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Comments from Secretary of Agriculture Ann Veneman

Our country stands united as we report on a unique and challenging year for the Department of Agriculture. In the wake of the tragedies of September 11th we have worked to ensure the protection of our food supply, employees, customers, facilities and programs. As President Bush has said, “We will not waver; we will not tire; we will not falter; and we will not fail. Peace and freedom will prevail.”

During this past year, we faced many challenges, but many opportunities as well. As our new Administration has taken hold, USDA’s Rural Development undertook many efforts to assist and strengthen our rural communities. These efforts included: 950 communities approved for \$1.4 billion in loan and grant funds to establish or improve drinking water or waste disposal systems for more than a million rural residents; 43,000 families received loans to purchase a home, allowing them to realize their dream of owning their own home and contributing to an all time high in our nations’s homeownership rate; and nearly \$15 million in grant funds were provided to distance learning projects encompassing over 590 educational institutions, and \$11.5 million for 41 telemedicine projects involving nearly 236 medical facilities, bringing greater access for rural residents to much needed educational and medical services.

Over the years, we have made great strides to better serve our customers. In September, we unveiled a new report,



“Food and Agricultural Policy: Taking Stock for the New Century.” This study focuses on the changing role of agriculture and rural development and how we can work together to provide new opportunities and greater economic growth for this nation’s farmers, ranchers and rural communities. I encourage you to review this report from USDA’s website at www.usda.gov.

Residents in Kansas and from all across this nation are what truly makes America great. We can continue to build on our successes in strengthening our rural communities. And, our Rural Development employees stand ready to assist in any way they can.

Ann Veneman
Secretary of Agriculture

Comments from Deputy Under Secretary Michael E. Neruda

Rural communities face many challenges as they seek to strike a balance between preserving the attributes of “small town living” with the need to create an economic strategy to compete in our national and global economies.

We are living in a time of great change. One of the most striking changes is that many of today’s farmers and ranchers, or their spouses, must now seek outside employment just to supplement their farm income. No longer the primary anchor in many rural communities, agriculture has given way to manufacturing services or other non-farming activities. Recognizing this dramatic shift in our rural economy, Rural Development is working with local leaders to help stabilize and improve the overall economic conditions of rural Kansas.

Our mission at Rural Development is to help community leaders, through financial and technical assistance, fulfill their vision and keep rural America strong and prosperous. Together, we will bring greater access to information technology, improve the economic base that drives local economies, and improve the quality of life for all citizens living in rural America.

Michael E. Neruda,
Deputy Under Secretary
USDA Rural Development



A Message From The State Director

I am proud to present the USDA Rural Development Fiscal Year 2001 Annual Report for Kansas. This report details Rural Development's accomplishments in Kansas during FY 2001 in assisting its rural residents, businesses and communities with over \$89 million in funding dollars. Each year our agency delivers an increased amount of funds to Kansas, resulting in an improved standard of living for the state's rural residents. The Rural Development staff continue their excellent delivery of our programs, while maintaining their reputation of outstanding customer service and outreach.

Through USDA Rural Development's five Single Family Housing Loan Programs and three Multifamily Housing Loan Programs, over \$53 million in loans and grants were obligated, 852 rural Kansas families moved into their own homes and 207 families received funding to repair the homes they own. Through our Self-Help Housing Program, 11 families were able to obtain homeownership by assisting in the construction of their home. Rental assistance was provided to 6,500 families living in 415 multifamily housing units.

Through the Water and Wastewater Disposal, Rural Business, Cooperative Development, and Community Facility Programs, a total of \$37 million in loans and grants were obligated. The Water and Wastewater Disposal Program ensured 33,000 rural Kansans in 21 communities, received clean, reliable, and plentiful drinking water and/or safe water disposal.

The Community Facility Program funded projects in nine communities, ensuring the health, safety and education of over 50,000 rural Kansans. Our Rural Business and Cooperative Service Programs assisted 25 businesses, through job creation and job saving projects, economic development projects, technical assistance, cooperative development, and value added enterprise development. The Rural Economic Development Loan and Grant Program, designed to encourage



economic growth and viability of businesses located in rural Kansas, funded thirteen projects. Over 200 jobs were created and/or retained across Kansas and fifteen business ventures will be assisted through the technical assistance funds committed.

We measure the impact of USDA Rural Development programs by the improved quality of life experienced by the rural residents of Kansas, and Fiscal Year 2001 has been a very successful year. Through increased partnering with State and Federal agencies, nonprofit organizations, and private businesses, Rural Development continues to efficiently deliver its programs to rural Kansans.

We wish to thank the many partners who work with us to serve the residents of rural Kansas. I also want to thank all the Rural Development employees, I am proud of their dedication to improve the quality of life in rural Kansas. Finally, we would like to thank Past State Director Bill Kirk for his service to the Agency; his hard work is greatly appreciated.

We look forward to the coming year, and the even greater opportunities for rural Kansas. For additional information on USDA Rural Development programs in Kansas, please visit our Web site at <http://www.rurdev.usda.gov/ks/>

A handwritten signature in black ink that reads "Chuck". The signature is stylized and cursive.

Chuck Banks
State Director

Community and Business Programs

Fiscal Year 2001 was a very good year for Community and Business Programs in Kansas with loans and grants totaling approximately \$37.0 million for infrastructure, essential community facilities, business development, job creation/saving, and technical assistance. We had many new and varied initiatives that provided new challenges for Rural Development and opportunities for rural communities.



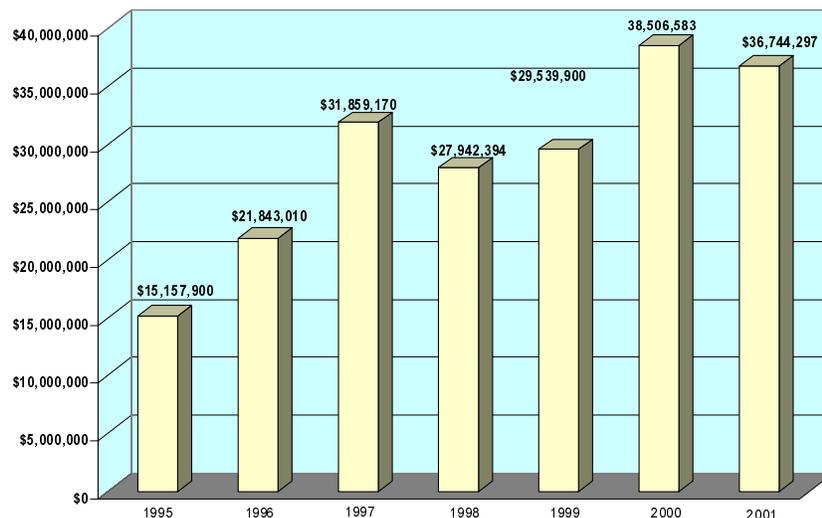
The demand for Community and Business Programs remains strong throughout Kansas as is evidenced by the number of projects assisted and the continued large number of requests for our loan and grant funds. Even though the demand remains strong, we encourage rural communities and businesses to explore the opportunities afforded by our programs. We continually strive to stretch our funds by partnering with other funding sources and project evaluations to assure optimum utilization of funds.

Building strong rural communities and a strong business environment are corner stones of our Community and Business Programs.

We look forward to helping you develop a successful project in rural Kansas.

Gary L. Smith
Community and Business Programs Director

Community and Business Programs Fund Utilization



Business and Industry Loan Guarantees

The USDA Rural Development Business and Industry (B&I) Guaranteed Loan Program is designed to help provide a positive environment for economic growth and stability for rural areas. We accomplish this by assisting private creditors with guarantees on quality loans that will provide lasting community benefits.

B&I loan guarantees can be extended to loans made in rural areas, which include all areas other than cities of more than 50,000 population. This program guarantees up to 80% of a loan. Loans may be used for start-up working capital, machinery and equipment, buildings and real estate, and certain types of refinancing.

Kansas funded a variety of projects in Fiscal Year 2001.



Cash Grain of Weir, Inc. is a company in Southeast Kansas that sells agricultural fertilizer, chemicals, and seed. It also provides custom application of these products. USDA Rural Development provided a Business and Industry (B&I) loan guarantee on the financing that restructured the company's debt after many positive changes were made to the company to prepare it for future business. Cash Grain employs twelve people and has plans to add two new jobs in the near future due to this financing.



Big Sugar Lumber & Home Center, Inc. is a lumber and hardware company with facilities in Fort Scott, Garnett, and Mound City, Kansas. They provide lumber for housing and commercial construction in Southeast Kansas and lumber and multiple hardware products for walk-in customers. USDA Rural Development provided a Business and Industry (B&I) loan guarantee on the financing for this company. Big Sugar has a local workforce of 33.



Sunflower Services, Inc. is in the liquid fertilizer, storage, and sales business. Their niche is in blending of fertilizers to meet specific customer needs. Sunflower Services, Inc. employs 35 full-time and several seasonal employees with their headquarters located in Herington, Kansas.



RBS Program Loan and Grant Benefits

- ❖ Provided \$12.7 million guaranteed loans and grants
- ❖ Created/Saved over 200 jobs
- ❖ Assisted over 25 businesses with loans
- ❖ Provided technical assistance to numerous value-added enterprises

Rural Economic Development Loans and Grants

Rural Economic Development Loans and Grants (REDLG's) are made to electric and telephone providers who are Rural Utilities Services borrowers. The utility providers use the loan funds to assist the financing of business projects and the grant funds for revolving loan funds, initially for loans to community development projects. Kansas has utilized this program well over the years. In Fiscal Year 2001 Kansas ranked first in the nation in Rural Economic Development Grants approval and second in the nation in Rural Economic Development Loans approval.

During Fiscal Year 2001, 13 projects were funded, totaling \$3,951,000. The REDLG program provides great opportunities for community and economic development in rural areas.



Shown above (r-l) are Grandma Hoerner's President Duane McCoy; Ron Dickey, Bluestem's Director of Member Services and Bluestem Electric Cooperative's General Manager Kenneth Maginly.

Grandma Hoerner's Foods is famous for their applesauce from a the recipe originated from Mabel Hoerner in the late 1800's. Duane McCoy, grandson of Mabel Hoerner, is the owner of Grandma Hoerner's, along with his wife Regina. Many sauces, jams, toppings, and other quality products developed by Grandma Hoerner's are being produced in their new facility in Wabaunsee County. USDA Rural Development provided a loan to Bluestem Electric Cooperative, who then passed this loan onto Grandma Hoerner's for development of this facility. The company employs 12 and has prospects for expansion of the product line.

Rural Cooperative Development Grants

Funding received from USDA's Rural Cooperative Development Grant (RCDG) program in Fiscal Year 2001 and the previous several Fiscal Years established and provided ongoing support for the Cooperative Development Center (CDC) at Kansas State University. Part of the grant funds was earmarked for Initial Assistance Grants (IAG's).

The CDC initiated the IAG component of its program to provide for expense incurred in obtaining legal, accounting, consulting, and other business expenses in new start-up businesses.

Under the IAG program, the CDC has provided technical assistance to sixteen new cooperative businesses in the rural areas of Kansas through value-added marketing and processing of agricultural products.

Initial Assistance Grants (IAG's)

- ❖ Since inception, over 16 IAG's have been awarded to support cooperative business development.
- ❖ Fifteen (15) additional businesses are expected to receive IAG's from FY 2001 funding.

Rural Business Enterprise Grants

Rural Business Enterprise Grants are available to private nonprofit corporations serving the rural areas and public bodies, which include states, counties, cities, townships, and incorporated towns and villages, boroughs, authorities, districts, and Federally recognized Indian tribal groups in rural areas.

Rural Development funded seven Rural Business Enterprise Grants (RBEG's) in Fiscal Year 2001. The grants ranged from \$17,500 to \$199,000, which included three for Revolving Loan Funds (RLF's) and four for Technical Assistance.

One RLF purpose was a loan for the construction of a dentist office located in a Western Kansas community, for the new dentist moving into town. The other two RLF's will be used to make loans to support small and emerging businesses in the rural areas. The RLF's are expected to create approximately 20-25 jobs across the State.

Four Technical Assistance grants will provide training and support to new and existing businesses. The proposed projects include assistance to farm families in the marketing of their products in Northeast and South Central Kansas, feasibility study for small scale dairy operations, and an Annual Value-Added Conference in Southwest Kansas.

Rural Business Opportunity Grants

The Rural Business Opportunity Grant program is available to public bodies, nonprofit corporations, and Federally recognized Indian tribal groups.

Rural Development funded two Rural Business Opportunity Grants (RBOG's) totaling \$100,000 in Fiscal Year 2001. The projects include training and planning assistance to improve a successful adoption of new on-farm enterprises through training in business and market planning, including 23 farmer clusters across Kansas and the creation of an internet access for evaluating inventions of potential inventors in Kansas.

Value-Added Agricultural Product Market Development Grant Program (VADG)

The Value-Added Agricultural Product Market Development Grant (VADG) program was new in Fiscal Year 2001. It was comprised of two components: one for information resource centers and one for independent producers/produce groups.

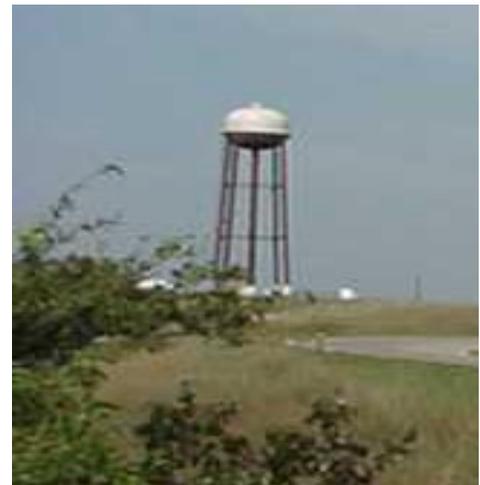
Rural Development in Kansas received funds for three value-added agricultural grants (VADG) for independent producers in Fiscal Year 2001. The grants ranged from \$11,000 to \$500,000. The grants will help develop feasibility studies, marketing plans, business plans, and start-up working capital for three cooperatives for the development of a soybean processing plant, a sweet corn processing plant, and an Artisan Bakery Partnership. The projects, when completed, will create between 50-60 jobs.

Water and Waste Loans and Grants

Public bodies, not-for-profit organizations, and state or federally recognized Indian tribes with populations under 10,000 are eligible for this program to construct or improve water and waste disposal systems. Grants may be made available for up to 75 percent of eligible facility development costs. Such assistance may be made available for facilities serving the most financially needy communities to reduce user costs for eligible grant recipients to a reasonable level. USDA Rural Development will also guarantee water and sewer loans made by financial institutions to eligible applicants. During the 2001 Fiscal Year, 21 communities received loan and grant assistance totaling \$19,504,500.



Public Wholesale Water Supply District #18 sponsored an event at the water treatment plant in September 2001. Two clarifiers are pictured in the background as area residents toured the facility being constructed. PWWSD #18 will provide water to the city of Holton and RWD #3, Jackson County, Kansas. USDA Rural Development funds in the amount of \$6,112,000 loan and \$1,604,000 grant funded the project, in conjunction with an applicant contribution of \$418,000.



This is one of the newly constructed water towers for RWD #4 Pottawatomie County, Kansas. RWD will serve approximately 450 residential users plus Jeffrey Energy Center and the communities of Westmoreland and Delia. Project was funded with USDA Rural Development loan and grant funds of \$4,189,900 and \$3,747,600 respectively plus an applicant contribution of \$280,500. Project includes a reverse osmosis treatment system.

| Water and Waste Loans & Grants | |
|---|----------------------|
| Community | Loan/Grant |
| Havensville, City of (W) | \$ 210,000 |
| Westmoreland, City of (W) | 513,000 |
| Bourbon RWD #4 (W) | 181,700 |
| Elwood, City of (S) | 1,538,000 |
| Cedar Vale, City of (W) | 52,000 |
| Leoti, City of (W) | 1,951,700 |
| Gridley, City of (W) | 582,900 |
| Lost Springs, City of (S) | 280,000 |
| Oberlin, City of (W) | 1,047,800 |
| Wabaunsee RWD #2 (W) | 406,000 |
| Brookville, City of (S) | 591,400 |
| Moline, City of (S) | 1,720,100 |
| Crawford SD #2 (S) | 914,200 |
| Centropolis, Franklin Co (S) | 83,500 |
| Caney, City of (W) | 1,000,000 |
| PWWSD #18 (W) | 1,878,000 |
| Horton, City of (W) | 245,000 |
| Cherryvale, City of (S) | 1,926,300 |
| Dexter, City of (S) | 180,000 |
| Burden, City of (W) | 514,900 |
| PWWSD #20 (W) | 3,688,000 |
| TOTAL | \$ 19,504,500 |
| Water Project = W Sewer Project = S | |



Danny Coltrane, engineer, and RWD #10 Wilson County, Kansas representative, Dale Johnson, are pictured in the newly constructed pump station for RWD #10. This project was funded with a USDA Rural Development loan and grant of \$356,300 and \$518,300 respectively. Funds were complemented with an applicant contribution of \$133,400. The project consisted of constructing a new pump station, water tower, and distribution line to serve 42 additional users.

Distance Learning and Telemedicine Grants and Loans

Eligible entities are incorporated organizations, partnerships, Indian tribes, or any other legal entity which operates or will operate libraries, medical clinics, hospitals, vocational training facilities, colleges and schools. Grants may be used to cover up to 70 percent of the total project cost, not to exceed \$500,000. Loans may be used to cover up to 100 percent of the project cost, not to exceed \$10 million and combination loan/grants are also available. The objectives of the program are to assist entities in acquiring equipment, software, or facilities that can be used to provide telemedicine or distance learning service.

Water and Waste Program Benefits

- ❖ Provided over \$19.5 million in loan and grant assistance.
- ❖ Over 13,500 households and businesses will benefit from improved water and wastewater systems.
- ❖ In excess of 33,000 rural Kansans assured of a reliable quality and quantity of water and/or safe waste disposal systems.

Community Facilities Loans and Grants

Funds may be used to construct, enlarge, or improve community facilities for health care, public safety, and public services. Eligible entities are not-for-profit organizations, municipalities and Indian tribes located in rural areas and towns of up to 20,000 population. Direct and Guaranteed loan funds are available at 100 percent of the project cost. Grants are available at an amount not to exceed 75 percent of project cost and the maximum any entity may receive is \$50,000. Guaranteed loans are made and serviced by eligible financial institutions and USDA Rural Development provides a guarantee on the loan, not to exceed 90 percent.

Community Facilities Loans and Grants

- ❖ Provided over \$4.4 million for health, safety and education projects.
- ❖ Nine (9) rural communities assisted.
- ❖ Over 50,000 rural Kansans benefited.



USDA Rural Development presented an oversized check to the City of Hoisington/Clara Barton Hospital in the amount of \$1,700,000. The loan will be used in conjunction with an applicant contribution of \$253,800 and a commercial loan of \$3,200,000 to make improvements and renovations to the local hospital.



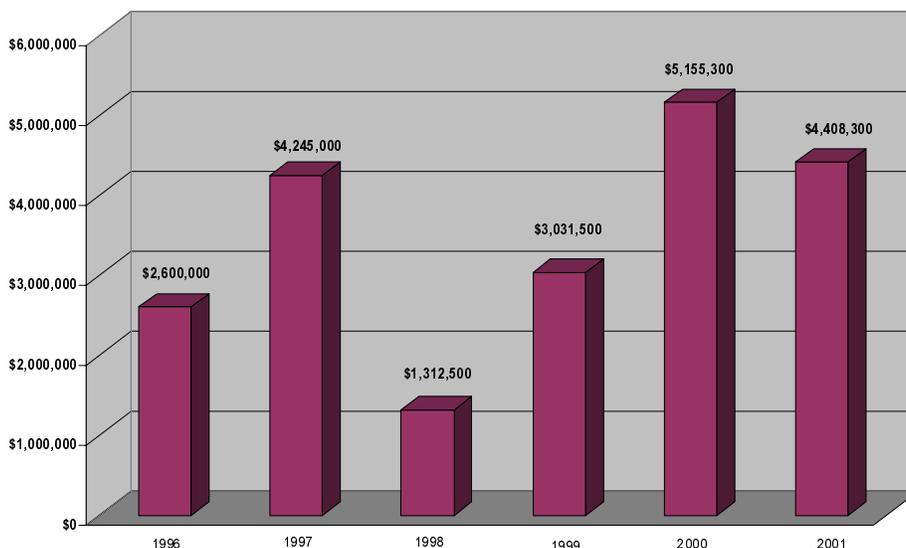
A ribbon cutting ceremony was held in Haddam, Kansas in August to commemorate the new building for RFD #6 Washington County. Congressional Representative Jerry Moran is shown cutting the ribbon as USDA Rural Development representatives and members of RFD #6 look on. The project was financed with a Rural Development loan and grant of \$41,000 and \$26,000 respectively. Funds were complemented with an applicant contribution of \$10,000.



This is one of two buildings donated to the North Central Kansas Technical College in Hays, Kansas. The buildings were dismantled at a previous location and moved to the Technical School campus where they were erected. USDA Rural Development is providing a Community Facility (CF) direct loan of \$810,000 and a guaranteed CF loan of \$200,000 in conjunction with an applicant contribution of \$172,600 to renovate buildings to create a diesel mechanics program and a residential electricity department.



Community Facilities Loans and Grants



USDA, Rural Development

Rural Housing Service

To provide safe, decent and affordable housing. This is the primary goal of Rural Development's Rural Housing Service. We are proud to announce that Kansas Rural Development staff have enabled over 1,059 families to achieve the dream of homeownership this year in Kansas. In this section, we will outline some of the various programs and achievements for the year.

The Single Family Program offers different types of loans for those in various situations.

- ❖ 502/504 Direct Loans are financed by the Government and are available to qualified persons in low income and very low income categories. 504 grant funds may be available to those who qualify and do not have the financial means of paying back a loan.
- ❖ 502 Guaranteed Loans are available to low and moderate income families. These loans are made through an approved lender in the borrower's area.

Multifamily Loans offer a viable alternative for those who prefer apartment living. Loans are made to private owners, housing authorities and other groups to construct and maintain apartment complexes. Apartments are available in general occupancy properties, senior complexes and housing for those with special needs.



Gary E. Schumaker
Rural Housing Program Director

OUR HOUSING GOALS

- To deliver Rural Development's housing programs fairly
- To identify targeted areas of under served populations
- To expand relationships with private lenders
- To seek leveraged funds from a variety of sources
- To continue a viable Self Help Housing Program
- To ensure more successful homeowners
- To rehabilitate our Multifamily Projects in a timely manner

**USDA Rural Development
Total \$\$ Returned to Kansas
Rural Housing Programs
Fiscal Year 2001**

| Program Area | Original Allocation | Amount Obligated | Percent Used | Loans & Grants | Entity | County |
|-----------------------------|----------------------------|-------------------------|---------------------|---------------------------|--|--|
| Single Family | | | | | | |
| 502 Guaranteed | \$26,286,000 | \$33,356,870 | 126.90% | 591 | | |
| 502 Low Income | \$5,368,000 | \$8,270,590 | 154.07% | 147 | | |
| 502 Very Low Income | \$3,579,000 | \$6,890,010 | 192.51% | 113 | | |
| 504 Loans | \$304,000 | \$458,330 | 150.77% | 86 | | |
| 504 Grants | \$344,000 | \$488,460 | 141.99% | 121 | | |
| Self Help Tech Asst. | \$10,000 | \$10,000 | 100.00% | 1 | OTLR - Original Town of Liberal Revitalization | Seward |
| | \$10,000 | \$10,000 | 100.00% | 1 | City of Junction City | Gearly |
| | \$10,000 | \$10,000 | 100.00% | 1 | Mennonite Housing Located In Haven | Reno and Harvey |
| Total SFH | \$35,911,000 | \$49,494,260 | 137.82% | 1061 | | |
| Multifamily | | | | | | |
| 515 Rural Rental | | Amt of Loan | No. Units | Type | Entity | County |
| | New Construction | \$875,000 | 36 | Senior | Atchison Senior Residences LP | Atchison |
| | | \$1,000,000 | 24 | Senior | Pittsburg Seniors LP | Crawford |
| | Rehab Projects | | | | | |
| | | \$100,000 | 24 | General | Leoti Housing Authority | Wichita |
| | | \$40,000 | 12 | Senior | Goessel Housing Authority | Marion |
| | | \$244,600 | 12 | General | Greensburg Rural Housing | Kiowa |
| | | \$85,000 | 12 | General | Kinsley Rental Housing | Edwards |
| | | \$750,000 | 48 | General | KS Rural Hsg. of Garden City | Finney |
| | | \$242,300 | 12 | General | Silver Lake Devlpmt. Company | Shawnee |
| | | \$301,500 | 24 | Senior | Halstead Housing Authority | Harvey |
| | Total 515 MFH | \$3,638,400 | 204 | | | |
| Hsg. Prsv. Grants | | Amt of Grant | % Used | | Entity | County |
| | | \$37,290 | 100% | | Great Plains Development | Wichita County |
| | | \$37,290 | 100% | | NE KS Community Action Program (NEKAP) | Atchison, Brown, Doniphan, Jackson, Jefferson, Nemaha & Marshal Counties |
| Rental Assistance | \$6,500,000 | \$6,500,000 | 100% | | MFH Projects | Throughout KS |
| Total MFH | | \$10,212,980 | | | | |
| All Housing Programs | | \$59,707,240 | | | | |

A Community's Success

American Spirit. Community Involvement. Neighborliness. Whatever you want to call it, is definitely alive and well in the Kansas heartland. It recently appeared in Ulysses, Kansas in the form of a Federal Agency, USDA Rural Development; and Leadership Grant County (LGC), a local service organization. But many others were also involved in this project.



This new home in Ulysses was built entirely through volunteer labor, with "at cost" materials and with the help of over 100 people in the community. It replaced a condemned dwelling that had been home to Ysidoro and Corina Vazquez for over 28 years. Brenda Aeillo, Community Development Manager in the Garden City Office was cited by the Secretary of Agriculture with an Honor Award for Superior Service for her part in making the 502 Direct Loan and for helping to coordinate volunteer activities.

Brenda Aeillo, Community Development Manager of the Garden City office, was recognized by the Secretary of Agriculture in Washington, D.C. on June 5, 2001 with an Honor Award for Superior Service for her involvement with this project. We are proud of Brenda and her hard work and dedication on behalf of Rural Development. She has attended numerous meetings and answered countless phone calls to ensure this home was completed in a timely manner, and

that all Government loan requirements were met.

But this story begins much earlier. Ysidoro and Corina Vasquez purchased a house in Ulysses, Kansas 28 years ago. It was a modest home by any standard, and not in very good condition, even when they bought it. After all, it had been built by a pioneer in 1905. But they raised their 10 children there and called it home. Epifanio, their 38 year old disabled son, also lives with them.

Over the years, the home deteriorated even more. Corina kept the home neat and clean, and Ysidoro did what repairs he could. He had worked in the sugar beet fields for many years and also for the city of Ulysses before a back injury forced him into retirement.

By April 1999, the home was in such a bad state that the City of Ulysses condemned it. The couple was given a year to bring the property into compliance. Epifanio remarked that he could see light coming through the ceilings and that winters were cold since the furnace had given out sometime ago.

Southwest Bank got involved and they approached Rural Development to assist the family with a 504 grant. Brenda Aeillo, Community Development Manager, inspected the property and realized a grant could not fix this problem. She suggested the property be demolished and a new home constructed on the site with a 502 loan from Rural Development.

LGC had decided previously that the renovation would be a good service project. When they found out the property would need to be entirely rebuilt, they were eager for the challenge. The house was demolished on July 18, 2000. It was

a hive of activity for four months. During that time, demolition, site work and every phase of constructing the home was completed with donated labor and materials supplied at cost or below. Professional contractors and inspectors, in addition to over 100 other volunteers, worked side by side to complete the task. When the home was ready for move-in, continued donations of new furniture, new appliances, landscaping and other household items completed the dwelling. On November 5, 2000, the Vasquez family moved into an entirely new home.

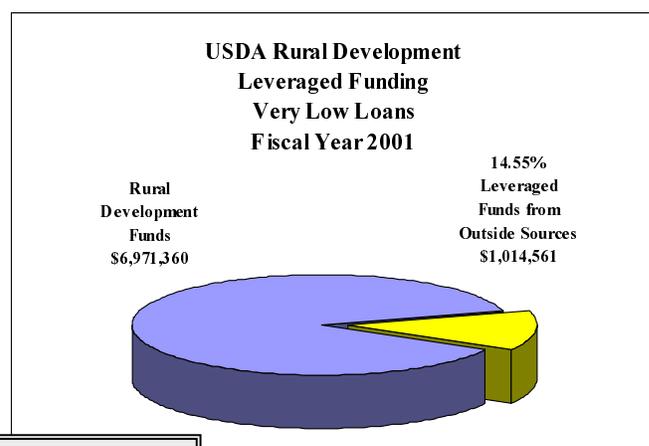
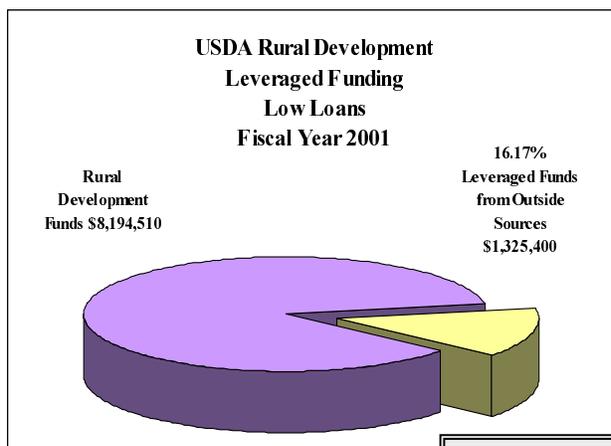
When the community had finished, the Vazques' had their brand new house, but the community had gained something too. Something not quite so tangible, but still very real: commitment, pride in a task well done, a sense of community, the camaraderie of working together to accomplish a need, and, of course, the heartfelt thanks of the Vasquez family.

Section 502 Direct Loans

502 loans encompass a broad range of loan programs and a variety of income levels to better serve our customers. Direct loans funded by Rural Development are available for qualified low or very low income households in rural areas or cities under 20,000 population. Depending on income qualifications, buyers may have their payments reduced through a payment assistance option.

Leveraging. Due to Federal budget constraints in recent years, we have developed and participated in several innovative financing features to allow us to stretch Federal tax dollars to serve more customers in Kansas. Leveraged funding with private lenders and Kansas' participation in the Rural Home Loan Partnership (RHLP) have helped to extend this money.

We have developed partnerships with State agencies, private lenders and other entities. These partners have provided an additional \$2,339,961 in funds for the 502 direct program for FY 2001.



Leveraged funding with Rural Development's lending partners has allowed another 40 Kansas families to purchase homes in Kansas in FY 2001.

The RHLP is a special category of Rural Development funding that partners ¼ of our regular state allocation with ¾ of additional funds from a special National Office pool. The advantage is that more Federal money is returned to Kansas. This type of loan can also be leveraged with other partners to provide down payment assistance and partial financing from a private lender.

| RHLP | |
|--|--------------------|
| 31 Additional Homes for Kansans | |
| <i>Regular State Allocation</i> | \$1,258,083 |
| <i>Additional Federal funds into Kansas:</i> | \$756,429 |
| <i>Private Lender Leveraged Funds</i> | 329,525 |
| Total | \$2,344,035 |

Self Help Housing. The Self Help Housing Program is another aspect of 502 Direct loans. Qualified applicants work together, under the guidance of a construction supervisor to build the homes. A contractor performs the more technical labor, such as plumbing and electrical. But the applicants are expected to complete 65% of the work themselves.



This 502 Self Help home is located in Great Bend, Kansas. It is one of several homes built under a Technical Assistance grant to Housing Opportunities, Inc.

**This year in Kansas, 11
Self Help homes have
been constructed,
totaling \$894,300.**

Currently, Self Help Housing homes have been constructed in the Altamont/Parsons areas, in Great Bend, and in Valley Center. Three more areas have started Self Help programs and will see homes built in the coming year. They are located in Liberal, Junction City and Haven. Contact any RD office in your area for more information.

Turning a Dream Into a Reality

Thona Crisp is a now a homeowner. Thanks to the USDA Rural Development office in Altamont, Kansas and CLASS Ltd., a private non-profit advocacy group that coordinates services for persons with disabilities in Southeast Kansas, Thona was able to find an affordable home and finance it within her income. And, as she proudly points out, her total mortgage payment, including taxes and insurance is \$219.46 per month — less than the rent she had been paying on her apartment.

Thona never thought she could afford a home of her own on her small income, in spite of the fact that she has always been the industrious type and works hard. Thona is a single woman with a disability and has a hearing impairment. She currently works two part-time jobs, one as a maid with CLASS and at Kentucky Fried Chicken. She also receives disability assistance from the Government.

The funding used to finance the \$60,000 home is a relatively new concept in the lending market. In order to stretch limited federal funding dollars and to provide more homeownership opportunities to more people, Rural Development in Kansas partners with other groups and private lenders around the State. In Thona’s case, the Altamont Rural Development Office staff worked with her to achieve her dream of owning a home.

They secured a \$15,000 loan from the Kansas Department of Commerce & Housing to provide down payment assistance through its First Time Home Buyers Program. This amount, coupled with a \$45,000 very low 502 Rural Development loan, allowed Thona to purchase her home. The new home is a light blue, 3 bedroom ranch style house located in Columbus, Kansas.

Lisa Tillman, a team leader with CLASS Ltd., pointed out that owning a home improves Thona’s quality of life and will give her an improved lifestyle and greater self esteem.

Thona is excited about finally having a home of her own and has many plans for her new home including painting her living room, and fixing up her backyard. She is also preparing one of the bedrooms for her 15 year old son, Lee. He currently lives in a foster home, but will now be able to visit Thona on weekends since she has more space.



Thona’s New Home in Columbus KS

504 Loans and Grants

Rural Development provides 504 funding to improve existing dwellings by removing health and safety hazards. Loans are available to very low income households. Outstanding loan amounts may not exceed \$20,000; and lifetime grant assistance may not exceed \$7,500. Homes must be located in rural areas, not closely associated with an urban area. An interest rate of 1 percent is available for those that qualify. Grants are available to very low income seniors 62 or older with no means of loan repayment. Other qualifying conditions also apply.

| 504 Program Obligated for Fiscal Year 2001 in Kansas: | | | |
|--|---------------|----------------------|------------------------|
| <u>Program</u> | <u># Made</u> | <u>Dollars Spent</u> | <u>% of Allocation</u> |
| 504 Loans | 86 | \$600,317 | 197.47% |
| 504 Grants | 121 | \$485,905 | 141.25% |
| Total | 207 | \$1,086,222 | |
| This represents a 28% increase over FY 2000. | | | |

502 Guaranteed Loans

The Rural Housing Guaranteed Loan Program continues to achieve new levels each year. This loan program is our largest in terms of loans made available to low and moderate income level families. With USDA Rural Development providing the guarantee on these loans, lending institutions help buyers while incurring less risk. Low and moderate income level families may qualify for these mortgages without a down payment. Home buyers make application directly through a participating approved lender. For a list of approved lenders, contact the local Rural Development office. (See Local Office map at the end of this booklet for more information).

In the past 10 years, since the GRH program began, USDA, Rural Development has guaranteed the loans of 3,644 homes for Kansas families for a total purchase price of \$187,252,900

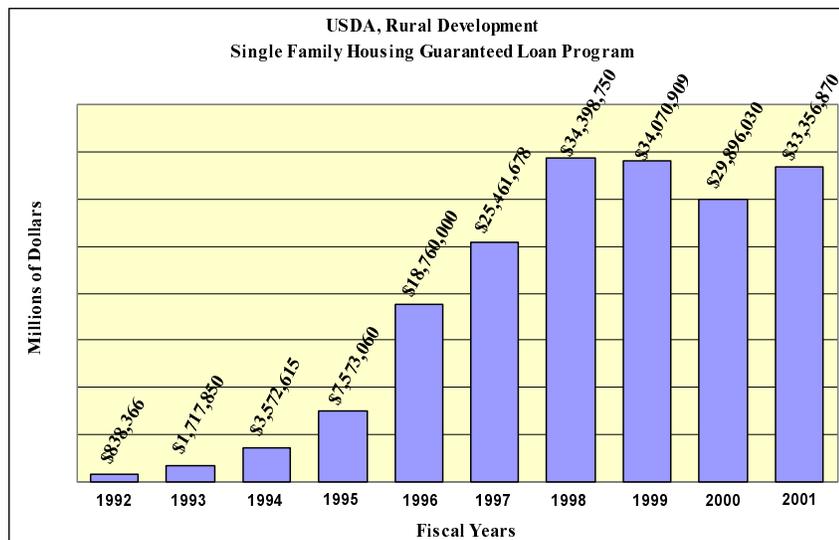
Currently, we have over 125 lenders approved to participate in this program. Homes that qualify for this program can be either new or existing homes that are structurally sound, functionally adequate, in good repair and located in rural areas. Mortgages are 30 year fixed rate at market interest rates.

Multifamily Loans

Rural Development has funded over 415 apartment complexes throughout Kansas that provide over 6,500 apartment units for over 8,100 tenants. Apartments are available for senior, family, and special needs populations. Rental Assistance and utility allowances are available to further reduce costs. For more information, you may contact any of the Area Offices for projects in their area. (See map at end of report.)

Two new projects have been funded in Kansas during 2001. They are a 36 unit senior facility to be constructed in Atchison; and a 24 unit senior complex which will be located in Pittsburg.

Rural Development's primary focus for the Rural Rental Housing Program is to help owners maintain existing complexes in good condition for tenants. To further this goal, much of the funding in recent years has been directed toward rehabilitation loans. These loans provide funds for major renovations such as new roofs, windows, and heating and plumbing systems. Rehab loans are in addition to the routine maintenance items funded by the projects such as replacement of carpet, appliances, etc.





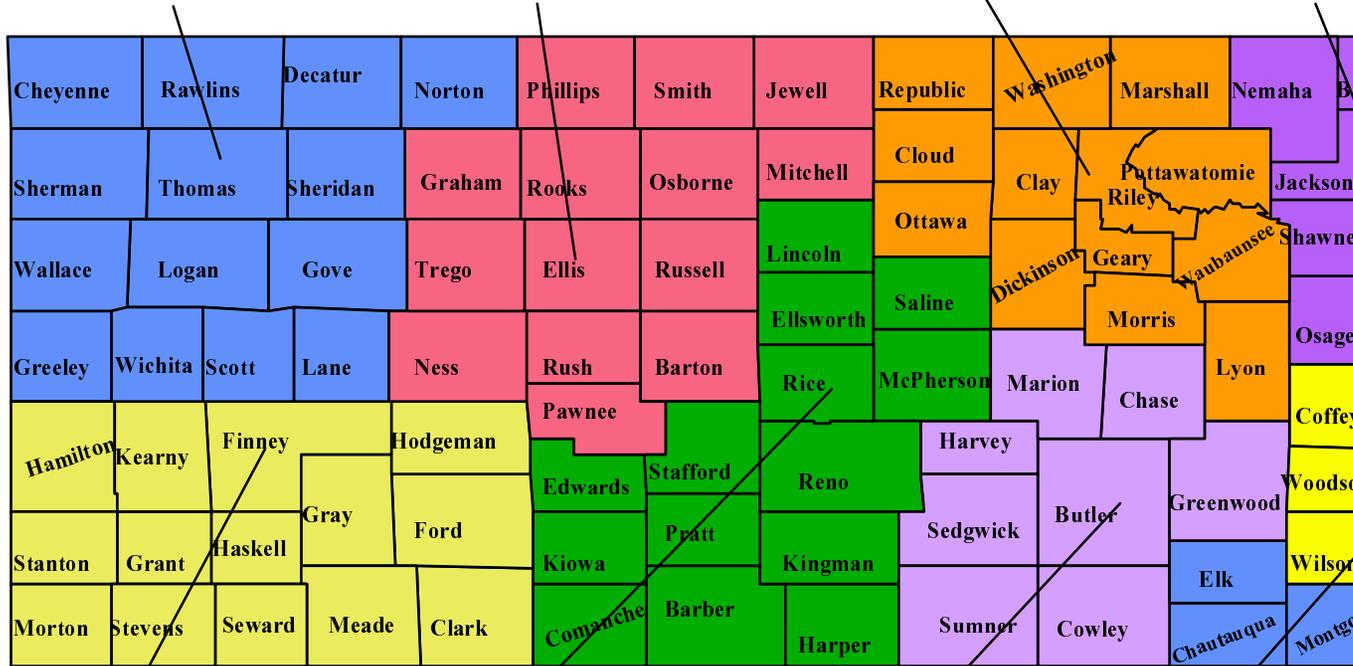
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