



UNITED STATES
DEPARTMENT OF
AGRICULTURE

RURAL
DEVELOPMENT

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CF/MFH SECTION

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November 13, 2002

Rural Development Texas AN. No. 571 (1930-C)

SUBJECT: Rental Assistance (RA) Servicing and
Recapture Issues for Multi-Family Housing (MFH)
Properties

TO: All Offices
USDA, Rural Development, Texas

PURPOSE/INTENDED OUTCOME:

To establish concise direction in servicing the needs of properties as related to RA.

COMPARISON WITH PREVIOUS AN:

No previous Texas AN has been issued on this subject.

IMPLEMENTATION RESPONSIBILITIES:

This Texas Administrative Notice (AN) will provide guidance in determining MFH properties that have unused RA which must be considered for recapture, and for rating MFH properties that will qualify for servicing RA. At this time the National Office does not have an allocation of servicing RA to provide to the states, but based upon our internal records, there exists a number of unused RA units statewide. All projects not fully utilizing their RA will be subject to recapture of the unused RA by the State Office. The recaptured RA will then be held in a State Office Servicing RA Allocation, until a determination has been made as to which properties will receive the recaptured servicing RA.

Rural Development Managers (RDM) and USDA Rural Development MFH Servicing Officials will review with their staffs, RD Instructions 1930-C, Exhibit E, XI and XV, to ensure borrower's compliance in the assignment of RA, usage of RA, and USDA Rural Development's determination of properties with unused RA.

Recapture of RA

MFH properties, where the borrower has not fully utilized all RA units during the past twelve (12)

EXPIRATION DATE:
October 31, 2003

FILING INSTRUCTIONS:
Following RD Instruction 1930-C

months, will be considered for recapture of the unused units. This will include MFH properties that are subsidized with one hundred percent (100%) of RA, and have a non-revenue producing manager's unit allocated to the property. Properties that fall into this category will always reflect at least one (1) unit of unused RA.

RDMs should review and analyze for their respective properties, the monthly rent-rolls retrieved by each office from the Multi-Family Information System (MFIS), to determine if there is unused RA and why it is not being fully utilized, especially in those areas where there is a continued need for the RA subsidy. In some cases it may require that a compliance review or supervisory visit be completed to ensure that the borrower and/or management company is properly marketing the subsidized units. Reviewing project occupancy lists, waiting lists, rent rolls, and various MFIS reports, will also verify the past year's RA usage and needs of the project. For all MFH properties that have unused RA that will be recaptured, the State Director will notify the borrower at least thirty (30) days in advance of USDA Rural Development's intent to recapture the unused RA units, and will provide the borrower with the appropriate appeal rights. A copy of the intent letter to the borrower will be furnished to the respective local office for their files.

Servicing RA

MFH properties considered eligible for servicing RA include properties that have suffered hardships, or experienced problems beyond their control, and where servicing RA will be incorporated into a workout plan to correct the deficiencies. Eligible MFH properties will also include properties where servicing actions such as inventory sales, transfers or substitution of partner(s) to avoid foreclosure, currently exist. **Servicing RA will not be used as a solution to poor cashflow when management deficiencies or other problems may be at fault.**

Each RDM should analyze and prioritize each servicing request, by using the attached Request for General Servicing RA Grid, Exhibit A. The rating grid will enable the State Office to determine the need for servicing RA and make approval/disapproval decisions between competing projects. In addition to completing Exhibit A, RDMs are requested to provide the following:

- a memorandum outlining a detailed justification as to why the RA units are needed,
- a statement of action(s) being taken to ensure that the reasons for the financial hardship have been addressed,
- a letter from the borrower and/or management regarding the project's need for servicing RA,
- three (3) copies of the most recent MFIS rent-rolls, and
- documentation of adjustments to property operations and financial contributions being made by the organization, to address any deficiencies in the operation of the property.

This additional documentation will enable the State Director to evaluate the recommendations and finally determine the allocation of servicing RA among competing projects.

In utilizing Exhibit A, each RDM is to assign a category rating of one (1), two (2) or three (3) to each request, **with the category one (1) being a project determined to have the greatest need. Those MFH properties earning a category rating of one (1) or two (2), will be considered for servicing RA first.** MFH properties that receive a category three (3) rating may or may not receive servicing RA at this time; however, the request will be held at the State Office until such time a determination has been made that there is no additional servicing RA available. For additional guidance in completing Exhibit A, we have prepared Exhibit B as a “sample” of how the exhibit should be completed for each eligible property.

If you should have any questions regarding this AN, please contact Gayle Ledyard, Multi-Family Housing Loan Specialist in the State Office.

/s/ Bryan Daniel

BRYAN DANIEL
State Director

Attachments

REQUEST FOR GENERAL SERVICING RENTAL ASSISTANCE GRID

Date: _____
 State: _____ Servicing Office: _____
 Borrower Name: _____
 Case Number: _____ Project Number: _____
 Project Type (FA/EL/LH): _____ No. RA Units Requested: _____
 Total No. of Units: _____ No. of Existing RA Units: _____

COLUMNS

<u>1</u>	<u>2</u>	<u>3</u>

1. RA units needed for critical rehabilitation needs _____
2. Inventory Property _____
3. Transfer to avert foreclosure _____
4. Substitution to avert foreclosure _____
5. Routine Transfer _____
6. Routine Substitution _____
7. Hardship – foreclosure imminent _____
8. Hardship – project viability threatened _____
9. Servicing Request – None of the above _____
10. Vacancy Levels: Over 25%..... _____
 10% to 25% _____
 Under 10% _____
11. Tenant Rent Overburden:
 (Number of tenants currently not receiving deep subsidy)
 Over 50% _____
 25% to 50% _____
 Under 25% _____
12. Workout or servicing plan addressed?
 Yes _____
 No _____

TOTALS

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(Note: All points assigned in first column should be 1 point, points assigned in second column are 2 points, and points assigned in third column are 3 points.)

Project Category: 1 _____ 2 _____ 3 _____
 (12 – 18 pts.) (7 – 11 pts.) (4 – 6 pts.)

Additional Comments:

SAMPLE

Exhibit B

REQUEST FOR GENERAL SERVICING RENTAL ASSISTANCE GRID

Date: 7/2/02
 State: Texas Servicing Office: XX Local Office
 Borrower Name: Alamo Bend Apts.
 Case Number: 50-003-1234567890 Project Number: 02-2
 Project Type (FA/EL/LH): FA No. RA Units Requested: 10
 Total No. of Units: 30 No. of Existing RA Units: 19

	COLUMNS		
	1	2	3
1. RA units needed for critical rehabilitation needs			3
2. Inventory Property			
3. Transfer to avert foreclosure			
4. Substitution to avert foreclosure			
5. Routine Transfer			
6. Routine Substitution			
7. Hardship – foreclosure imminent			
8. Hardship – project viability threatened			
9. Servicing Request – None of the above			
10. Vacancy Levels: Over 25%			
10% to 25%			
Under 10%			1
13. Tenant Rent Overburden: (Number of tenants currently not receiving deep subsidy)			
Over 50%			
25% to 50%			2
Under 25%			
14. Workout or servicing plan addressed?			
Yes			2
No			
TOTAL POINTS	1	4	3 = 8

(Note: All points assigned in each blank of the first column should be 1 point, points assigned in each blank of the second column are 2 points, and points assigned in each blank of the third column are 3 points.)

Project Category: 1 _____ 2 X _____ 3 _____
 (12 – 18 pts.) (7 – 11 pts.) (4 – 6 pts.)

Additional Comments: