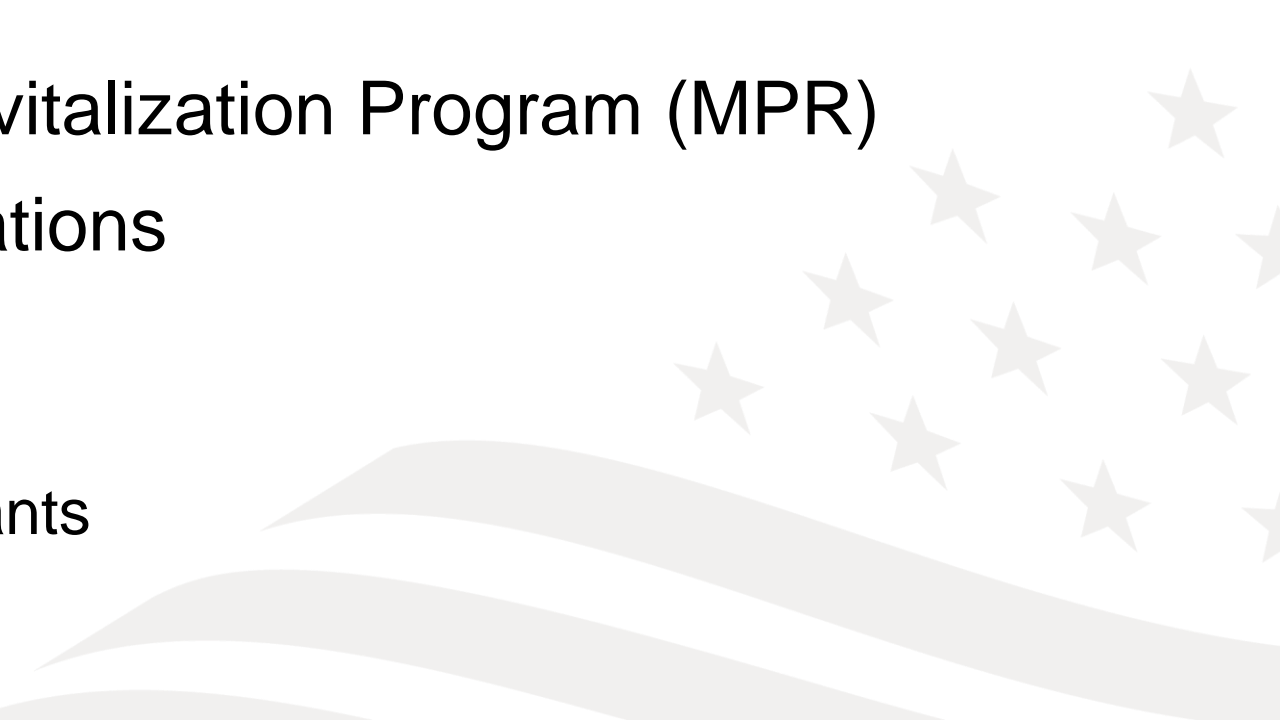




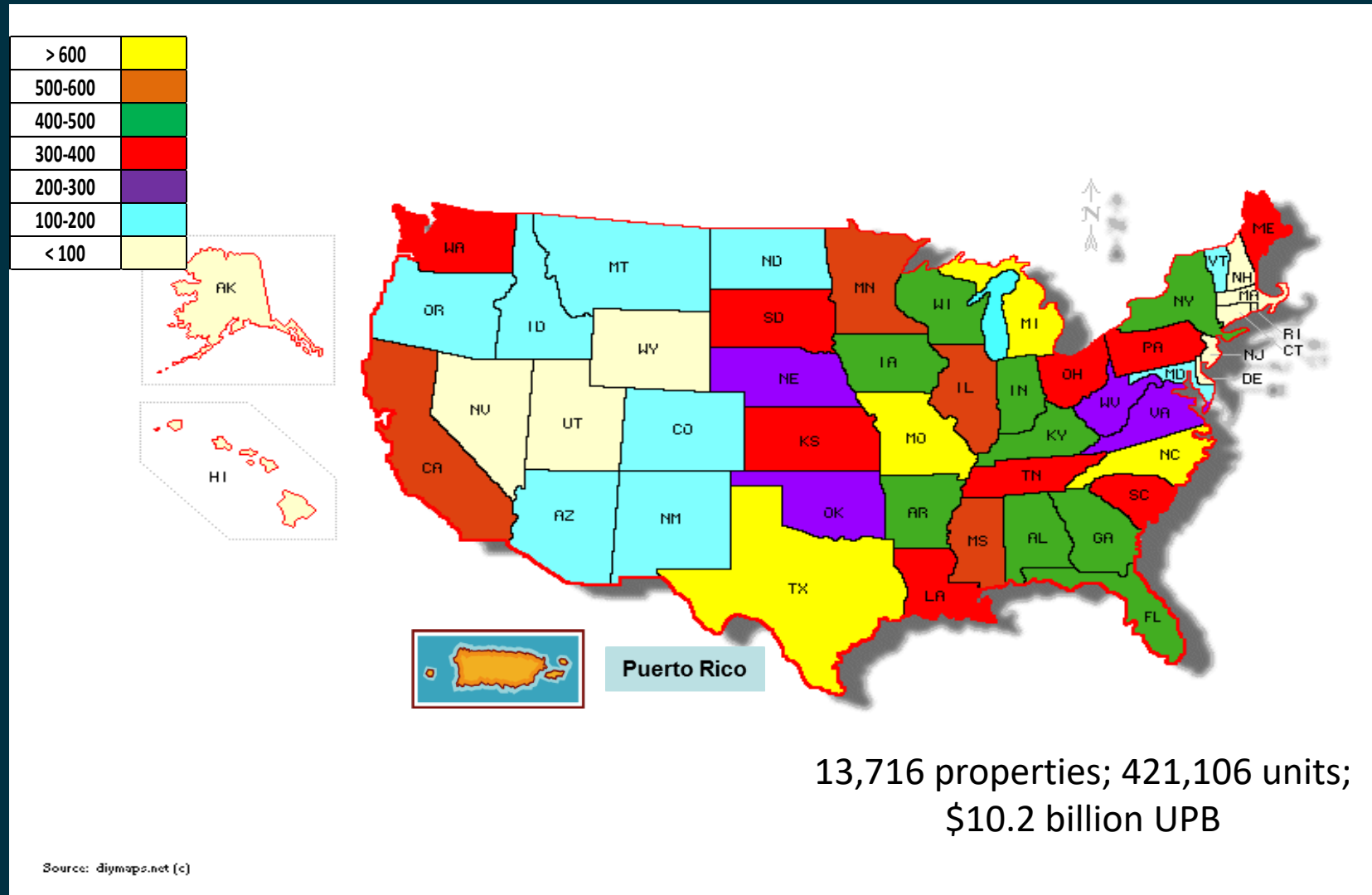
NCSHA June 2019

Financing Development in Rural and Native American Areas

Topics to Share Today

- Snapshot of Farm Labor Housing and Rural Rental Housing Portfolios
 - Section 538 Program
 - Multifamily Preservation and Revitalization Program (MPR)
 - Section 538 and MPR Centralizations
 - Funding Availability
 - Housing Preservation Grants
 - Farm Labor Housing Loans and Grants
- 
- A decorative background on the right side of the slide featuring a pattern of light gray stars of varying sizes and wavy, horizontal lines in shades of gray, resembling a stylized American flag.

Section 515 Rural Rental Housing (RRH) and Section 514 Farm Labor Housing (FLH) Properties



Section 515 RRH and Section 514 FLH Properties, Units, Assistance and Performance

Number of Properties	13,716 Total
RRH/FLH	13,182 / 534
Number of Units	421,106 Total
RRH / FLH	404,102 / 17,004
Number of Units with Rental Assistance	281,390 Total
RRH / FLH	269,585 / 11,805
Delinquency Rate	1.9% Overall
RRH / FLH	1.8% / 4.1%
Foreclosure Pipeline	48 Properties: 1,000 Units and \$41,000,000 UPB
RRH / FLH	47 / 1

Preservation Tool

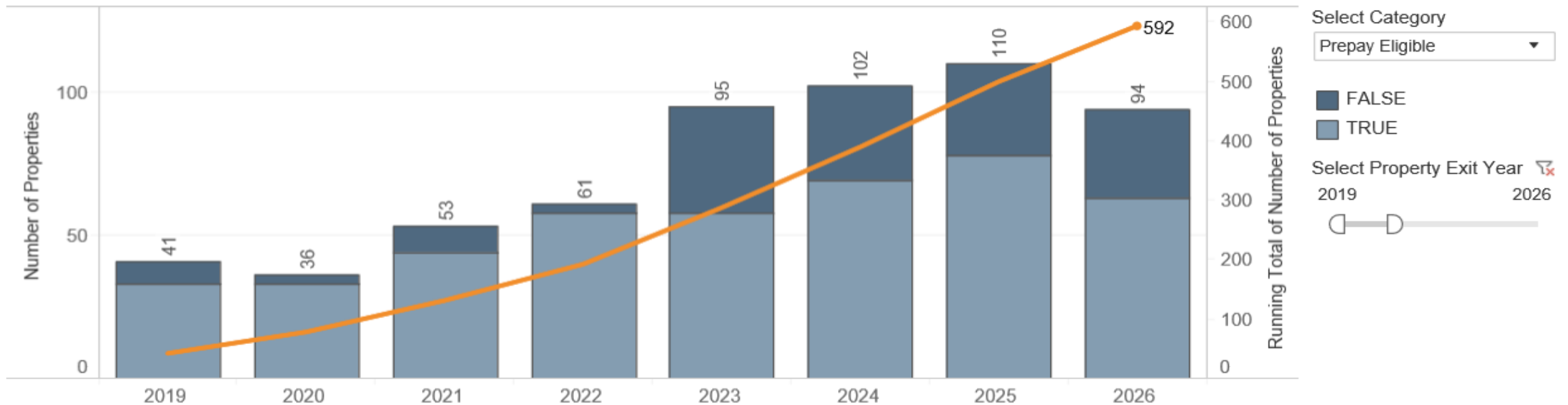
<https://www.rd.usda.gov/programs-services/multi-family-housing-direct-loans>

Overview | Property Exit | State Report | Prepay Eligible | Geographic Distribution | User Guide | Data Dictionary

Muti-Family Housing Property Exit Dates



Property Exit Dates - *Click on bar chart to filter property details below*

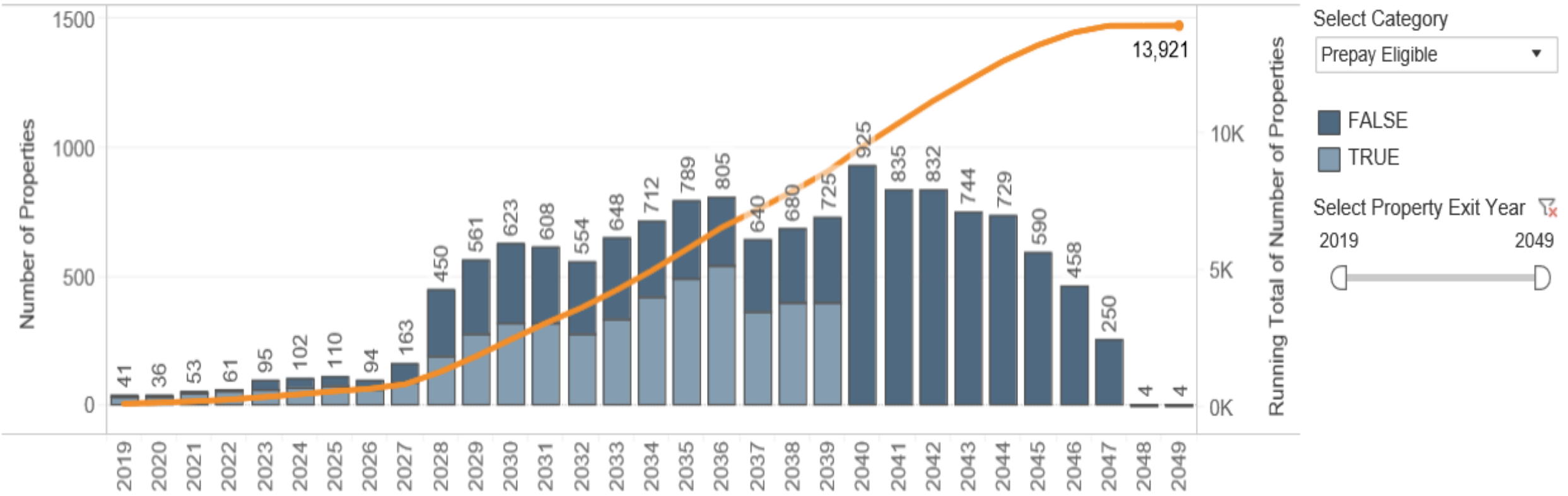


Property Details - *Click on borrower name to filter loan details below*

Preservation Tool

<https://www.rd.usda.gov/programs-services/multi-family-housing-direct-loans>

Property Exit Dates - *Click on bar chart to filter property details below*



Property Details - *Click on borrower name to filter loan details below*

Multi-Family Preservation & Revitalization Program (MPR):

- MPR program is available to existing 515 and 514/516 properties
- Funds cannot be used to build new units, community rooms, add additional parking areas, playgrounds, laundry rooms or offices
- One exception is if they are needed to meet accessibility requirements
- No additional RA is available for this program
- No tenants will be displaced from any proposed rent increase
- All selected properties are required to execute a new Restrictive Use Provision (RUP)
- Selected properties can receive 1 or more available MPR tools
- RD determines what tools are offered based on available funds, impact on tenants and physical needs of the property
- Transfers can allow a seller's equity payment and/or an increased Return to Owner

Multi-Family Preservation & Revitalization Program (MPR):

- Funding tools include:
 - Deferral of Existing Agency debt for up to 20 years
 - Terms & conditions listed in the MPR Debt Deferral Agreement
 - Balloon payment due at the end of deferral period
 - 0% Loan
 - 30 year term, 50 year amortization (33 years for FLH)
 - Requires monthly debt service
 - 1% Deferral
 - Deferred for the longest loan on the property, typically 30 years
 - 1% Interest
 - Grants
 - Available to Non-profit entities to cover Health & Safety items identified in CNA

MPR Program

- Used in the preservation of existing MFH Properties
 - Year-to-Date FY 2019 – 69 properties preserved, assisting 2,123 households, 1,400 with RA
 - Funding included:
 - ✓ \$ 40 million in MPR 0% and Soft second loan funds
 - ✓ \$ 25 million in Section 515 loan funds
 - ✓ \$ 16 million in Section 538 loan guarantees
 - ✓ \$ 10 million in 3rd party loan funds
 - ✓ \$ 2 million in Borrower contributions
 - ✓ \$ 38 million in LIHTC (9%, 4%, State, Historic)
- 

MPR Program

- In FY 2018 – 133 properties preserved, assisting 4,861 households, 3,135 with RA

Funding included:

- \$ 49 million in MPR 0% and Soft second loan funds
 - \$ 24.5 million in Section 515 loan funds
 - \$ 76.8 million in Section 538 loan guarantees
 - \$ 10 million in 3rd party loan funds
 - \$ 7 million in Borrower contributions
 - \$ 127 million in LIHTC (9%, 4%, State, Historic)
- In FY 2017 – 81 properties preserved, assisting 2,554 households

Funding included:

- \$ 34 million in MPR 0% and Soft second loan funds
- \$ 18.5 million in Section 515 loan funds
- \$ 30 million in Section 538 loan guarantees
- \$ 6.5 million in 3rd party loan funds
- \$ 2.5 million in Borrower contributions
- \$ 35 million in LIHTC (9%, 4%, State, Historic)

Moving Forward RD - The Indiana Initiative

- Partnering with Indiana Housing & Community Development Authority (IHCDA):
 - ✓ 3 Developers selected to participate
 - ✓ Preserving approximately 43 properties in Indiana
 - ✓ Each developer eligible to receive a combined amount of:
 - Up to approximately 10% of the 2019 credit cap
 - \$1 million soft loan from local rural development trust fund
 - Up to \$25 million in multifamily bonds and
 - Approximately \$10 million in 4% credits
 - ✓ Applications are being put together
 - ✓ Anticipate receipt of complete applications by October 18, 2019
 - ✓ Underwriting and Approval to be accomplished by December 31, 2019

Section 538 Guaranteed Rural Rental Housing Program

- <https://www.rd.usda.gov/publications/regulations-guidelines>

The purpose of the Section 538 Guaranteed Rural Rental Housing Program is to increase the supply of affordable rural rental housing and to ensure that housing is affordable, safe sanitary and competitive in the market for rural residents.

Section 538 History:

Statutory Authority: Title V, Section 538 of the Housing Act of 1949; 42 U.S.C. 1490



1996 – Program Began as a Demonstration Program

July 22, 1998 - Published in the Federal Register as interim final rule.

July 16, 1999 - The final rule was effective 7 CFR Part 3565

2001 -2005 only a hand full of loans annually

2006 – first 3 Bond deals Closed

2009 – first 4 section 515 transfers w/section 538 Close

2009 – Program loses it's Interest Credit

2010 – 2015 Program demand at all-time high

2016 – Program reaches **1 Billion in closed Loans!**

2016- Obligated over \$186 million

538 Program Overview



- USDA guarantees loans made by private, USDA approved lenders, in eligible rural areas (up to 90% of the loan is guaranteed)
- 3 Types of Loan Guarantee Products – Option 1 = perm only; Option 2 = construction/perm; Option 3 = continuous guarantee
- Eligible rural areas - <http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>
- No loan size restriction or cap; loan terms minimum 25 years, up to 40 year amortization
- Interest rate is negotiated between the lender and borrower
- Restrictive use required for the original term of the loan guarantee
- USDA's lien must be first position
- USDA Fees: initial guarantee fee = 1% of the guaranteed portion of the loan; 0.50% annual fee based on principal balance of loan
- Rent capped at 30% of 115% of AMI
- At initial occupancy, tenant income must not exceed 115% of AMI

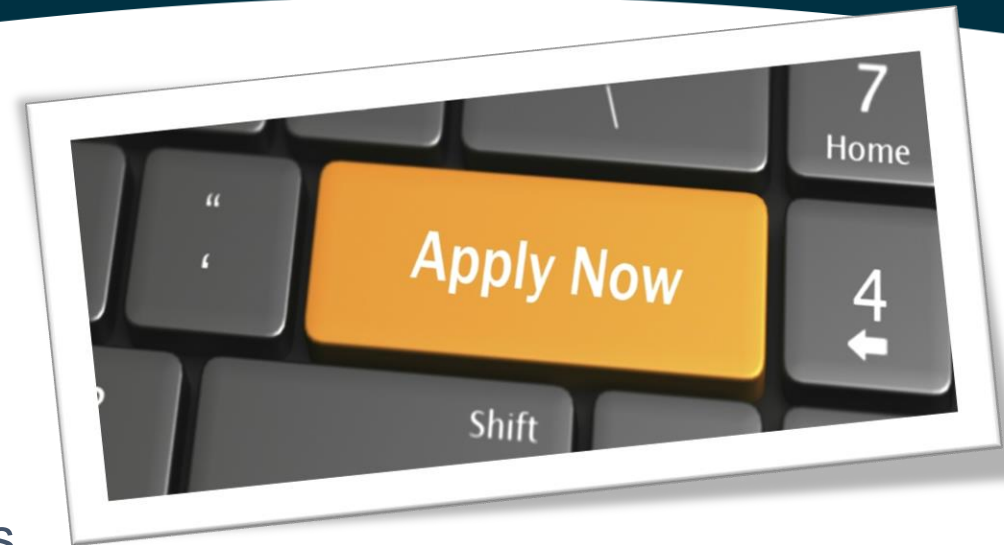
Types of Loans Guaranteed

- 👉 New construction
- 👉 Acquisition with Rehabilitation
- 👉 Rehabilitation

Section 538 Guaranteed Funding

Availability of Guaranteed Funding

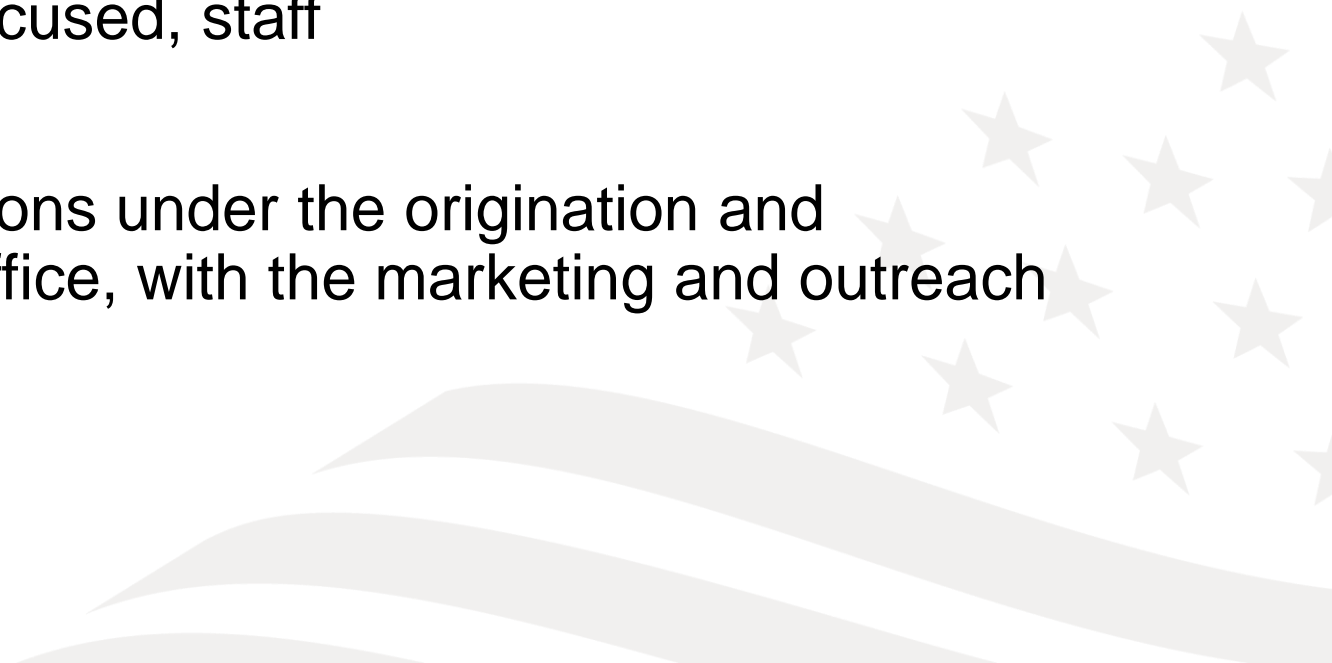
- Historic annual authority averaged \$150 million
- FY 2018 Obligated \$185.6 million
- Program is Budget Neutral- Authority vs. Appropriations
- FY 2019 Authority level at \$230 million
- Negative Subsidy Rate – no cost to operate the program
- **Program is Lender Driven**



Other MFH Programs:

- **FY 2019 Section 514 Farm Labor Housing (FLH) NOSA:**
 - To be published soon
 - Applications accepted through August 30, 2019
 - Funding amount to be determined
 - Changes from last NOSA:
 - Environmental to be completed prior to obligation of funds
- **FY 2019 Housing Preservation Grant (HPG) NOSA:**
 - Published in Federal Register May 24, 2019
 - Applications accepted through July 8, 2019
 - \$15.8 million funding allocation
 - Changes from last NOSA:
 - Section 515 rental properties now eligible for assistance
 - Agency encouraging applications to support Administration's goal to reduce the morbidity and mortality associated with Substance Use Disorder in high-risk rural communities
- **Non-Profit Technical Assistance:**
 - 31 applications pending representing 73 total properties serving 723 households

Guaranteed and Direct Loan Centralizations

- Centralizations launched in November 2018.
 - To test and measure how centralization can improve processing times and quality using fewer, but singularly focused, staff
 - Both centralizations move the functions under the origination and underwriting pillar to the National Office, with the marketing and outreach pillar remaining in the State Offices
- 

Guaranteed and Direct Loan Centralizations

- Both centralizations have demonstrated reductions in processing timeframes with fewer staff resources
- Both have revealed places where program integrity needs improvement
- Both have resulted in ways to further improve organizational efficiencies
- Next steps will be expansion to additional states and nationwide to implement the 4 pillar model

Asks for Audience

- HPG and FLH NOSA's: spreading the word and expanding applicant base
- 504 Compliance: spreading the word on new enforcement direction
- Rental Housing Working Group with HUD, IRS, HFA's: support our alignment efforts to leverage common resources and reduce duplication of effort
- Low Income Housing Tax Credits: support our efforts to make RRH a more attractive investment for these equity resources



Rural Development

U.S. DEPARTMENT OF AGRICULTURE