

DEPARTMENT OF AGRICULTURE

Rural Housing Service

Notice of Availability of Funding and Requests for Proposals for Guaranteed Loans Under the Section 538 Guaranteed Rural Rental Housing Program

AGENCY: Rural Housing Service, USDA.
ACTION: Notice.

SUMMARY: This Notice of Fund Availability (NOFA or Notice) announces the timeframe to submit proposals in the form of "NOFA responses" for the section 538 Guaranteed Rural Rental Housing Program (GRRHP). Eligible lenders are invited to submit NOFA proposals for the development of affordable rental housing to serve rural America. Lenders may submit their application concurrently with their NOFA response. This document also describes the overall application process, including the selection of NOFA responses and the allocation of interest credits.

DATES: The deadline for receipt of NOFA responses is to be 4:00 PM, Eastern Daylight Savings Time, 90 days from the date of publication in the **Federal Register** or 4:00 PM, Eastern Daylight Savings Time on August 31, 1999, whichever time comes first. Lenders intending to mail a NOFA response must provide sufficient time to permit delivery on or before the closing deadline date and time. Acceptance by a post office or private mailer does not constitute delivery. Facsimile (FAX), Cash on Delivery (COD), and postage due NOFA responses or applications will not be accepted. No NOFA responses will be accepted after the deadlines previously mentioned, unless that date and time is extended by another Notice published in the **Federal Register**.

ADDRESSES: Responses for participation in the program must be identified as "Section 538 Guaranteed Rural Rental Housing Program" on the envelope and be submitted to: Director, Multi-Family Housing Processing Division, Rural Housing Service, US Department of Agriculture, Room 1263 (STOP 0781), 1400 Independence Ave. SW, Washington, DC 20250-0781.

FOR FURTHER INFORMATION CONTACT: Carl W. Wagner, Deputy Director, Guaranteed Loans, Multi-Family Housing Processing Division, U. S. Department of Agriculture, South Agriculture Building, Room 1223 (STOP 0781), 1400 Independence Ave. SW, Washington, DC 20250-0781, Telephone: (202) 720-1604. This

number is not toll-free. Hearing or speech impaired persons may access that number by calling the Federal Information Relay Service toll-free at (800) 877-8339.

SUPPLEMENTARY INFORMATION: On March 28, 1996, President Clinton signed the "Housing Opportunity Program Extension Act of 1996," Public Law 104-120, authorizing the section 538 Guaranteed Rural Rental Housing Program (GRRHP). The program is intended to provide rural America with affordable housing through the use of loan guarantees and partnering with other housing programs, including state and local housing finance agencies and bond issuers.

The Rural Housing Service (RHS) is concurrently publishing regulations governing the program as a final rule in the **Federal Register**. Those regulations set forth RHS policies and requirements for the program including: lender and borrower requirements, loan and property requirements and restrictions, purposes for and uses of guaranteed funds, processing requirements, project management and servicing requirements, and policies and mandated procedures on assignments, conveyances and claims. Interested applicants should carefully review the regulation and the Guaranteed Rural Rental Housing Program Origination and Servicing Handbook for program origination and servicing procedures and the application package. The Handbook (HB-1-3565) can be found on the internet at <http://rdinit.usda.gov/regs>. As a service to our customers, copies of the interim and final rule may also be obtained from the RHS Multi-Family Housing Processing Division at 202-720-1604. This is not a toll-free number. Hearing- or speech-impaired persons may access that number by calling the Federal Information Relay Service toll-free at (800) 877-8339.

Discussion of Notice*I. Purpose and Program Summary*

The program has been designed to increase the supply of affordable multifamily housing through partnerships between RHS and major lending sources, as well as State and local housing finance agencies and bond issuers. Qualified lenders will be authorized to originate, underwrite, and close loans for multifamily housing projects requiring new construction or acquisition with rehabilitation of at least \$15,000 per unit. RHS may guarantee such loans upon presentation and review of appropriate certifications, project information and satisfactory completion of the appropriate level of

environmental review by RHS. Lenders will be responsible for the full range of loan management, servicing, and property disposition activities associated with these projects. The lender will be expected to provide servicing or contract for servicing of each loan it underwrites. In turn, RHS will guarantee the lender's loan up to 90 percent of total development cost and commits to pay up to a maximum of 90 percent of the outstanding principal and interest balance of such loan in the case of default of the loan and filing of a claim. In no event will the Agency pay more than 90 percent of the original principal amount. This means that the Agency will have a risk exposure under the GRRHP of approximately 80 percent of the total development cost. Any losses would be split on a pro-rata basis between the lender and the Agency from the first dollar lost.

II. Allocation

In Fiscal Year (FY) 1999, budget authority will provide approximately \$74 million in program dollars. All FY 1999 funds will be held in the National Office. There are no set-asides or demonstration purposes for the GRRHP for FY 1999.

III. Application Process

For FY 1999, there is limited time between the publication of the NOFA and the deadline for receipt of applications in time for making conditional commitments for guaranteed loans. Eligible lenders are encouraged to submit NOFA responses prior to deadline, as applications will be reviewed as they are received. Lenders are required to submit their NOFA response by 4:00 PM, Eastern Daylight Savings Time, 90 days from the date of publication in the **Federal Register** or 4:00 PM, Eastern Daylight Savings Time on August 31, 1999, whichever time comes first. In the interest of time, lenders have the option of submitting a combined NOFA response and application. However, the Agency will not give preference to a submission with both the NOFA response and application. Upon notice of selection, lenders with the top ranked NOFA responses will be requested to submit the required application fee of \$2,500.00 and full application if not already submitted. When the conditions of the conditional commitment are met, the lender will submit the required information with a separate guarantee fee of 1% of the total guarantee amount.

IV. Submission Requirements

All NOFA responses for the GRRHP must meet the requirements of 7

CFR part 3565 and this NOFA. Incomplete submissions will not be reviewed and will be returned to the lender. Lenders are encouraged, but not required, to include a checklist and to have their applications indexed and tabbed to facilitate the review process. RHS will base its determination of completeness of the application and the eligibility of each lender on the information provided in the application.

V. Selection Criteria

A. NOFA proposals will be reviewed as received. In the event that demand exceeds available funds, priorities will be assigned to eligible proposals on the basis of the following criteria as described in 7 CFR 3565.5(b), and points will be assigned as follows:

(1) Projects located in rural communities with the smallest population will receive priority. All proposals will be ranked in order of their population. The proposals will be given a point score starting with the project located in the area with the lowest population receiving 20 points, the next 19 points and so forth, until up to 20 projects have received points.

(2) The most needy communities as determined by the median income from the most recently available census data. The proposals will be given a point score starting with the community having the lowest median income receiving 20 points, the next 19 points and so forth until up to 20 proposals have received points.

(3) Partnering and leveraging in order to develop the maximum number of housing units and promote partnerships with state and local communities, including other partners with similar housing goals. Leveraging points will be awarded as follows:

Loan to value ratio (percentage %)	Points
75-84	10
70-74	15
69 or less	20

(4) Loans with interest rates less than the maximum allowable 250 basis points over the 30 Year Treasury Rate will be awarded points as follows:

Interest rate	Points
250 to 199 basis points, inclusive	0
200 to 151 basis points, inclusive	5
150 to 100 basis points, inclusive	10
99 to 50 basis points, inclusive	15
Less than 50 basis points	20

(5) Preference will be given to proposals having a higher percent of 3-5 bedroom units to total units. The

proposals will be ranked in order of this percent with the proposal with the highest percent receiving 20 points, the next 19 points and so forth until up to 20 projects have received points.

(6) Proposals to be developed in a colonia, on tribal land, in an Empowerment Zone or Enterprise Community, or in a place identified in the State consolidated plan or State needs assessment as a high need community for multifamily housing (20 points).

(7) The Agency will award points or rank projects that meet the FY 1999 Guaranteed Rural Rental Housing goals of creating affordable housing and assuring that the most cost effective financing packages are selected for further processing. The statute requires that the property remain in affordable housing for the period of the original term of the guaranteed loan and each loan may be accordingly amortized for a period of up to 40 years without a balloon payment. Therefore, a longer amortization period affords a longer commitment to affordable housing and the creation of more affordable rents.

Projects will be ranked by the length of the amortization period, with the longest receiving priority as follows:

Amortization (yrs.)	Points
40	20
at least 35	15
at least 30	10
at least 20	5
less than 20	0

B. Assistance can include both loan guarantees and interest credits. For at least 20 percent of the loans made under the program, RHS shall provide the borrower with interest credits to reduce the interest rate of the loan by a maximum of 250 basis points. However, in no instance will the lender's interest rate be reduced to lower than the applicable Federal Rate as such term is used in section 42(I)(2)(D) of the Internal Revenue Code of 1986.

RHS will provide interest credit on loans up to \$1.5 million. Lenders with proposals that could be viable with or without interest credits are encouraged to submit a NOFA response reflecting financial and market feasibility under both funding options. A request in the NOFA response to be considered under both options will not affect the rating of the response for Interest Credit selection. However, once the interest credit funds are exhausted, only those NOFA responses requesting consideration under both funding options or the Non-Interest Credit option will be further considered.

NOFA responses requesting to receive interest credit will be ranked and scored separately using the same selection criteria for non-interest credit proposals. In the event of ties, selection between proposals will be by lot.

VI. Additional Information

A. Regulations

NOFA responses are subject to the regulatory provisions of the Final Rule entitled "Guaranteed Rural Rental Housing Program," which is being published simultaneously in the **Federal Register**.

B. Surcharges for Guarantee of Construction Advances

There is no surcharge for guarantee of construction advances for FY 1999.

C. Maximum Interest Rate

The maximum allowable interest rate on a loan submitted for a guarantee is 250 basis points over the 30-year Treasury Bond Rate as published in the Wall Street Journal as of the business day previous to the business day the rate is set.

D. Lender Application Fee

There is no lender application fee for lender approval in FY 1999.

E. Program Fees for FY 1999

(1) There is an initial guarantee fee of 1% of the total guarantee amount which will be due at closing of the permanent loan. For purposes of calculating this fee, the guarantee amount is the product of the percentage of the guarantee times the initial principal amount of the guaranteed loan.

(2) There is an annual renewal fee of 0.5% of the guaranteed outstanding principal balance charged each year or portion of the year that the guarantee is in effect. This fee will be collected prospectively on January 1, of the calendar year.

(3) There is no site assessment and market analysis or preliminary feasibility fee in FY 1999.

(4) There is a non-refundable application fee of \$2,500 when the application is submitted following proposal selection under the NOFA.

(5) There is a flat fee of \$500 when a lender requests RHS to extend the term of a guarantee commitment.

(6) There is a flat fee of \$500 when a lender requests RHS to reopen a guarantee commitment after the period of the commitment lapses.

(7) There is a flat fee of \$1,250 when a lender requests RHS to approve the transfer of property and assumption of the loan to an eligible applicant.

Dated: June 3, 1999.

Inga Smulkstys,

Acting Under Secretary, Rural Development

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