

UNNUMBERED LETTERS ISSUED FOR THE MAY OF 2012

Dated	Subject	Distribution
05-09-12	Rural Economic Development Loan and Grant Program Projects Funded for December, Fiscal Year 2012	S/D
05-09-12	Rural Economic Development Loan and Grant Program Projects Funded for January, Fiscal Year 2012	S/D
05-09-12	Rural Economic Development Loan and Grant Program Projects Funded for February, Fiscal Year 2012	S/D
05-14-12	Prepayment Clarifications and Related Issues	S/D, RDM, AD
05-17-12	Interest Rate Changes for Housing Programs and Credit Sales (Nonprogram)	S/D, RDM, AD

May 9, 2012

TO: State Directors, Rural Development  
ATTN: Business Programs Directors  
SUBJECT: Rural Economic Development Loan and Grant Program  
Projects Funded for December, Fiscal Year 2012

Business Programs has announced loan and grant selections for the December funding for fiscal year (FY) 2012, under the Rural Economic Development Loan and Grant program. A listing of the loan and grant awards is attached for your information.

During the December cycle of FY 2012, three zero-interest loan applications, totaling \$1,290,000, were considered by Business Programs. Based on the availability of funds, all applications were selected for funding. These funds will be leveraged by \$744,510 of private and public financing, directly creating an estimated 26 jobs and retaining 8 jobs.

In addition to the loan selections, three grants, totaling \$794,800, to finance a revolving loan fund program that will be operated by a rural utility, was selected for funding. As a result of these grants, the initial zero-interest loans from the revolving loan fund program, leveraged by \$2,683,700 of private and public financing, will directly create an estimated 134 jobs.

If you have any questions, please contact Robert Fry, Business Loan and Grant Analyst, at (202) 260-8625, Melvin Padgett, Business Loan and Grant Analyst, at (202) 720-1495, or Cindy Mason, Business Loan and Grant Analyst, at (202) 690-1433, Specialty Programs Division.

*(Signed by Pandor H. Hadjy)*

PANDOR H. HADJY  
Deputy Administrator  
Business Programs

Attachments

EXPIRATION DATE:  
September 30, 2012

FILING INSTRUCTIONS:  
Community/Business Programs

**RURAL ECONOMIC DEVELOPMENT LOAN AND GRANT PROGRAM  
REQUEST FOR LOAN FUNDS – December Funding FY 2012**

FY 2012 Allocated Funds	\$33,077,000.00
Carryover Funds	\$46,149,943.22
Total Available	\$79,226,943.22
Less October Funding	\$ 3,669,000.00
Less November Funding	\$ 1,697,750.00
Less December Funding	<u>\$ 1,290,000.00</u>
Balance Remaining	\$72,570,193.22

<u>State</u>	<u>Project</u>	<u>Loan Amount</u>	<u>REDL Number</u>
ND 27	KEM Electric Cooperative, Inc.	\$740,000	1332
NC 58	Central Electric Membership Corporation	\$500,000	1333
KS 576	Blue Valley Tele-Communications, Inc.	\$50,000	1334

**3 Loans      Total      \$ 1,290,000**

**Balance of Loan Funds After Above Request:      \$72,570,193.22**

**RURAL ECONOMIC DEVELOPMENT LOAN AND GRANT PROGRAM  
REQUEST FOR GRANT FUNDS – December Funding FY 2012**

FY 2012 Allocated Funds	\$ 4,930,086.22
Carryover Funds	<u>\$ 5,069,913.78</u>
Total Available	\$10,000,000.00
Less October Funding	\$ 850,000.00
Less November Funding	\$ 300,000.00
Less December Funding	<u>\$ 794,800.00</u>
Balance Remaining	\$ 8,055,200.00

<u>State</u>	<u>Project</u>	<u>Grant Amount</u>	<u>REDG Number</u>
MS 22	Central Electric Power Association	\$300,000	540
NC 58	Central Electric Membership Corporation	\$300,000	541
KS 55	Midwest Energy, Inc.	\$194,800	542

**3 Grant Total \$794,800**

**Balance of Grant Funds After Above Request: \$8,055,200**

May 9, 2012

TO: State Directors, Rural Development  
ATTN: Business Programs Directors  
SUBJECT: Rural Economic Development Loan and Grant Program  
Projects Funded for January, Fiscal Year 2012

Business Programs has announced loan and grant selections for the January funding for fiscal year (FY) 2012, under the Rural Economic Development Loan and Grant program. A listing of the loan and grant awards is attached for your information.

During the January cycle of FY 2012, five zero-interest loan applications, totaling \$1,194,000, were considered by Business Programs. Based on the availability of funds, all applications were selected for funding. These funds will be leveraged by \$686,000 of private and public financing, directly creating an estimated 58 jobs and retaining 60 jobs.

In addition to the loan selections, one grant totaling \$300,000, to finance a revolving loan fund program that will be operated by a rural utility, was selected for funding. As a result of this grant, the initial zero-interest loan from the revolving loan fund program, leveraged by \$161,000 of private and public financing, will directly create two jobs and retain eight jobs.

If you have any questions, please contact Melvin Padgett, Business Loan and Grant Analyst, at (202) 720-1495, or Cindy Mason, Business Loan and Grant Analyst, at (202) 690-1433, Specialty Programs Division.

*(Signed by Pandor H. Hadjy)*

PANDOR H. HADJY  
Deputy Administrator  
Business Programs

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EXPIRATION DATE:  
September 30, 2012

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**RURAL ECONOMIC DEVELOPMENT LOAN AND GRANT PROGRAM  
REQUEST FOR LOAN FUNDS – January Funding FY 2012**

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Carryover Funds	\$46,149,943.22
Total Available	\$79,226,943.22
Less October Funding	\$ 3,669,000.00
Less November Funding	\$ 1,697,750.00
Less December Funding	\$ 1,290,000.00
Less January Funding	<u>\$ 1,194,000.00</u>
Balance Remaining	\$71,376,193.22

<u>State</u>	<u>Project</u>	<u>Loan Amount</u>	<u>REDL Number</u>
MO 46	White River Valley Electric Cooperative, Inc.	\$ 46,000	1335
TN 09	Tri-County Electric Membership Corporation	\$205,000	1336
GA 78	Habersham Electric Membership Corporation	\$740,000	1337
VA 31	Mecklenburg Electric Cooperative	\$175,000	1338
KS 56	Lyon-Coffey Electric Cooperative, Inc.	\$ 28,000	1339

**5 Loans                      Total                      \$ 1,194,000**

**Balance of Loan Funds After Above Request:                      \$71,376,193.22**

**RURAL ECONOMIC DEVELOPMENT LOAN AND GRANT PROGRAM  
REQUEST FOR GRANT FUNDS – January Funding FY 2012**

FY 2012 Allocated Funds	\$ 4,930,086.22
Carryover Funds	<u>\$ 5,069,913.78</u>
Total Available	\$10,000,000.00
Less October Funding	\$ 850,000.00
Less November Funding	\$ 300,000.00
Less December Funding	\$ 794,800.00
Less January Funding	<u>\$ 300,000.00</u>
Balance Remaining	\$ 7,755,200.00

<u>State</u>	<u>Project</u>	<u>Grant Amount</u>	<u>REDG Number</u>
MO 46	White River Valley Electric Cooperative, Inc.	\$300,000	543
<b>1 Grant Total</b>		<b>\$300,000</b>	
<b>Balance of Grant Funds After Above Request:</b>		<b>\$7,755,200</b>	

May 9, 2012

TO: State Directors, Rural Development  
ATTN: Business Programs Directors  
SUBJECT: Rural Economic Development Loan and Grant Program  
Projects Funded for February, Fiscal Year 2012

Business Programs has announced loan and grant selections for the February funding for fiscal year (FY) 2012, under the Rural Economic Development Loan and Grant program. A listing of the loan and grant awards is attached for your information.

During the February cycle of FY 2012, one zero-interest loan application, for \$214,100, was considered by Business Programs. Based on the availability of funds, the application was selected for funding. These funds will be leveraged by \$247,900 of private and public financing, directly creating an estimated 10 jobs.

In addition to the loan selection, one grant totaling \$300,000, to finance a revolving loan fund program that will be operated by a rural utility, was selected for funding. As a result of this grant, the initial zero-interest loan from the revolving loan fund program, leveraged by \$445,000 of private and public financing, will directly create 75 jobs.

If you have any questions, please contact Melvin Padgett, Business Loan and Grant Analyst, at (202) 720-1495, or Cindy Mason, Business Loan and Grant Analyst, at (202) 690-1433, Specialty Programs Division.

*(Signed by Pandor H. Hadjy)*

PANDOR H. HADJY  
Deputy Administrator  
Business Programs

Attachments

EXPIRATION DATE:  
September 30, 2012

FILING INSTRUCTIONS:  
Community/Business Programs

**RURAL ECONOMIC DEVELOPMENT LOAN AND GRANT PROGRAM  
REQUEST FOR LOAN FUNDS – February Funding FY 2012**

FY 2012 Allocated Funds	\$33,077,000.00
Carryover Funds	<u>\$46,149,943.22</u>
Total Available	\$79,226,943.22
Less October Funding	\$ 3,669,000.00
Less November Funding	\$ 1,697,750.00
Less December Funding	\$ 1,290,000.00
Less January Funding	\$ 1,194,000.00
Less February Funding	<u>\$ 214,100.00</u>
Balance Remaining	\$71,162,093.22

<u>State</u>	<u>Project</u>	<u>Loan Amount</u>	<u>REDL Number</u>
KY 21	Salt River Electric Cooperative Corporation	\$214,100	1340
	<b>1 Loan</b>	<b>Total</b>	<b>\$ 214,100</b>
<b>Balance of Loan Funds After Above Request:</b>		<b>\$71,162,093.22</b>	

**RURAL ECONOMIC DEVELOPMENT LOAN AND GRANT PROGRAM  
REQUEST FOR GRANT FUNDS – February Funding FY 2012**

FY 2012 Allocated Funds	\$ 4,930,086.22
Carryover Funds	<u>\$ 5,069,913.78</u>
Total Available	\$10,000,000.00
Less October Funding	\$ 850,000.00
Less November Funding	\$ 300,000.00
Less December Funding	\$ 794,800.00
Less January Funding	\$ 300,000.00
Less February Funding	<u>\$ 300,000.00</u>
Balance Remaining	\$ 7,455,200.00

<b>State</b>	<b>Project</b>	<b>Grant Amount</b>	<b>REDG Number</b>
IA 98	Heartland Power Cooperative	\$300,000	544
<b>1 Grant Total</b>		<b>\$300,000</b>	
<b>Balance of Grant Funds After Above Request:</b>		<b>\$7,455,200</b>	

May 14, 2012

TO: Rural Development State Directors,  
Rural Development Managers, and  
Area Directors

ATTN: Rural Housing Program Directors

FROM: Tammye Treviño (Signed by Tammye Treviño)  
Administrator  
Housing and Community Facilities Programs

SUBJECT: Prepayment Clarifications and Related Issues

The purpose of this Unnumbered Letter (UL) is to provide guidance, clarification, and corrections on the following prepayment issues; 1) prepayment versus final payment; 2) extra payments and prepayment; 3) prepayment incentives and transfers; 4) completing the Preservation Incentive Calculation Worksheet; and 5) entering Comprehensive Needs Analysis (CNA) items into the Preservation Tracking and Concurrence System (PRE-TRAC).

I. Prepayment versus final payment.

- a. The regulations provide at 7 C.F.R. §3560.653(a) that borrowers seeking to prepay an Agency loan must submit a written prepayment request to the Agency at least 180 days in advance of the anticipated prepayment date and must obtain Agency approval before the Agency will accept prepayment.
- b. Section 3560.653(a) is to be applied to anyone *prepaying* their loan; not to borrowers making their final *payment* due to loan maturity according to their promissory note, reamortization agreement, or assumption agreement. Borrowers making their final *payment* due to loan maturity will no longer be subject to the *prepayment* process.

II. Extra payments and prepayment.

- a. Offices may encounter limited instances in which a borrower's account reflects that final payment on the loan is due prior to the maturity date. These circumstances are limited to:

EXPIRATION DATE:  
May 31, 2013

FILING INSTRUCTIONS:  
Housing Programs

- Proceeds from partial sale of property secured by Rural Development per 7 C.F.R. §3560.54(a)(11)(ii).
  - Excess loan funds remitted to the Agency under 7 C.F.R. §3560.53(e)(2).
  - In the past, the Agency required the borrower to use surplus funds to reduce the debt service on the borrower's loans per 7 C.F.R. §3560.306 (d)(2).
- b. State offices should reamortize the borrower's loans if payments are made due to any of the three circumstances listed above under paragraph II. a., so that the final payment matches the loan's maturity date. Borrowers whose final payment on a loan becomes due prior to the loan's maturity date as a result of any of the circumstances listed above will not be subject to the prepayment process due to the reamortization of the loans.
- c. The following is provided as guidance to the Field Office Staff in reviewing their Multi-Family Housing (MFH) portfolio. It describes actions to be taken if a loan is in a pay-off status due to one or more of the situations identified above under paragraph II.a. The National Office will periodically post to the MFH Information SharePoint site a list of those properties identified with loans scheduled to pay-off ahead of their regular payment/amortization scheduled. The list can be found at <https://rd.sc.egov.usda.gov/teamrd/hcfp/mfh/MultiHousing%20Family%20Information/Forms/AllItems.aspx>. .  
**(The list will be available within 30 days of the publication of this UL.)**
- d. Using the attached memorandum, States, within 30 days of the publication of this UL, should notify borrowers whose loan is currently showing that final payment will occur in the next two (2) years, and that the final payment is prior to the maturity date. A semi-annual report will be made available that the States should use to determine if additional notifications to borrowers need to be sent out notifying borrowers that they are approaching final payment prior to the loan maturity date. These letters should also advise borrowers of the impact on the project and tenants due to the final payment (i.e. loss of interest credit; loss of RA, displacement) and options available. An example Excel Spread Sheet of a modified amortization schedule to separately display principal and interest subsidy can be found at the above link to assist States in their determination of borrower payment status. Additionally, State and Field Office Staffs can review the RC 545 Report, Analysis of Delinquent Loan Receivable Accounts All Projects AMAS, to determine if the unpaid balance/installment is less than 25 installments. If the unpaid balance/installment is less than 25 installments, the loan will most likely payoff within two (2) years. If this is the case, States can contact the Office of the Deputy Chief Financial Officer (DCFO) for assistance or use the spreadsheet.

**NOTE: With the exception of borrowers mentioned above in paragraphs I. b and II. a., and those prohibited from prepaying under 7 CFR §3560.652, ALL other borrowers are subject to the prepayment process.**

III. Prepayment incentives and transfers.

Question: Can the seller's authorized and accepted prepayment incentives be transferred to the buyer when the Agency determines it is in the best interest of the Government to keep the project in the program? How can the offer accepted by the seller as an incentive be assigned to the buyer as part of the transfer transaction prior to obligation of the incentives?

Response: According to 7 CFR § 3560.406(g), transferees assuming Agency loans are required to execute a restrictive use agreement, so once the transfer is complete the borrower will no longer be eligible for prepayment incentives under section 502(c)(4)(c) of the Housing Act of 1949, as amended (because there are restrictions on the property). This means that the obligation and closing of incentives to the current borrower must be completed prior to a transfer.

Question: If the incentives have been obligated, can they be assumed and closed in the buyer's name if they were obligated in the seller's name or will we need to find some method to assign them to the project being transferred?

Response: No. Transferees assuming Agency loans are required to execute a restrictive use agreement, so once the transfer is complete the borrower will no longer be eligible for prepayment incentives under section 502(c)(4)(c) of the Housing Act of 1949, as amended (because there are restrictions on the property).

Question: Does an accepted incentive offer obligate Rural Development to carry those commitments forward indefinitely since they are generally made subject to the availability of funds? (Some of these commitments are now several years old but have not been funded because we do not have the needed funds for the incentive loan and/or incentive RA.)

Response: 7 CFR. §3560.657(c), Unfunded incentive offers, provides that if the borrower accepts the incentive offer but the Agency is unable to fund the incentive within 15 months, the borrower may choose one of the following actions:

- The borrower may offer to sell the housing project in accordance with §3650.659. In this case the borrower will be removed from the list of borrowers awaiting incentives.
- The borrower may stay on the list of borrowers awaiting incentives until the borrower's incentive offer is funded. The Agency will not negotiate the incentive offer, but at a borrower's request, may adjust the incentive amount to reflect an updated appraisal, loan balance, and terms of third-party financing.

- The borrower may withdraw the prepayment request and be removed from the list of borrowers awaiting incentives and either continue operating the housing project for program purposes and in accordance with Agency requirements or continue processing their prepayment process in accordance with §3560.658. If the borrower chooses to withdraw their request, the borrower may resubmit an updated prepayment request, at any time, and repeat the prepayment process in accordance with 7 CFR part 3560, subpart N.
- The borrower may elect to obtain a third-party equity loan provided rents will not exceed comparable rents in the market area.

Question: Must the incentives authorized to avert prepayment by the seller terminate if the property is sold prior to the incentives being closed?

Response: Yes, a seller-accepted incentive offer may not carry forward pending future funding after a project is transferred to a new owner and the new RUCs used in the transfer closing have added new extended use provisions.

#### IV. Completing the Incentives Calculation Worksheet.

States should complete an incentives calculation worksheet (“Worksheet”) when preparing an incentive offer. The Worksheet can be found at Activity C02 on the Timeline Screen in PRE-TRAC. The first two pages of this 11 page screen must be completed regardless of the intended incentive offer. Completing both pages in their entirety provides calculations for all possible incentive offers. The Summary of Incentives (page 3) provides options available to determine which offer will have the least impact on tenant rents, be fair and equitable for the borrower and least costly to the Government.

#### V. Entering Comprehensive Needs Analysis items into PRE-TRAC.

This section is intended to clarify how States should enter a Comprehensive Needs Analysis into PRE-TRAC. The Repairs Screen can be found at Activity C01 on the Timeline Screen in PRE-TRAC. The 20-year CNA requirements can be listed on this screen as Year 1; Year 2, etc. CNA items are to be designated as Repair/Rehabilitation or Deferred Maintenance and must be itemized. Both Repair/Rehabilitation and Deferred Maintenance line items must be associated with a source of funding. (Example: First Row: CNA Year-1, select Repair/Rehabilitation or Deferred Maintenance; then enter the estimated cost and date. Next, select the Source of Funding from the dropdown box below; enter the estimated cost here as well and then click save). The first entry should appear on the screen as follows:

Repair/Maint. Item	Type	Est. Cost	Est. Date
CNA Year - 1	Rehabilitation/Repair	\$103,000	06/30/2012

Fund Category	Other Fund Sources	Fund Amount
Other Funds	Third-Party Repair/ Rehabilitation Loan	\$103,000

Follow this same procedure for each line item saving each line item as you go.

If you have any questions or comments, please contact Cynthia L. Johnson at (202) 720-1940 or via email at [cynthial.johnson@wdc.usda.gov](mailto:cynthial.johnson@wdc.usda.gov).

Attachments

RE: Project>ID>Loan #

Dear [*insert name of borrower*]:

We are writing to notify you that a review of your loan account(s) has been completed.

Your loan(s) are scheduled to mature on (date of maturity) per the promissory note(s) and/or assumption agreement(s) which evidence the loan(s) received by you through the Rural Housing Service, USDA. However, due to extra principal payments applied to the account (*insert effective dates of extra payments*), this (*these*) account(s) will be paid in full on (*anticipated payoff date*).

In order to avert the loss of this affordable housing and the impact it may have on the tenants currently residing in the property, the Agency is notifying you of options available to you.

1. The Agency can process a reamortization of the remaining balance owed at the same rates and terms. This will effectively reduce your current principal and interest payment and allow the loan to mature at its intended maturity date (as indicated on the promissory note/assumption agreement). Interest credit subsidies and rental subsidies (if applicable) will remain with the project, and there will be no negative impact on the tenants currently residing in the project (i.e. potential for displacement). Please note that you will not incur any additional fees for reamortizing your loan.

If you wish for the Agency to process the one-time reamortization of the remaining balance, please complete and return Form RD 3560-15, Reamortization Request, within 15 days of the date of this letter, which can be found at (<https://formsadmin.sc.egov.usda.gov/efcommon/eFileServices/eFormsAdmin/RD3560-0015.pdf>). Once the account has been reamortized, you will be notified of your new principal and interest payment.

2. You may continue to make your regular monthly installments until such time as the loan(s) is paid in full. Be advised that once the loan is paid in full, the project no longer benefits from interest credit subsidies or rental assistance (if applicable), and tenants may be displaced. Additionally, tenants will not be eligible for the Agency's Voucher Demonstration Program because the property was not foreclosed on and did not apply to prepayment pursuant to 7 C.F.R. part 3560, Subpart N.

Our office address and telephone number is: [*insert address and telephone number*]

Sincerely,

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[*Signature and title of Official*]

Attachment

May 17, 2012

TO: State Directors  
Area Directors  
Rural Development Managers

ATTN: Rural Housing Program Directors

FROM: Tammye Treviño (signed by A. Tammye Treviño)  
Administrator  
Housing and Community Facilities Programs

SUBJECT: Interest Rate Changes for Housing Programs  
and Credit Sales (Nonprogram)

The following interest rates, effective June 1, 2012, are reported as follows:

<u>Loan Type</u>	<u>Existing Rate</u>	<u>New Rate</u>
<b>ALL LOAN TYPES</b>		
Treasury Judgment Rate	0.180%	0.180%

The new rate shown above is as of the week ending March 31, 2012. The actual judgment rate that will be used will be the rate for the calendar week preceding the date the defendant becomes liable for interest. This rate may be found by going to the Federal Reserve website for the weekly average 1-year Constant Maturity Treasury Yield ([http://www.federalreserve.gov/releases/h15/data/Weekly\\_Friday\\_H15\\_TCMNOM\\_Y1.txt](http://www.federalreserve.gov/releases/h15/data/Weekly_Friday_H15_TCMNOM_Y1.txt)).

**RURAL HOUSING LOANS**

Rural Housing (RH) 502 Very-Low or Low	3.250	3.250
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EXPIRATION DATE:  
June 30, 2012

FILING INSTRUCTIONS:  
Administrative/Other Programs

Single Family Housing (SFH) Nonprogram	3.750	3.750
Rural Housing Site (RH-524), Non-Self-Help	3.250	3.250
Rural Rental Housing and Rural Cooperative Housing	3.250	3.250

Please notify appropriate personnel of these rates.

Sent by Electronic Mail on May 17, 2012, at 10:00 am by Policy Analysis Branch. State Directors should advise other personnel as appropriate.