

Proudly serving 26
Northern Illinois counties

IN THIS ISSUE:

- **Guaranteed Rural Housing Reaches Milestone**
- **Funds Available for Water and Sewer Projects**
- **Director's Corner**
- **Multi-Family Housing Names Site Manager of the Year**
- **Program Spotlight**
- **FAQs**
- **Area I Highlights**

AREA I



CONTACT US!

At Rural Development, we are committed to serving rural communities!

Oregon Service Center
(815) 732-6127 ext. 4

Ottawa Service Center
(815) 433-0551 ext. 4

Bourbonnais Workstation
(815) 937-8940 ext. 5

Princeton Service Center
(815) 875-8732 ext. 4 & 5



VOLUME 1, ISSUE 2

OCTOBER - DECEMBER 2008

Rural Development Quarterly News

Guaranteed Rural Housing Reaches Milestone



Pictured left to right are Rural Development Area Director Herman Wisslead, First National CEO Joachim Brown, Streator National Bank Mortgage Originator Kim Holloway, Homeowner Stanley Taylor, Illinois Rural Development Director Doug Wilson, and Ottawa Rural Development Specialist Janice Studer.

The mortgage crisis has many homebuyers shaking their heads about how to finance a home. Many low down payment programs have disappeared. For the few programs that remain, added fees and insurance charges make the monthly payment unaffordable.

One home loan program available in non-urban areas has seen phenomenal growth in Illinois despite what's happening on the national scene. The U.S. Department of Agriculture Rural Development just marked its

two billionth dollar in guaranteed loans for Illinois homebuyers after 17 years of offering the program here.

The agency hit that mark with the guarantee of Stanley Taylor's home loan with Streator National Bank, a branch of the First National Bank of Ottawa. Taylor purchased the home on Vermillion Street in Streator three months ago.

First National has offered home loans with the Rural Development guarantee since 1995. This year they made \$1.5 million in guaranteed home loans. Joachim Brown, President and CEO of the First National Bank of Ottawa, said "The USDA Rural Development program is a great way for us to satisfy the credit needs of our community in affordable housing. The guarantee of USDA allows us to offer more money for more mortgages to more homeowners than we otherwise could. And the dedicated experts at Rural Development

(continued on page 2)

Funds Available for Water and Sewer Projects

The Rural Development Water and Waste Disposal (WWD) loan and grant program is available to eligible applicants to construct or improve drinking water, sanitary sewer, solid waste, and storm drainage facilities. To be eligible for funding, applicants must be public bodies or nonprofit organizations. Facilities must be located outside cities and towns of more than 10,000 people and be unable to finance their needs from their own resources and be unable to obtain credit from commercial credit sources at reasonable rates and terms. Grant funds are limited to applicants serving areas with a median household income (MHI) of less than the statewide non-metropolitan MHI. Grants cannot exceed 75 percent of project costs and are limited to the amount necessary to result in reasonable user rates. If you have any questions regarding the water and waste

disposal program, contact your area Illinois Rural Development office:

<http://www.rurdev.usda.gov/il/ao-list.htm>. ■



Pictured is the Elizabeth Sanitary Sewer coordinating committee meeting to discuss system improvements. L to R are Joseph Nack, Attorney; Martin Baranek (standing), Engineer; Duane Smith, Rural Development; Helen Kilgore, Village President; Sharon Pepin, Planning Assistant; and John Reese, Finance Committee Chmn. During periods of heavy rainfall, sewage flows exceed the capacity of the Sewage Treatment Facility (STF). About half of the \$2,056,000 project cost will be used to construct overflow storage and increase STF capacity and the other half used for collection system improvements to reduce inflow and infiltration. Inset: the existing STF constructed in 1971.



Herman Wisslead
Area I Director

Director's Corner

Welcome to our second area newsletter. As we celebrate the New Year on January 1st, I would like to congratulate the employees of Area I for the work they have already done in fiscal year 2009 (October 1 - present).

So far during the first two months of this year, we have processed 159 single family home loan guarantees in Area I's 26-county region. This is approximately 18% ahead of last year at this time. As a reminder, a current Rural Development (RD) borrower can refinance their existing RD loan to take advantage of lower interest rates. The guarantee fee is reduced to one-half percent for refinances.

Additionally, our business loan guarantee program has received

a significant number of applications since the beginning of the new fiscal year. There remains adequate funding for these requests.

Please note our Frequently Asked Questions section on page 4. This edition's questions include NOFAs, which are important notices concerning funding for several of our programs. We anticipate receiving several more NOFAs after Congress returns to session after the inauguration.

Our Program Spotlight section is on Rural Business Enterprise Grants and this is an excellent time for communities and nonprofit organizations to prepare their applications. We anticipate receiving funding for these projects in the next few months. Interested groups can contact any of our local offices for additional information. ▪

Milestone (continued from page 1)

are always professional and easy to do business with. This is truly a win-win-win proposition for the bank, the USDA, and the homeowner."

The guaranteed home loan program started in Illinois in 1992. It hit the \$1 billion mark after 13 years and the \$2 billion mark only four years later. The rapid growth is due in part to the recent changes in the mortgage market, but the agency's Illinois Director Doug Wilson believes a lot of the program's success has to do with its unbeatable advantages for rural homebuyers.

"We require no down payment or monthly mortgage insurance for a competitive fixed rate 30 year home loan. Homebuyers and lenders have recognized the value of this program since its inception. Given today's financial crisis, USDA Rural Development's Guaranteed Home Loan program offers the best option for homebuyers in rural areas."

Rural Development's Illinois Housing Director Barry Ramsey says the agency made 94 loans in the first year of the program. The tally this year is more than 3,900. To date, nearly 30,000 homeowners in non-metropolitan communities under 25,000—the current definition of "rural"—or the countryside live in homes financed using Rural Development's guaranteed program.

According to Ramsey, Congress created the guarantee program to address the lack of affordable fixed rate mortgages in rural areas for families unable to save for a 20 percent down payment. Federal housing programs administered by HUD

focus primarily on urban areas and require a three percent down payment.

The agency began making home loans directly to farm families in 1950. Congress saw the benefits of the program, and recognized it would cost taxpayers less for the agency to guarantee home loans by local lenders rather than directly subsidizing home loans.

"The growth of the program has been exponential, averaging double digit increases in each of the past seven years in Illinois," Ramsey said. "It's no coincidence that government guaranteed loans are seeing a strong year in light of the financial crisis in other housing sectors. The appetite for government guaranteed loans has been strong on Wall Street with investors backing away from riskier products. Other competing 100 percent and subprime programs have disappeared in the past 12 months."

The increase in Rural Development backed home loans has not meant an increase in foreclosures. "Like traditional fixed rate loans and fixed rate FHA and VA loans, Rural Development has seen no significant change in defaults over the past 12 months," Ramsey said. The default rate on interest only, adjustable rate, and subprime products is a totally different story. The foreclosure rates in some communities that relied heavily on interest only and subprime products have reported default rates as high as 25 percent."

"This is a buyer's market," Wilson said. "Homebuyers can take advantage of that market by talking to their local lenders about an affordable Rural Development guaranteed home loan." ▪

"Given today's financial crisis, USDA Rural Development's Guaranteed Home Loan program offers the best option for homebuyers in rural areas."
- Doug Wilson, Illinois Rural Development Director

USDA Honors Manager of Byron's Village Green



Pictured left to right: Specialist Christine Pratt and Housing Director Barry Ramsey from Rural Development, Karen Larke, and Illinois Rural Development Director Doug Wilson.

Doug Wilson, the Illinois director for USDA Rural Development, presented the agency's 2008 Site Manager of the Year Award to Karen Larke in Byron. Larke manages Village Green, an apartment complex

one of the 650 affordable housing complexes financed by the federal agency in Illinois. Nominations are evaluated on tenant satisfaction, appearance of the facility, compliance with agency requirements, and what the manager does above and beyond what is expected.

Rural Development Area Specialist Christine Pratt in the agency's Princeton office nominated Larke for the award. On her inspection visits, Pratt would find the tenants in the community room having a potluck, enjoying a cup of coffee or gathered together visiting in someone's apartment. "It occurred to me the last time I was at the complex that maybe the site manager was responsible for encouraging this family atmosphere among the tenants. Sure enough, in my conversations with the tenants, that is exactly what I found."

"Karen makes the community room a welcome place for the tenants and creates an atmosphere conducive to fellowship. She and her children have developed personal relationships with the tenants," said Pratt. "Karen has done a remarkable job of turning the complex into a community where the tenants 'do life together.'"

Accompanied by USDA Rural Development's Illinois Housing Director Barry Ramsey and Pratt, Wilson presented Larke with a plaque acknowledging her winning the statewide honor. ▪

in Byron. Each year Rural Development honors an outstanding site manager serving senior citizens living in apartment complexes financed by the agency.

"Rural Development is in the business of improving the quality of people's lives in small communities," Wilson said. "Karen Larke is helping us do that. She takes great personal pride in providing a quality place for her tenants to live. Not only does she create a family environment for her tenants, she maintains a facility that is an asset to the community."

Rural Development selects a manager nominated for the award who offers superior service to tenants living in

"Rural Development is in the business of improving the quality of people's lives in small communities." - Doug Wilson, Illinois Rural Development Director

Program Spotlight

Rural Business Enterprise Grants

Purpose: The USDA Rural Development makes grants to public bodies and private nonprofit corporations to finance and facilitate development of private business enterprises. Eligible entities receive the grant to assist businesses; the grant does not go directly to a business.

Applicant: Those eligible include public bodies and private nonprofit corporations serving rural areas.

Eligible Area: Under this program, all areas outside the outer boundary of any city having a population of 50,000 or more and its immediately adjacent urbanized areas. For eligible areas, visit: <http://eligibility.sc.gov.usda.gov/eligibility/welcomeAction.do>

Financing Features:

Grant funds may be used to develop small or emerging private business enterprises in rural areas including:

- acquisition and development of land, easements and rights-of-way
- construction, enlargement, repair or modernization of buildings, plants, machinery, equipment, access streets and roads, parking areas, utilities, and pollution control and abatement facilities
- reasonable fees and charges for professional services necessary for the planning and development of the project
- providing financial assistance to small businesses through a revolving loan fund
- technical assistance for proposed grantee projects

For purposes of this program, a small business is one that will employ 50 or fewer new employees and has less than \$1 million in projected gross revenue (manufacturing and merchandising businesses may deduct cost of goods sold to determine "gross revenue").

Less than \$600,000 is usually available each year for RBEGs in Illinois, so grant applications are very competitive. Smaller grant requests have better chances of being funded, and requests for \$99,000 or less receive a higher priority points score.

...

Frequently Asked Questions



Q: What types of projects qualify for Community Facility funding?

development of the community such as providing an essential service to the residents (health care services, fire and safety services, educational services, etc.).

A: Examples of community facilities are:

- **Community Health Care:** physicians clinics, outpatient care, nursing homes, dental clinics, telemedicine, assisted care, ambulatory care, etc.
- **Cultural and Educational:** libraries, museums, vocational schools, public schools, all purpose buildings, colleges, educational camps for persons with disabilities, shelters, alcohol treatment centers, etc.
- **Fire Rescue and Public Safety:** fire departments, fire trucks, jails, police stations, communications centers, civil defense buildings, rescue and ambulance service buildings, multi-service fire/rescue, etc.
- **Public Building and Improvements:** adult day care centers, child day care centers, city halls, community health department office buildings, community centers, county courthouses, food preparation centers, housing for at-risk youth, public maintenance buildings, domestic violence centers, etc.

The most important factor is that the project serves the community as a whole and is needed for the orderly

Q: What is a NOFA and how does it work?

A: A NOFA or Notice of Funding Availability provides necessary information to potential applicants about Rural Development funding available through national competition. The notice is published in the Federal Register to announce the rules and guidelines for applying. An in-state contact is usually provided. Information in the NOFA includes the program's purpose, eligibility requirements, application deadlines (typically 60 to 90 days from the date of publication), award amounts and selection criteria. The success of the application often depends on the applicant specifically addressing each of the selection criteria. ▀

For more on Rural Development's programs, visit us on the web!
<http://www.rurdev.usda.gov/il>

Area 1 Highlights

New Staff



Area 1 would like to welcome **Amy Johnson** to the team. Amy has recently joined the staff in the Oregon office.

Prior to USDA, Amy worked for Byron Bank in the Financial Services department. In her free time she enjoys spending time on her boyfriend's farm and watching her son, Mitchell, play sports. Amy says she is happy to be with the Rural Development office in Oregon and looks forward to learning all that RD has to offer rural communities.

If you are in the Oregon area, be sure to stop in and meet Area 1's newest staff member! ▀

Time in Service



Janice Studer

Ottawa Office

~30 years of service~



Happy Holidays from Area 1!



A special thanks to: Sarah Borchelt, Amy Johnson, Joan Messina, Chris Moore, Duane Smith and Herman Wisslead for contributing to this quarter's newsletter.

