



SECTIONS 515, AND 514/516 MULTI-FAMILY HOUSING REVITALIZATION DEMONSTRATION PROGRAM (MPR) FOR FISCAL YEAR 2008

The U.S. Department of Agriculture (USDA) Rural Development, Rural Housing Service, announces the Sections 515 and 514/516 Multi-Family Housing Revitalization Demonstration (MPR) Program. The intended effect is to restructure selected existing Section 515 rental properties and Sections 514/516 Off-Farm Labor Housing properties expressly for the purpose of ensuring that sufficient resources are available to preserve the rental property for the purpose of providing safe and affordable housing. The MPR Program is open to all Section 515 and Sections 514/516 Off-Farm Labor Housing owners or purchasers seeking to preserve existing properties. Expectations are that properties selected to participate will be able to be revitalized and extend affordable use without displacing or impacting tenants because of increased rents.

How May Funding Be Used?

Funding made available under this program shall be used to restructure existing Sections 515 and 514/516 loans and grants to ensure these properties have sufficient resources to preserve them for the purpose of providing safe and affordable housing for low-income residents.

Restructuring Tools:

- Rural Development debt deferral for the remaining term of the loan or 20 years, whichever is less.
- A revitalization grant (for non-profit borrowers/purchasers only) limited to no more than \$5,000 per unit and limited to the costs of correcting health and safety violations identified by a capital needs assessment (CNA).
- A revitalization loan at zero percent interest amortized over 30 years.
- A soft-second loan at one percent interest that will have its interest and principal deferred, to a balloon payment, due at the time the latest maturing Section 515 loan becomes due, and limited to no more than \$5,000 per unit.
- Additional Section 515 loan or Sections 514/516 loans and grants at traditional rates and terms limited to no more than \$20,000 per unit.

Who May Apply?

This program is available to all existing Sections 515 and 514/516 owners and purchasers. Existing owners/principals or purchasers must meet basic eligibility criteria, which are:

- Be in good standing on all existing Sections 515 and 514/516 properties.
- Management must be in good standing or owner agrees, as a condition of participation, to bring in new management.

- The property is needed in the market. Need is evidenced for Section 515 properties if the average physical vacancy rate over the twelve months preceding the filing of the pre-application is not more than 10 percent for properties of 16 units or more and 15 percent for properties with 15 or fewer units. Need is evidenced for off-farm labor housing properties if the properties have had positive cash flow for the full three years of operation prior to the filing of the MPR application. The Agency may consider and accept market survey documentation submitted by the applicant that demonstrates the occupancy standard will be met once a restructuring is performed.
- The physical needs of the property as determined by a third-party CNA must be attainable with assistance available under the MPR Demonstration Program.

What are the Terms?

The maximum term for all debt deferrals will be the lesser of 20 years or the remaining term of the Sections 515 or 514 loans being deferred. All terms and conditions of the debt deferral will be described in the MPR Debt Deferral Agreement. A balloon payment of accrued principal and interest will be due at the end of the deferral period. Interest will not be charged on the deferred interest.

What is the Interest Rate?

The maximum interest rate will be one percent. Interest will accrue at the Promissory Note rate and subsidy will be applied as set out in the Agency's Interest Credit Agreement. Interest will not be charged on the deferred interest.

What Security is Required?

A new Mortgage or Deed of Trust will be taken on real and personal property when any new Rural Development loan funds are approved. A Restrictive Use Covenant for a period of 20 years, the remaining term of any loans, or the remaining term of any existing restrictive-use provisions, whichever ends later, will be filed in the land records and will hold a superior lien position.

How are Applications Made?

The Agency publishes a Notice of Funding Availability (NOFA) in the Federal Register inviting pre-applications for participation in the MPR Demonstration Program subject to the availability of funding. The NOFA will set forth the deadlines and other information related to submission of pre-applications for participation in this Demonstration Program. Applicants are encouraged to submit their pre-applications electronically; however, the Agency will also accept pre-applications in "hard copy". To be eligible for consideration, proposals must be submitted in accordance with the NOFA and must provide all information requested in the NOFA for the Agency to score and rank the proposals.

Additional information and pre-applications for financial assistance are available through State and local offices of USDA Rural Development or you may contact the following:

**Multi-Family Housing Office of Rental Housing
Preservation**

Stop 0782 (Room 1263-S)

U.S. Department of Agriculture

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