preferred lenders who will then be able to issue themselves, loan guarantees without involving agency staff. The preferred lenders and the delegated loans will be monitored carefully to ensure continuing compliance. Non-preferred lenders will continue to submit loans for agency review. This initiative includes implementing IT upgrades to establish private sector access to Government accounting systems in a safe and secure fashion, and to build robust data analysis tools and lender monitoring reports to reduce risk. These big program changes are not risk free and are temporarily on hold as the Administration engages in a reorganization of the current field structure. Once the final field structure is operational, the agency will be better positioned to proceed with this initiative.

Streamlining the loss claims process by paying claims immediately at the time of the foreclosure sales rather than several months later.

Increasing the capacity of the guaranteed loan program Auxiliary Processing Unit (APU), this centralized processing unit was established to provide customers with faster service by assisting States with guaranteed loan backlogs. The APU unit has assisted 28 States within the first six months of implementation. with 7,285 loans guaranteed for $1.14 billion through 608 approved lenders. The APU also processed 10,558 loan closings during that same time. This reorganization is projected to conclude by October 1, 2019.

In 2018, the SFH guaranteed loan program funded 115,864 loans, totaling $16.8 billion. The average loan size was $145,226.

(2) <u>An increase of $20,000,000 in funding for the section 538 guaranteed multi-family housing loan program ($230,000,000 available in 2019).</u>

Funding of $250 million for 2020 will allow the MFH program to continue to provide new affordable rental housing and preserve existing housing for communities throughout rural America. This funding is estimated to build or preserve as many as 8,473 rental housing units. The $20 million increase in funding will help address the shortage of affordable housing across rural America. Funding is critical as section 538 is frequently the primary program for new construction of rental housing in rural communities because rural properties are often smaller in size, which attracts fewer investors.

The section 538 guaranteed MFH loan program supports the Presidential Executive Order on Promoting Agricultural and Rural Prosperity in America, by improving quality of life and removing economic barriers to prosperity. In recent years, rural America and USDA have increasingly relied on joint-risk public private partnerships to fund rural America's essential facilities and services, and to foster development in rural communities. The section 538 program increases access to capital in rural communities, attracting more than $3.50 of private capital for each $1 of loan guarantee authority provided. This debt and equity capital supports the preservation of existing housing, which are not only basic community needs, but also critical stepping stones toward the realization of rural prosperity. Partners include lenders, developers, investors, State housing finance agencies, and Federal secondary market facilitators.

By leveraging private sector capital and technical expertise, the Guaranteed Loan Program helps rural communities make investments in essential housing infrastructure and build the capacity to sustain those investments.

A Bipartisan Policy Commission report indicated that there is a tremendous lack of affordable rental housing in rural America.[1] The section 538 program can help address the lack of affordable housing in rural America

[1] "Forging an Enduring Bipartisan Consensus on Affordable Rental Housing"; February 2017; https://bipartisanpolicy.org/wp-content/uploads/2017/02/BPC-Housing-Rental-Housing.pdf

by providing affordable, safe, decent and sanitary rental housing in small rural communities; the section 538 loan portfolio has a 1-year delinquency rate of less than 0.5 percent, indicating generally high occupancy at the properties; and nearly all section 538 housing is partially financed through Low-Income Housing Tax Credits, which require the housing be available to low-income tenants

In 2018, section 538 program guaranteed loans helped preserve or build 6,610 affordable rental housing units, including 243 units in persistent poverty areas. The funding partnership framework that leverages tax credits requires that these transactions serve very low- and low-income tenants.

The section 538 program also improves America's rural infrastructure by providing rental housing for the elderly and disabled, as well as, rural Americans in the workforce who are vital to the local economy but cannot afford a single-family home. Of the total 132 properties funded in 2018, 27 were new construction transactions, and 86 were rehabilitated to preserve properties in the MFH direct lending portfolio. The remaining 19 transactions provided preservation of non-program affordable housing. USDA has at least one rental property in 87 percent of America's counties, and in every State and three territories. In many rural communities, RD-financed apartments are the only affordable housing available to entry-level workers in the fields of health, safety, education, and other critical service industries.

Approximately 25 percent of our Nation's seniors live in rural communities. The continuing retirement of baby boomers will make rural America even greyer than other parts of the country. Senior rental demand is projected to increase by 58 percent between 2020 and 2040.[2] Preserving affordable housing in the section 515 portfolio through the use of section 538 program loans strengthens the housing infrastructure upon which rural communities depend to meet the formidable demographic challenges of the future. Today, more than 62 percent of section 515 tenants are either seniors or disabled.

USDA is the only Federal agency that works with lenders willing to provide the smaller loans required for the preservation of the section 514/515 Rural Rental Housing portfolios. USDA provides the only housing that is income restricted at initial occupancy. The Federal Housing Administration does not have income restrictions and is focused on serving the higher-income markets of urban America. The section 538 program often provides the last, critical source of gap funding to cover the total development costs for Low-Income Housing Tax Credit affordable housing transactions. Unlike most other Federal housing programs, the program is not subject to Davis Bacon wage requirements, thereby reducing construction costs and increasing affordability.

The section 538 program also provides favorable loan rates and terms to promote the construction or rehabilitation of rural rental housing, at no program cost to the Federal government. No other loan guarantee program focuses exclusively on the rental housing needs of rural America. No other loan guarantee program effectively meets the needs of as many small apartment buildings owners/managers. The program is tailored to work with Low-Income Housing Tax Credits, as well as the section 515 and section 514 direct loan programs. The program effectively leverages tax credits and other third-party resources to bring affordable rental housing to rural communities. Section 538 loans are eligible for sale in the secondary market, providing liquidity to lenders.

(3) <u>No change in funding levels for single family housing credit sales program ($10,000,000 available in 2019).</u>

Base funding of $10 million for 2020 will allow the SFH program to continue to finance the sale of agency non-program Real Estate Owned (REO) properties the agency has taken into inventory after foreclosure. REO properties are first made available to section 502 program-eligible borrowers at a reduced cost. If a property fails to generate interest, the Credit Sales program enables purchase at non-program rates and terms by individuals who cannot qualify for section 502 program benefits. The program also works to combat the opioid crisis; nonprofit and public organizations are eligible to purchase REO properties to provide transitional housing to citizens that are homelessness or are recovering from addiction.

Continuation of the program is warranted to help the agency manage its REO housing inventory, reduce taxpayer exposure to losses in inventory and market value, and help maintain the health of the local housing market in rural communities.

[2] Urban Institute; October 2016; "The Future of Rural Housing"; https://www.urban.org/sites/default/files/publication/85101/2000972-the-future-of-rural-housing_6.pdf

In 2018, the program funded 14 loans totaling $1.6 million. The average loan amount was $113,650. The proposed 2020 funding is likely to produce a similar level, ten-to twenty loans, of credit sale loan activity.

(4) A decrease of $625,554,000 in funding for the section 502 direct single family housing loans ($625,554,000 available in 2019).

The 2020 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 goals for rural housing at a lower cost to taxpayers. The 2020 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.

(5) A decrease of $40,000,000 in funding for section 515 direct multi-family housing rural rental housing loans ($40,000,000 available in 2019).

The focus for multi-family housing in 2020 will be the section 538 guaranteed MFH loans. The budget proposes to move any remaining funds from the revitalization program section 515 loans into the Rural Housing Insurance Fund. In 2020, the budget does not include funding for activity in the section 515 direct rural rental housing loan program, including the revitalization program loans.

(6) A decrease of $27,997,000 in funding for the section 504 single family housing repair loan program ($27,997,000 available in 2019).

Funding for this program is not requested in 2020. The focus for 2020 will be loan guarantee housing programs.

(7) A decrease of $1,652,000 in funding for section 524 direct single family housing site development loans ($1,652,000 available in 2019).

Funding for this program is not requested in 2020. The focus for 2020 will be loan guarantee housing programs.

(8) A decrease of $4,274,000 in funding for section 523 single family housing self-help site development loans ($4,274,000 available in 2019).

Funding for this program is not requested in 2020. The focus for 2020 will be loan guarantee housing programs.

(9) A decrease of $23,855,000 in funding for section 514 multi-family housing farm labor housing loans ($23,855,000 available in 2019.

Funding for this program is not requested. The focus for multi-family housing in 2020 will be the section 538 guaranteed MFH loans.

(10) A decrease of $8,336,000 in funding for section 516 multi-family housing farm labor housing grants ($8,336,000 available in 2019).

Funding for this program is not requested. The focus for multi-family housing in 2020 will be the section 538 guaranteed multi-family housing loans.

(11) A decrease of $61,623,000 in direct loan subsidy for the rural housing insurance fund ($61,623,000 available in 2019).

The termination of the direct loan programs results in an elimination of subsidy needed to support the operation of the programs.

## GEOGRAPHIC BREAKDOWN OF OBLIGATIONS

***Table RHS-15. 502 Direct Single-Family Housing Loans (thousands of dollars)***

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Alabama | $14,947 | $15,728 | - | - |
| Alaska | 16,813 | 24,939 | - | - |
| Arizona | 20,333 | 26,643 | - | - |
| Arkansas | 12,631 | 12,217 | - | - |
| California | 111,350 | 151,186 | - | - |
| Colorado | 13,451 | 21,555 | - | - |
| Connecticut | 3,130 | 2,620 | - | - |
| Delaware | 6,035 | 15,546 | - | - |
| Florida | 41,166 | 39,997 | - | - |
| Georgia | 21,963 | 24,352 | - | - |
| Guam | 5,714 | 4,334 | - | - |
| Hawaii | 18,117 | 12,642 | - | - |
| Idaho | 9,514 | 10,082 | - | - |
| Illinois | 18,891 | 12,499 | - | - |
| Indiana | 31,910 | 35,662 | - | - |
| Iowa | 10,307 | 11,021 | - | - |
| Kansas | 6,502 | 5,950 | - | - |
| Kentucky | 20,274 | 21,927 | - | - |
| Louisiana | 17,866 | 14,041 | - | - |
| Maine | 19,556 | 21,949 | - | - |
| Maryland | 6,597 | 8,106 | - | - |
| Massachusetts | 7,959 | 7,284 | - | - |
| Michigan | 38,068 | 39,385 | - | - |
| Minnesota | 17,230 | 21,516 | - | - |
| Mississippi | 19,417 | 18,283 | - | - |
| Missouri | 18,519 | 16,300 | - | - |
| Montana | 4,498 | 7,639 | - | - |
| Nebraska | 6,023 | 3,467 | - | - |
| Nevada | 3,696 | 6,171 | - | - |
| New Hampshire | 11,112 | 13,169 | - | - |
| New Jersey | 4,538 | 3,715 | - | - |
| New Mexico | 11,853 | 10,344 | - | - |
| New York | 20,073 | 17,887 | - | - |
| North Carolina | 61,213 | 64,153 | - | - |
| North Dakota | 2,773 | 1,678 | - | - |
| Ohio | 28,267 | 28,515 | - | - |
| Oklahoma | 16,016 | 10,771 | - | - |
| Oregon | 11,033 | 27,606 | - | - |
| Pennsylvania | 19,199 | 22,488 | - | - |
| Puerto Rico | 13,646 | 24,804 | - | - |
| Rhode Island | 3,934 | 879 | - | - |
| South Carolina | 30,127 | 40,350 | - | - |
| South Dakota | 10,198 | 12,682 | - | - |
| Tennessee | 25,433 | 31,742 | - | - |
| Texas | 39,701 | 33,057 | - | - |
| Utah | 39,600 | 39,449 | - | - |
| Vermont | 10,864 | 9,912 | - | - |
| Virgin Islands | 2,706 | 1,416 | - | - |
| Virginia | 28,717 | 25,673 | - | - |
| Washington | 35,878 | 38,109 | - | - |
| West Virginia | 6,198 | 6,558 | - | - |
| Wisconsin | 15,778 | 14,839 | - | - |
| Wyoming | 8,094 | 7,243 | - | - |
| Other Countries | 562 | 718 | - | - |
| Distribution Unknown [a] | - | - | $627,270 | - |
| Obligations | 999,991 | 1,100,796 | 627,270 | - |

[a] Totals cannot be distributed at this time for 2019.

***Table RHS-16. Section 502 Guaranteed Single-Family Housing Loans (thousands of dollars)***

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Alabama | $510,251 | $521,879 | - | - |
| Alaska | 108,177 | 100,655 | - | - |
| Arizona | 266,651 | 245,380 | - | - |
| Arkansas | 454,887 | 445,951 | - | - |
| California | 473,156 | 370,100 | - | - |
| Colorado | 276,470 | 200,166 | - | - |
| Connecticut | 139,617 | 113,736 | - | - |
| Delaware | 154,769 | 133,252 | - | - |
| Florida | 648,849 | 626,809 | - | - |
| Georgia | 642,480 | 601,051 | - | - |
| Guam | 5,114 | 5,289 | - | - |
| Hawaii | 210,999 | 167,998 | - | - |
| Idaho | 234,781 | 206,644 | - | - |
| Illinois | 343,505 | 298,490 | - | - |
| Indiana | 681,643 | 601,495 | - | - |
| Iowa | 231,973 | 221,894 | - | - |
| Kansas | 152,501 | 147,627 | - | - |
| Kentucky | 539,639 | 476,257 | - | - |
| Louisiana | 706,335 | 688,959 | - | - |
| Maine | 265,441 | 234,172 | - | - |
| Maryland | 581,841 | 518,214 | - | - |
| Massachusetts | 191,573 | 114,786 | - | - |
| Michigan | 705,081 | 604,676 | - | - |
| Minnesota | 508,176 | 414,892 | - | - |
| Mississippi | 394,587 | 345,120 | - | - |
| Missouri | 682,677 | 629,972 | - | - |
| Montana | 184,781 | 137,387 | - | - |
| Nebraska | 113,470 | 102,367 | - | - |
| Nevada | 110,352 | 86,324 | - | - |
| New Hampshire | 124,774 | 93,134 | - | - |
| New Jersey | 155,041 | 130,349 | - | - |
| New Mexico | 50,012 | 41,687 | - | - |
| New York | 205,790 | 170,730 | - | - |
| North Carolina | 956,932 | 874,392 | - | - |
| North Dakota | 68,005 | 71,266 | - | - |
| Ohio | 602,716 | 546,449 | - | - |
| Oklahoma | 285,308 | 262,305 | - | - |
| Oregon | 391,545 | 307,946 | - | - |
| Pennsylvania | 693,095 | 591,665 | - | - |
| Puerto Rico | 290,677 | 272,594 | - | - |
| Rhode Island | 15,795 | 12,817 | - | - |
| South Carolina | 548,176 | 479,137 | - | - |
| South Dakota | 181,400 | 151,363 | - | - |
| Tennessee | 954,404 | 825,976 | - | - |
| Texas | 684,479 | 563,813 | - | - |
| Utah | 440,401 | 354,603 | - | - |
| Vermont | 67,110 | 53,333 | - | - |
| Virgin Islands | 239 | 232 | - | - |
| Virginia | 744,345 | 644,036 | - | - |
| Washington | 468,982 | 295,730 | - | - |
| West Virginia | 263,632 | 248,650 | - | - |
| Wisconsin | 374,913 | 289,763 | - | - |
| Wyoming | 192,170 | 182,906 | - | - |
| Other Countries | 200 | - | - | - |
| Unknown Distributions [a] | - | - | $18,237,761 | $18,147,060 |
| Obligations | 19,279,917 | 16,826,420 | 18,237,761 | 18,147,060 |

[a] Totals cannot be distributed at this time for 2019 and 2020.

*Table RHS-17. Section 515 Rural Rental Housing Direct Loans (thousands of dollars)*

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Alabama | $1,396 | $530 | - | - |
| California | - | 2,316 | - | - |
| Georgia | 2,885 | 368 | - | - |
| Idaho | 250 | - | - | - |
| Indiana | - | 2,878 | - | - |
| Kansas | 550 | - | - | - |
| Kentucky | 307 | - | - | - |
| Louisiana | 1,283 | - | - | - |
| Maine | - | 732 | - | - |
| Michigan | - | 616 | - | - |
| Missouri | 1,175 | - | - | - |
| Nebraska | 109 | - | - | - |
| New Hampshire | - | 5,959 | - | - |
| New Jersey | 10,160 | - | - | - |
| New Mexico | 227 | - | - | - |
| North Carolina | 5,995 | - | - | - |
| Oklahoma | 3,592 | - | - | - |
| Oregon | 1,545 | 2,124 | - | - |
| Pennsylvania | - | 11,225 | - | - |
| South Carolina | 1,187 | - | - | - |
| South Dakota | 846 | - | - | - |
| Tennessee | 620 | 6,092 | - | - |
| Vermont | 545 | 2,911 | - | - |
| Virginia | 1,089 | - | - | - |
| Washington | - | 1,044 | - | - |
| West Virginia | - | 2,419 | - | - |
| Wisconsin | 1,237 | 343 | - | - |
| Unknown Distributions [a] | - | - | $40,000 | - |
| Obligations | 35,000 | 39,557 | 40,000 | - |

[a] Totals cannot be distributed at this time for 2019.

*Table RHS-18. Section 538 Multi-Family Housing Guaranteed Loans (thousands of dollars)*

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Alabama | - | $730 | - | - |
| Alaska | - | 2,106 | - | - |
| Arkansas | - | 8,636 | - | - |
| California | $37,756 | 8,826 | - | - |
| Colorado | - | 4,002 | - | - |
| Florida | - | 380 | - | - |
| Georgia | 18,950 | 45,904 | - | - |
| Idaho | 2,175 | 1,740 | - | - |
| Illinois | 1,050 | - | - | - |
| Indiana | - | 1,675 | - | - |
| Iowa | 3,830 | - | - | - |
| Kansas | 730 | - | - | - |
| Kentucky | 3,527 | 4,523 | - | - |
| Louisiana | - | 9,382 | - | - |
| Maryland | - | 3,175 | - | - |
| Michigan | 650 | 3,340 | - | - |
| Mississippi | - | 9,003 | - | - |
| Nebraska | 3,393 | - | - | - |
| Nevada | - | 2,625 | - | - |
| New Jersey | 4,486 | - | - | - |
| New York | 950 | 1,488 | - | - |
| North Carolina | 27,744 | 12,884 | - | - |
| Ohio | 2,000 | 4,375 | - | - |
| Oklahoma | 8,191 | 4,375 | - | - |
| Pennsylvania | - | 6,186 | - | - |

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| South Carolina | 22,316 | - | - | - |
| Tennessee | 5,275 | 9,364 | - | - |
| Texas | 20,379 | 15,207 | - | - |
| Utah | - | 2,100 | - | - |
| Virgin Islands | 1,830 | - | - | - |
| Virginia | 9,708 | 1,650 | - | - |
| Washington | - | 19,595 | - | - |
| West Virginia | 2,030 | 2,370 | - | - |
| Unknown Distributions [a] | - | - | $230,000 | $250,000 |
| Obligations | 176,970 | 185,640 | 230,000 | 250,000 |

[a] Totals cannot be distributed at this time for 2019 and 2020.

***Table RHS-19. Section 504 Direct Housing Repair Loans (thousands of dollars)***

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Alabama | $566 | $398 | - | - |
| Alaska | 27 | 92 | - | - |
| Arizona | 204 | 256 | - | - |
| Arkansas | 262 | 271 | - | - |
| California | 358 | 342 | - | - |
| Colorado | 37 | 42 | - | - |
| Connecticut | 61 | 51 | - | - |
| Delaware | 16 | 23 | - | - |
| Florida | 466 | 336 | - | - |
| Georgia | 392 | 423 | - | - |
| Hawaii | 180 | 137 | - | - |
| Idaho | 34 | 40 | - | - |
| Illinois | 1,050 | 906 | - | - |
| Indiana | 340 | 600 | - | - |
| Iowa | 369 | 516 | - | - |
| Kansas | 65 | 83 | - | - |
| Kentucky | 1,535 | 1,084 | - | - |
| Louisiana | 653 | 550 | - | - |
| Maine | 366 | 243 | - | - |
| Maryland | 55 | 88 | - | - |
| Massachusetts | 75 | 76 | - | - |
| Michigan | 1,305 | 1,317 | - | - |
| Minnesota | 371 | 358 | - | - |
| Mississippi | 958 | 1,078 | - | - |
| Missouri | 400 | 535 | - | - |
| Montana | 15 | 98 | - | - |
| Nebraska | 34 | 137 | - | - |
| Nevada | 27 | 8 | - | - |
| New Hampshire | 207 | 334 | - | - |
| New Jersey | 2 | 36 | - | - |
| New Mexico | 102 | 117 | - | - |
| New York | 280 | 282 | - | - |
| North Carolina | 1,806 | 1,295 | - | - |
| North Dakota | 59 | 67 | - | - |
| Ohio | 617 | 577 | - | - |
| Oklahoma | 198 | 311 | - | - |
| Oregon | 158 | 274 | - | - |
| Pennsylvania | 652 | 1,383 | - | - |
| Puerto Rico | 346 | 371 | - | - |
| South Carolina | 457 | 424 | - | - |
| South Dakota | 158 | 172 | - | - |
| Tennessee | 1,092 | 834 | - | - |
| Texas | 1,205 | 1,224 | - | - |
| Utah | 51 | 38 | - | - |
| Vermont | 151 | 191 | - | - |

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Virgin Islands | 5 | - | - | - |
| Virginia | 711 | 650 | - | - |
| Washington | 160 | 205 | - | - |
| West Virginia | 168 | 240 | - | - |
| Wisconsin | 162 | 164 | - | - |
| Wyoming | 14 | 32 | - | - |
| Other Countries | 657 | 477 | - | - |
| Unknown Distributions [a] | - | - | $27,997 | - |
| Obligations | 19,638 | 19,789 | 27,997 | - |

[a] Totals cannot be distributed at this time for 2019.

***Table RHS-20. Section 514 Farm Labor Housing Loans (thousands of dollars)***

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Arkansas | $541 | - | - | - |
| California | 27,600 | $20,455 | - | - |
| Florida | 1,000 | 1,500 | - | - |
| Georgia | 1,300 | 4,758 | - | - |
| Kansas | 1,108 | 1,756 | - | - |
| Louisiana | - | 2,150 | - | - |
| Massachusetts | 780 | - | - | - |
| Mississippi | - | 857 | - | - |
| Nebraska | 1,560 | - | - | - |
| Oregon | - | 1,500 | - | - |
| Texas | - | 2,500 | - | - |
| Wisconsin | 1,000 | - | - | - |
| Unknown Distributions [a] | - | - | $37,536 | - |
| Obligations | 34,890 | 35,477 | 37,536 | - |

[a] Totals cannot be distributed at this time for 2019.

***Table RHS-21. Section 516 Farm Labor Housing Grants (thousands of dollars)***

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| California | $3,000 | $7,873 | - | - |
| Colorado | 235 | - | - | - |
| District of Columbia | 750 | - | - | - |
| Florida | 500 | 1,300 | - | - |
| Georgia | - | 3,783 | - | - |
| Kansas | 1,023 | 1,236 | - | - |
| Louisiana | - | 858 | - | - |
| Mississippi | - | 642 | - | - |
| Nebraska | 1,440 | - | - | - |
| Oregon | - | 1,500 | - | - |
| Wisconsin | 2,000 | - | - | - |
| Unknown Distributions [a] | - | - | $12,072 | - |
| Obligations | 8,948 | 17,193 | 12,072 | - |

[a] Totals cannot be distributed at this time for 2019.

***Table RHS-22. Single-Family Housing Credit Sales (thousands of dollars)***

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Idaho | $125 | - | - | - |
| Oregon | 543 | $1,591 | - | - |
| Unknown Distributions [a] | - | - | $1,650 | $1,900 |
| Obligations | 669 | 1,591 | 1,650 | 1,900 |

[a] Totals cannot be distributed at this time for 2019 and 2020.

***Table RHS-23. Section 524 Direct Site Development Loans (thousands of dollars)***

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| North Carolina | $370 | - | - | - |
| Unknown Distributions [a] | - | - | $1,652 | - |

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Obligations | 370 | - | 1,652 | - |

[a] Totals cannot be distributed at this time for 2019.

*Table RHS-24. Section 523 Direct Self-Help Housing Development Loans (thousands of dollars)*

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Unknown Distributions | - | - | $4,274 | - |
| Obligations [a] | - | - | 4,274 | - |

[a] Totals cannot be distributed at this time for 2019 and 2020.

*Table RHS-25. Section 515 Emergency Supplemental Loans (thousands of dollars)*

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Florida | - | $3,052 | - | - |
| Unknown Distributions | - | - | $75,365 | - |
| Obligations [a] | - | 3,052 | 75,365 | - |

[a] Totals cannot be distributed at this time for 2019.

## CLASSIFICATION BY OBJECTS

*Table RHS-26 Classification by Objects (thousands of dollars)*

| Item No. | Item | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|---|
| | Other Objects: | | | | |
| 25.3 | Other goods and services from Federal sources | $412,254 | $412,254 | $412,254 | $244,249 |
| 41.0 | Grants, subsidies, and contributions | 100,066 | 83,258 | 95,090 | 1,062 |
| | Total, Other Objects | 512,320 | 495,512 | 507,344 | 245,311 |
| 99.9 | Total, new obligations | 512,320 | 495,512 | 507,344 | 245,311 |

## *ACCOUNT 3: RENTAL ASSISTANCE PROGRAM ACCOUNT*

### APPROPRIATIONS LANGUAGE

The appropriations language follows (new language underscored):

> For rental assistance agreements entered into or renewed pursuant to the authority under section 521(a)(2) or agreements entered into in lieu of debt forgiveness or payments for eligible households as authorized by section 502(c)(5)(D) of the Housing Act of 1949, and for the rural housing voucher program as authorized under section 542 of the Housing Act of 1949, notwithstanding subsection (b) of such section, $1,407,000,000, of which $40,000,000 shall be available until September 30, 2021; and in addition such sums as may be necessary, as authorized by section 521(c) of the Act, to liquidate debt incurred prior to fiscal year 1992 to carry out the rental assistance program under section 521(a)(2) of the Act: *Provided*, That of the amounts made available under this heading, $1,375,000,000 shall be available for renewal of rental assistance agreements: *Provided further*, That rental assistance agreements entered into or renewed during the current fiscal year shall be funded for a one-year period: *Provided further*, That tenants in projects financed under section 514 or 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 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 2020 for a project that the Secretary determines no longer needs rental assistance: *Provided further*, That such recaptured funds shall remain available for obligation in fiscal year 2020 for the purposes specified under this heading: *Provided further*, That of the amounts made available under this heading, $32,000,000 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 vouchers 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 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 Secretary may use such funds for any of the programs described under this heading.

### LEAD-OFF TABULAR STATEMENT

***Table RHS-27. Lead-Off Tabular Statement***

| Item | Amount |
|---|---|
| 2019 Annualized Continuing Resolution | $1,345,293,000 |
| Change in Appropriation | + 61,707,000 |
| Budget Estimate, 2020 | 1,407,000,000 |

## PROJECT STATEMENT

***Table RHS-28. Project Statement (thousands of dollars)***

| Item | 2017 Actual | 2018 Actual | 2019 Estimate | Inc. or Dec. | Chg Key | 2020 Budget |
|---|---|---|---|---|---|---|
| Discretionary Appropriations: | | | | | | |
| Rental assistance (Sec. 521)[a] | $1,405,033 | $1,345,293 | $1,345,293 | +$29,707 | (1) | $1,375,000 |
| Rural housing voucher program | - | - | - | +32,000 | (2) | 32,000 |
| Subtotal | 1,405,033 | 1,345,293 | 1,345,293 | +61,707 | | 1,407,000 |
| Total Adjusted Approp | 1,405,033 | 1,345,293 | 1,345,293 | +61,707 | | 1,407,000 |
| Total Appropriation | 1,405,033 | 1,345,293 | 1,345,293 | +61,707 | | 1,407,000 |
| Transfers In: | | | | | | |
| MFH Vouchers | - | - | - | +1,101 | | 1,101 |
| Rescission[b] | - | - | - | -40,000 | | -40,000 |
| Recoveries, Other (Net) | - | - | - | +1,441 | | 1,441 |
| Bal. Available, SOY | - | 40,000 | 40,000 | - | | 40,000 |
| Total Available | 1,405,033 | 1,385,293 | 1,385,293 | +24,249 | | 1,409,542 |
| Bal. Available, EOY | -40,000 | -40,000 | -40,000 | +38,559 | | -1,441 |
| Total Obligations | 1,365,033 | 1,345,293 | 1,345,293 | +62,808 | | 1,408,101 |

[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. Of the 2020 funding, $40,000,000 is proposed to be available until September 30, 2021.

[b] Of the 2019 Appropriations, a rescission of $40,000,000 of unobligated balances is proposed in 2020.

The numbered justifications items are keyed to the Change Key (Chg Key) column on the Project Statement.

**JUSTIFICATIONS**

### Rental Assistance Programs

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 adjusted monthly 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 rental housing 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) An increase of $29,707,000 in funding for the rental assistance program ($1,345,293,000 available in 2019).

The 2020 request would fund 280,532 contract renewals, including 1,396 contract re-renewals. The request also assumes a rescission of the 2019/2020 carryover balances of $40 million, with $40 million available in 2020 for use through 2021.

Base funding will continue to help very low- and low-income rural residents live in housing that is decent, safe, and affordable. Continuing base funding helps strengthens communities by reducing homelessness and other societal challenges associated with affordable housing scarcity, which most profoundly impact the elderly and disabled, who comprise about 62 percent of the USDA direct lending portfolio. Stronger communities are more likely to attract businesses and generate employment opportunities that can help those working rental assistance beneficiaries whose wages are minimal and may not support rent payment without subsidy.

The RA Program is critical because: tenant incomes and minimum wages generally do not rise as fast as the rents needed to support section 515 property expenses, often increasing tenant reliance on subsidy over time. RA also provides a stable source of revenue for owners of section 515 and section 514/516 farmworker housing, reducing the owners' risk.

Statistics show that there is a present need for this program assistance, and that the funds are being used as intended:

- Average household income for MFH tenants was $13,663 as of September 2018, approximately 76 percent less than the 2016 U.S. median household income of $57,617.
- About 64 percent of unassisted MFH tenants are "rent overburdened." Maintaining this program will give those currently rent overburdened the opportunity to receive assistance.
- Approximately 62 percent of the rural rental housing tenants are elderly or disabled, and their sole source of income is often Social Security or disability.
- The average income of RA recipients was less than $11,176 in 2018.

RHS has been working to improve the program. The implementation of the RA Obligation Tool has increased the accuracy of funding projections and automated most of the obligations processes. As a result of this enhancement, project funding is now based on individual project usage rates instead of state average cost. Further work to improve the tool's predictive capability is planned and should be completed in 2019.

RD is committed to maintaining a sustainable rental assistance program. In 2020, RHS expects to implement a minimum rent requirement. A minimum rent requirement will align RHS's program policies with similar HUD housing program policies, which include minimum rent payments between $25 and $50. In 2000, HUD implemented minimum rent requirements, providing a hardship exemption for applicants and tenants unable to pay the minimum, and prohibiting the eviction of tenants if they are unable to pay the minimum rent.

(2) An increase of $32,000,000 in funding for the multi-family housing voucher program ($0 available in 2019 in rental assistance account).

Rural housing voucher funding enables tenants in properties that have prepaid their mortgages or been foreclosed to continue to access affordable housing without the benefit of the traditional rental assistance program. Funding protects very low- and low-income families who are affected by the loss of affordable RD housing in rural communities. The program continues to grow at a significant rate, as tenants from prepaying section 515 properties become voucher-eligible and existing voucher recipients remain in the program. The budget is requesting to transfer the voucher program account under the rental assistance account. The voucher account was funded in the multi-family revitalization and preservation account, which is not funded in the 2020 budget.

Vouchers are tenant-based, so individual recipients may use their vouchers at rental opportunities in rural areas if accepted by the property management, however most voucher holders continue to reside in the apartment that was prepaid. Voucher funding supports rural prosperity by enabling low- and very low-income residents to keep their homes without requiring additional assistance from their communities. The program is only available to low- and very low-income families, who are the least able to afford market rate rental housing and most at risk if affordable RD rental housing options are eliminated.

Base program funding for the section 542 rural housing voucher program will continue to provide tenant protections in properties that prepay their mortgages and reach maturity after September 30, 2005. The program has grown from 2,062 grants for $6.7 million in 2009 to 6,352 grants at a cost of approximately $26.6 million in 2018. Each grant represents one family served. The average voucher cost in 2018 was approximately $350 per month, a modest increase from the 2017 average of $327 per month. Based on the 2018 average cost of $4,200 per year, the program will fund approximately 7,619 vouchers at this funding level in 2020.

This program is critical because recipients of vouchers are low- and very low-income households that may be unable to afford the higher rents they might otherwise be required to pay as the prepaying property converts from affordable to market rate housing. Vouchers make it possible for tenants with acute needs, such as the elderly or disabled, to continue to reside in a property after prepayment or find other affordable housing. Tenants may face the prospect of homelessness; and it is unlikely, especially in the near-term that tenants could access other sources of rent subsidy.

In November 2016, a new RD Voucher Program data management system became fully operational. The system eliminated some duplicative voucher processes and gave RD field staff greater access to voucher data. The system also reduced contracting costs. System enhancements are expected and will likely be completed along with the Rental Assistance changes in 2019.

## GEOGRAPHIC BREAKDOWN OF OBLIGATIONS

*Table RHS-29. Rural Rental Assistance Programs (thousands of dollars)*

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Alabama | $36,847 | $35,785 | - | - |
| Alaska | 7,704 | 7,866 | - | - |
| Arizona | 20,329 | 19,660 | - | - |
| Arkansas | 27,663 | 25,899 | - | - |
| California | 108,390 | 116,833 | - | - |
| Colorado | 15,489 | 14,642 | - | - |
| Connecticut | 9,829 | 9,369 | - | - |
| Delaware | 8,622 | 8,619 | - | - |
| Florida | 68,757 | 66,393 | - | - |
| Georgia | 36,530 | 34,750 | - | - |
| Hawaii | 8,567 | 10,481 | - | - |
| Idaho | 19,112 | 18,833 | - | - |
| Illinois | 30,649 | 29,837 | - | - |
| Indiana | 25,830 | 23,491 | - | - |
| Iowa | 28,141 | 25,808 | - | - |
| Kansas | 13,197 | 12,610 | - | - |
| Kentucky | 25,045 | 24,647 | - | - |
| Louisiana | 45,530 | 44,437 | - | - |
| Maine | 37,745 | 35,510 | - | - |
| Maryland | 18,611 | 19,199 | - | - |
| Massachusetts | 12,705 | 12,355 | - | - |
| Michigan | 38,072 | 35,075 | - | - |
| Minnesota | 27,128 | 23,642 | - | - |
| Mississippi | 53,205 | 52,243 | - | - |
| Missouri | 26,374 | 25,093 | - | - |
| Montana | 8,188 | 7,697 | - | - |
| Nebraska | 8,789 | 7,756 | - | - |
| Nevada | 12,680 | 9,562 | - | - |
| New Hampshire | 14,617 | 14,022 | - | - |
| New Jersey | 12,259 | 11,948 | - | - |
| New Mexico | 19,109 | 19,518 | - | - |
| New York | 28,681 | 28,911 | - | - |
| North Carolina | 83,511 | 86,968 | - | - |
| North Dakota | 6,630 | 6,519 | - | - |
| Ohio | 32,980 | 29,192 | - | - |
| Oklahoma | 24,458 | 23,008 | - | - |
| Oregon | 22,766 | 27,532 | - | - |
| Pennsylvania | 31,760 | 34,077 | - | - |
| Puerto Rico | 22,098 | 23,133 | - | - |
| Rhode Island | 2,460 | 2,713 | - | - |
| South Carolina | 34,081 | 35,578 | - | - |
| South Dakota | 18,641 | 17,569 | - | - |
| Tennessee | 31,352 | 33,034 | - | - |
| Texas | 60,611 | 56,933 | - | - |
| Utah | 10,613 | 9,675 | - | - |
| Vermont | 10,507 | 9,783 | - | - |
| Virgin Islands | 5,500 | 5,774 | - | - |
| Virginia | 34,878 | 34,346 | - | - |
| Washington | 34,523 | 33,762 | - | - |
| West Virginia | 17,922 | 18,333 | - | - |
| Wisconsin | 19,841 | 18,963 | - | - |
| Wyoming | 5,510 | 5,909 | - | - |
| Distribution Unknown [a] | - | - | $1,345,293 | $1,407,000 |
| Obligations | 1,365,033 | 1,345,293 | 1,345,293 | 1,407,000 |

[a] Totals cannot be distributed at this time for 2019 and 2020.

*Table RHS-30. Rural Rental Assistance Vouchers Programs (thousands of dollars)*

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Distribution Unknown | - | - | - | $33,101 |
| Obligations [a] | - | - | - | 33,101 |

[a] Totals cannot be distributed at this time 2020.

## CLASSIFICATION BY OBJECTS

*Table RHS-31 Classification by Objects (thousands of dollars)*

| Item No. | Item | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|---|
| | Other Objects: | | | | |
| 41.0 | Grants, subsidies, and contributions | $1,365,033 | $1,345,293 | $1,345,293 | $1,407,000 |
| | Total, Other Objects | 1,365,033 | 1,345,293 | 1,345,293 | 1,407,000 |
| 99.9 | Total, new obligations | 1,365,033 | 1,345,293 | 1,345,293 | 1,407,000 |

## *ACCOUNT 4: MULTI-FAMILY HOUSING REVITALIZATION PROGRAM ACCOUNT*

### LEAD-OFF TABULAR STATEMENT

***Table RHS-32. Lead-Off Tabular Statement***

| Item | Grants | Loan Level | Subsidy |
|---|---|---|---|
| 2019 Annualized Continuing Resolution | $25,000 | $15,650 | $21,358 |
| Change in Appropriation | -25,000 | -15,650 | -21,358 |
| Budget Estimate, 2020 | 0 | 0 | 0 |

## PROJECT STATEMENT

***Table RHS-33. Project Statement ((Program Level-PL, Budget Authority-BA) thousands of dollars)***

| Item | 2017 Actual PL | 2017 Actual BA | 2018 Actual PL | 2018 Actual BA | 2019 Estimate PL | 2019 Estimate BA | Inc. or Dec. PL | Chg Key | Inc. or Dec. BA | Chg Key | 2020 Budget PL | 2020 Budget BA |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Discretionary Appropriations: | | | | | | | | | | | | |
| RH voucher program and administrative | $21,400 | $21,400 | $24,000 | $24,000 | $25,000 | $25,000 | -$25,000 | (1) | -$25,000 | | - | - |
| MFH revitalization zero percent (Sec. 514/515) | 5,849 | 3,000 | - | - | - | - | - | | - | | - | - |
| MFH revitalization soft seconds (Sec. 514/515) | 26,311 | 15,000 | 15,650 | 8,557 | 15,650 | 7,916 | -15,650 | (2) | -7,916 | (3) | - | - |
| MFH revitalization grants (Sec. 514/515) | 1,000 | 1,000 | - | - | - | - | - | | - | | - | - |
| MFH preservation pilot program | 1,000 | 1,000 | - | - | - | - | - | | - | | - | - |
| MFH revitalization modifications (Sec. 514/515) | - | - | - | 13,443 | - | 13,443 | - | | -13,443 | | - | - |
| Subtotal | 55,560 | 41,400 | 39,650 | 46,000 | 40,650 | 46,358 | -40,650 | | -46,358 | | - | - |
| Total Adjusted Approp | 55,560 | 41,400 | 39,650 | 46,000 | 40,650 | 46,358 | -40,650 | | -46,358 | | - | - |
| Total Appropriation | 55,560 | 41,400 | 39,650 | 46,000 | 40,650 | 46,358 | -40,650 | | -46,358 | | - | - |
| Transfers Out: | | | | | | | | | | | | |
| Rental assistance account | - | - | - | - | - | - | -1,101 | | -1,101 | | -$1,101 | -$1,101 |
| Rural housing insurance fund accounts | - | - | - | - | - | - | -1,493 | | -1,062 | | -1,493 | -1,062 |
| Subtotal | - | - | - | - | - | - | -2,595 | | -2,163 | | -2,595 | -2,163 |
| Rescission | -100 | -100 | - | - | | | -1,492 | | -1,492 | | -1,492 | -1,492 |
| Recoveries, Other (Net) | 6,157 | 5,916 | 11,800 | 2,804 | 2,220 | 2,150 | -2,220 | | -2,150 | | - | - |
| Bal. Available, SOY | 3,041 | 3,028 | 13,011 | 13,451 | 7,599 | 13,090 | -3,512 | | -9,436 | | 4,086 | 3,655 |
| Total Available | 64,658 | 50,244 | 64,461 | 62,255 | 50,468 | 61,599 | -50,468 | | -61,599 | | - | - |
| Lapsing Balances | - | - | -1,000 | -1,000 | - | - | - | | - | | - | - |
| Bal. Available, EOY | -17,882 | -13,451 | -20,881 | -11,173 | -3,769 | -3,704 | +3,769 | | +3,704 | | - | - |
| Total Obligations | 46,777 | 36,793 | 42,580 | 50,082 | 46,700 | 57,895 | -46,700 | | -57,895 | | - | - |

The numbered justifications items are keyed to the Change Key (Chg Key) column on the Project Statement.

## JUSTIFICATIONS

### Multi-Family Housing Revitalization Program

The multi-family housing revitalization activities are being transferred and merged into other accounts in 2020. 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 $32 million.

(1) A decrease of $25,000,000 in funding for multi-family housing vouchers ($25,000,000 available in 2019).

In 2020, rural housing vouchers will be consolidated into the rental assistance program. The 2020 budget is requesting $32 million to continue the voucher program. Please see the rental assistance program justification for details on voucher program funding.

(2) A decrease of $15,650,054 in funding for the multi-family housing revitalization program soft second loans ($15,650,054 available in 2019).

The budget does not include funding for the MFH revitalization program. Prior activity is transferred and merged into the RHIF account. Please see the RHIF account for more details.

(3) A decrease of $7,915,797 in funding for multi-family housing revitalization program loan subsidy ($7,915,797 available in 2019).

The revitalization loans are not funded in 2020, resulting in a decrease of subsidy needed to support the operation of the program.

## GEOGRAPHIC BREAKDOWN OF OBLIGATIONS

***Table RHS-34. Rural Housing Voucher Program (thousands of dollars)***

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Alabama | $321 | $249 | - | - |
| Alaska | 61 | 64 | - | - |
| Arizona | 83 | 440 | - | - |
| Arkansas | 130 | 219 | - | - |
| California | 23 | 10 | - | - |
| Colorado | 140 | 151 | - | - |
| Connecticut | - | 3 | - | - |
| Delaware | 33 | 21 | - | - |
| Florida | 1,457 | 2,389 | - | - |
| Georgia | 490 | 534 | - | - |
| Idaho | 383 | 362 | - | - |
| Illinois | 723 | 842 | - | - |
| Indiana | 1,095 | 1,262 | - | - |
| Iowa | 875 | 857 | - | - |
| Kansas | 299 | 417 | - | - |
| Kentucky | 88 | 159 | - | - |
| Louisiana | 10 | 245 | - | - |
| Maine | 307 | 701 | - | - |
| Maryland | 10 | 20 | - | - |
| Massachusetts | 149 | 128 | - | - |
| Michigan | 1,839 | 1,894 | - | - |
| Minnesota | 607 | 1,170 | - | - |
| Mississippi | 257 | 327 | - | - |
| Missouri | 1,181 | 1,060 | - | - |
| Montana | 496 | 1,081 | - | - |
| Nebraska | 357 | 510 | - | - |
| Nevada | 9 | 89 | - | - |
| New Hampshire | 355 | 304 | - | - |
| New Jersey | 223 | 236 | - | - |
| New Mexico | 120 | 236 | - | - |
| New York | 1,125 | 1,555 | - | - |
| North Carolina | 459 | 424 | - | - |
| North Dakota | 208 | 172 | - | - |

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Ohio | 489 | 510 | - | - |
| Oklahoma | 264 | 244 | - | - |
| Oregon | 186 | 218 | - | - |
| Pennsylvania | 180 | 178 | - | - |
| Puerto Rico | 12 | 12 | - | - |
| Rhode Island | 23 | 7 | - | - |
| South Carolina | 651 | 579 | - | - |
| South Dakota | 1,591 | 1,582 | - | - |
| Tennessee | 144 | 406 | - | - |
| Texas | 606 | 951 | - | - |
| Utah | 124 | 95 | - | - |
| Vermont | - | 6 | - | - |
| Virgin Islands | 127 | 94 | - | - |
| Virginia | 100 | 82 | - | - |
| Washington | 871 | 994 | - | - |
| West Virginia | 82 | 57 | - | - |
| Wisconsin | 2,575 | 2,467 | - | - |
| Wyoming | 68 | 62 | - | - |
| Distribution Unknown [a] | - | - | $28,985 | - |
| Obligations | 22,002 | 26,679 | 28,985 | - |

[a] Totals cannot be distributed at this time for 2019

***Table RHS-35. Multi-Family Housing Revitalization Soft Second Loans (thousands of dollars)***

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Georgia | - | $2,038 | - | - |
| Louisiana | - | 6,573 | - | - |
| Maine | - | 1,978 | - | - |
| Maryland | $2,770 | - | - | - |
| Michigan | 3088.167 | - | - | - |
| Missouri | - | 1,885 | - | - |
| New Jersey | 5063.566 | - | - | - |
| New York | 3693.634 | - | - | - |
| Ohio | 747.393 | - | - | - |
| Pennsylvania | 3292.882 | - | - | - |
| South Carolina | - | 906 | - | - |
| Tennessee | 1158.408 | - | - | - |
| Vermont | 335.887 | - | - | - |
| Virginia | 1875.016 | - | - | - |
| Washington | 2593.424 | - | - | - |
| West Virginia | - | 315 | - | - |
| Wisconsin | - | 1,957 | - | - |
| Distribution Unknown [a] | - | - | $15,648 | - |
| Obligations | 24,619 | 15,650 | 15,648 | - |

[a] Totals cannot be distributed at this time for 2019.

***Table RHS-36. Multi-Family Housing Revitalization Grants (thousands of dollars)***

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Missouri | - | $15 | - | - |
| Nebraska | $49 | - | - | - |
| Washington | 107 | - | - | - |
| Wisconsin | - | 236 | - | - |
| Obligations | 156 | 251 | - | - |

.

***Table RHS-37. Rural Housing Pilot Program (thousands of dollars)***

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Distribution Unknown [a] | - | - | $1,000 | - |
| Obligations | - | - | 1,000 | - |

[a] Totals cannot be distributed at this time for 2019.

***Table RHS-38. Rural Housing Demo Loans Program (thousands of dollars)***

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Distribution Unknown [a] | - | - | $1,066 | - |
| Obligations | - | - | 1,066 | - |

[a] Totals cannot be distributed at this time for 2019.

## CLASSIFICATION BY OBJECTS

***Table RHS-39 Classification by Objects (thousands of dollars)***

| Item No. | Item | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|---|
| | Other Objects: | | | | |
| 25.3 | Other goods and services from Federal sources | $3,000 | - | - | - |
| 41.0 | Grants, subsidies, and contributions | 33,793 | $50,082 | $57,895 | - |
| | Total, Other Objects | 36,793 | 50,082 | 57,895 | - |
| 99.9 | Total, new obligations | 36,793 | 50,082 | 57,895 | - |

## *ACCOUNT 5: RURAL HOUSING ASSISTANCE GRANTS*

### LEAD-OFF TABULAR STATEMENT

***Table RHS-40. Lead-Off Tabular Statement***

| Item | Amount |
|---|---|
| 2019 Annualized Continuing Resolution | $40,000,000 |
| Change in Appropriation | -40,000,000 |
| Budget Estimate, 2020 | - |

## PROJECT STATEMENT

***Table RHS-41. Project Statement (thousands of dollars)***

| Item | 2017 Actual | 2018 Actual | 2019 Estimate | Inc. or Dec. | Chg Key | 2020 Budget |
|---|---|---|---|---|---|---|
| Discretionary Appropriations: | | | | | | |
| Very low-income housing repair grants | $28,701 | $30,000 | $30,000 | -$30,000 | (1) | - |
| Rural housing preservation grants | 5,000 | 10,000 | 10,000 | -10,000 | (2) | - |
| Total Appropriation | 33,701 | 40,000 | 40,000 | -40,000 | | - |
| Transfers Out: | | | | | | |
| Rural Development Disaster Assistance Account | - | -144 | - | - | | - |
| Subtotal | - | -144 | - | - | | - |
| Recoveries, Other (Net) | 2,573 | 1,349 | 800 | -160 | | $640 |
| Bal. Available, SOY | 3,346 | 3,370 | 5,618 | -1,475 | | 4,143 |
| Total Available | 39,620 | 44,575 | 46,418 | -41,635 | | 4,783 |
| Rescinded Balances [a] | -2,420 | - | - | - | | - |
| Bal. Available, EOY | -3,370 | -5,618 | -4,143 | -640 | | -4,783 |
| Total Obligations | 33,830 | 38,957 | 42,275 | -42,275 | | - |

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

The numbered justifications items are keyed to the Change Key (Chg Key) column on the Project Statement.

## JUSTIFICATIONS

### Rural Housing Assistance Grants

(1) A decrease of $30,000,000 in funding for section 504 housing repair grants ($30,000,000 available in 2019).

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

(2) A decrease of $10,000,000 for section 533 housing preservation grants ($10,000,000 available in 2019).

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

## GEOGRAPHIC BREAKDOWN OF OBLIGATIONS

*Table RHS-42. Section 504 Very Low-Income Housing Repair Grants (thousands of dollars)*

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Alabama | $678 | $439 | - | - |
| Alaska | 239 | 275 | - | - |
| Arizona | 633 | 942 | - | - |
| Arkansas | 592 | 401 | - | - |
| California | 810 | 576 | - | - |
| Colorado | 184 | 171 | - | - |
| Connecticut | 89 | 73 | - | - |
| Delaware | 30 | 20 | - | - |
| Florida | 591 | 713 | - | - |
| Georgia | 1,233 | 936 | - | - |
| Hawaii | 83 | 87 | - | - |
| Idaho | 46 | 88 | - | - |
| Illinois | 965 | 746 | - | - |
| Indiana | 617 | 567 | - | - |
| Iowa | 654 | 546 | - | - |
| Kansas | 190 | 121 | - | - |
| Kentucky | 1,751 | 1,444 | - | - |
| Louisiana | 786 | 588 | - | - |
| Maine | 566 | 271 | - | - |
| Maryland | 204 | 160 | - | - |
| Massachusetts | 191 | 128 | - | - |
| Michigan | 1,036 | 1,089 | - | - |
| Minnesota | 339 | 262 | - | - |
| Mississippi | 1,139 | 2,454 | - | - |
| Missouri | 712 | 576 | - | - |
| Montana | 99 | 147 | - | - |
| Nebraska | 119 | 119 | - | - |
| Nevada | 29 | 38 | - | - |
| New Hampshire | 456 | 503 | - | - |
| New Jersey | 87 | 78 | - | - |
| New Mexico | 293 | 289 | - | - |
| New York | 609 | 559 | - | - |
| North Carolina | 2,197 | 2,298 | - | - |
| North Dakota | 71 | 101 | - | - |
| Ohio | 737 | 862 | - | - |
| Oklahoma | 383 | 445 | - | - |
| Oregon | 138 | 148 | - | - |
| Pennsylvania | 1,230 | 1,046 | - | - |
| Puerto Rico | 553 | 459 | - | - |
| Rhode Island | 36 | 15 | - | - |
| South Carolina | 804 | 706 | - | - |
| South Dakota | 159 | 159 | - | - |
| Tennessee | 1,331 | 1,095 | - | - |
| Texas | 1,886 | 2,363 | - | - |
| Utah | 227 | 167 | - | - |
| Vermont | 374 | 390 | - | - |
| Virgin Islands | 73 | 80 | - | - |
| Virginia | 1,156 | 988 | - | - |
| Washington | 252 | 188 | - | - |
| West Virginia | 288 | 258 | - | - |
| Wisconsin | 349 | 400 | - | - |
| Wyoming | 50 | 68 | - | - |
| Other Countries | 532 | 550 | - | - |
| Distribution Unknown [a] | - | - | $31,689 | - |
| Obligations | 28,874 | 28,193 | 31,689 | - |

[a] Totals cannot be distributed at this time for 2019.

*Table RHS-43. Rural Housing Preservation Grants (thousands of dollars)*

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Alabama | $121 | $100 | - | - |
| Alaska | 100 | 143 | - | - |
| Arizona | 73 | 182 | - | - |
| Arkansas | 94 | 208 | - | - |
| California | 311 | 419 | - | - |
| Colorado | - | 76 | - | - |
| Connecticut | 50 | 72 | - | - |
| Delaware | 50 | - | - | - |
| Florida | 118 | 211 | - | - |
| Georgia | 158 | 413 | - | - |
| Hawaii | 71 | - | - | - |
| Idaho | 50 | 67 | - | - |
| Illinois | 15 | 203 | - | - |
| Indiana | 88 | 346 | - | - |
| Iowa | 55 | 186 | - | - |
| Kansas | 46 | 102 | - | - |
| Kentucky | 142 | 314 | - | - |
| Louisiana | 130 | 307 | - | - |
| Maine | 60 | 143 | - | - |
| Maryland | 100 | 215 | - | - |
| Massachusetts | 50 | - | - | - |
| Michigan | 150 | 268 | - | - |
| Minnesota | 68 | 151 | - | - |
| Mississippi | - | 465 | - | - |
| Missouri | 101 | 221 | - | - |
| Montana | 50 | 56 | - | - |
| Nebraska | 50 | 64 | - | - |
| Nevada | 50 | 72 | - | - |
| New Hampshire | 50 | 72 | - | - |
| New Jersey | 54 | 118 | - | - |
| New Mexico | 59 | 129 | - | - |
| New York | 115 | 244 | - | - |
| North Carolina | 184 | 402 | - | - |
| North Dakota | 283 | 212 | - | - |
| Ohio | 141 | 311 | - | - |
| Oklahoma | 78 | 233 | - | - |
| Oregon | 100 | 128 | - | - |
| Pennsylvania | 50 | 428 | - | - |
| Puerto Rico | 180 | 638 | - | - |
| Rhode Island | 46 | 72 | - | - |
| South Carolina | 110 | 286 | - | - |
| South Dakota | - | 54 | - | - |
| Tennessee | 121 | 243 | - | - |
| Texas | 312 | 1,103 | - | - |
| Utah | 50 | 143 | - | - |
| Vermont | 192 | 285 | - | - |
| Virginia | 109 | 239 | - | - |
| Washington | 100 | - | - | - |
| West Virginia | 50 | 72 | - | - |
| Wisconsin | 90 | 277 | - | - |
| Wyoming | 46 | 72 | - | - |
| Distribution Unknown [a] | - | - | $10,586 | - |
| Obligations | 4,869 | 10,764 | 10,586 | - |

[a] Totals cannot be distributed at this time for 2019.

*Table RHS-44. Rural Housing Compensation for Construction Defects Grants (thousands of dollars)*

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Mississippi | $12 | - | - | - |
| North Carolina | 13 | - | - | - |
| Ohio | 13 | - | - | - |
| Utah | 49 | - | - | - |
| Distribution Unknown [a] | - | - | $50 | - |
| Obligations | 86 | - | 50 | - |

[a] Totals cannot be distributed at this time for 2019.

## CLASSIFICATION BY OBJECTS

*Table RHS-45 Classification by Objects (thousands of dollars)*

| Item No. | Item | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|---|
| 41.0 | Grants, subsidies, and contributions | $33,830 | $38,957 | $42,325 | - |
| | Total, Other Objects | 33,830 | 38,957 | 42,325 | - |
| 99.9 | Total, new obligations | 33,830 | 38,957 | 42,325 | - |

## *ACCOUNT 6: MUTUAL AND SELF-HELP HOUSING GRANTS*

### LEAD-OFF TABULAR STATEMENT

***Table RHS-46. Lead-Off Tabular Statement***

| Item | Amount |
|---|---|
| 2019 Annualized Continuing Resolution | $30,000,000 |
| Change in Appropriation | -30,000,000 |
| Budget Estimate, 2020 | - |

## PROJECT STATEMENT

***Table RHS-47. Project Statement (thousands of dollars)***

| Item | 2017 Actual | 2018 Actual | 2019 Estimate | Inc. or Dec. | Chg Key | 2020 Budget |
|---|---|---|---|---|---|---|
| Discretionary Appropriations: | | | | | | |
| Mutual and self-help housing grants | $30,000 | $30,000 | $30,000 | -$30,000 | (1) | - |
| Total Appropriation | 30,000 | 30,000 | 30,000 | -30,000 | | - |
| Recoveries, Other (Net) | 2,795 | 955 | 907 | -181 | | $726 |
| Bal. Available, SOY | 10,113 | 6,263 | 2,413 | -782 | | 1,631 |
| Total Available | 42,907 | 37,217 | 33,320 | -30,963 | | 2,357 |
| Rescinded Balances | -30 | - | - | - | | - |
| Bal. Available, EOY | -6,263 | -2,413 | -1,631 | -726 | | -2,357 |
| Total Obligations | 36,614 | 34,805 | 31,689 | -31,689 | | - |

The numbered justifications items are keyed to the Change Key (Chg Key) column on the Project Statement.

## JUSTIFICATIONS

### Mutual and Self-Help Housing Program

(1) A decrease of $30,000,000 in funding for mutual and self-help housing program grants ($30,000,000 available in 2019).

Funding for this program is not requested in 2020. Since the budget is not requesting funding for SFH direct loans, no funding is requested for the section 523 mutual and self-help program.

## GEOGRAPHIC BREAKDOWN OF OBLIGATIONS

*Table RHS-48. Mutual and Self-Help Housing Grants (thousands of dollars)*

| State/Territory/Country | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|
| Alaska | $537 | $483 | - | - |
| Arizona | - | 2,589 | - | - |
| Arkansas | 854 | 1,396 | - | - |
| California | 13,726 | 9,052 | - | - |
| Colorado | - | 792 | - | - |
| Delaware | 1,240 | 900 | - | - |
| District of Columbia | 77 | 77 | - | - |
| Florida | 5,672 | 1,488 | - | - |
| Hawaii | - | 1,513 | - | - |
| Idaho | 422 | - | - | - |
| Illinois | - | 110 | - | - |
| Indiana | - | 375 | - | - |
| Louisiana | 279 | - | - | - |
| Maine | 794 | - | - | - |
| Maryland | - | 420 | - | - |
| Mississippi | - | 419 | - | - |
| Missouri | - | 159 | - | - |
| Montana | 621 | 1,232 | - | - |
| New Jersey | - | 269 | - | - |
| New Mexico | - | 560 | - | - |
| North Carolina | 214 | 1,515 | - | - |
| Ohio | 600 | - | - | - |
| Oklahoma | 4,296 | 3,129 | - | - |
| Oregon | 1,054 | 417 | - | - |
| Pennsylvania | 300 | 120 | - | - |
| Rhode Island | - | 93 | - | - |
| South Dakota | 719 | - | - | - |
| Texas | 294 | - | - | - |
| Utah | 1,962 | 3,683 | - | - |
| Virginia | - | 300 | - | - |
| Washington | 2,276 | 3,714 | - | - |
| Wisconsin | 319 | - | - | - |
| Other Countries | 360 | - | - | - |
| Distribution Unknown [a] | - | - | $31,689 | - |
| Obligations | 36,614 | 34,805 | 31,689 | - |

[a] Totals cannot be distributed at this time for 2019.

## CLASSIFICATION BY OBJECTS

*Table RHS-49 Classification by Objects (thousands of dollars)*

| Item No. | Item | 2017 Actual | 2018 Actual | 2019 Estimate | 2020 Budget |
|---|---|---|---|---|---|
| 41.0 | Grants, subsidies, and contributions | $36,614 | $34,805 | $31,689 | - |
| | Total, Other Objects | 36,614 | 34,805 | 31,689 | - |
| 99.9 | Total, new obligations | 36,614 | 34,805 | 31,689 | - |

## *STATUS OF PROGRAMS*

### RHS-WIDE STRATEGIC MANAGEMENT INITIATIVES

#### 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 2018, RHS implemented "The Four Pillars" initiative – a comprehensive, shared approach to process improvement involving staff from RHS's National and State Offices and RD's Business Center covering all RHS direct and guaranteed lending programs. Work on this initiative will continue into 2020.
In 2018, RHS implemented "The Four Pillars" initiative – a comprehensive, shared approach to process improvement involving staff from RHS's National and State Offices and RD's Business Center covering all RHS direct and guaranteed lending programs. Work on this initiative will continue into 2020.
For both loan programs, efforts are focusing on:

- Marketing, outreach, and loan origination
- Underwriting for direct loan programs and issuance of a guarantee for guaranteed loan programs
- Servicing the direct and guaranteed loan portfolios
- Standing up a Special Assets Group that will work on troubled or delinquent loans in RD's portfolio

Outcomes of The Four Pillars initiative thus far include: 1) Revising the three-tier income structure of very low-, low- and moderate income into a two-tier income banding structure based on household sizes of 1-4 persons and 5-8 persons, following a successful program pilot used to test the alternative methodology in 23 states. 2) Changing its methodology for calculating annual income and down payments to exclude net family assets, the value of retirement accounts, cash value of insurance policies, college saving plans, health and medical savings or spending accounts. 3) Developing a credit risk tool for the healthcare assets in the CF program, and providing technical assistance to limited borrowers that are having difficulty repaying a healthcare loan.

#### Specifically Addressed Areas

Task Force on Agriculture and Rural Prosperity are also a priority for RHS, including the key goal of improving quality of life in rural America. In 2018, RHS focused on:

Rural Development (RD) is developing one program delivery platform (OneRD) for similar RD guaranteed loan programs, which provide loans to entities, such as businesses and health care facilities. This platform will comply with Federal requirements to reduce regulations and control regulatory costs, as well as simplify, improve, and enhance delivery of the loan programs. RD expects this new platform to improve customer service by streamlining and consolidating similar guaranteed loan programs, increase economic development and access to capital, improve operation efficiencies and cross-program coordination, integrate innovations and alignment with industry practices, and modernize processing and servicing of the entire guaranteed loan portfolio.

RHS is focusing on interagency collaboration and partnerships to drive rural prosperity. New partnerships are noted below.

MFH and the Department of Labor are working together to ensure that their programs comply with H2A temporary agricultural workers requirements. These requirements expand RHS's farm labor housing program eligibility for housing in unassisted units.

RHS, the Department of Energy, and other Federal agencies are working together on the Energy Solutions for the Low-Income Communities initiative.

SFH and the Department of Housing and Urban Development (HUD) are working collaboratively on "Housing, Health and Community Living for Persons with a Disability and Older Adults Living in Rural America."

CF and the Department of Transportation's Federal Highway Administration are working together to identify surface transportation infrastructure needs, such as roads and bridges, and to leverage program resources and innovation to repair and rebuild critical rural transportation infrastructure.

CF and the Department of Health and Human Service's Federal Office of Rural Health Policy are working together to support the sustainability of rural hospitals in RD's portfolio.

### Selected Examples of Recent Progress

USDA's motto "To do right and feed everyone" is embodied in a very special way by the FY 2018 Summer Meals campaign. The program ensures that students throughout rural America have healthy lunches during the summer months when school is not in session. Partnering with the Food and Nutrition Service, RD worked with property owners to host sites that provided more than 135,000 meals to children and teens from low-income families in 33 States. Hundreds of MFH properties and dozens of CF sites joined in this effort, which is administered by State agencies through schools, faith-based and community non-profits, and other local sponsors.

RHS supported outreach efforts in response to the devastating opioid crisis affecting rural America. Staff participated in roundtables, outreach meetings and conferences to ensure that communities across the Nation were aware of funding available through the CF direct grant program. As of September 2018, USDA invested $10.7 million in 85 projects in 22 States to support opioid prevention, treatment, and recovery opportunities in rural communities. Some project types receiving funding included health clinics, ambulances equipped with advanced life support supplies and equipment and police cars, Funds were also used to buy and renovate an office building for counseling and interviewing rooms and to purchase a mobile outreach unit to provide drug misuse treatment and recovery support to rural residents in throughout Atlantic County in New Jersey. In addition, Rural Development is now able to sell vacant, foreclosed homes at a discount to provide housing, treatment, job training and other key services for people in drug treatment and recovery.

### Program Evaluations

RHS, in conjunction with the RD Innovation Center, is looking at new ways to evaluate program data to ensure that program objectives are met, that intended populations are receiving the benefit, and that the agency is effectively implementing programs to meet these objectives.

## COMMUNITIES FACILITIES PROGRAMS

### Current Activities

CF issued 1,622 loan and grant instruments, including 557 direct loans, 49 guaranteed loans, and 1,016 grants, which funded 1,203 CF projects totaling $2.2 billion in obligations, serving 16.1 million residents. Ninety-two rural zip codes were served.

Funding highlights are noted are noted below. CF invested over $956 million in 184 rural healthcare facilities, serving 5.5 million rural Americans, or 9.45 percent of rural residents, with new or improved health care facilities, exceeding its goal of 6.80 percent for FY 2018. CF also invested over $188 million in 531 rural public safety facilities, serving 3.2 million rural Americans, or 5.52 percent of rural residents, exceeding its goal of 4.30 percent. In addition, CF invested approximately $506 million in 192 rural education facilities, serving approximately 4.9 million rural residents.

Over 1,000 grants totaling $46.5 million were approved, of which 38 percent of the funding supported fire, rescue, and public safety needs. Approximately, $176.6 million funded 49 loan guarantees, and 71 percent of the Direct Loan funding was utilized, providing 557 loans.

Grant provided include $24.8 million for 651 general program grants; $4.7 million for 22 RCDI Grants; $4 million for 31 Native American Tribal Grants; $1.5 million for 12 Technical Assistance grants; $4.4 million for 111 Persistent Poverty Area grants; $6.3 million for 178 Economic Impact Initiative grants; and $606,000 for 11 Rural Energy for America grants.

As of September 30, 2018, the CF portfolio consisted of 5,920 direct loans, with an unpaid principal balance of $8.2 billion; 580 guaranteed loans, with an unpaid principal balance of $1.1 billion; and 8,770 grants, with a balance of $504 million. An additional $5 billion in unliquidated CF direct loans, and $66 million in CF grants are pending closure.

### Specifically Addressed Areas

CF continues to facilitate and strengthen public private partnerships (P3) to increase rural America's access to capital for rural community infrastructure and to leverage resources and expertise to better manage credit risk. P3 efforts have brought together critical financial, project development, and technical expertise; resources; and innovation to improve rural community infrastructure. Partnerships have strengthened CF underwriting and oversight with an additional layer of review; reduced the agency's exposure to credit risk; provided a long-term collaborator for helping to service the portfolio; and helped protect the safety and soundness of the agency's portfolio. As a result, CF leveraged over $894 million from institutional investors and capital credit markets.

Loan delinquencies are a priority. CF direct loan program delinquent accounts greater than 1 year have decreased nearly 43 percent, while the guaranteed loan program delinquencies greater than 1 year decreased over 82 percent, since December 2008. Portfolio delinquencies greater than 1 year for the Guaranteed Loan Program have not changed since March 2018. Currently, 1.67 percent of direct loans are delinquent, and 1.38 percent of guaranteed loans are delinquent, which meets the agency's goal of less than a 2 percent delinquency rate.

Portfolio risk is also a priority. CF has several initiatives underway related to portfolio risk: 1) CF is working to tighten underwriting for the direct loan program because compliance with underwriting requirements are essential to a strong and healthy loan portfolio. In 2018, staff worked to educate the public about underwriting requirements and implemented a rigorous review of applications to ensure that all applications fully met these requirements; 2) CF is actively assessing risk for large hospital loans (> $10 million) in its portfolio. This assessment will include identifying trends related to the risk level of a loan; and 3) The agency is working to centralize the direct loan underwriting process to strengthen risk management and help maintain low delinquency rates.

Efficiencies are being realized. The combined CF Direct Program Regulation, 3570-A, will combine all separate CF processing regulations (1942-A, 1942-C and 3570-B) into one regulation, bringing the program in line with requirements to streamline program processes and introduce efficiencies where possible. It is expected to be published in the Federal Register by February 2019.

CF is expanding community outreach through its technical assistance and training (TAT) grant program. TAT was designed to address capacity challenges faced by small, low-income rural communities with limited resources. Work under this grant program is bringing together multiple jurisdictions and promoting collaboration among rural communities to together, build robust and stainable economies through strategic investment in infrastructure, partnerships and innovation.

Capacity development is essential. Rural community development initiative (RCDI) *g*rants were made available to 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 that will support their community. Applicants were: 1) required to provide matching funds in an amount at least equal to the Federal grant; 2) encouraged to submit applications supporting recommendations of the Rural Prosperity Task Force Report; and 3) to consider projects that provide measurable results in helping rural communities build robust and sustainable economies through strategic investments in infrastructure, partnerships, and innovations. Twenty-two grants were obligated for $4.67 million.

### Selected Examples of Recent Progress

In May 2018, RD made the first disbursement of $2.2 million in direct loan funding under the CF Re-Lending Provision to Building Hope. Through CF re-lending, funds are provided to community development financial institutions and other community lenders to re-lend for eligible community facilities projects primarily in rural, persistent-poverty counties and in high-poverty rural areas. Building Hope is a national nonprofit organization that helps build or renovate schools and facilities in underserved communities. Building Hope is one of 27 organizations in the re-lending program. Building Hope will re-lend the funds to the Kamalani Academy Public Charter School in Wahiawa, Hawaii. The loan will finance renovations for a 1960's-era building that houses approximately 311 students in grades K through 8.

In Wellsboro, PA, Harbor Counseling received a $130,600 loan and a $70,200 grant to renovate a facility that will be used for transitional housing for clients receiving substance misuse treatment. Harbor Counseling offers assessment, treatment and recovery for individuals and families dealing with substance misuse and mental health issues. It also provides community education and community support.

In Newport, AR, the White River Women's Shelter received a $150,000 grant to convert the former Jackson County Jail into a shelter for people recovering from opioid misuse. It has partnered with Families, Inc. to provide substance abuse counseling for all ages on an individual, couple, family and group basis. It will primarily serve residents in Jackson County.

In Ohio, the Monroe County Commissioners will utilize a $117,000 loan to purchase equipment to maintain 370 miles of rural roadways. The county will buy three trucks with snow plows, a backhoe, a tractor ditching head and a brush/tree chipper. This equipment will provide safer roads for the county's 14,642 residents.

### Program Evaluations

A recent review of loan and grant applications showed that standard procedures for processing CF applications at the state office levels need to be standardized to be more efficient, effective, and customer focused, and to strengthen program delivery. A comprehensive step-by-step CF direct loan processing guidance book was issued to state offices staff on September 13, 2018.

## RURAL HOUSING INSURANCE FUND

### Single Family Housing Direct Loan Program

***Current Activities***

RHS used all $1.1 billion of appropriated section 502 SFH direct loan program funding and obligated about $796,000 of funding available from carryover from prior years, financing 7,199 home loans in rural communities for residents unable to obtain credit elsewhere. This was RHS's highest obligation level since 2011, and the fourth straight year obligation totals have increased. Thirty-three percent of this funding, or about $361 million, was provided to very low-income families (families whose household income is less than 50 percent of the area median income).

As of September 30, 2018, the section 502 loan delinquency rate was 22.90 percent, a 1.26 percentage point improvement from the 24.16 percent reported delinquent as of September 30, 2017. In addition to improvements in the overall delinquency rate, 2018 was a record low for first year delinquencies -- the direct result of successful policy implementation.

***Specifically Addressed Areas***

A position description (PD) modernization effort accomplished the following: 1) developed standardized PDs for direct loan program loan specialists from entry to full performance level; and 2) developed a path for career ladder progression within the SFH functions. Current staffing and career development tools are essential to maintain an engaged and capable workforce.

The second year of the two-tier income limit pilot was successful and will continue in select states for all SFH programs in 2019. A proposed rule, which would make this pilot permanent, was published in the Federal Register for public comment in August 2018. The public comment period expired in October 2018, and a final rule will be drafted and published in 2019. Changes will give low-income families easier access to RD program services -- families whose household income is between 50 and 80 percent of the area median income.

As part of efforts to streamline work processes to become more effective, efficient, and customer focused, RHS began centralizing the SFH foreclosure processes under one RHS team. By August 31, 2018, interim private attorney contracts were issued for 11 States to support this effort.

RHS is modernizing the SFH loan programs to improve delivery and promote consistency by: 1) Revising the three-tier income structure of very low-, low- and moderate income into a two-tier income banding structure based on household sizes of 1-4 persons and 5-8 persons following a successful program pilot used to test the alternative methodology in 23 States; and 2) Changing its methodology for calculating annual income and down payments to exclude net family assets, the value of retirement accounts, cash value of insurance policies, college saving plans, health and medical savings or spending accounts.

USDA partnered with loan packagers to assist 1,363 very low- and low-income rural families achieve homeownership through the section 502 direct loan program. Twenty-one percent of the total funds obligated were packaged, an increase from the prior year, and the result of increased onsite trainings and outreach.

***Selected Examples of Recent Progress***

RHS Improved the USDA Income and Property Eligibility Site. This automated tool is used to determine preliminary eligibility for certain USDA loan programs. The site provides tools to assist users in the preliminary determination of income and property eligibility for loans under the guidelines for each specific RD loan program. In September 2018, this site was enhanced to allow for additional input criteria to produce a more accurate assessment of an applicant's preliminary eligibility based on a wider spectrum of unverified income, debt, and credit history data.

RHS increased homeownership opportunities on native lands through USDA's partnership with two Native Community Development Financial Institutions (NCDFIs) which have extensive experience working in Native American communities. USDA section 502 direct loan program funding was provided to these organizations for relending to eligible homebuyers for mortgages on South Dakota and some North Dakota Tribal trust lands. In addition, each NCDFI contributed $200,000 for mortgages toward the pilot program.

RHS expanded access to on-line homeownership education nationally by expanding access to additional on-line homeownership training from providers across the Nation to expand applicants' options and access to approved education providers. This training is required for all section 502 direct loan first-time homebuyer and is designed to prepare them for successful homeownership.

SFH expanded the number of housing nonprofits serving as intermediaries for the SFH direct loan program's certified loan application packaging process from 12 organizations at the beginning of 2018 to 14 organizations as of January 2019, improved communications with packaging partners through stakeholder meetings, established a direct loan applications packagers website, and created a loan packaging express newsletter.

The Electronic Customer File (ECF) system and the Direct-US Automated Underwriting Tool are expected to increase loan processing capabilities. ECF will store and manage applicant case files from receipt to loan closing and servicing, resulting in significantly less paper storage and the ability to process applications without geographical constraints. The Direct-US system, an automated loan underwriting tool, will improve application processing and program consistency. Both systems were fully implemented October 1, 2018.

***Program Evaluations***

Findings from a recent review of the section 502 direct loan program noted that improvements could be made to the loan quality review process for loans already underwritten, by expanding the quality reviews to include a sample of all loans, not just delinquent loans at state office level. New requirements were implemented September 19, 2018.

## Single Family Housing Guaranteed Loan Program

***Current Activities***

RHS provided over 115,000 guaranteed loans, totaling $17 billion in obligations. Of the total obligations, 86 percent of the obligations supported first-time homebuyers.

The year-end foreclosure rate was the lowest on record at 0.885 percent, meaning: 1) over one million homeowners are successfully staying in their homes, and 2) the program works as intended, providing credit-worthy applicants with an opportunity for homeownership through financing that would not be available on conventional lending terms. First year delinquency rates dropped to 2.179 percent, with 43 of 53 states and territories below the 2.5 percent first year delinquency goal.

***Specifically Addressed Areas***

A new and innovative construction-to-permanent loan product (single close) was rolled out to help private sector partners improve the housing infrastructure in rural America. There is a severe lack of affordable housing inventory, and the new single close process will benefit RHS's lending partners by improving their access to the capital markets and will help homebuilding partners by improving their liquidity. Most of all, low- and moderate-income residents of rural America will have better access to affordable financing, which can put them in a brand-new home, increasing their potential to build wealth and improve their quality of life.

In response to increasing state backlogs and loan processing times, SFH launched the guarantee loan program Auxiliary Processing Unit (APU). This unit helped state offices manage program demand using a centralized model. During 2018, the APU team processed over 7,500 obligations and over 11,000 closings. The APU enabled the agency to better meet customer needs, improve workflow turnaround times, and deliver the program more cost effectively.

***Selected Examples of Recent Progress***

Based on a Lean Six Sigma Task Force review, the agency is changing its process for the SFH guaranteed loss claim payments when a lender acquires title by way of a deed-in-lieu or foreclosure sale to allow for loss claims to be paid after acquisition and prior to marketing the property. These changes will eliminate the need for Real Estate Owned (REO) property disposition plans, different loss claim calculations based on whether the property has sold or remains in the lender's REO portfolio, and claim adjustments based on future recovery.

Changes will not affect borrowers, but will enable: 1) a faster claim resolution by elimination of the 9- and 12-month marketing periods, 2) a simplified claim submission due to elimination of the requirement to submit invoices, system notes, financial history, a listing agreement, closing disclosure and other information applicable to the marketing period; and elimination of the property disposition plan; and 3) the efficient disposition of REO properties due to the elimination of agency approval required for offers, repair bids or valuations.

RHS implemented Section 758 of the Consolidated Appropriations Act, 2018, which permits the collection of a guarantee underwriting user fee to support the automated guaranteed loan systems. Fee collections will be used to fund future information technology enhancements needed to improve program delivery and reduce burden to the public. System upgrades are underway, and collections are expected to begin in 2019.

### Single Family Housing Section 504 Repair Loans

#### *Current Activities*

RHS provided financing for 3,225 loans totaling $19.7 million. Assistance was used by very low-income rural families to make essential home repairs.

As of September 30, 2018, the section 504 loan delinquency rate was 12.96 percent, a 0.83 percentage point decrease from the 13.79 percent reported delinquent as of September 30, 2017.

#### *Specifically Addressed Areas*

Section 504 repair loan and grant program policies were changed to eliminate the burdensome, subjective household budget, replacing it with debt coverage ratios used by other loan programs. This action allowed for an efficient, consistent and objective loan and grant eligibility determination process. Unnecessary inspections and property visits for minor repairs were also eliminated. These changes reduced the paperwork burden for the public and the agency and will save over 43,000 staff hours annually.

#### *Selected Examples of Recent Progress*

The section 504 repair loans program achieved its highest obligation dollar level since 2011, a reflection of program improvements, such as changes to the eligibility determination process. Future programmatic enhancements are expected to continue this trend towards full use of the agency's annual appropriation.

### Multi-Family Housing Guaranteed Loan Program

#### *Current Activities*

With section 538 multi-family guarantees totaling $185.6 million, loan obligations reached their second highest level in program history in 2018. These guarantees were instrumental in leveraging approximately $653 million in public and private financing, which supported 132 construction and property rehabilitation projects.[3] The program does not require taxpayer subsidy to offset its credit costs.

New MFH construction helped address the well-documented need for affordable housing in rural America by financing the construction of 27 new apartment buildings with guarantees totaling $39 million. These affordable properties provided new homes to 1,308 very low-, low- and moderate-income seniors, individuals and families. In addition, the program assisted more than 5,250 families by supporting 105 preservation projects with almost $147 million to improve living conditions.

In 2018, the agency responded to customer requests to eliminate the annual application "windows" in the section 538 guaranteed loan program. RD took steps to eliminate the regulation requiring the publishing of an annual Notice of Funding Availability, a public notice which describes available program credit and the criteria that must be met to obtain it. In addition, RD published a 4-year Notice of Solicitation of Application (NOSA) on December 21, 2017, instead of the annual solicitation. The extended NOSA eliminates the annual application and provides customers with an interim solution to better align the various Tax Credit cycles across the country. The 4-year "open window" provides developers and lenders the time to put a deal together based on other funding cycles without an arbitrary RD application filing constraint. The 4-year NOSA will no longer be needed once the regulation requiring the publication of an annual Notice of Funding Availability is eliminated.

Interest rate modifications have reduced the annual debt payments of section 538 MFH guaranteed loan financed properties. Property owners can now use their annual savings to bolster capital reserves and improve the physical

[3] In total, through loan and grant obligations, including transfers and Housing Preservation Grants, of approximately $402 million, the MFH programs leveraged more than $1.0 billion in public and private financing in 2018.

condition of properties. To date, the agency agreed to 112 interest rate modifications, saving $1.6 million in debt service annually.

***Specifically Addressed Areas***

As part of its effort to increase program reach and impact, the section 538 MFH guaranteed loan program expanded lender participation by 7 percent, to 97 lenders as of September 30, 2018.

***Selected Examples of Recent Progress***

The MFH guaranteed loan program transitioned from a paper-intensive funding system to an electronic funding system. As of March 2018, all funding documents from the RD State Offices are processed electronically, reducing processing time for funding documents by two-to-four days.

Robust Stakeholder communications is key to meeting the needs of rural America. To strengthen customer focus and participation, RHS staff conducted three "Industry Stakeholder Forums." More than 60 representatives from various stakeholder groups participated. Discussions spanned a broad range of program experiences as the affordable housing marketplace reacted to tax reform, rising interest rates, and a more competitive climate for tax credits. Program staff also met with numerous stakeholder groups to discuss guidance and funding levels, as well as policy changes, such as the elimination of the annual NOSA regulation, and moving the low loan-to-cost ratio from 50-to-70 percent.

***Program Evaluations***

MFH launched demonstration programs to assess the feasibility of centralization strategies developed to strengthen loan guarantee application processing and direct loan underwriting. Select pilot states are continuing to test new procedures using performance metrics to evaluate the efficacy of process improvements and to quantify efficiency gains.

## Multi-Family Housing Direct Loan Program

***Current Activities***

The agency's commitment to housing affordability in rural communities is well evidenced by its direct MFH lending in FY 2018. The agency partnered with a wide variety of developers and lenders to preserve rental housing in towns and areas across rural America. In 2018, MFH approved the preservation and revitalization of more than 8,000 units in family and elderly projects, utilizing approximately $75 million in RD preservation fund, and helping to attract more than $500 million in external equity and debt capital investments for all MFH programs.[4] Work on these units has a tremendous impact on local economies by creating part-time and full-time jobs, increasing local property tax revenue, and stimulating local business growth. Partnerships with lenders, State Housing Finance Agencies, tax credit syndicators, developers and bond issuers that make these collaborative efforts possible have a great impact on rural communities.

On September 28, 2018, MFH issued an unnumbered letter that simplifies administrative requirements for financial institutions holding property reserve accounts, which are used for the payment of critical capital expenses. This guidance removed an administratively burdensome counter-signature requirement on checks issued from the lending institution to project owners. An RHS-approved reserve release may now be sent electronically to property accounts or via a paper check that does not require counter-signature. The new guidance also enhanced borrower flexibility by allowing increased use of Federal Deposit Insurance Corporation insurance to protect reserve funds, in lieu of collateralization.

RHS also improved MFH program policy guidance, closing Office of Inspector General (OIG) recommendations. In September 2018, RHS issued an unnumbered letter to clarify and simplify allowable project expense requirements. The guidance provides clear explanations of the expenses that may be charged to projects and those which should be paid from the management fee, as well as the rationale behind the determinations. It incorporates valuable industry feedback, addresses an OIG recommended management action, and improves stakeholders' ability to effectively and efficiently participate in RHS programs.

***Specifically Addressed Areas***

The section 515 rural rental housing program, which serves very low-, low- and moderate-income households, and the section 514 farm labor housing program, which provides housing for agricultural workers, were created in the

[4] In total, through loan and grant obligations, including transfers and Housing Preservation Grants, of approximately $402 million, the MFH programs were estimated to have leveraged more than $1.0 billion in public and private financing in 2018.

1960s. Today, there are more than 13,761 properties with 421,997 units in these direct lending portfolios. The majority of the properties were constructed between 1970 and 1995, with mortgage terms extending from 30-to-50 years. These mortgages are now maturing, and some borrowers are opting to prepay their loans, which would result in the properties leaving the program. To facilitate the transfer and preservation of these RRH properties, the agency solicited grant applications from non-profit organizations and public housing authorities. Under this maturing mortgages pilot program, four technical assistance providers were selected; each received a $250,000 grant. Grantees will provide legal and technical assistance to loan applicants to facilitate the acquisition of specific section 515 properties with maturing RD mortgages in areas at risk of losing affordable housing.

If USDA portfolio maturities result in a reduction in affordable housing, they could potentially create risk for both tenants with limited incomes served by the properties, as well as the rural communities in which the tenants reside. In a recent report on data controls, the Government Accountability Office noted that the agency was not well-positioned to preserve affordable housing, recommending additional data controls, expanded performance goals and measures, and improved tracking with respect to preservation goals. The agency will incorporate new preservation goals and objectives into Handbook updates. The guidance will specify publishing processing timelines and deadlines for both transfers and the MPR program. The agency will also improve internal tracking tools to monitor progress toward objectives and establish management routines to discuss and strategize around achievement of the goals, including an assessment of challenges and risks that may jeopardize achievement of performance and preservation objectives.

***Selected Examples of Recent Progress***

Partnering with stakeholders is essential to the success of RHS' programs. In 2018, MFH partnered with the Texas State RD Office and Enterprise Communities in support of their Texas Rural Rental Housing Preservation Academy initiative. The Academy was a series of no-cost training and peer-learning sessions, designed to help rural housing providers acquire and/or preserve USDA housing in their respective communities. These sessions were attended by property owners and organizations interested in Rental Assistance, as well as parties interested in acquiring RD properties and preserving housing affordability in rural communities. This effort is expected to increase the leveraging of RHS funding in preservation and revitalization projects and expand the pool of private investors interested in affordable housing.

In addition, the agency partnered with the Indiana Housing and Community Development Authority (IHCDA) to implement the Moving Forward-RD initiative, a strategic policy initiative launched by the IHCDA three years ago to develop affordable multi-family housing. The Moving Forward-RD strategy would preserve a minimum of 30 RD properties with the enhancement of the nine percent credits and IHCDA soft funds. To accomplish this task, IHCDA selected three developers who will commit to preserving at least 10 RD properties in one bond transaction.

The agency is also exploring partnership options with Fannie Mae and Freddie Mac under the "Duty to Serve" mandate to increase affordable housing in rural communities. The ultimate goal of these partnerships is to expand funding available for the preservation and revitalization of our affordable rural MFH rental homes.

The modernization of information technology systems is also important. In 2018, RD's Prepayment System (Pre-Trac) was migrated to a new RD web application in the Multi-Family Information System. Enhancements provide improved searching capabilities, data carryover, updated borrower and tenant letters, and the ability to store related documents in the Electronic Customer File. The system provides a consistent and transparent process to review requests from borrowers seeking to prepay outstanding RRH loans, and are estimated to decrease processing time by 30 percent, once users become familiar with the system.

## Farm Labor Housing Loans and Grants

***Current Activities***

RHS obligated $35.5 million in farm labor housing loans, and $17.2 million in farm labor housing grants. Of this funding, more than $30 million supported the construction of 12 farm labor housing projects, including 391 new rental homes for the individuals and families that work on farms feeding the United States.

***Specifically Addressed Areas***

RHS is emphasizes outreach. In 2018, MFH met with ranchers and farmers in Georgia, Louisiana, and West Virginia. The meetings generated multiple applications for new farm labor housing. New construction and revitalization activity is sorely needed in rural communities. The stimulus it provides local economies is reflected in job creation, increased tax revenue, and increased property values, and must be sustained through program outreach efforts.

MFH also issued guidance in accordance with the Consolidated Appropriations Act, 2018, which extends farm labor housing tenant eligibility to agricultural workers legally admitted to the United States and authorized to work in agriculture.

***Selected Examples of Recent Progress***

The Rural Housing Service received national acclaim in April 2018 when the Journal of Tax Credits showcased an RD property in California that opened in late 2017. The Knolls at Avenida in Atascadero is an innovative property, combining Federal Tax Credits, State Tax Credits, Renewable Energy Investment Tax Credits, as well as a USDA section 538 loan guarantee and a section 514 farm labor housing loan, to build 86 family-sized apartment units. The national recognition of USDA leadership in providing this housing for active and retired farm labor workers, as well as their families, increases awareness of the programs and the benefits of the investment opportunities the programs support.

## RENTAL ASSISTANCE (RA)

### Current Activities

To maintain section 515 rural rental housing and section 514 farm labor housing loan portfolios, MFH obligated over $1.3 billion in rental assistance. This rental subsidy maintains housing affordability for tenants, ensuring that rents do not exceed 30 percent of income. In addition to increasing household security, this assistance enables greater property and community stability in rural areas throughout the country. RA funding was utilized as follows: Elderly properties, 31.8 percent; family properties, 66.3 percent; farm labor housing, 1.7 percent; and new construction, 0.1 percent. Average income for residents in 2018 was $13,552. Income of tenants receiving rental assistance was more than 17 percent less, averaging $11,176.

### Specifically Addressed Areas

On September 19, 2018, MFH issued guidance permitting states to reallocate rental assistance from properties that exited the RA program via natural maturity or prepayment during 2017 and 2018. Through the reallocation of 2,946 units of rental assistance throughout the country, the program is better able to support both rent-overburdened tenants, and projects in need of additional RA, to meet market demand and achieve long-term sustainability.

### Selected Examples of Recent Progress

RD initiated a Lean Six Sigma review of the MFH Borrower Annual Reports, which serve as a financial management update and budget forecast for the upcoming year and anticipate property revenue and expenses. These reports are frequently submitted with inaccurate information or omissions, causing delays in report reviews by MFH staff and subsequent approval. A newly implemented processing approach will enable a streamlined, consistent review process for all proposed budgets and annual financial report submissions, reducing the time required to approve Housing Project Budget Reports to 30 days, and the time required to review Annual Financial Reports to 60 days.

### Program Evaluations

MFH engaged with HUD’s Real Estate Assessment Center leadership to explore program alignment opportunities. The agency has committed to launching a feasibility analysis in FY 2019 to study ways to align physical and financial reporting protocols.

## HOUSING VOUCHERS

### Current Activities

MFH obligated $26.7 million, providing housing vouchers to 6,352 low- and very low-income households in section 515 projects that were either foreclosed or that prepaid their mortgages and have left the USDA’s rural rental housing program. Projects that exit from the program result in the loss of rental assistance for very low- and low-income tenants, and vouchers provide an affordable means for residents to remain in place or seek out other rental housing opportunities in the community.

Full-year funding of $26.7 million was fully utilized, providing 251,260 vouchers, or approximately $350 per month per household served.

### Specifically Addressed Areas

Managing program demand is essential. The voucher program continues growing at a significant rate, as new recipients from prepaying section 515 properties are added, and long-term recipients continue to receive vouchers. The program is focusing on efforts to effectively forecast, track, and manage increasing program demand.

### Selected Examples of Recent Progress

The RD Voucher Program data management system, now in its second year of operation, has eliminated some duplicative voucher processes, and given RD field staff greater access to voucher data. In addition, RD began working with the Social Security Administration and HUD to access data that would enable the program to verify incomes of individuals participating in the section 521 Rental Assistance and section 542 Voucher Programs. Congress supported income verification in the 2018 Appropriations Bill.

MFH finalized the data that will be made publicly available on properties at risk of leaving the MFH portfolio due to mortgage prepayment. This data will include property names, addresses, number of units, tax credit investment, and much more. Improved data transparency may help connect current property owners seeking to exit the program and organizations or investors interested in purchasing and preserving properties. The agency will track the retention of affordable properties attributable to this expanded information access, so that data presentation can be continuously improved to meet program objectives.

## MULTI-FAMILY HOUSING REVITALIZATION PROGRAM

### Current Activities

The multi-family housing revitalization activities are being transferred and merged into other accounts in 2020.

### Specifically Addressed Areas

Program efficiency is essential in a time of tightening budgets and increasing need. Rental assistance and voucher funding help tenants meet their monthly rent payments. Both programs are combined under the rental assistance programs to gain program efficiencies and provide flexibilities to meet programmatic needs.

## RURAL HOUSING ASSISTANCE GRANTS

### Current Activities

RHS financed 4,588 grants totaling $28.2 million. Assistance was used by very low-income rural families to make essential home repairs

The housing preservation grants program funded 141 of the 170 applications received in 2018. RHS awarded well over $10 million in grants, projected to help over 1,800 low- and very low-income rural residents make needed repairs to their homes and/or rental units.

### Specifically Addressed Areas

Section 504 repair loan and grant program policies were changed to eliminate the burdensome, subjective household budget, replacing it with debt coverage ratios used by other loan programs. This action allowed for an efficient, consistent and objective loan and grant eligibility determination process. Unnecessary inspections and property visits for minor repairs were also eliminated. These changes reduced the paperwork burden for the public and the agency and will save over 43,000 staff hours annually.

### Selected Examples of Recent Progress

The section 504 repair grant program is being used in conjunction with repair loans to a greater degree. Through program improvements, this trend is expected to continue. An objective determination for grant and loan eligibility for very-low income applicants working with nonprofit packagers is also expected to serve additional hard to reach rural communities.

## MUTUAL AND SELF-HELP HOUSING PROGRAM

### Current Activities

For the section 523 mutual and self-help grant program, RHS obligated $28.7 million in regular funds, including $2.2 million in persistent poverty funds. In addition, grantees partnered with RHS to provide homeownership to 815 families through the section 502 self-help program. This program allows very low- and low-income rural Americans to use “sweat equity” to reduce the costs of homeownership, and represented $147 million, or 13 percent, of total 502 direct loan program obligations in 2018.

### Specifically Addressed Areas

Implemented a new quality review program which requires states to audit loan documentation for 20 percent of all section 502 direct loan underwritten for the self-help program.

Mutual and Self-Help applications at the state office level need to be standardized to be more efficient, effective, and customer focused, and to strengthen program delivery. A comprehensive step-by-step mutual and self-help application processing guidance book will be issued in March 2019.

**Selected Examples of Recent Progress**

RHS issued multi-year contracts with the technical and management assistance providers overseeing grantees assisting very low-income residents interested in building their own homes. These contracts will provide services up to 5 years. Renewed interest in self-help rehabilitation program helped spur investment in persistent poverty areas in 2018, rehabilitating homes for low- and very low-income residents.

## *AGENCY-WIDE PERFORMANCE*

### SUMMARY OF 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 has two Key Performance Indicators (KPIs) within the Department's Strategic Plan Goal 4, Facilitate Rural Prosperity and Economic Development. The following table summarizes the results for the Departmental KPIs for which RHS is responsible.

***Table RHS-50. KPI-Health and Safety Facilities***

| KPI | 2017 Actual | 2018 Actual | 2018 Target | 2018 Result | 2019 Target | 2020 Target |
|---|---|---|---|---|---|---|
| Health Facilities: Percent of customers who are provided access to new and/or improved essential community facilities | 6.4 | 9.4 | 6.8 | Exceeded | 6.8 | 6.8 |
| Safety Facilities: Percent of customers who are provided access to new and/or improved essential community facilities | 14.92 | 5.52 | 4.5 | Exceeded | N/A | N/A |

- The Safety Facilities performance measure will not be a Departmental Key Performance Indicator in 2019.

### SELECTED PAST ACCOMPLISHMENTS TOWARD THE ACHIEVEMENT OF THE KPI OUTCOMES

RHS exceeded the agency's expected targets because of persistent outreach to community stakeholders to ensure they understood the Department's programs, which resulted in leveraging RD and stakeholder resources for greater impact.

In order to bring economic prosperity to rural America, the Community Facilities Program (CF) prioritized its work in three key areas: infrastructure, partnership, and innovation.

In FY 2018, CF invested more than $2.2 billion in loan and grant funding for essential community infrastructure, supporting more than 16 million rural residents. To help address the substance use disorder and opioid crisis in rural America, CF partnered with 22 States and invested $10.7 million in 85 projects to specifically support prevention, treatment and recovery opportunities. CF invested over $956 million in 184 rural healthcare facilities serving over 5.5 million rural Americans.

RHS also focused on strengthening underwriting requirements, enhanced risk assessment processes, and program compliance to ensure strong portfolio health by managing risk.

RHS also continued to support public private partnerships, investing $1,650 billion in direct loan funds, leveraged with $894 million from the capital credit markets and institutional investors for 127 projects in 38 States.

### SELECTED ACCOMPLISHMENTS EXPECTED AT THE 2020 PROPOSED RESOURCE LEVEL

RHS will continue to promote collaboration and develop community partnerships to foster economic prosperity in rural communities through strategic investments in infrastructure, partnership, and innovation.

CF will make strategic investments in rural transportation infrastructure such as roads, bridges, inland waterways, airports, and intermodal terminals to help increase the competitiveness of rural communities to attract and retain businesses and industries that provide employment and services for their residents. CF will also invest in other community infrastructure to support the work force and build rural prosperity.

CF will continue outreach efforts to attract institutional investors and the capital credit markets that are interested in long term investment opportunities in rural community infrastructure, which will improve rural America's access to capital and leverage agency resources to better manage credit risk. RHS will also continue to closely monitor loan delinquencies and act proactively to mitigate account issues and strengthen the portfolio.

CF will continue and expand investments that support substance use disorder prevention, treatment, and recovery opportunities including mental healthcare facilities, critical care clinics, hospitals, and transitional housing facilities to aid rural communities struggling with substance use disorders and opioid misuse. The opioid crisis disproportionately affects rural communities in part due to the lack of outreach and treatment resources available in rural and remote areas.