UNNUMBERED LETTERS ISSUED FOR THE MONTH OF APRIL 2008

Dated	Subject	Distribution
04/04/08	Renewal of Cooperative Agreements	S/D
04/04/08	Rural Business Enterprises Grant Program Performance Measures	S/D
04/04/08	Rural Economic Development Loan and Grant Program Projects Funded for First and Second Quarters Fiscal Year 2008	S/D
04/07/08	The Hatch Act	S/D
04/09/08	Fiscal Year 2008 Rural Home Loan Partnership/Community Development Financial Institution Loans	S/D
04/09/08	Mid-Cycle Performance Reviews	S/D
04/09/08	Termination of the U.S. Blue Pages Program	S/D
04/10/08	United States Department of Agriculture 2008 “Take Our Daughters and Sons To Work” Day Program	RD Employees
04/11/08	Interest Rate Changes for Housing Programs and Credit Sales (Nonprogram)	S/D, RDM & A/D
04/14/08	Business and Industry Guaranteed and Direct Loan Programs Write-Down of Debt for an Existing Borrower	S/D
04/17/08	Non-Traditional Lender Approval for Participation in the Community Facilities Guaranteed Loan Program	S/D
04/17/08	Additional Guidance for Implementation of Payment Assistance Method Two	S/D

Dated	Subject	Distribution
04/18/08	Processing Section 515 New Construction Loan Requests Fiscal year 2008	S/D
04/21/08	General Services Administration Senior Federal Travel **Report Response Due by April 28, 2008**	NO.O. & S/D
04/23/08	Intermediary Relending Program Second Quarter Funding	S/D
04/25/08	Business and Industry Guaranteed Loan Program Rescinded Loan Note Guarantees/Loss Claims Denied	S/D
04/28/08	Maryland State Tax	S/D

April 4, 2008

SUBJECT: Renewal of Cooperative Agreements

TO: Rural Development State Directors

ATTN: Administrative Program Directors

In past submissions, Cooperative Agreements have been received which contain information that is outdated. To avoid the documents being delayed in the clearance process, please ensure that the Cooperative Agreements are reviewed in their entirety to remove or update outdated information, prior to forwarding to the Procurement Management Division for their review. Examples of outdated information are:

- The Cooperative Agreement is not submitted timely and is resubmitted the next year with the previous year's period of cooperation;
- Applicant contributions are not provided with the newly agreed upon numbers; and/or
- Dollar amounts or numbers are changed within the document and subsequent totals are not recomputed.

We appreciate your continued support in helping us serve you. Thank you very much for complying with this request. If you have any questions, please contact Sharon Randolph, Assistant Administrator for Procurement and Administrative Services, at 202-692-0207 or by e-mail to sharon.randolph@wdc.usda.gov.

(Signed by Clyde Thompson)

CLYDE THOMPSON
Deputy Administrator
for Operations and Management

EXPIRATION DATE:
April 30, 2009

FILING INSTRUCTIONS:
Administrative/Other Programs

Sent by electronic mail on 4/7/08 at 3:00 p.m. by PAS.
State Directors should notify other personnel as appropriate.

April 4, 2008

SUBJECT: Rural Business Enterprise Grant Program
Performance Measures

TO: State Directors, Rural Development

ATTN: Business Programs Directors

As the result of an Office of Management and Budget (OMB) performance assessment of the Rural Business Enterprise Grant (RBEG) Program, Rural Development has received a set of performance measures that will be evaluated on an on-going basis. Some of the performance measures are continuations of those that we have used in the past, such as job creation and retention. Some are new, particularly the efficiency measures.

To track performance, the National Office will use the Guaranteed Loan System. No extra or new data entry is required of field staff as a result of these measures. However, it is important that you are aware of the measures so that you can assist the Agency in meeting the OMB targets. The Agency's ability to meet the targets will have a direct impact on our ability to justify continued funding for the RBEG program.

Below are the measures and the targets for each through fiscal year 2011. Also provided are actual performance data for previous years to give you an idea of how the data compares to activity.

1. Number of jobs created and/or saved through assistance provided to rural businesses.

Fiscal Year	Target	Actual
2004	18,569	18,569
2005	19,033	23,233
2006	19,509	19,707
2007	20,100	21,346
2008	20,603	
2009	21,118	
2010	21,646	
2011	22,187	

EXPIRATION DATE:
September 30, 2008

FILING INSTRUCTIONS:
Community/Business Programs

2. Number of businesses assisted with program funds

Fiscal Year	Target	Actual
2004	10,201	10,201
2005	10,456	10,948
2006	10,717	9,849
2007	10,985	11,317
2008	11,260	
2009	11,542	
2010	11,831	
2011	12,127	

3. Cumulative number of direct jobs created and/or saved over a three year period.

Fiscal Year	Target	Actual
2002-2004	Baseline	56,691
2003-2005	Baseline	63,891
2004-2006	57,111	61,509
2005-2007	58,642	64,286
2006-2008	60,212	
2007-2009	61,821	
2008-2010	63,367	
2009-2011	64,951	

4. Mean average days between obligation and ratification of the grant agreement

Fiscal Year	Target	Actual
2004	54	54
2005	95	95
2006	95	140
2007	95	182
2008	95	
2009	95	
2010	95	
2011	95	

5. The ability of organizations (grantees) to complete their work within a three year period as evidenced by the amount of grants fully disbursed over a three year period.

Fiscal Year	Target	Actual
2002-2004	84%	84%
2003-2005	84%	84%
2004-2006	84%	75%
2005-2007	95%	63%
2006-2008	95%	
2007-2009	95%	
2008-2010	95%	
2009-2011	95%	

If you have any questions, please contact the Specialty Lenders Division, at (202) 720-1400.

(Signed by William F. Hagy III)

WILLIAM F. HAGY III
Deputy Administrator
Business Programs

April 4, 2008

SUBJECT: Rural Economic Development Loan and Grant Program
Projects Funded for First and Second Quarters
Fiscal Year 2008

TO: State Directors, Rural Development

ATTN: Business Programs Directors

The Business Programs has announced loan and grant selections for the first and second quarters of fiscal year (FY) 2008 under the Rural Economic Development Loan and Grant (REDLG) program. A listing of loan and grant awards is attached for your information.

During the first and second quarters of FY 2008, 67 zero-interest loan applications totaling $38,933,400 were considered by Business Programs. Based on the availability of funds, 38 applications with scores of 150 or above were selected for funding totaling $23,180,200. These funds will be leveraged by $341,820,086 of private and public financing and directly create 1,600 jobs in rural areas and help save 1,049 existing positions.

In addition to the loan selections, 26 grants with scores of 100 or above totaling $6,826,960 to finance revolving loan fund programs that will be operated by rural electric utilities were selected for funding. The initial zero-interest loans from the revolving loan fund programs, leveraged by $66,238,360 in private and public financing, will provide financing for infrastructure for a hospital expansion; purchase and installation of telemedicine equipment; machinery and equipment for a soybean meal plant; construction of an access road; industrial buildings; an acute care hospital; an ambulance garage; a new fire and EMS building; an office building addition; and a kidney dialysis center. An estimated 890 new jobs will be created and 507 jobs will be saved as a result of these grants.

EXPIRATION DATE:
September 30, 2008

FILING INSTRUCTIONS:
Community/Business Programs

If you have any questions, please contact Melvin Padgett, Loan Specialist, at (202) 720-1495 or Cindy Mason, Loan Specialist, at (202) 690-1433, Specialty Lenders Division, Processing Branch.

(Signed by William F. Hagy III)

Deputy Administrator
Business Programs

Attachments

Attachment

RURAL ECONOMIC DEVELOPMENT LOAN AND GRANT PROGRAM
REQUEST FOR LOAN FUNDS – First and Second Quarters FY 2008

Total Available FY 2008	$ 33,120,656.53
Less 1st and 2nd Quarters FY 2008	$ 23,180,200.00
Balance Remaining	$ 9,940,456.53

State	Project	Loan Amount	REDL Number
SC 26	Pee Dee Electric Cooperative	$ 740,000	1121
IL 33	Western Illinois Electrical Cooperative (WIEC)	$ 740,000	1122
TN 28	Paris Board of Public Utilities	$ 600,000	1123
IA 69	Access Energy Cooperative	$ 740,000	1124
IA 84	Corn Belt Power Cooperative	$ 740,000	1125
IL 18	IL Rural Electric Cooperative	$ 740,000	1126
KS 33	Ninnescah Electric Cooperative Association, Inc.	$ 740,000	1127
NC 16	Edgecombe-Martin Electric Membership Corporation	$ 300,000	1128
CO 17	Southeast Colorado Power Association	$ 160,000	1129
IA 608	River Valley Telecommunications Cooperative	$ 500,000	1130
IL 31	Monroe County Electric Co-Operative, Inc.	$ 740,000	1131
IA 32	Butler County Rural Electric Cooperative	$ 740,000	1132
KS 44	Pioneer Electric Cooperative, Inc. (Ronald W. & Eileen D. Wright d/b/a Best Western J-Hawk Motel)	$ 740,000	1133
MN 60	Redwood Electric Cooperative	$ 740,000	1134
TN 46	Caney Fork Electric Cooperative, Inc.	$ 389,000	1135
KY 54	South Kentucky Rural Electric Cooperative Corporation (SKYRECC) (King's Tire Recycling, Inc.)	$ 740,000	1136
MS 39	Singing River Electric Power Association (George Regional Health System)	$ 740,000	1137
MO 75	United Electric Cooperative, Inc.	$ 172,000	1138
LA 07	Valley Electric Membership Corporation (VEMCO)	$ 740,000	1139

MS 39	Singing River Electric Power Association (TC Real Estate Incorporated)	$	370,000	1140
NC 51	Lumbee River Electric Membership Corporation (Robeson Health Care Corporation)	$	740,000	1141
GA 74	Jefferson Energy Cooperative	$	740,000	1142
MN 55	South Central Electric Association	$	740,000	1143
MN 57	Lake Region Electric Cooperative	$	740,000	1144
MO 45	Three Rivers Electric Cooperative	$	400,000	1145
ND 27	KEM Electric Cooperative, Inc.	$	740,000	1146
ND 28	Mountrail-Williams Electric Cooperative	$	740,000	1147
SC 38	Blue Ridge Electric Cooperative, Inc. (BREC)	$	740,000	1148
TN 01	Volunteer Energy Cooperative	$	700,000	1149
TN 61	Powell Valley Electric Cooperative, Inc.	$	740,000	1150
GA 78	Habersham Electric Membership Corporation	$	740,000	1151
KS 57	Heartland Rural Electric Cooperative, Inc.	$	285,000	1152
MO 35	Tri-County Electric Cooperative Association	$	740,000	1153
MO 44	Grundy Electric Cooperative, Inc.	$	740,000	1154
MO 66	Webster Electric Cooperative	$	280,000	1155
WI 43	Scenic Rivers Energy Cooperative	$	500,000	1156
NE 527	Diller Telephone Company	$	632,200	1157
ND 51	Dakota Valley Electric Cooperative, Inc.	$	132,000	1158

38 Loans **Total** **$23,180,200.00**

Balance of Loan Funds After Above Request: **$ 9,940.456.53**

Attachment

RURAL ECONOMIC DEVELOPMENT LOAN AND GRANT PROGRAM
REQUEST FOR GRANT FUNDS – First and Second Quarters FY 2008

Total Available FY 2008	$ 10,000,000
Less 1st and 2nd Quarters FY 2008	$ 6,826,960
Balance Remaining	$ 3,173,040

State	Project	Grant Amount	REDG Number
SC 26	Pee Dee Electric Cooperative	$ 300,000	407
IL 33	Western Illinois Electrical Cooperative (WIEC)	$ 300,000	408
TN 28	Paris Board of Public Utilities	$ 300,000	409
SD 16	Whetstone Valley Electric Cooperative, Inc.	$ 200,000	410
IA 70	Osceola Electric Cooperative	$ 300,000	411
MS 39	Singing River Electric Power Association (George Regional Health System)	$ 300,000	412
IA 101	City of Pocahontas Municipal Electric Utility	$ 100,000	413
NC 59	Tideland Electric Membership Corporation	$ 300,000	414
IA 92	Iowa Lakes Electric Cooperative	$ 300,000	415
KY 54	South Kentucky Rural Electric Cooperative Corporation (SKYRECC)	$ 300,000	416
MO 44	Grundy Electric Cooperative, Inc.	$ 300,000	417
ND 51	Dakota Valley Electric Cooperative, Inc. (Dr. Rupkumar Nagala and Dr. Vani Nagala)	$ 300,000	418
MN 56	Crow Wing Cooperative Power and Light Company	$ 233,500	419
IA 94	North West Rural Electric Cooperative	$ 300,000	420
MN 18	Runestone Electric Association	$ 300,000	421
HI 01	Kaua'i Island Utility Cooperative	$ 300,000	422
KS 55	Midwest Energy, Inc.	$ 300,000	423
TN 48	Duck River Electric Membership Corporation	$ 300,000	424
IA 69	Access Energy Cooperative	$ 300,000	425
KS 544	KanOkla Telephone Association, Inc.	$ 91,660	426
ND 51	Dakota Valley Electric Cooperative, Inc. (Dwight Rural Fire Protection District)	$ 116,800	427

MN 84	Traverse Electric Cooperative, Inc.	$ 300,000	428
ND 22	North Central Electric Cooperative, Inc.	$ 300,000	429
IL 38	Corn Belt Energy Corporation	$ 300,000	430
IA 103	Hawarden Municipal Utilities	$ 300,000	431
OK 533	Pioneer Telephone Cooperative, Inc.	$ 85,000	432

26 Grants Total $6,826,960

Balance of Grant Funds After Above Request: $3,173,040

April 7, 2008

SUBJECT: The Hatch Act

TO: All Rural Development Employees

Most Rural Development employees are subject to the Hatch Act Reform Amendments of 1993 (Hatch Act). On December 21, 2007, the Office of the Secretary issued the attached memorandum to all United States Department of Agriculture (USDA) employees emphasizing the importance of compliance with the Hatch Act. In addition, the Secretary's memorandum provides information on prohibited activities related to political participation and expression.

At all times, but especially during the campaign season, you must remember that certain political expression at work is prohibited. This includes political expression in e-mails sent from a Government computer or a Government e-mail address. Employees participating in blogs or other social networking sites should also remember the prohibitions that apply to personal political activity. For example, you are prohibited from personally soliciting political contributions. This applies round the clock, whether on or off duty. It would be a violation if you had a Web page or blog that includes an appeal for political contributions, even if you were not identified on that site as an employee. Also, you should be aware that some campaign sites that allow supporters to set up their own Web page or blog may automatically attach a "donate" button. This, too, would be a violation, even if done on your own time and home computer.

I encourage you to review the attached Secretary's memorandum, and seek further guidance as needed from the USDA, Office of Ethics Web (OE) site: http://www.usda-ethics.net/. Training on the Hatch Act is available on AgLearn. You can also get assistance with specific questions from your servicing Ethics Advisor in OE.

EXPIRATION DATE:
April 30, 2009

FILING INSTRUCTIONS:
Administrative/Other Programs

The following points of contact in OE for Rural Development employees are:

Presidential Appointees with Senate Confirmation and Non-Career Senior Executives:
OE Headquarters: 202-720-2251.

All Other Rural Development Employees: OE, Farm, Conservation & Rural Programs Division, Julia West, Ethics Specialist, 202-205-1971 or via e-mail at Julia.West@usda.gov.

(Signed by Clyde Thompson)

CLYDE THOMPSON
Deputy Administrator
for Operations and Management

Attachment

Sent by electronic mail on April 9, 2008 at 7:45am by Human Resources.

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

DEC 21 2007

TO: All Employees

FROM: Charles F. Conner
Acting Secretary

SUBJECT: Hatch Act Compliance

I expect all USDA employees to adhere to the highest ethical standards not only in their official duties, but also in any political activities they undertake. Now is a good time for us to review some of the prohibitions concerning political activities that apply to the great majority of Federal employees. I do not discuss here the stricter rules that apply to career Senior Executive Service employees; Board of Contract Appeals members and Administrative Law Judges; or the generally more permissive rules that apply to Presidential appointees confirmed by the Senate. Nonetheless, this reminder should be applicable and helpful to the majority of USDA employees. I encourage you to seek guidance from your Agency Ethics Officials or Departmental Administration's (DA) Office of Ethics should you have any questions about how the rules apply to you.

Most USDA employees are subject to the Hatch Act Reform Amendments of 1993 (Amendments). The Amendments broadly permit covered employees to take an active part in political management or in political campaigns ***on their own personal time and away from the worksite***. Some of the partisan political activities in which covered employees may participate include: making speeches, distributing literature, participating in partisan "get-out-the-vote" drives, working at the polls, managing campaign organizations, serving as a party officer, serving as a delegate at conventions, and signing nominating petitions.

At the same time, covered employees are subject to a number of general restrictions. As a Federal employee, you may not:

1. Run for partisan political office;

2. Use your official title while participating in any political activity;

3. Solicit, coerce, or discourage the political activity of any person who

   a. has any application pending before the Department or

   b. is a subject or participant in any ongoing audit, investigation, or enforcement action being carried out by the Department;

4. Use your official authority or influence to interfere with or affect the result of an election;

5. Solicit, accept, or receive volunteer services from a subordinate for any political purpose;

6. Engage in any political activity while: On duty; wearing a uniform or official insignia identifying the office or position of the employee; or in any room or building used by Government employees in the discharge of their official duties. Political activity includes work for campaigns or a political party, writing political speeches, endorsing candidates, holding political meetings, and combined political and official Government travel;

7. Engage in political activity while using any Government-owned or leased vehicle or while using a private vehicle in the discharge of official duties. Political activity includes displaying a political bumper sticker or decal and also includes driving to political events; or

8. Personally solicit, accept, or receive a political contribution from **ANY** person, unless that person is a member of the same labor organization and not a subordinate employee. The solicitation is for a contribution to a multi-candidate political action committee (PAC) of the labor organization.

Political fundraisers are a frequent source of problems. You may not:

1. Solicit political contributions in a speech given at a fundraiser endorsing a candidate or party;

2. Use your official title in connection with fundraising activities;

3. Host, sponsor, or invite others to a fundraiser; or

4. Allow your name to be used on an invitation to a fundraiser as a sponsor or point of contact.

Finally, USDA employees have recently sent several e-mails on political subjects, while they were on duty and from Government computers. The general rule is that sending or forwarding political e-mails to anyone over a government system is political activity and thus prohibited.

Further guidance is available at the Office of Ethics Web Site at www.usda.gov/ethics. Again, if you have any questions concerning political activity, contact your agency Ethics Advisor or the DA Office of Ethics at (202) 720-2251.

April 9, 2008

TO: All State Directors
Rural Development

ATTENTION: Single Family Housing Program Directors

FROM: Philip Stetson ***(Signed by Philip Stetson)***
Acting Deputy Administrator
Single Family Housing

SUBJECT: Fiscal Year 2008 Rural Home Loan Partnership/
Community Development Financial Institution Loans

As in prior years, there continues to be a set aside of ten percent of all Section 502 Direct loan funds for funding of Rural Home Loan Partnership (RHLP)/Community Development Financial Institution (CDFI) partner loans. States will be reimbursed 75 percent of all partner loans from this allocation.

States may continue to request RHLP/CDFI funds as needed.

As a reminder, States should note that effective April 1, 2008, for any leveraged loan, including a RHLP or CDFI loan to be considered in the Payment Assistance method 2 calculation, it must meet the definition of an eligible leverage loan. An eligible leverage loan for purposes of the payment subsidy is a leverage loan that has payments amortized for at least 30 years and an interest rate equal to or less than three per cent.

Expiration Date:
September 30, 2008

Filing Instructions:
Housing Programs

RHLP/CDFI Loans

The change in the Payment Assistance formula does not prohibit forms of leveraging that was previously done. It is permissible to consider leveraging that does not meet the criteria for Payment Assistance; appropriate leveraging, in general, continues to benefit the Agency and the borrower.

The change in the Payment Assistance formula was driven by a number of factors including the formula's complexity and its unintended consequences. We recognize that this change will have some impact on our leveraging partnerships. We expect that leveraging will continue to evolve over time. We encourage you to continue to work closely with partner organizations to identify opportunities for successful leveraging.

For both RHLP and CDFI loans, the leveraged portion must comprise at least 20 percent of the financial package, unless it is an eligible leverage loan for payment subsidy. An eligible leverage loan for the Payment Assistance method 2 calculation does not have a minimum percentage requirement. If the leveraging is in the form of a grant, the leverage portion must be at least 15 percent. Chapter 10 of HB-1-3550 provides guidance on what constitutes a leveraged loan.

The profile of a RHLP loan remains the same as in previous years. In order for a loan to qualify as an RHLP loan, the loan must have the participation of a leverage loan from a private lender, a state or local government lender, or a nonprofit organization that provides subsidized loans or grants and must involve a local nonprofit organization or Community Development Corporation (CDC). The participation of all three entities: 1) Rural Development; 2) private, state or local government lender or nonprofit lender; and 3) nonprofit organization/CDC defines a RHLP loan.

For a loan to qualify as a CDFI loan, it must have leveraged loan participation from a CDFI.

Maintaining Leveraged Partner Information

During the course of the year when entering leverage lender information into UniFi, states are reminded that it is important to ensure that the leverage lender information is complete and accurate. The Hyperion report titled, "Leveraged Loans Report" in the "Single Family Housing Direct" folder of the Report Catalog window must be checked to assure that your leveraged loan activity is accurately reflected. The Leveraged Loans Report must be monitored on a quarterly basis and any RHLP/CDFI activity that is not accurate in Hyperion must be corrected in UniFi or MortgageServ, such as the Participating Lender Screen in UniFi and the Delinquent Lienholder Screen in MortgageServ, as appropriate to ensure accuracy of the reports. All RHLP and CDFI loans should be coded with the correct program type code, whether or not there is a contribution from this set aside. Entry of complete and accurate leveraged lender

information including, the tax identification number at initial input will eliminate the need to go back and correct this information during the fiscal year end RHLP/CDFI data collection. In addition, it is important to have complete and correct leveraged lender information to facilitate loan servicing at a later date. States should keep track of loans that were not designated as program type RHLP or CDFI but could have been, such as EZ/EC/REAP, Underserved, and Colonias; as an accounting for these loans will be requested at fiscal year end.

A listing of CDCs is available on the Internet at http://www.ruralamerica.org under the "Resources" section and a listing of CDFI awardees is available at: http://www.cdfifund.gov/loan.asp.

If you have any questions regarding this memorandum, please contact Janet L. Carter of the Single Family Housing Direct Loan Division, at (202) 720-1489.

April 9, 2008

SUBJECT: Mid-Cycle Performance Reviews

TO: National Office Officials
Rural Development State Directors

ATTN: Administrative Program Directors
Human Resources Managers
Chief, Field Services Branch
Chief, Headquarters Personnel Service Branch

A formal mid-year performance review must be completed between **March 31 to April 30, 2008**, for employees who have been under an established performance plan for 90 days or more. Certification of the mid-year review should be documented in Section 6 on Form AD-435A, Performance Plan, Progress Review and Appraisal Worksheet, with the signatures of the rating official and employee. If you are not using EmpowHR to complete performance plans, a fillable version of Form AD-435A is available at http://i2i.nfc.usda.gov/Forms/Forms_home.html. Any employee who is not on an approved performance plan must be placed on one immediately. Development and employee receipt of the plan are documented in Section 5 on Form AD-435A. To assist in meeting Rural Development's performance goals for FY 2008, we will be tracking and monitoring the receipt of progress reviews for all eligible employees. New requirements by the Office of Personnel Management call for summary reporting to management and the Office of Human Capital Management.

As part of the performance management process, monitoring an employee's performance includes providing timely and effective feedback throughout the performance year. Sources of feedback can come from observations by supervisors, measurement systems, feedback from peers, and input from customers. Some issues that may be discussed in a progress review are:

- Communication
- Training Needs (informal/formal)
- Skills and knowledge level for successful performance
- Status of work (challenging/fulfilling)
- Delegation of assignments
- Changes in organizational goals or priorities
- Getting/giving regular feedback

Mid-year performance reviews are also an opportunity to review the performance elements and standards with the employee to ensure they are still relevant to his/her position. Any significant changes in an employee's duties, responsibilities, or work assignments should be reflected accurately within the critical elements of the position. If revisions to the performance plan are required, implementation must be completed within 30 days of the action. If there are areas of performance that need improvement, inform the employee and discuss solutions that will help him/her to improve performance. It is important to contact your servicing human resources for any advice and assistance before taking any action. Effective feedback processes assist employees to reach their performance goals successfully.

As part of our leadership roles, we contribute to developing a results-oriented performance culture that is critical to successfully achieving organizational goals and objectives. The performance management system is the beneficial tool that allows us to communicate goals, individual performance expectations, and provides accountability for achieving these goals to ultimately recognize and reward good performance. One of Rural Development's goals is to ensure that all performance plans display characteristics of strategic alignment, results-focused elements and standards, balanced credible measures of performance, and provide distinctions in levels of performance. Attached is an example of a "Leadership" element and standard that displays these characteristics which must be displayed in all employee performance plans.

Communicating organizational goals, involving employees in achieving results, and establishing effective performance plans are a winning trifecta for helping us remain "Green" in the President's Management Agenda.

If you have any questions in developing a performance plan or addressing performance problems, please contact your servicing human resources office.

(Signed by Allen Hatcher)

ALLEN HATCHER
Assistant Administrator
for Human Resources

Attachments

Sent by electronic mail on April 9, 2008, at 10:30 a.m., by Human Resources.
State Directors and National Office Officials should advise other personnel as appropriate.

It is the responsibility of all employees for the accomplishment of individual and organizational goals, and your responsibility to ensure they have a clear understanding of performance expectations and also consider the employee's perspective in performance management. Employee performance plans must display the following characteristics:

Strategic Alignment:

- Include a block where the supervisor and employee indicate the organization's annual performance goals or objectives that the "results-focused" element aligns with. Do not just copy or refer to the organizational goals into employee performance plans without also including the individual results that the employee is to accomplish in order to support that goal. The performance element and standard should directly relate to the organizational goal and include credible measures of performance that are observable, measurable, and/or demonstrable. This goal(s) should be aligned throughout the organization (i.e., show clear linkage to the strategic goal from the SES or State Director's plan to the supervisor's or manager's plan to the employee's plan, thus cascading elements and standards).

Results-Focused:

- At least one critical element should require the employee to be held accountable for achieving an accomplishment that supports organizational goals.

Credible Measures and Customer and Employee Perspectives:

- Employees should be rated against elements and standards that include general credible measures of performance: quality, quantity, timeliness, and/or cost-effectiveness, and should take into consideration a customer perspective. An employee perspective should be incorporated for supervisors/managers. Specific measures require the supervisor and employee to identify which measures are appropriate.
- Customer perspective: To achieve the best in business performance, incorporate reasonable customer needs and wants consistent with Rural Development's mission and take them into account as part of performance planning.
- Employee perspective focuses on the performance of the key internal processes that drive the organization, including employee development and retention. Adequate investment in these areas is critical to long-term success.

Providing distinctions in levels of performance:

- Although RD Instruction only requires that performance standards be written to describe "Meets Fully Successful" level of performance, it is recommended that elements be defined at other levels so the employee understands how to reach an "Exceeds Fully Successful" level of performance or what constitutes performance that "Does Not Meet Fully Successful" performance. Showing distinctions in levels of performance provides an incentive for employees to reach challenging goals that contributes to organizational performance.

The following is an example of a critical element and standard that display these characteristics:

Results-Oriented Performance Element: *At least one critical element should link to the strategic goals and objectives of the organization. Include the organizational goal or management strategy or work unit goal in the performance element so the strategic alignment is clear.*

Performance Element: Leadership

Strategic Alignment: RD Goal 1: Increase Economic Opportunity in Rural America

Leadership - represents Rural Development with state and local government officials, private sector profit and non-profit organizations, and other entities regarding issues and projects of mutual interest to increase the number of partnerships with other entities and an increase in the percentage of other funds leveraging with Rural Development loan and grant funds.

Performance Standard: *This example includes credible measures of quantity and timeliness and incorporates a customer perspective measure. Strategic alignment may also include specific performance measures that a standard may be linked to, e.g., provided financing to 500 businesses (contributes to Goal 1, Objective 1.1).*

Fully Successful for FY 2008:
- met leveraging goals of 38% - 40% of project funds coming from non-Rural Development resources
- provided financing for rural businesses that created or saved 665 - 667 jobs
- satisfied customer needs through quality products and responsive service of at least 60% rated "good"
- *(the overall accomplishment resulted in)* increased the number of partnerships that led to an increase in the percentage of other funds leveraged with RD's loan and grant funds by 10%

Exceeds for FY 2008:
- met leveraging goals of 41% - 50% of project funds coming from non-Rural Development resources
- provided financing for rural businesses that created or saved 668-670 targeted number of jobs. - satisfied customer needs through quality products and responsive service of at least 60% rated "good" to "excellent"
- *(the overall accomplishment resulted in)* exceeded the State's goal of increasing the number of partnerships and percentage of other funds leveraged with RD's loan and grant funds by 15%

April 9, 2008

SUBJECT: Termination of the U.S. Blue Pages Program

TO: Rural Development State Directors

ATTN: Administrative Program Directors

The purpose of this unnumbered letter is to provide notification that the General Services Administration (GSA) is no longer providing administrative support for the U.S. Blue Pages Program.

The U.S. Blue Pages Program was initiated by GSA, Federal Technology Service in early 1996 to improve customer access to Government services by improving the way services are listed in telephone directories. GSA has terminated administrative support for the U.S. Blue Pages Program, because it has determined that there is a duplication of Federal listing services that are already available in major telephone company directories. As a result, the Blue Pages Coordinator in each State Office who was appointed to make revisions to the U.S. Blue Pages has had their access terminated.

GSA has provided information on an alternate website which has access to information similar to what was contained in the U.S. Blue Pages. The GSA Office of Citizen Services and Communications (OCSC) provides a customer-friendly website at www.usa.gov with links to all levels of Government, pages of information on popular topics, and responses to frequently asked questions. The website provides a unique feature in the form of a toll-free public directory listing. The number is 1-800-FEDINFO, which is menu driven and includes a live operator for information assistance.

EXPIRATION DATE:
April 30, 2009

FILING INSTRUCTIONS:
Administrative/Other
Programs

If you have any questions, please contact the Rural Development Mail Manager, Rod Williams, at (202) 692-0027 or you may e-mail him at rod.williams@wdc.usda.gov.

(Signed by Clyde Thompson)

CLYDE THOMPSON
Deputy Administrator
for Operations and Management

Sent by electronic mail on 4/14/08 at 8:45 a.m. by the Support Services Division. State Directors should notify other personnel as appropriate.

April 10, 2008

SUBJECT: United States Department of Agriculture 2008
"Take Our Daughters and Sons To Work" Day Program

TO: All Rural Development Employees

Rural Development will participate in the United States Department of Agriculture "Take Our Daughters and Sons To Work" Day Program scheduled for Thursday, April 24, 2008. The theme for this year is "Making Choices for a Better World." Everyone is encouraged to participate by bringing your daughters and sons ages 8 to 18 to the activities and events being held throughout the day. See the attached letter for more information about the "Take Our Daughters and Sons To Work" Day Program.

(Signed by Clyde Thompson)

CLYDE THOMPSON
Deputy Administrator
for Operations and Management

Attachment

EXPIRATION DATE:
April 30, 2009

FILING INSTRUCTIONS:
Other/Administrative Programs

Sent by electronic mail on April 14, 2008 at 11:30 am by Human Resources.

United States
Department of
Agriculture

Office of the
Assistant Secretary
for Civil Rights

1400 Independence
Avenue SW

Washington, DC
20250

TO: Subcabinet Officials
Agency Heads

FROM: Margo M. McKay Annabelle Romero for MAR 3 2008
Assistant Secretary for Civil Rights

SUBJECT: USDA 2008 "Take Our Daughters And Sons To Work" Day Program

On Thursday, April 24, 2008, the Department of Agriculture (USDA) will participate in "Take Our Daughters And Sons To Work" Day. This year's theme is **"Making Choices for a Better World."** Across the nation, employers are hosting a variety of enriching educational experiences for our daughters and sons between the ages of 8 and 18 years old. The purpose of the event is to provide an opportunity for parents, guardians, and mentors to bring youth to work for a day to experience what their parents actually do on the job and to see how they balance work, family, and community commitments. By bringing youth together for this experience, it helps them envision a future that reflects a more equitable and diverse world – at home, at school, and in the workplace.

Our Departmental activities will begin in the Patio of the Jamie L. Whitten Building at 9:30 a.m., with a brief opening ceremony followed by interactive exhibits sponsored by USDA agencies from 10:00 a.m. to 12:00 p.m. The afternoon is reserved for the youth to shadow their parents or mentors and to attend events sponsored by individual agencies. There is no registration required for those who want to attend.

Last year, more than 200 youth enjoyed visiting the USDA headquarters complex. I encourage you to use this opportunity to invite young people, our next work force generation, to join us at the USDA's ceremony and exhibition.

For more information, please contact your agency Civil Rights Office or Terry Thir, Office of Diversity, at 202-720-1146 or 202-720-6382 TTY or by email terry.thir@usda.gov.

Thank you for your support and participation.

cc: Agency Civil Rights Directors
Mission Area Human Capital Officers
Deputy Administrators for Management

April 11, 2008

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

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

ATTN: Rural Housing Program Directors

The following interest rates, effective May 1, 2008, are changed as follows:

Loan Type	**Existing Rate**	**New Rate**
ALL LOAN TYPES		
Treasury Judgement Rate	2.100%	1.600%

The new rate shown above is as of the week ending March 28, 2008. The actual judgement 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).

RURAL HOUSING LOANS		
Rural Housing (RH) 502		
Very-Low or Low	5.375	5.375

EXPIRATION DATE:
May 31, 2008

FILING INSTRUCTIONS:
Administrative/Other Programs

Single Family Housing (SFH) Nonprogram	5.875	5.875
Rural Housing Site (RH-524), Non-Self-Help	5.375	5.375
Rural Rental Housing and Rural Cooperative Housing	5.375	5.375

Please notify appropriate personnel of these rates.

(Signed by Russell T. Davis)

RUSSELL T. DAVIS
Administrator
Housing and Community Facilities Programs

Sent by electronic mail on 4/14/08 at 8:45 a.m. by PAD.
State Directors should advise other personnel as appropriate.

April 14, 2008

TO: State Directors, Rural Development

SUBJECT: Business and Industry Guaranteed and Direct Loan Programs
Write-Down of Debt for an Existing Borrower

ATTN: Business Programs Directors

The purpose of this Unnumbered Letter (UL) is to clarify the Agency's policy regarding the write-down of debt for an existing borrower.

The Business and Industry Guaranteed Loan Program regulations are silent on the writing down of a loan and allowing the same principals to remain in control of the operation. The Business and Industry Direct Loan Program regulations, while allowing for the write-down of debt, is also silent on allowing the same principals to remain in control of the operation.

The Agency hereby reiterates its policy to not allow debt write-down/settlements and leave the same principals in charge of the business. An exception to this policy requires the approval of the Administrator. Documentation should be forwarded to the Administrator in accordance with RD Instruction 4287-B, Appendix A, Modification or Administrative Action. Your request for Modification or Administrative Action must be in the proper format, include a complete explanation of the request, financial analysis, any appropriate supporting documentation, and the State Director's recommendation.

If you have any questions on the information provided, please contact the Business and Industry Division directly at (202) 690-4103.

(Signed by Ben Anderson)

BEN ANDERSON
Administrator
Business and Cooperative Programs

EXPIRATION DATE:
April 30, 2009

FILING INSTRUCTIONS:
Community/Business Programs

April 17, 2008

TO: State Directors

Rural Development

ATTN: Community Programs Staff

FROM: Russell T. Davis ***(Signed by Peter Morgan) for***
Administrator
Housing and Community Facilities Programs

SUBJECT: Non-Traditional Lender Approval for Participation in the Community Facilities Guaranteed Loan Program

In 2007, Community Programs contracted the Farm Credit Administration to perform examinations of non-traditional lenders to ensure that they operated in a safe and sound manner and in compliance with Community Programs' loan regulations and requirements. This unnumbered letter and attachment is in part a result of these examinations and will provide additional guidance to State Offices when requesting lender approval for participation in the Community Facility Guaranteed Loan Program.

In accordance with the administrative language contained in RD Instruction 3575-A, section 3575.27(a)(6), non-conventional lenders must be approved by the National Office.

The attached checklist is to be used as a guide when requests for lender approval are submitted to the National Office. Please note that all prior approved non-traditional lenders must demonstrate that they meet these requirements for future funding consideration.

Please review the attachment with your staff and emphasize the need to use this checklist as a guide when requesting lender approval in order to help expedite the review process. A Lender's file is to be maintained in each Rural Development State Office with copies of the Lender's documentation.

If you have any questions, please contact Shirley J. Stevenson, Loan Specialist at (202) 205-9685.

Attachment

EXPIRATION DATE:
April 30, 2009

FILING INSTRUCTION:
Community/Business Programs

Attachment 1

COMMUNITY FACILITIES GUARANTEED LOAN PROGRAM
NON-CONVENTIONAL LENDER APPROVAL CHECKLIST

1. Identify Lender.
   a) Lender's name, address and telephone number.
   b) State where the Lender is incorporated. (if applicable)
   c) Lender's Tax Identification Number.
   d) Lender's proposed geographical area of operations.
   e) The name of an official who will serve as a contact for Rural Development regarding the Lender's Community Facilities Guaranteed loans.

2. The organizational structure of the lender to include a list of names, titles and responsibilities of the Lender's principal officers; experience of management and loan officers; and description and background of loan committee members and frequency of loan committee meetings.

3. Copy of Lender's organizational documents and any license, charter, or other evidence of authority to engage in the proposed loan making and servicing activities. If licensing by the State is not required, an attorney's opinion to this effect must be submitted.

4. Copy of Lender's most recent audited financial statement, sources of funds for proposed loans, and capital and reserves for loan losses, based on most recent annual and quarterly reports to stockholders.
   a) Have tangible balance sheet equity of at least 7% of tangible assets and sufficient funds available to disburse the guaranteed loans it proposes to approve within the first 6 months of being approved as a guaranteed lender.
   b) The Lender will re-certify biannually to this requirement.

5. Evidence of Lender's regulatory oversight. Lender must be subject to credit examination and supervision by either an appropriate agency of the United States or a State that supervises and regulates credit institutions. Only regulated lenders that are subject to both examination and supervision may participate in the Community Facilities Guaranteed Program. Examination will normally include a review of the lenders' asset quality, management practices, financial conditions, and compliance with applicable laws and regulations. Supervision gives the regulator the authority to require that the lender make changes to ensure safety and soundness. The Lender must provide a copy of their most recent credit examination, with any deficiencies identified, by the appropriate United States or State agency, and with the contact information of the examiner.

   Acceptable agencies and their web sites that in some cases identify enforcement actions as well as other activities associated with a lender, include, but are not limited to, the following:

- Federal Deposit Insurance Company – for state chartered banks that are not members of the Federal Reserve System and for insured branches of foreign banks.
  http://www.fdic.gov/bank/individual/enforcement/index.html

- Office of Comptroller of the Currency – for national banks and federally chartered branches and agencies of foreign banks.
  http://www.occ.treas.gov/index.htm

- Office of Thrift Supervision - for savings and loan or savings associations and thrift holding companies.
  http://www.ots.treas.gov/enforcement/default.cfm?catNumber=41

- Federal Reserve Board – for state-chartered banks that are members of the Federal Reserve System, bank holding companies and their non-bank subsidiaries, Edge Act and agreement corporations, and branches and agencies of foreign banking organizations operating in the United States and their parent banks.
  http://www.federalreserve.gov/boarddocs/enforcement/

- FCA – Federal agency responsible for examining and regulating the Farm Credit System
  http://www.fca.gov/FCA-Homepage.htm

- National Credit Union Administration – for credit unions
  http://www.ncua.gov/administrative_orders/Index.htm

- State banking commissions – regulate and supervise state-charted banks. Many of them handle or refer to problems and complaints about other types of financial institutions as well. http://consumeraction.gov/banking.shtml

6. A sample of Lender's lending policies and procedures, including delegated authority and loan approval process, loan underwriting standards, risk rating system, and loan workout and collection process.
   - The contracting or assignment of servicing responsibility to another organization is prohibited.

7. Lender's proposed rates and fees, including loan origination, loan preparation, and servicing fees.
   - Such fees must not be greater that those charged by similarly local lenders for community development type projects.

8. Information regarding Lender's experience in making and servicing Community Development type loans, to include the length of time in the lending business; range and volume of lending and servicing activity; status of loan portfolio including delinquency rate, loss rate as a percentage of loan amounts, and other measures of success; and, a representative sample of such recent financing.

a) Lenders must have a record of making at least three commercial and/or community development type loans annually for at least the most recent three years.
b) Delinquent loans will not exceed 5% of total loans outstanding.
c) Historical losses cannot exceed 7% of total dollars loaned, including government guaranteed loans.

9. The Lender must provide evidence of fidelity bond insurance.

10. An executed Form AD 1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters – Primary Covered Transactions."

April 17, 2008

TO: All State Directors
Rural Development

ATTENTION: Rural Housing Program Directors
Rural Development Area Directors

FROM: Philip H. Stetson (***Signed by Phillip H. Stetson)***
Acting Deputy Administrator
Single Family Housing

SUBJECT: Additional Guidance for Implementation of
Payment Assistance Method Two

The purpose of this memorandum is to supplement the guidance issued February 6, 2008, regarding the implementation of a new payment subsidy method. In addition, the interim calculator has been revised to require an entry of the area loan limit and to calculate the reduced interest rate for construction loans.

Based on feedback from the two webinar presentations, we have determined that additional documentation is appropriate to ensure the proper method of payment subsidy is applied. Specifically, the loan closing package sent to the Centralized Servicing Center (CSC) must contain the following:

- Form RD 1944-59, Certificate of Eligibility (COE), for all loans obligated between April 1, 2008 and July 31, 2008, unless a COE was not required.
    - When the COE was not required, Form RD 3550-7, Funding Commitment and Notification of Loan Closing, will be used to determine if the correct method of subsidy was applied. Submittal of this form to CSC is already required.

EXPIRATION DATE:
February 28, 2009

FILING INSTRUCTIONS:
Housing Programs

- For all borrowers receiving payment assistance method 2:
    - A printout from the interim calculator of each of the following:
        - Payment Assistance Calculator,
        - Maximum Loan Amount Calculator, and
        - Construction Loan Calculator (if applicable).
    - A signed copy of Form RD 1944-14, Payment Assistance Agreement/Deferred Mortgage Agreement

Until completion of the system enhancements, this form replaces the requirement to complete the RHCDS/AGREEMENT screen in MortgageServ for borrowers receiving payment assistance method 2. After the system is enhanced, you will no longer be required to submit Form RD 1944-14. You will be able to process the payment assistance agreement utilizing the RHCDS/AGREEMENT screen in MortgageServ.

Please be reminded that the Interim Calculator is a temporary tool and does not encompass the checks and balances that are in UniFi. Therefore, you must continue to enter applications into UniFi during this interim period. The UniFi Eligibility Summary contains the Annual Income Information which consists of Repayment Income, Annual Income and Adjusted Income. The Eligibility Summary must be printed from UniFi and a copy of the Maximum Loan Amount Calculator should be attached to it and retained in the loan file. The income figures from the calculator must match the income figures on the Eligibility Summary in UniFi.

The most current version of the Interim Calculator must be used for the above calculations. Any copies of the calculator that were downloaded from the system and saved should be deleted.

We have attached a copy of the Questions and Responses that were addressed on the Webinar. In addition, all written guidance that relates to implementation of the new payment subsidy formula has been posted to the Rural Development Share Point Website, which can be accessed as follows:

https://rd.sc.egov.usda.gov/teamrd/HCFP/default.aspx

Questions may be directed to the Field Assistance Desk at (314) 457-5200 or the Single Family Housing Direct Loan Division at (202) 720-1474.

Attachment

Q&A Sessions - Payment Assistance Webinar – March 19 and 25, 2008

1. Clarify – When does Payment Assistance (PA) 1 apply, and when does PA2 apply?

   Response:

   Payment Assistance Method 2 applies as follows:

   - Form 1944-59, Certificate of Eligibility (COE) was issued on or after April 1, 2008.
   - The issuance of a COE was not necessary, and Form RD 3550-7, "Funding Commitment and Notification of Loan Closing", was issued on or after April 1, 2008.
   - The loan is obligated after July 31, 2008, regardless of the date of the COE.
   - The borrower has never received payment subsidy, or has stopped receiving interest credit assistance or payment assistance method 1 for six months or more, and again qualifies for a payment subsidy on or after April 1, 2008.

   Payment Assistance Method 1 applies as follows:

   - The COE was issued prior to April 1, 2008 and the obligation of funds occurs no later than July 31, 2008.
   - An extension of a COE that was issued prior to 4/1/08 is granted and the obligation of funds occurs no later than July 31, 2008.
   - If issuance of a COE was not necessary and the Funding Commitment and Notification of Loan Closing is dated prior to 4/1/08.
   - A borrower currently receiving payment assistance using payment assistance method 1 for the initial loan and for any subsequent loans for as long as the borrower is eligible for and remains on payment assistance method 1.

2. When a borrower that is currently receiving payment assistance via method 1 obtains a subsequent loan, what method of subsidy will they receive?

   Response: The borrower will remain on (PA1). If there is a break in subsidy (Interest Credit or PA1) for 6 months or more, the borrower will go on PA2.

3. On a same rates & terms assumption, if the old borrower was receiving payment assistance 1, does the new borrower keep PA1, or go to PA2?

   Response: The new borrower will assume the same rates and terms that the old borrower had including the form of payment assistance, in this case, PA1.

4. If a Certificate of Eligibility (COE) was issued prior to 4/1/08 can the new method of payment assistance be used if it will benefit the applicant with a lower monthly payment?

   Response: If the COE was issued prior to 4/1/08, the borrower will be under the method of subsidy that was in affect at the time the COE was issued, so the borrower will receive PA1.

   The final rule implementing the new payment subsidy formula, states the borrower will not be given an option to change payment subsidy methods.

5. What will be the time requirement for a COE (45 or 60) for a market rate lender?

   Response: The new Payment Assistance formula will not affect the time frame of the COE, for leverage loans it will remain at 60 days. Extensions of COEs for PA1 will not be granted beyond July 31. Should a leveraging partner be involved in one of these applications, they should be made aware of this.

6. Will the loans be locked into PA2 at time of COE or at the time of Funding Commitment?

   Response: Applicants issued a COE prior to April 1, 2008 will receive PA 1, even if the two 30 day extensions are granted after 4/1/08.

   In cases where the applicant has submitted a contract for a property and no COE was issued, the date of the Funding Commitment determines the method of subsidy. If the Funding Commitment was issued on or after 4/1/08 the borrower will receive PA2.

7. Is there a deadline to obligate loans that are under PA1?

   Response: Yes, loans receiving PA1 (except subsequent loans to a borrower that is currently receiving PA1) must be obligated no later than July 31, 2008.

8. Will loans closed after April 1 receive PA2 or is when they were determined eligible?

   Response: The date of the COE will be the determining factor. See response to question #1.

9. If a current COE runs out, do we then use the new payment assistance plan?

   Response: Yes, if the COE and two 30 days extensions have expired, the applicant must be processed under PA2.

10. If an applicant has been certified eligible prior to 4/1 - however can not find property in price range, can we re-certify them under the new payment assistance methods without withdrawing their file from unifi and starting over?

Response: We should never withdraw an active application from UniFi or encourage an applicant to withdraw their application. Should the situation arise, we encourage the State Office to bring it to our attention and we will discuss on an individual case basis.

11. We understand that we should never withdraw an active application. But if we have an applicant in UniFi prior to 4/1, and they can not find a property in their current price range, can we change them to the new payment assistance method?

Response: If the applicant's circumstances have changed, we would consider that a legitimate reason to re-issue the COE. A new COE would be based on the appropriate PA method at the time of consideration. If the COE and two 30 day extensions have expired, the applicant's eligibility must be re-evaluated using PA2.

12. Did you say market rate leverage loans above 3% are eligible for PA?

Response: No, market rate leverage loans with interest rates above 3% will not be considered in the PA2 calculations since they do not meet the requirement of 3 percent and below interest rate. However, the Agency loan is still eligible for payment subsidy. We did say that it is permissible to participate with market rate leveraged loans, even though they are not eligible for consideration under PA2.

13. Why is the effective change of the PA effective with date of the COE & not Loan Approval?

Response: The COE was issued based on the criteria in PA1. Using this criteria represents a consistent way of administering the program.

14. Can we look at a "blended rate" for leveraging? If we have the RD loan at $60,000 and a bank loan for $30,000 at 5% and another loan for $30,000 at 1% can we look at the $60,000 as blended at 3% and still be considered as a true leverage?

Response: We are not able to do this right now. However, achieving a blended rate with multiple layers of financing for PA2 purposes is under discussion. The mechanics of how this could be done is an issue that is being currently researched.

A possibility at this point in time would be if the other two lenders collaborate to submit a package as one loan already at a blended 3% rate.

15. Is the 3% for leveraged loans statutory?

Response: No it is not statutory, it is regulatory.

16. Is total PITI including a market rate lender's loan part of front end or back end ratio?

Response: The leveraged loan, regardless of type, should be included in both the front and back end ratio.

17. Will payments for leveraged loans above 3% be shown as a debt for ratios?

Response: Yes, payments for leverage loans above 3% will be shown as debt in the total debt ratio since it will be considered a separate, stand alone debt of the borrower's, it will also be included in the PITI ratio.

18. Where do we enter the market rate leverage loan payment to calculate the max loan amount?

Response: The market rate leverage loan payment should be entered on the Payment Assistance Calculator, the payment will carryover to the Maximum Loan Amount Spreadsheet and will be included in the PITI ratio. Be sure to use the most current version of the calculator. The calculator was recently updated. Before using a previously downloaded calculator, please check the MortgageServ web site to be sure we're using the correct calculator.

19. Unless there is an eligible leverage loan do we understand correctly that the borrower would not receive any payment subsidy?

Response: No, this is not correct. The borrower may still receive payment subsidy when an eligible leveraged loan is not included in the calculation.

20. If a leveraged loan has an interest rate of 3 percent and is amortized for 30 years, but has a balloon installment due at the end of 15 years, is this considered an eligible leveraged loan for the purpose of PA2?

Response: Yes, because it is amortized for 30 year and has an interest rate that does not exceed 3 percent.

21. How do you factor in a leverage loan with an interest rate greater than 3%?

Response: The interim calculator (and UniFI when it is updated) will properly consider a leveraged loan, regardless of whether it qualifies for PA2. Principal and interest payments for leveraged loans that do not meet the affordable housing product criteria set forth in the regulation will be considered in the PITI ratio.

22. If there is less than 20% leveraging in the PA2 does the lien holder still get first position?

Response: No, the lien holder will only get first lien position if their leveraged loan is at least 20% of the total transaction. If the lien holder is going to receive priority lien position over the Agency, they should have a significant stake in the total transaction.

However, the leveraged loan does not have to meet a minimum percentage requirement to be included in the PA2 calculation. As long as the leverage loan is amortized for 30 years and has an interest rate that does not exceed 3 percent it will be included in the PA2 calculation.

23. Do we accept market rate lenders appraisal/documentation etc? or do we secure our own?

Response: We may accept appraisals conducted by the participating lender, as loan as evidence of the qualifications of the individuals performing the appraisal is provided and accepted. An administrative review of the appraisal must be completed before it is accepted.

24. For market rate lenders what origination fees are they allowed?

Response: Guidance on Leveraged Loans is contained in Chapter 10 of HB-3550-1. Loan fees must be kept as low as possible. All fees must be reasonable. "Underwriting fees" and similar add-ons are not permitted. The total fees paid to the lender may not exceed 3-1/2 percent of the lender's loan. (This limitation applies regardless of whether the buyer or the seller pays the fees.) In general, the loan originator must assure loan fees are minimized. The 3-1/2 percent is a maximum, not a baseline. The total Rural Development loan may not be considered when the lender is establishing fees. Lender fees must be commensurate with the amount of service provided by the lender.

25. How will the Section 8 Housing Choice Voucher (HCV) work with the PA2? Will it be deducted from the 24% or EIR of 1%?

Response: The Housing Choice Voucher is considered as repayment income and can be used with or without a leveraged loan. The Housing Choice Voucher itself is not considered leveraging and would not be considered in the PA2 calculation.

26. Is there a separate fund for RHLP / CDFI?

Response: Approximately, ten percent of the Section 502 Direct loan funds are set aside for funding of RHLP/CDFI partner loans. States will bereimbursed 75 percent of all partner loans from this allocation as in the past.

27. Why should a bank leverage for a 3% loan?

Response: Leverage lenders are not only banks. An eligible loan for purposes of PA2 may come from a range of sources, in particular lenders with affordable housing products. Examples include State Housing Agencies, local housing authorities, Federal Home Loan lenders, and non-profits.

28. Does PA2 put us in direct competition with the market rate lenders, if we are not telling the borrower to seek financing with a market rate lender?

Response: The Agency is not competing with market rate lenders, a borrower's repayment ability must be considered in determining whether it is appropriate for referral to market rate sources. Generally, a borrower is eligible for an agency loan because a market rate loan is not feasible.

29. We would love to learn what lenders are doing 3% loans for the benefit of all states.

Response – Information from the data warehouse will be posted to the Share Point web site with previous sources of lender participation that appears to meet the PA2 eligibility criteria.

30. The 3% / 30 yr amortization term will kill the program. We have grant products that we use but they are leveraged w/ lenders at market rate.

Response: You may continue to utilize these types of partnerships. The only difference is the borrower will no longer receive the Equivalent Interest Rate.

31. Is it possible that a scenario can be done without using a leverage loan?

Response – Yes as follows:

RHS Loan - $90,000, Interest Rate – 6%, Terms – 33 Years, AAI - $23,000 T&I - $150 per months

Calculation A		**Calculation B**
522.50	**Note Installment**	**$522.50 Note Installment**
150.00	**Taxes and Insurance**	**$266.93 Installment at 1%**
672.50	***Less***	**$255.57 (Subsidy based on Calc B)**
460.00	**(23,000 X.24 ⁄ 12)**	
212.50	**(Subsidy based on Calc A)**	

Subsidy is the lesser of Calculation A or Calculation B, so subsidy = $212.50

Borrower Payment = $310 ($522.50 - $212.50)

32. Does the calculator have a maximum loan amount?

Response: The latest revision of the calculator will calculate the maximum loan amount.

33. Why does it make a difference on the interim calculator if the applicant is in the low or very low income category? It seems that both are using 24% of their income as a floor rate.

Response: Very low income applicants are limited to a PTI ratio of 29% while low income applicants may have a PITI ratio of 33%.

34. When and where will the handbook previously mentioned be published?

Response: The handbook changes were published via a Special Procedure Notice dated April 1, 2008. The handbook is available on the RD Regulation website located at:

http://www.rurdev.usda.gov/regs/hblist.html#hb1

35. When can you use 38 years versus 33?

Response: When the borrower's income is less than 60% of median and repayment is not shown on a 33 year loan. The new method of payment subsidy has not affect on the 38 year term.

36. In the interim, should we have borrowers sign a blank Payment Assistance 2Agreement at closing or let it pre-fill with wrong information and possibly pen and ink change?

Response: We should never ask the borrower to sign a blank document. Use the calculator to determine the borrower payment and amount of payment assistance. Enter the payment assistance results on Form 1944-14 and have the borrower sign the completed form. A fillable form is located on the RD forms web site.

37. How does Payment Assistance Method 2 affect construction loans?

Response: Construction loans will be handled in the same manner as they are under PA1. The interim calculator now has a provision to assist in determining the subsidized interest rate for the construction period.

38. Why are some deals getting more subsidy under this method and higher eligible loan amount then previous method?

Response: Under PA1, low income borrower' payments (except Leveraged Loans) was the greater of, the equivalent interest rate or 22, 24 or 26 percent of adjusted income. Under PA2 the borrower payment will be the greater of 1% or 24% of adjusted income. If the 1% installment is greater than the installment based on 24% of adjusted income, the applicant will be qualified at the 1% rate.

39. All things being equal, will the applicant qualify for more or less assistance under method 2 as opposed to method 1?

Response: Under PA1 a borrower will pay the higher of 22, 24 or 26% of their adjusted income or the Equivalent Interest Rate (EIR), while under PA2, the borrowers will pay the greater of 24% of adjusted income or an installment based on an interest rate of 1 percent. Therefore, in some cases, low income borrowers will receive more assistance under PA2.

40. We have noticed that low income applicants are qualifying for subsidy at 1% under PA2 method. How will this affect future funding allocations and division of low/very-low funding?

Response: We worked closely with a contractor in the development of the PA2 formula. One of the criteria we started with is that the change in the formula should continue to serve the same clientele we currently serve and should not have a significant impact on the cost of the program.

41. How can we handle the Energy Efficiency increase in ratios?

Response: The Rural Energy Plus Pilot Program allows the front and back ratios, used to determine an applicant's ability to repay a home loan to be exceeded by up to two percentage points if an energy efficient home is purchased. The new payment assistance formula will have no affect on this pilot.

42. For Method 2 do we enter anything in the RHCDS/AGREEMENT screen at this point?

Response: No, do not enter any information into this screen until the system enhancements are completed. In this interim period, utilize the Payment Assistance Calculator and Form 1944-14.

43. How, in your judgment, will initial loan amount be determined?

Response: The calculator was revised to assist with determining the maximum loan amount.

44. Is it the policy to pre-qualify applicants at 1% when they don't have a property in mind?

Response: If the applicant does not have a property in mind, use the revised calculator to pre-qualify them.

45. Has the recapture calculation been revised to recapture PA2?

Response: PA2 will not affect the recapture calculation, so there is no need for revisions.

46. Will the updated form 1944-14 be fillable?

Response: Yes the form is fillable and was updated to the forms website on April 1, 2008. The form can be accessed as follows:

http://www.rurdev.usda.gov/regs/formstoc.html#1900

We have noted that some fields in the fillable form need to be modified to allow additional characters. We are working with the IT staff to correct this.

47. When will PA2 be complete on UNIFI?

Response: We are working towards implementing PA2 at the earliest possible date. We expect that will be on or before the first of May 2008. All of this depends on a number of factors.

48. How do we determine the rate at which capitalized interest will accrue during the construction period?

Response: The calculator was recently revised to calculate the reduced interest rate during the construction period.

49. Does the calculator figure medical deductions that are in excess of 3 percent of annual income for elderly households?

Response: No, the calculator does not figure the amount that is in excess of 3 percent. The instructions state you should "enter only qualifying annual medical expenses". Therefore, in the medial section of the calculator, you would enter the figure that is in excess of 3 percent.

You must continue to enter application in UniFi you should print the Eligibility Summary and attach the Max Loan Calculator to it. The income figures in the calculator should match the income figures under "AnnualIncome Information" from the Eligibility Summary in UniFi. The PA calculator is a temporary tool to assist in calculating Payment Subsidy and the Max Loan Amount.

50. How are homeland grants with monthly lease payments handled as far as PA2 method is concerned?

Response: Only loans with an interest rate that does not exceed 3 percent and is amortized for at least 30 years will be considered in the PA2 calculations.

51. Is the calculator restricted for use by RD, or can an outside parties use it?

Response: The calculator may be used by outside parties. However, we must ensure that the correct version of the calculator is used. The most recent version has a calculator for the reduced interest rate for construction loans. We suggest you delete previous version of the calculator and save the latest version in Excel, and email it to interested parties.

52. Is the recording of this session available to anyone or just RD staff who can access the server (It would be great if grantees/packagers could access this session)?

Response: The recording is available to anyone. It can be accessed as follows:

http://teamrd.usda.gov/

Click "Training Resources" from there Click on "Webinar Archive" located in the blue box on the left of the screen under the word "Documents", from there Click on "Single Family Housing Direct Webinar Archives" located in the center of the page near the bottom of the screen.

53. How do we print the PowerPoint presentation (the file print feature does not seem to work)?

Response: The PowerPoint presentation can be downloaded at the end of the session. You will be prompted to save the document when leaving the session. The PowerPoint presentation is also posted on the Webinar archives as provided in #52 and on the RD Share Point Website as follows:

https://rd.sc.egov.usda.gov/teamrd/HCFP/default.aspx

54. When will the recorded version of this session be available?

Response: The recorded version is available now.

55. Are there any plans for a third webinar?

Response: At this time there are no plans for a third webinar. The 3/19/08 webinar was recorded and is available for download.

56. Where is the calculator located? Is it in MortgageServ (the link on the UL takes you to MortgageServ)?

Response: The UL for the calculator is as follows:

http://mortgageserv.sc.egov.usda.gov/index.html.

Do not log into MortgageServ. At the bottom of the page you should see the word "Alerts". There is a link that says "New Payment Assistance Method Calculator Effective April 1, 2008". Click on this link and it will take you to the calculator, you can also save the calculator in Excel.

57. Why not delay this until UNIFI is ready?

Response: The new formula was published in the Federal Register on December 27, 2008 and implementation was delayed until April 1, 2008 to allow time for UniFi enhancements. However, due to unforeseen circumstances we were not able to update UniFi prior to the effective date of the new formula.

April 18, 2008

TO: State Directors
Rural Development

ATTENTION: Multi-Family Housing Program Directors and Coordinators

FROM: Russell T. Davis ***(Signed by Peter Morgan) for***
Administrator
Housing and Community Facilities Programs

SUBJECT: Processing Section 515 New Construction Loan Requests
Fiscal Year 2008

The purpose of this Unnumbered Letter (UL) is to provide information, a timeline, and guidance on procedures for processing Section 515 new construction loan requests, in accordance with 7 C.F.R part 3560, and the "Notice of Funds Availability (NOFA) for the Section 515 Rural Rental Housing Program for Fiscal Year (FY) 2008" that was published in the Federal Register March 12, 2008.

Initial loan requests that are complete and received by the deadline listed below will be reviewed and scored based upon the factors listed in Section 3560.56. Information is provided in more detail in the Multi-Family Housing Loan Origination Handbook (HB-1-3560), which is one of three companion Handbooks to 7 C.F.R. part 3560. The Handbook is designed to provide multi-family housing staff with guidance needed to originate loans efficiently and effectively.

PROCESSING TIMEFRAMES: The following timeframes will be followed in originating loan applications:

May 12, 2008: Final date for receipt of applications. Applications must be received on this date by the close of business, local time.

EXPIRATION DATE:
April 30, 2009

FILING INSTRUCTIONS:
Housing Programs

May 19, 2008: Deadline for States to submit preliminary report of applications received, using the NOFA Applications Summary Sheet (Attachment 1). At a minimum, list the applicant's name, number of units, number of Rental Assistance (RA) units requested, eligibility for set-asides, and Section 515 loan amount requested. If no applications were received, please indicate so on the report. (Fax to 202-690-3444 or e-mail barbara.chism@usda.gov.)

June 27, 2008: Deadline for States to submit the final list of scored and ranked applications meeting the preliminary eligibility and feasibility requirements, in accordance with Section 3560.56(c)(1), to the National Office. Attachment 1 must be updated to include both the ranking number and point score. For point score ties, establish the ranking number in accordance with Section 3560.56(c)(2) and Chapter 4.13.C of HB-1-3560. The Application Review Checklist and Point Score Sheet (Attachment 2), and the Calculation of Leveraged Assistance Worksheet (Attachment 3) must be submitted at this time. An example of the calculation is provided as (Attachment 4). Applications that are eligible for more than one funding category should be listed in all eligible categories. In a separate section or on a separate page, list (but do not score or rank) incomplete applications or those that were determined not eligible or feasible, and annotate accordingly. (Fax to 202-690-3444 or e-mail barbara.chism@wdc.usda.gov.)

The National Office will rank applications nationwide and advise States of the results as soon as possible following the June 27, 2008 deadline.

August 22, 2008:
Pooling date for Section 515 funds.

September 21, 2008: Deadline for obligating funds or obtaining National Office approval of extension.

Applications may be submitted for regular Section 515 funds; the Non-profit Set-Aside; the Underserved Counties and Colonias Set-Aside; and the Empowerment Zone (EZ), Enterprise Community (EC) and Rural Economic Area Partnership (REAP) Earmark. Please indicate the set-aside and/or earmark for which the applicant is eligible on Attachment 1.

Individual loan requests may not exceed $1 million, including requests for the set-asides and earmarks. The Administrator may make an exception to this limit in cases where a State's average total development costs exceed the National average by 50 percent or more. States may not set a lower limit than the $1 million National limit.

States may receive a maximum combined total of $2.5 million from regular Section 515 funds and set-aside funds. The designated reserve for States with Rental Assistance Programs is not included in this cap.

Loan Scoring Factors:

Loan requests will be scored based on the criteria listed in Chapter 4.13 of HB-1-3560. The optional State factor will not be used this year. Point scores will be determined using the following factors:

- Leveraged assistance. (0 to 20 points)
- High need communities. (20 points)
- Donated land. (5 points)
- Energy initiative. (5 points)
- National initiative. (20 points)

Leveraged Assistance:

All leveraged assistance must meet the provisions of Section 3560.66. Any contribution from the applicant *above his or her required contribution on the Rural Housing Service loan*, including tax credit proceeds, is eligible for consideration for points as long as there is an equal or positive impact on basic rents. Contributions must meet the conditions of Section 3560.68(c). Please refer to Chapter 4.13.A, of HB-1-3560 for detailed guidance on eligibility for leveraged assistance.

Donated Land:

In accordance with Section 3560.56(c)(1)(iv), 5 points may be awarded for land that is donated by States, units of local Government, public bodies, and non-profit organizations and meets the conditions listed therein. Please refer to Chapter 4.13.B.4 in HB-1-3560 for detailed guidance on eligibility and conditions under which priority points may be awarded for donated land.

Energy Initiatives:

Points will be awarded if the proposal includes plans to install energy generation systems or plans to construct housing that earns the ENERGY STAR label for new residential construction.

Applicants seeking energy generation points will be awarded points if the proposal includes the installation of energy generation systems to be funded by a third-party. The proposal must include an overview of the energy generation system being proposed. Evidence that an energy generation system has been funded by a third-party and that it has a quantifiable positive impact on energy consumption will be required.

Applicants seeking energy conservation points will be awarded points to construct housing that earns the ENERGY STAR label for new residential construction. Units earning the ENERGY STAR label must be independently verified to meet guidelines for energy efficiency as set by the U.S. Environmental Protection Agency. All procedures used in verifying a unit for the ENERGY

STAR label must comply with National Home Energy Ratings System (HERS) guidelines. ENERGY STAR guidelines for residential construction apply to homes that are three stories or less and single or low-rise multi-family residential buildings.

The applicant must include in the summary an explanation of how it plans to incorporate ENERGY STAR. Construction plans pertaining to energy efficiency must be developed with, reviewed, and accepted by a HERS certified rater, the contractor, and the owner. Progress inspections must be made at appropriate times by a HERS certified rater to ensure that the housing is being constructed or rehabilitated according to ENERGY STAR specifications. In order to receive final payment, applicants will be required to submit the appropriate rating reports from the HERS rater to Rural Development as evidence that housing has been constructed to meet the standards of ENERGY STAR. In the event that housing does not meet ENERGY STAR guidelines for new residential construction, the Agency shall, at its discretion, deduct 5 points from future funding proposals. For further information about ENERGY STAR, see http://www.energystar.gov or call the following toll-free numbers: (888) 782-7937 or (888) 588-9920 (TTY).

National Initiative:

The formal agreement or Memorandum of Understanding (MOU) must be in place by the close of the NOFA. Documentation must be submitted to the National Office for concurrence. Both conditions of the initiative must be met for an application to receive points for this factor, i.e., the agreement or MOU must be in place and the application must include the State resource in an amount equal to at least five percent of the total development cost. When an initial application has been awarded MOU or National Office initiative points, a copy of the MOU or other documentation evidencing the applicant's eligibility for the points must be maintained with Attachment 2, and shall be submitted to the National Office on or before the June 27, 2008 deadline.

Rental Assistance:

For FY 2008, RA will not be available in the National Office for use with Section 515 Rural Rental Housing new construction loans. In addition, $1,000,000 is reserved for States with a viable State RA matching program. The governing provisions for RA can be found at 7 C.F.R. 3560.66(b) and in 7 C.F.R. 3560, subpart F.

Borrower Contribution and Determining Return on Investment; Project Feasibility:

Borrower contributions, including equity contributions above the required three or five percent of the Housing and Community Facilities Program loan that meet the conditions of 7 C.F.R. 3560.63(c) are potentially eligible to earn a Return on Investment (ROI). Borrower contributions must be from the borrower's own resources and cannot exceed the security value of the project, in accordance with 7 C.F.R. 3560.68(b). However, meeting these conditions does not automatically entitle the borrower to an ROI. Paying an ROI on amounts above the required three or five percent contribution must also be considered in terms of project feasibility and the impact on basic rents and RA. Please refer to Section 3 of Chapter 5, of HB-1-3560 for detailed guidance.

RA may only be provided on units where the basic rent does not exceed the amount of rents with full Housing and Community Facilities Program financing. (If RA is being provided, and paying the ROI on the additional investment would cause basic rents and RA costs to exceed the amount of rent and RA cost if the project had received full Housing and Community Facilities Program financing, the ROI cannot be allowed.) (See Section 3560.66(b) (2)). The borrower may wish to provide additional funds without the ROI or to accept a reduced ROI, if feasible in terms of basic rents and RA. If RA is not being provided, the ROI must not cause basic rents to exceed Conventional Rents for Comparable Units (CRCU) in the market.

Community Rooms:

States are reminded to inform potential applicants that modest community rooms in Section 515 complexes are highly encouraged to provide a place for special activities and services that will aid residents in improving job skills or education, as well as provide a space for resident and community meetings.

Limited English Proficiency (LEP):

Borrowers and grantees must ensure that LEP persons receive instructions and documents in the language necessary to afford them meaningful access to U.S. Department of Agriculture (USDA) programs and activities, free of charge. Failure to take reasonable steps to ensure that LEP persons can effectively participate in or benefit from Federally-assisted programs or activities may violate the prohibition under Title VI of the Civil Rights Act of 1964, 42 U.S.C. 2000d and Title VI regulations against national origin discrimination.

USDA has submitted its proposed LEP guidance to the Department of Justice (DOJ) for review and approval. Until such time as USDA's guidance document has been approved by DOJ and published in the Federal Register, recipients are encouraged to follow guidance that was published by DOJ June 18, 2002, for recipients of Federal financial assistance (specifically for DOJ recipients). This guidance and additional information can be found at www.lep.gov

Non-profit Applicants, to Include Faith-Based Organizations:

An organization qualifies as a Non-profit Organization when: (1) the applicant received a tax-exempt ruling from the Internal Revenue Service designating the applicant as a 501(c)(3) or 501(c)(4) organization; (2) the applicant must have in its charter the provision of affordable housing; (3) no part of the applicant's earnings may benefit any of its members, founders or contributors; and (4) the applicant must be legally organized under State and local laws.

The additional requirements for non-profit organizations have been revised, in accordance with 7 C.F.R. 3560.55(c). The non-profit entity is no longer required to have at least one-third representatives of the low-income community and no more than one-third representatives from the public sector.

Additional Requirements for Applicants with Prior Debt:

An applicant with prior Agency debt must meet the requirements of 7 C.F.R. 3560.55(b). An applicant includes the managing general partner of a borrower and any affiliated entity having a 10 percent or more ownership interest.

Exhibit 4-2 oF HB-1-3560: Items to be Included in Cover Letter to the Initial Application:

The information contained in Exhibit 4-2 must be included in Handbook Letter 103, which is the Cover Letter to the Initial Application. Each applicant shall receive a copy of Handbook Letter 103 at the time the initial application package is given to the applicant.

Conventional Rents for Comparable Units:

CRCU is a term describing a standard by which a benchmark is established to maintain the affordability of program units, and to avoid situations where project rents are in excess of established local market rents. In no case may basic rents exceed CRCU for a market area by more than 50 percent, however, the Agency may grant an exemption to CRCU for exceptional circumstances. Chapter 3.20 of HB-1-3560 contains guidance regarding the CRCU standard.

Life Cycle Cost Analysis (LCCA):

The Agency's policy on cost containment includes the use of LCCA analyses to determine whether a project's design and its components make sense economically. This may mean funding projects with higher initial costs if it will result in savings in long-term operation and maintenance cost the components normally include exterior wall finishes, roofing, paving, and energy source items. Chapter 3.17.B of HB-1-3560 provides more information regarding LCCA.

Capital Needs Assessment (CNA):

A CNA performed by the applicant's architect should be included in the initial application in order to determine the long term physical needs of the project over a 20-year period. The CNA will be used to determine the amount of the annual contribution to the reserve account. The annual contribution to the reserve account will be a minimum of one percent of the total development costs and not more than the higher of the amount required by the CNA or that which brings rents up to CRCU. The aggregate, fully funded reserve amount must equal at least 10 percent of the greater of the total development cost or appraised value. If the reserve contribution at one percent of total development cost results in rents that are above the CRCU standard as discussed in Chapter 3 of HB-1-3560, and the applicant is unable to modify the proposal to meet the minimum reserve requirement without exceeding the CRCU standard, the project must be rejected as infeasible.

Loan Security:

In addressing loan security, the Agency shall seek first or parity lien position on a property. A junior lien position is acceptable only if the Government's financial interests are adequately protected. Chapters 6.5.A and 7.6, of HB-1-3560 provide guidance on loan security.

State Director's Approval Limit:

The State Director's approval limit is $3 million per project. The outstanding Rural Development loan balance of a single project, whether existing or proposed, may not exceed $3 million. Prior approval from the National Office **must** be sought should the balance of a single project exceed $3 million.

Questions regarding this letter may be directed to Ms. Barbara Chism, Senior Loan Specialist, Direct Loans, Multi-Family Housing Processing Division (202) 690-1436.

Attachments

RURAL HOUSING SERVICE
SECTION 515 RURAL RENTAL HOUSING NOFA APPLICATIONS
FISCAL YEAR 2008

STATE_____

RANK	SCORE	APPLICANT NAME/ LOCATION	**RACE/ ETHNIC CODE:** 1=White 2 Black/AA 3=A/NH/PI 4=AI/AN 5=Hispanic/L	HIGH NEED BY TYPE EZ/EC/ REAP, TRIBAL, COLONIA	TYPE FAM/ ELD/ CG	PROJ CONG DIST	RHS TOTAL DEV COST (TDC)	RHS LOAN REQUESTED	RHS LEVERAGED ASSISTANCE	% LEVER-AGING	NO. OF UNITS	NO. OF TAX CREDIT UNITS	NO. OF RA UNITS	ALSO ELIG FOR NPSA, EZ/EC/REAP, OR UNDERSRVD SETASIDE (BY TYPE)
SECTION 515														
NON-PROFIT SET-ASIDE														

RURAL HOUSING SERVICE
SECTION 515 RURAL RENTAL HOUSING NOFA APPLICATIONS
FISCAL YEAR 2008

STATE_____

RANK	SCORE	APPLICANT NAME/ PROJECT LOCATION	**RACE/ ETHNIC CODE:** 1=White 2 Black/AA 3=A/NH/PI 4=AI/AN 5=Hispanic/L	HIGH NEED BY TYPE EZ/EC/ REAP, TRIBAL, COLONIA	TYPE FAM/ ELD/ CG	PROJ CONG DIST	RHS TOTAL DEV COST (TDC)	RHS LOAN REQUESTED	RHS LEVERAGED ASSISTANCE	% LEVER-AGING	NO. OF UNITS	NO. OF TAX CREDIT UNITS	NO. OF RA UNITS
UNDERSERVED COUNTIES AND COLONIAS SET-ASIDE													
EZ/EC/REAP Zone SET-ASIDE													
STATE RA RESERVE													
GROUP HOME													
CO-OP HOUSING													

Attachment 2

SECTION 515 APPLICATION REVIEW CHECKLIST AND POINT SCORE SHEET
FY 2008

Applicant information:

Date and time received:_____

Applicant Name: _____ Applicant type: _____

Project Name: _____ Number of units: ____ RA units ____

City: _____ County: _____ Congressional District: _____

Application threshold requirements: Application meets preliminary threshold requirements of Ch. 4.12 of HB-1-3560; received by COB, XXXX, 2008, contains all requirements of Attachment 4-D of HB-1-3560; and is for an eligible purpose. (Yes/No): _____ Comments: _____

Application scoring:

1. Leveraged assistance. (0-20 points) _____
   (Attach "Calculation of Leveraged Assistance Worksheet")
2. High need community. The units will be developed in a colonia, tribal land, EZ, EC, or REAP zone, or in a place identified in the state Consolidated Plan or state needs assessment. (20 points) _____
3. Donated land. The loan request includes donated land meeting the provisions of § 3560.56(c)(1)(iv). (5 points) _____
4. National initiative. The loan request includes a State resource such as State funds, State RA, HOME funds, CDBG funds, or LIHTC; and RHS has a formal working relationship, agreement, or MOU with the State to provide such resources to RHS proposals or to give preference or points to RHS proposals in awarding such resources. (20 points) _____
5. Energy points. The loan request includes plans to install eligible energy conservation and/or energy generation systems. (5 points) _____

   Total point score _____

Estimated funding:

RHS loan amount		$ _____
Leveraged funds:	Source _____	$ _____
	Source _____	$ _____
	Source _____	$ _____
	Source _____	$ _____
Total Development Cost:		$ _____

Review comments:

_____

_____

Reviewer: _____ Date of Review: _____

National ranking results: Selected for further processing based on National ranking (Yes/No): _____ Date: _____

Attachment 3

SECTION 515
CALCULATION OF LEVERAGED ASSISTANCE WORKSHEET

Applicant Name: _____ Project Name: _____

1. Borrower total development cost (TDC) $ _____
2. Non-eligible costs such as audit reserve, developer's fee, organizational or accounting fees. $ _____
3. Adjusted TDC (line 1 minus line 2) $ _____
4. Multiply by percentage of units that will serve Sec. 515 income eligible tenants _____% =
5. Sec. 515 eligible TDC $ _____
6. Applicant funds and leveraged assistance. Include all applicant funds and leveraged assistance such as loans, grants, land, tax abatements, etc., meeting the provisions of § 3560.56 and § 3560.66.

Source:	*Amount*:
Sec. 515 loan requested*	_____
_____	_____
_____	_____
_____	_____
_____	_____

7. Total funds for TDC plus operating cost savings $ _____
8. Minus ineligible costs from line 2 ($_____) = $ _____
9. Multiply by percentage of units that will serve Sec. 515 income eligible tenants _____ % $ _____
10. Subtract Sec. 515 loan and required borrower contribution based on 95, 97 or 100 percent of Sec. 515 loan $ _____
11. Leveraged assistance eligible for points $ _____
12. Percentage of leveraged assistance (line 11 divided by line 5) _____%
13. Points for leveraging based on the following chart: _____
(Round up for .50 and above; round down for .49 and below. For example, 59.49 becomes 59; 59.50 becomes 60.)

Percentage:	*Points*:	*Percentage*:	*Points*:
75 or more	20	35-39	12
70-74	19	30-34	11
65-69	18	25-29	10
60-64	17	20-24	9
55-59	16	15-19	8
50-54	15	10-14	7
45-49	14	5-9	6
40-44	13	0-4	0

Reviewer: _____ Date: _____

Can't exceed smaller of Sec. 515 eligible TDC or appraised value X 95, 97, or 102 percent, OR the $1 million National cap. When the appraised value is established, it may be necessary to adjust the Sec. 515 loan.

EXAMPLE

Attachment 4

SECTION 515
CALCULATION OF LEVERAGED ASSISTANCE WORKSHEET

Applicant Name: _____ Project Name: _____

1.	Borrower total development cost (TDC)	$ 2,500,000
2.	Non-RHS eligible costs such as audit reserve, developer's fee, organizational or accounting fees).	$ 400,000
	Adjusted TDC (line 1 minus line 2)	$ 2,100,000
4.	Multiply by percentage of units that will serve RHS income eligible tenants 100 %	
5.	RHS TDC	$ 2,100,000
6.	Applicant funds and leveraged assistance. Include all applicant funds and leveraged assistance such as loans, grants, land, tax abatements, etc., meeting the provisions of § 3560.56 and § 3560.66.	

Source:	*Amount*:
RHS loan requested*	$ 1,000,000
HOME loan	250,000
HOME grant	150,000
20-yr tax abatement	500,000
applicant funds/LIHTC	1,100,000

7.	Total funds for TDC plus operating cost savings	$ 3,000,000
8.	Less ineligible costs from line 2 ($400,000) =	$ 2,600,000
9.	Multiply by percentage of units that will serve RHS income eligible tenants 100 %	$ 2,600,000
10.	Subtract RHS loan and required borrower contribution based on 95, 97 or 100 percent of RHS loan (1,000,000/.95)	$ 1,052,632
11.	Leveraged assistance eligible for points	$ 1,547,368
12.	Percentage of leveraged assistance (line 11 divided by line 5)	74 %
13.	Points for leveraging based on the following chart:	19

(Round up for .50 and above; round down for .49 and below. For example, 59.49 becomes 59; 59.50 becomes 60.)

Percentage:	*Points*:	*Percentage*:	*Points*:
75 or more	20	35-39	12
70-74	19	30-34	11
65-69	18	25-29	10
60-64	17	20-24	9
55-59	16	15-19	8
50-54	15	10-14	7
45-49	14	5-9	6
40-44	13	0-4	0

Reviewer: _____ Date: _____

April 21, 2008

SUBJECT: General Services Administration Senior Federal Travel Report
Response Due by April 28, 2008

TO: National Office Officials
Rural Development State Directors

ATTN: Administrative Program Directors

On April 1, 2008, the Office of the Chief Financial Officer notified the Rural Development Travel Unit that the General Services Administration Senior Federal Travel Report for the first quarter of Fiscal Year 2008 on the use of Government aircraft for non-mission travel is due May 2, 2008.

Agencies that use Government aircraft must now report each use of such aircraft for any non-mission travel by senior Federal officials, members of their families, and any non-Federal travelers. In order to evaluate data which may be considered responsive to the reporting requirements, the following definitions should be used:

- Government aircraft means any aircraft owned, leased, or rented and operated by the agency.
- Mission requirements means activities that constitute the discharge of the agency's official responsibilities. Mission requirements do not include official travel to give speeches, attend conferences, or meetings.
- Senior Federal officials are persons who are paid according to the Executive Schedule.

The completion of this report is a semi-annual requirement.

EXPIRATION DATE:
May 31, 2008

FILING INSTRUCTIONS:
Administrative/Other Programs

Attached is the Senior Federal Travel Report format (Attachment 1). If no travel was taken using Government aircraft for non-mission travel, please complete the Negative Report of Senior Federal Travel for the first quarter of Fiscal Year 2008 (Attachment 2). Please e-mail your response to the Travel Unit mailbox at ssd.travel@wdc.usda.gov. Responses are due by close of business April 25, 2008, in order to meet the May 2nd deadline to the Department. The subject line of the e-mail response should be "Senior Federal Travel Report."

If you have any questions, please contact Joseph Shunk, Chief, General Services Branch, at (202) 692-0032. You may also e-mail the Travel Unit mailbox at ssd.travel@wdc.usda.gov.

(Signed by Clyde Thompson)
Deputy Administrator
for Operations and Management

Attachments

Sent by electronic mail at 3:30 p.m. on 4/24/08 by the Support Services Division.
National Office Officials and State Directors should advise other personnel as appropriate.

Attachment 1

Fiscal Year 2008 Senior Federal Travel Report

Reporting Period 1st Quarter: Oct 2007 to March 2008

Agency Name (submitting report)

Point of Contact
Phone Number
Fax Number
E-mail Address

Total Number of Official Federal Travelers
Total Number of Non-Federal Travelers
Total Reimbursable Costs
Total Non Reimbursable Costs
Total Government Cost

Department / Agency Name	Traveler's Name	(Official) Federal Traveler Y / N	(Un-official) Non-Federal Traveler Y / N	Traveler's organization	Traveler's Title or other Designation (i.e., press)	Authorizing Agency	Official Purpose of Trip	Destination's)	Date of Trip	Reimbursable Costs (for personal or political travel)	Non-Reimbursable Costs (official travel comparable city pair or coach fare)	Government Cost (allocated share of the Federal or CAS aircraft trip)
										Total	Total	Total

Attachment 2

Negative Report of Senior Federal Travel

Period of Report – October 1, 2007 through March 31, 2008

To: National Office Travel Unit

From:

For the above period this Department /Agency had no travel to report pursuant to Federal Travel Regulation 41 CFR Chapter 301-70.907. Travel considered includes (1) all non-mission travel on Government aircraft by Senior Federal officials (including those acting in an aircrew capacity when they are also aboard the flight for transportation), family members of such officials and non-Federal travelers including persons from other Departments/Agencies and (2) all Mission and Non-Mission travel on government aircraft for Senior Executive branch officials from this or other Departments /Agencies. Government aircraft include all aircraft owned, leased, chartered or rented by this agency.

_____
Signature

_____
Name (please print)

_____
Title

_____
Date

April 23 2008

SUBJECT: Intermediary Relending Program
Second Quarter Funding

TO: State Directors, Rural Development

ATTN: Business Programs Directors

The fiscal year (FY) 2008 second quarter funding selections for the Intermediary Relending Program (IRP) non-earmarked funds are listed below for your information. The priority points for each project are inclusive of any Administrator points that were awarded. The selections are as follows:

State	Project Name	Amount	Points
CA	Valley Small Business Development Corp.	$750,000	176
MT	Southeastern Montana Development Corp.	$250,000	173
TN	Cumberland Area Investment Corp.	$750,000	171
CA	Superior California Economic Development	$500,000	165
TX	Neighborhood Housing Services of Dimmit County	$750,000	150
OK	Logan County Economic Development Council, Inc.	$750,000	146
VT	Vermont Small Business Development Corp.	$750,000	136
MI	City of Big Rapids	$300,000	134
ND	Lake Agassiz Regional Development Corp.	$500,000	133
OH	Neighborhood Development Services, Inc.	$500,000	131
	Total	**$5,800,000**	

Please provide appropriate notification to applicants that did not receive an allocation. Applications that have been considered for an allocation of funds in four quarterly funding cycles will receive no further consideration, in accordance with
RD Instruction 4274-D, section 4274.344(b). Applications that have been considered in less than four quarterly funding cycles will be considered again next quarter.

EXPIRATION DATE:
September 30, 2008

FILING INSTRUCTIONS:
Community/Business Programs

Any revisions in priority scoresheets that are intended for funding consideration in the third quarter of FY 2008 must be received in the National Office **by April 30, 2008**.

(Signed William F. Hagy III)

WILLIAM F. HAGY III
Deputy Administrator
Business Programs

April 25, 2008

TO: State Directors, Rural Development

ATTN: Business Programs Directors

SUBJECT: Business and Industry Guaranteed Loan Program
Rescinded Loan Note Guarantees/Loss Claims Denied

The practice of denying payment of a loss claim on a Federal guarantee has been the exception rather than the norm within the Business and Industry loan program. As part of our continued efforts to optimize the services we provide, we must periodically access our practices, policies and procedures for coherence with our objectives. There is a continued need for us to evaluate policies and requirements associated with the reduction, and/or denial of loss claims.

We are asking each State Office to provide a list of loans, in which the Agency reduced or denied the payment of loss claim or rescinded the Loan Note Guarantee between January 2001, and the present, because of fraud or misrepresentation. In addition, we request that you also provide the loan information for the same time period where the Agency has reduced the final report of loss due to negligent servicing.

As a method of keeping track of the fraud or misrepresentation and negligent servicing cases across the nation, please complete and return the attached Excel spreadsheet with your Quarterly Problem/Delinquent Loan Reports for each quarter.

We appreciate your continuous efforts in promoting dynamic economic opportunities in rural America.

Direct any questions or comments to the Business and Industry Division, Servicing Branch, (202) 690-4103.

(Signed by Ben Anderson)

BEN ANDERSON
Administrator
Business and Cooperative Programs

Attachments

EXPIRATION DATE:
April 30, 2009

FILING INSTRUCTIONS:
Community/Business Programs

ARANTEES REDUCED/REVOKED/DENIED
2001-2005

Amount of Rescission	Date of Rescission	Reason for Reduction *Negligent Servicing*	Amount of Reduction	Date of Reduction	Amount of Final Loss Payment	Date of Final Loss Payment

April 28, 2008

SUBJECT: Maryland State Tax

TO: All Rural Development Employees

The National Finance Center (NFC) was informed that the State of Maryland has changed to a state tax table that now incorporates an employee's marital status. Each employee with a Maryland state withholding tax will need to file the new form MW-507, Employee's Maryland Withholding Exemption Certificate, to designate his/her marital status and the number of exemptions to be claimed. The form can be found at http://forms.marylandtaxes.com/08_forms/mw507.pdf. This change will be effective pay period (PP) 09 (**May 10, 2008**). If an employee fails to submit the new form specifying the marital status, it will result in a default change in Maryland status taxes to SINGLE with 0 (zero) exemptions (I.E. the highest withholding rate) after PP 09.

Employees can submit their form to their Human Resources Office, no later than close of business (COB), Friday, **May 9, 2008**.

Employees can also enter their withholding through NFC's Employee Personnel Page (EPP) at https://www.nfc.usda.gov/personal/index2.asp. Employees should have the new withholding entered into EPP by COB, Tuesday, **May 13, 2008**. Changes in the number of exemptions (not marital status) will be applied in PP 08 under the old formula.

(Signed by Clyde Thompson)

CLYDE THOMPSON
Deputy Administrator
for Operations and Management

EXPIRATION DATE:
April 30, 2009

FILING INSTRUCTIONS:
Other/Administrative Programs

Sent by electronic mail on April 30, 2008 at 2:10 pm by Human Resources.