USDA Rural Development

Committed to the future of rural communities.

2004 Kentucky Annual Report

First Responder Initiative

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, sex, religion, age, disability, political beliefs, sexual orientation, and marital or familial status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at 202-720-2600 (voice and TDD).
To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Ave, SW, Washington, DC 20250-910 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

Visit our web site: www.rurdev.usda.gov/ky

Table of Contents

Comments	**2**
Community Programs	**5**
Housing Programs	**11**
Business-Cooperative Programs	**16**
Civil Rights & EEO	**19**
Outreach Activities	**19**

www.rurdev.usda.gov/ky

Statement by Secretary of Agriculture Ann M. Veneman:

One of the hallmarks of the Bush Administration centers on improving the quality-of-life and increasing economic opportunities in rural communities. To do this, USDA Rural Development focuses efforts on three primary areas — home ownership opportunities, business development, and community infrastructure.

The $50 billion in USDA Rural Development investments made by the Bush Administration has helped to create or save over 800,000 jobs that are important to rural communities. The all time record high of 76.1 percent homeownership in rural areas is evidence that programs are working as USDA Rural Development has helped 170,000 families attain their dream of homeownership. President Bush has set a goal of providing access to all Americans by 2007. USDA Rural Development is helping meet this goal by increasing access for 1.2 million households and businesses to high-speed Internet technologies.

USDA Rural Development has provided 2.7 million people with basic community water and wastewater infrastructure. Additionally, investments that assist communities with financing public health and safety first responder requests, including financing the purchase of 600 fire trucks and 150 police cars and construct or renovate nearly 100 medical facilities, are having a positive impact on the quality of life in rural America.

The Bush Administration understands the values and traditions that are unique to those who call rural America home. President Bush and I, along with our USDA Rural Development family, are working hard to support families, businesses, and communities increase economic opportunities and improve the quality of life in rural communities.

Statement by Agriculture Acting Under Secretary for Rural Development Gilbert Gonzalez:

Citizens and community leaders throughout rural American share a common desire to bring economic opportunity and an improved quality of life to their community. There is a remarkable cohesiveness among rural citizens that allows the energy and enthusiasm of local citizens to harness the resources needed to bring solutions to economic and social issues facing their communities.

Today, more Americans than ever are realizing their dream of becoming a homeowner. Bringing stability to families, neighborhoods and increasing personal family wealth through building of financial equity in their future. I am proud to say that 20 percent of the first-time homeowners receiving financing this year are minority families.

We are committed to aggressively working to help families, communities and businesses build the basic community infrastructure, help create more local jobs and gain access to educational and health care services and technologies that allow them to be better prepared to compete in a global environment.

While we have accomplished much, we know that more must be done to assist more families, businesses, and communities benefit from the financing and technical assistance USDA Rural Development provides. That is why I unveiled this year a new education and outreach effort designed to ensure everyone in rural areas know what assistance is available to help them achieve their economic goals and improve their quality of life. Simply put, USDA Rural Development is the sole government agency that can build rural communities from the ground up.

To date, the Bush Administration, through USDA Rural Development, has invested $50 billion to help create or save over 800,000 jobs. We have a team of dedicated professionals capable and ready to work with you to improve the quality of life in rural Kentucky. I encourage you to contact your local or state office in Kentucky to learn more about how USDA Rural Development can help improve the quality of life and increase the economic opportunity in your community.

Comments by State Director Kenneth Slone

Our 2004 Annual Report cover is a tribute to the first responder units in Kentucky. USDA Rural Development has taken the First Responder Initiative seriously by awarding $16,167,315 for police and rescue vehicles, fire trucks and a fire –substation, hospitals, and a health clinic.

During the past 4 years, rural residents in Kentucky have received over $2,000,000,000 in assistance through USDA Rural Development.

This past year has been another very successful year for Kentucky rural areas. A total of $501,510,224 was obligated during FY 2004 through our business, housing, community, telecommunications, and electric programs. Once again, this has taken a lot of hard work by our employees and partners. To you, I say "Thank You." I would also like to thank the Congressional delegation for their support of our programs.

When reading our report, please think of the 88,322 families assisted with water and wastewater systems, the 63,676 citizens in 17 rural areas that benefited from USDA Rural Development's First Responder Initiative and other community facilities funding, the 2,956 families that either built or purchased a house or were able to make necessary repairs to their existing home, the numerous apartment units that were constructed or renovated, and the 1,000 jobs that were created or saved in rural areas in Kentucky--this is what USDA Rural Development is all about.

Our continued goal in Kentucky is for our seniors, baby-boomers, children, grandchildren--all generations--to have a better quality of life…

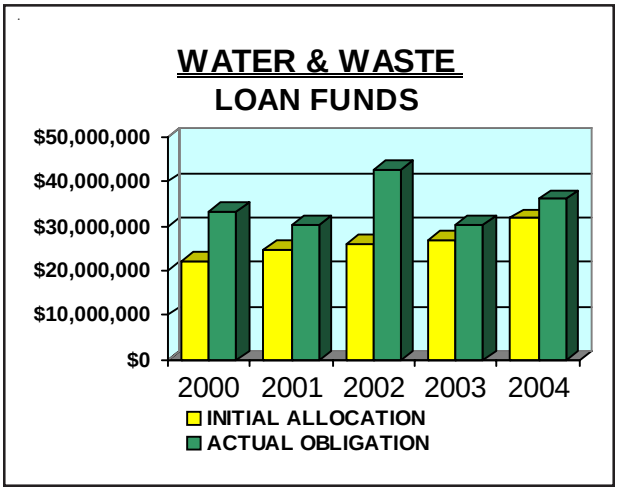
Community Programs

Community Programs (CP) serves a multi-function by providing infrastructure assistance to rural areas for electricity, water, wastewater, and telecommunications. CP plays a critical leadership role in lending and technical guidance for rural utilities industries across the nation. The Distance Learning and Telemedicine program, which serves to meet the educational and health needs of rural communities, is also administered through Community Programs nationwide. In Kentucky, CP is also responsible for administering Community Facilities (CF) loans, grants, and loan guarantees under the Housing Program regulations. Additionally, through agreements with the Appalachian Regional Commission (ARC) and the Delta Regional Authority (DRA), Community Programs administers ARC and DRA grants processed under the authorities provided in Water & Environmental (WEP) and Housing Program regulations.

According to information from the 2000 Census, many areas in Kentucky experienced dramatic changes in population and income during the ten years between the 1990 and 2000 Census. These changes will impact future applicants for WEP and Housing Program funds when determining their eligibility for loan and grant assistance.

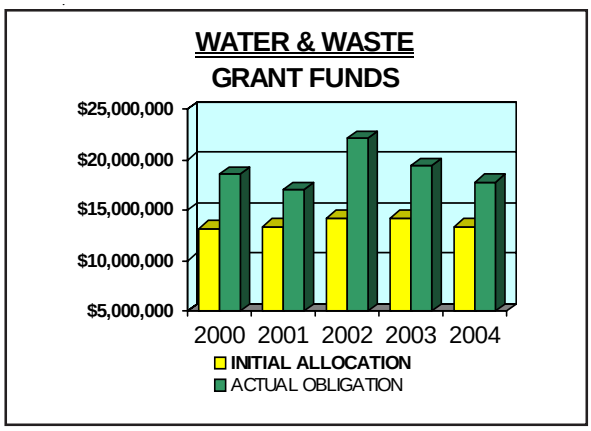
WATER AND WASTE DISPOSAL (WWD)

Loan and grant funds and loan guarantees are provided to public bodies, non-profit organizations, and special purpose districts for drinking water, sanitary sewer, solid waste, and storm drainage facilities in rural areas and cities and towns of 10,000 or less.



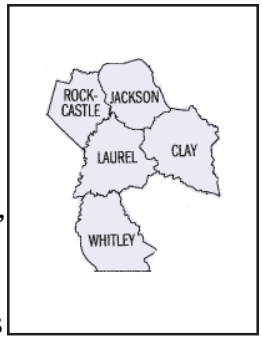
The difference between the Initial Allocation and Actual Obligation represents additional funds obtained from the National Office Reserve.

Thirty-seven rural communities in Kentucky received assistance under Community Programs this past fiscal year, improving the quality of life for approximately 88,322 rural families. This financial assistance consisted of $36,142,200 in loan and $17,198,360 in grant funds awarded to fund new, expanding, or improved rural water and wastewater systems throughout the State.



One of our oldest borrowers is the Wood Creek Water District located in London, Kentucky. The Water District was formed in 1964 and currently serves approximately 4,755 residential and commercial customers in Laurel and surrounding counties. This past fiscal year Rural Development awarded a $7,250,000 loan and a $1,000,000 grant to the Water District to upgrade their water treatment plant and make additional improvements to their

existing system. This $10 million project also included grant funds from the Economic Development Administration in the amount of $1,000,000 and an Appalachian Regional Commission grant for $750,000. Administrator Hilda Legg presented a check for $8,250,000 to representatives of the Water District on August 23, 2004, at their office in London, Kentucky. The Wood Creek Water District has grown over the years from a system serving about 600 customers in central and northwestern Laurel County to a regional water system serving rural populations in portions of Clay, Jackson, Laurel, Rockcastle, and Whitley Counties. Not surprisingly, the water treatment plant has been severely tested during periods of peak usage to maintain the treatment capacity demanded by the large number of customers dependent on the water system. The improvement and expansion of this public water system was necessary to meet the increasing demands of the rural citizens of Laurel and surrounding counties. The Wood Creek Water District was also recognized as one of ten water and wastewater utilities providing outstanding service to its customers during the past year at the annual Kentucky Rural Water Association meeting held in Louisville, Kentucky.

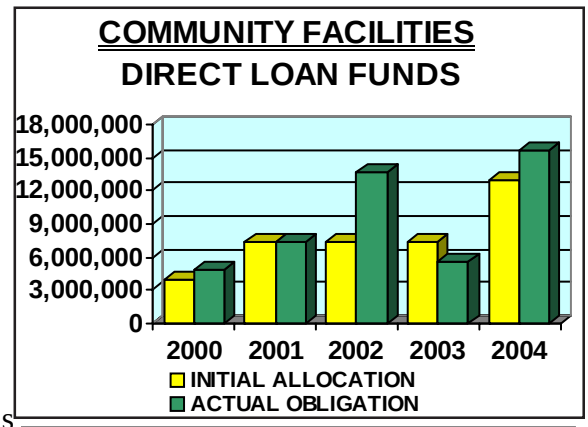


PRIDE

The **P**ersonal **R**esponsibility **I**n a **D**esirable **E**nvironment (PRIDE) Initiative is U.S. Congressman Hal Rogers' answer to addressing the serious challenge of cleaning up Kentucky's rivers and streams of sewage and garbage, ending illegal trash dumps, and promoting environmental awareness and educational programs. Community Programs entered into an agreement with PRIDE to administer certain wastewater construction projects in the 40-county PRIDE region of Southern and Southeastern Kentucky. The efforts made through this initiative to clean up the targeted areas of rural Kentucky help to instill and rekindle a sense of pride and community in the region's rural residents as well as improving the surface and ground water quality in the area.

COMMUNITY FACILITIES

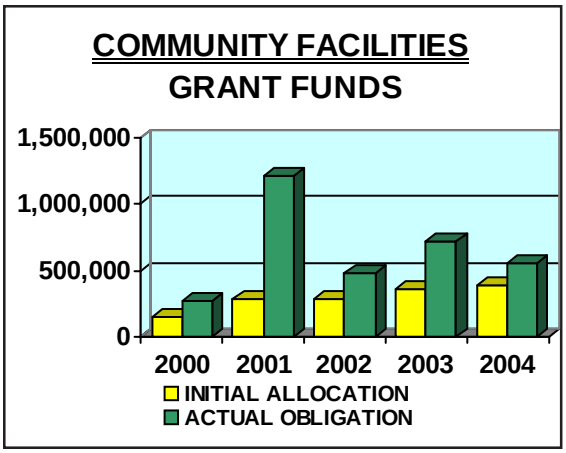
Community Facilities (CF) loans and grants provide financial assistance for health care, public safety, and public services to rural America. Kentucky has always been very active in providing assistance to our rural communities, particularly for hospitals and medical clinics, fire stations and fire trucks, police stations, jails, community buildings, courthouses, and day care centers, to mention a few.



The difference between the Initial Allocation and Actual Obligation represents additional funds obtained from the National Office Reserve.

This past year Kentucky obligated seven direct CF loans for a total of $15,712,800 and fifteen grants for a total of $551,750. This assistance comprised a wide range of essential community services benefitting about 63,676 citizens in 17 rural communities. Funds were awarded to two communities to improve or expand a public library, a county clerk's office, and an office building.

First Responders Initiative



Fifteen communities received funds under the First Responder Initiative which places emphasis on emergency responder efforts in our nation's rural communities. Rural Development is aware of the job performed by our nation's emergency response providers and of the continued concerns regarding preparedness levels in rural America in light of the September 11, 2001, tragedy. This past fiscal year we funded numerous police cruisers and fire trucks, a fire sub-station, a hospital, and a health clinic, all of which would be prominent in the event of a first response emergency situation in Kentucky's rural communities.

A dramatic example of how Community Facilities funds benefit a community occurred on Tuesday, September 14, 2004, when inmates of the Lee Adjustment Center in Beattyville, Kentucky incited a riot and took partial control of the minimum security prison. The disturbance lasted roughly three hours, resulting in fire damage and vandalism to two housing units and the administrative building and some minor personal injuries. Volunteer fire departments from Lee and surrounding counties responded to the situation as well as local EMS units and medical helicopters and police units from Beattyville, Lee County and the Kentucky State Police. The public relations officer for the Lee Adjustment Center later complimented the local fire departments, police officers, and emergency services personnel who were first responders at the scene. Over the past three fiscal years, Community Facilities grant funds totaling $119,000 were awarded to the Lee County Fiscal Court and the City of Beattyville to fund in part the purchase of two police cruisers, one fire truck, and an ambulance for the public safety and welfare of their rural citizens. Most, if not all, of these units responded to the disturbance at the Lee Adjustment Center and were instrumental in bringing the situation under control.

Faith-Based and Community Initiatives

For years, faith-based and community organizations have been assisting people in need, but the Federal Government has been unwilling to partner with these types of entities. President Bush strongly believes that all groups — faith-based or secular, large or small — should compete on a level playing field, so long as they obey all legal requirements. One of his first acts as President was to create the White House Office of Faith-Based and Community Initiatives to lead "a determined attack on need" by strengthening and expanding the role of faith-based and community organizations in addressing the nation's social problems. President Bush stated "the paramount goal is compassionate results, and private and charitable groups, including religious ones, should have the fullest opportunity permitted by law to compete on a level playing field, so long as they achieve

valid public purposes." On April 20, 2004, USDA announced a new outreach initiative directed at faith-based and community organizations in order to educate them on the use of the Community Facilities guaranteed loan program. States were directed to conduct a series of workshops to bring faith-based and community organizations and lenders together to help create new partnerships and educate them on the availability of CF guaranteed loans to develop essential community facilities in rural areas. Kentucky responded by mailing over 600 invitations from five Rural Development Area Offices to individuals and organizations across the State welcoming them to attend a workshop scheduled in their respective areas. Although roughly 20% of that number attended, those who did participate were community and faith-based organization leaders and lenders who are now more fully aware of the federal assistance available to fund their needs. For further information, visit www.usda.gov/fbci or www.rurdev.usda.gov/rhs.

EZ/EC

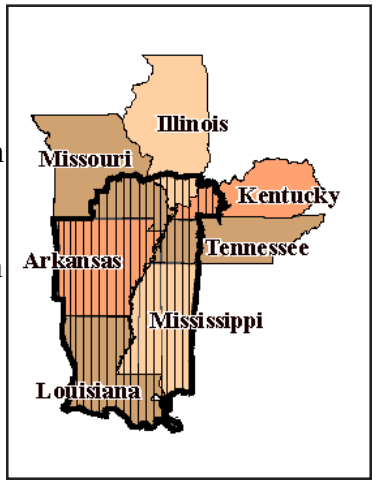
Kentucky Highlands Empowerment Zone (KHEZ)) is one of the few designated rural empowerment zones in the nation. Kentucky proudly participates in the Empowerment Zone/Enterprise Community (EZ/EC) Initiative begun in 1994. The initiative strives to encourage communities within specially designated areas (zones) to create new jobs and promote the revitalization of economically distressed areas.

In Fiscal Year 2004, Kentucky committed $884,000 in CP loan and grant funds and $14,727,000 in CF direct loan funds for two projects in Clinton County in the Empowerment Zone. The Clinton County Hospital received the $14,727,000 CF loan to construct a new 3-story building accommodating an emergency department, intensive care unit, clinical laboratory, registration, cafeteria, and first floor lobby. The second and third floors will contain 42-bed private rooms and each floor will have a nursing station and clean/dirty linen area. The hospital needed to replace its major physical facilities. Its most pressing need was for new patient care areas. Patient rooms were outdated and had reached the end of their useful life lacking the amenities associated with modern patient rooms such as running water and private bathing/shower and toilet facilities. The Clinton County Hospital, located in Albany, Kentucky, serves a rural population of approximately 9,600 in rural Clinton County.

APPALACHIAN REGIONAL COMMISSION

The Appalachian Regional Commission (ARC) was established by Congress in 1965 and is composed of the 13 Appalachian states and a federal co-chairman appointed by the President. Rural Development, as one of its federal partners, administers these ARC grant funds. The Commission funds projects such as education and workforce training programs, highway construction, water and sewer system construction, leadership development programs, small business start-ups and expansions, and development of health-care resources. Kentucky has 51 counties, primarily in the eastern portion of the State, which are designated as ARC counties. During FY 2004, Kentucky administered $5,018,920 in ARC grant funds for the expansion or improvement of 14 water and waste disposal projects and one ARC grant under Community Facilities authorities totaling $316,000.

DELTA REGIONAL AUTHORITY (DRA)



In July 1998 the Secretary of Agriculture announced a new partnership with nine other federal agencies to provide economic assistance to seven states located in the Mississippi Delta region of the United States. This region includes all of Mississippi, Louisiana, Arkansas and portions of Tennessee, Missouri, Illinois, and Kentucky and historically has been one of the most economically disadvantaged areas of the country. There are 21 counties in Kentucky encompassing the Mississippi Delta Region. A Memorandum of Agreement between the Lower Mississippi Delta Development Commission and Rural Development has been executed for project administration.

In FY 2004, Kentucky awarded a $135,432 DRA grant to the West Kentucky Regional Industrial Development Authority to provide wastewater infrastructure to the Four Star Industrial Park near Robards, Kentucky in Henderson County. The Industrial Park has the potential to host about ten industries thereby introducing approximately 2,000 jobs to a four-county area (see insert) and must have the necessary infrastructure to attract businesses to the Park. The Columbia Sportswear Company has already committed to constructing a large footwear distribution center at the Four Star Industrial Park and hopes to employ as many as 200 people within two years of operation.

DISTANCE LEARNING AND TELEMEDICINE LOAN AND GRANT PROGRAM

The Distance Learning and Telemedicine (DLT) loan and grant program provides financial assistance to meet the educational and health care needs of rural America. It is a program about rural America, for rural America, and delivered to rural America. The DLT program enables citizens of the most isolated communities to have access to the same education and specialized medical technology as the citizens in urban and suburban cities.

Kentucky had two recipients selected to receive grant awards during Fiscal Year 2004 under the Distance Learning and Telemedicine Grant program.

Morehead State University, Morehead, Kentucky

Morehead State University (MSU) received a DLT grant in the amount of $499,153 to upgrade their video conferencing equipment to become compatible with the new Kentucky Postsecondary Education Network (KPEN). Support for the University's current video network is scheduled for termination by June 2005; without this upgrade to support the new network standard, their distance learning program would cease to exist. The move to a new IP network will allow MSU to continue providing and expanding distance learning capabilities to four satellite campuses in Hindman, Jackson, Mt. Sterling, and West Liberty, Kentucky.

The Saint Joseph Hospital Foundation, Lexington, Kentucky

The Saint Joseph Hospital Foundation established the Eastern Kentucky Mobile Health Service (EKMHS) in 2003 to improve access to primary and specialist medical care for residents in extremely rural communities in the Appalachian Mountains of eastern Kentucky. In FY 2002 DLT funds in the amount of $90,300 were awarded to help establish a telemedicine connection between their mobile telehealth service, the St. Claire Medical Center in Morehead, Kentucky, and St. Joseph Hospital in Lexington, Kentucky. The mobile health service travels weekly to five end user sites in Lawrence, Morgan, and Wolfe Counties. The EKMHS has now demonstrated a need to expand their connectivity to the Gateway District Health Department and two school health clinics in Menifee and Bath Counties. In addition, there is an opportunity to connect to a mobile health clinic in Ashland, Kentucky. There is also a need to support bioterrorism preparedness including training and telehealth access for first responders via the connection to the Gateway Health Department. To that end, the Foundation received an additional DLT grant this past fiscal year in the amount of $235,636 to expand their connectivity capabilities.

Additional information on the DLT program can be found on the Web site: http://www.usda.gov/rus/telecom/dlt/dlt/htm. Applications are to be submitted to USDA Rural Development, 1400 Independence Avenue, SW, Mail Stop 1550, Washington, D.C. 20250-1550. Telephone contact is (202) 690-4493 and the facsimile number is (202) 720-1051.

ELECTRIC AND COMMUNICATIONS PROGRAMS

The Electric and Telecommunications Program authorities are handled by the National Office in Washington, D.C., with Field Offices in Lexington. Eight loans were made in the Electric Program totaling $128,694,000. The Telecommunication Program granted a total of $32,330,297 for three Infrastructure projects, two public TV grants, as well as the two previously mentioned DLT grants.

D
L
T

*

Housing Programs

SINGLE FAMILY HOUSING PROGRAMS

MAJOR ACCOMPLISHMENTS:

Outstanding Year in Kentucky for SFH Obligations - $206,285,712 – FY 2004

- 552 Families assisted with Direct Homeownership Loans utilizing $40,595,324-a 10 year high and the fourth in the nation.
- 1855 Families assisted with Guaranteed Housing Loans utilizing $162,826,821-third in nation in fund usage.
- 549 Repair Loans and Grants utilizing $2,684,567-first in nation for fund usage.
- Obligations to minorities came to 5.62% compared to minority population of 3.45% in Rural Areas, far exceeding our minority housing goal of 4.3%
- Leveraging was obtained for one-third of all obligations in Direct SFH Programs. Kentucky had 20 Rural Home Loan Partners that provided in excess of 40% of all participating loans. An additional 27 loans with partners with less than 20% leveraging were funded using one million dollars.
- 23 Rural Housing Technical and Supervisory Assistance (TSA) grants were awarded in 21 states and two nonprofit organizations in Kentucky received $175,000 primarily for homeownership education and financial counseling.

- ✯ Ended the year in SFH with a first year delinquency rate of 2.3% compared to 2.82% Nationwide. Also ended the year with zero REOs (Real Estate Owned Properties) and two Leased Properties.
- ✯ Compared to other states, ranked twelfth in allocations, but second in overall fund usage.

SINGLE FAMILY HOUSING DIRECT PROGRAM

This program provides loans in rural areas to finance homes and building sites for very low and low income families. Each person who applies receives equal consideration without regard to race, color, religion, sex, marital status, age, handicap, or national origin. Homeownership loans may be used to buy, build, improve, repair, or rehabilitate rural homes and related facilities and to provide adequate water and waste disposal systems. Homes may be built on individual tracts or in subdivisions. Borrowers may buy an existing house and lot or buy a site on which to build a home.

Examples of families assisted are as follows:

Austrebarto and Maria Arredondo with their three children have made their home in the United States of America for several years living in a small trailer on a farm in rural Bourbon County. After leaving their native Mexico, Mr. Arredondo received his permanent resident status in April 1991, and Mrs. Arredondo received hers in August 2000. A local realtor referred the family to the local office of Rural Development. Anticipating that language might be a barrier and to ensure that this family understood the rates, terms, and their responsibilities for a homeownership loan, as well as being able to answer their questions, the local office called upon one of the newer employee's of USDA Rural Development in Kentucky, Rogelio Carbajal, also a native of Mexico. Roger acted as a translator for the staff of the local office and the realtor, enabling the family to have a thorough understanding of the application phase, purchase contract, and loan closing. The family purchased a three bedroom, two story home in a small subdivision near Millersburg, Kentucky. The home is near their work, and the three children, ages 13, 8, and 4, now have a large yard to enjoy.

***

Another family, Sylvia, age 62, and her daughter, Cheryl, who has a disability, are so very grateful for the help they have received. They can hardly believe that their two small disability incomes would allow them to afford their new house. The Campbell's had rented for several years and after losing her husband to cancer seven years ago, Sylvia even tried living with her son in Florida. Sylvia said, "Eastern Kentucky is home to me and this is where I want to live." Sylvia and Cheryl's living conditions caused them to seek better housing. Their previous old box framed house had a coal stove in the living room which was their only source of heat, and many cold nights they slept in extra clothes to keep warm. The septic system had long since stopped working properly causing a terrible odor and unsanitary conditions; well water was not drinkable due to the high content of sulfur. Sylvia knew her health was deteriorating and she could no longer live in these conditions with her disabled daughter. Through the partnership efforts of USDA Rural Development

and a local nonprofit organization, Hazard Perry County Housing Development Alliance, Inc. (HPCHDA), their dream of owning a home became a reality. Sylvia stated they could never have purchased a house without the help of everyone involved.

The proud homeowners are very appreciative of the assistance they received.

SINGLE FAMILY HOUSING GUARANTEED PROGRAM

The 13th Anniversary for the Rural Housing Guaranteed Loan Program in Kentucky resulted in a total of 1,855 loans utilizing $162,826,821 of private sector funds. Nationally, it was the "best year ever" for the program. Kentucky played a significant role in this accomplishment ranking third behind Michigan and Minnesota in the number of GRH loans. Qualifying applicants must have an income not exceeding 115% of the US Median Income for the county in which the subject property is located. Popularity of the program continues to increase with the mortgage lending community due primarily to the guarantee covering 100% of the loan amount and the elimination of a down-payment requirement and private mortgage insurance (PMI/MIP). Over 100 approved lenders, such as Kentucky Housing Corporation (KHC), Chase Manhattan Mortgage Corporation, Countrywide Home Loans, Wells Fargo Mortgage, and numerous originators/ brokers offer this affordable housing product in Kentucky. It is anticipated that more Lenders will offer this loan product to Kentucky families in the future as the Agency is developing an automated underwriting system, to be known as the Guaranteed Underwriting System (GUS).

Example of a family assisted by the GRH Program is:

When people live in a rural community, it can sometimes become hard for them to find just the right house. David and Regina Combs are a young couple with two children who had rented for some time. They had often imagined what it would be like to own their own home. Being from a small town, they wanted to stay close to family and friends. They had looked for sometime for just the right house they could call their dream home. David was talking to a friend who explained that the USDA Rural Development Guaranteed Housing Program is an excellent program offering 100% financing—this got David's attention. They continued to live in their two bedroom rented house while their new home was being built. Their daughter Heather was excited—very excited--

especially about getting her own room. Heather said, " My walls are pink and decorated in Power Puff." Nathan, who is three, has his room decorated in Scooby Doo. Regina said that the thing she liked most was her ***BIG*** kitchen. The children will be able to play in a yard where Regina and David will not have to worry about them.

SECTION 504 LOAN AND GRANT REPAIR PROGRAM

This program is used to enable very low-income homeowners to remove health and safety hazards, make needed repairs, and provide accessibility for family members with disabilities. The 504 program continues to make it possible for many families to replace leaking roofs, have safe drinking water, install central heat and air, and eliminate unsanitary outdoor privies with installation of indoor plumbing and septic systems. Maximum loan for repairs is $20,000 and applicants 62 years of age who cannot show repayment ability for a one percent loan are eligible for a grant not to exceed $7,500.

Example of a family assisted for the Section 504 Program is:

The Minks received an electric heating system, septic system, city water, new roof, and dwelling repairs; how fortunate can a person be! These accomplishments were obtained with the coordinated efforts of the family, the PRIDE Program, Southeastern Water Association, USDA Rural Development, and the houseWorks Program -a partnership initiative between USDA Rural Development and the Kentucky Housing Corporation (KHC). Married at an early age, Ms. Mink and her husband (who is now deceased) raised their children without electricity and running water in their dwelling. In 1970 the family got electricity in their house but no running water—they carried water from a spring. In 1984 the family was able to get indoor plumbing and water in the dwelling from the gravity flow spring. In 1998, with funds provided by the PRIDE Program, a septic system was installed in accordance with health department standards, thus eliminating a health hazard. The Southeastern Water Association, Inc. of Pulaski County, with funds provided by USDA Rural Development, began to sign up residents for water tap-on fees in 2001. Ms. Mink obtained a 504 Loan through USDA Rural Development to pay a water tap-on fee and meter installation—she now has city water. Later Ms. Mink needed a new roof, front porch, some windows and underpinning. With KHC providing 50% of the needed funds, USDA Rural Development made a participating grant and the repairs became a reality. Ms. Mink attributed the success of her repairs to "people who cared about my living conditions."

*

The RHS/KHC partnership presents a marvelous opportunity for very low income families to make desperately needed repairs to their homes with part of the funds provided in the form of a five year forgivable loan by KHC. The repair program is especially helpful to individual homeowners under

62 years of age who are not eligible for grants in the 504 program. In FY 2004, 54 families were helped with Rural Development providing $346,521 and Kentucky Housing Corporation providing $300,000. In four rounds of funding, KHC has contributed over $1.4 million with USDA Rural Development providing $1.5 million, helping over 250 families with 11.78% minority percentage served. Also, this program was recently nominated by KHC and received top honors in the Home Improvement and Rehabilitation category from the National Council of State Housing Agencies.

Dismantling Barriers Increasing Minority Homeownership

President Bush has a goal of increasing minority homeownership. In Kentucky the minority population is 3.45% and here is how we are doing:

✯ 502 Insured Program for Very Low and Low Income Borrowers	5.63%
✯ 502 Guaranteed Program for Moderate Income Borrowers	4.9%
✯ 504 Repair Loans and Grants for Very Low Income Families	8.01%
✯ Overall	5.62%

MULTI-FAMILY HOUSING PROGRAM

At the close of Fiscal Year 2004, Kentucky's RRH portfolio numbered 456 properties with over 12,000 units. These units provide affordable housing opportunities to low income households throughout rural Kentucky.

Kentucky made one Section 538 Guaranteed Rural Rental Housing Loan during KY 2004. A $2,000,000 loan guarantee was made by the Huntington Bank of Columbus, OH, which will be used to construct a 54-unit family complex in Grayson, KY. Additional funding will be obtained from the sale of Low Income Housing Tax Credits. The units will be available to households earning less than sixty percent of the median household income for the area.

As funding for additional new complexes is scarce, the Multi-Family Housing Program is focusing on preserving the units already in place. In FY 2004, three loans were made to rehabilitate properties in Calhoun, Fordsville, and Eminence. The total loan amount for these properties was $522,345. Funds were obtained from third party sources in the amount of $2,281,100 to facilitate the transfer and rehabilitation of four

properties. Fifteen units of unused Rental Assistance were transferred from other properties within the state to assist the subsequent loans and transfers.

HOUSING PRESERVATION GRANT PROGRAM

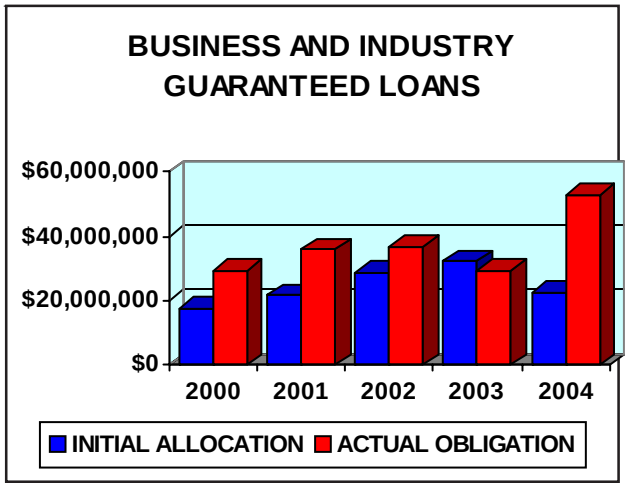
During Fiscal Year 2004, Kentucky obligated a total of $203,789 in funds for the Housing Preservation Grant (HPG) program. The money was awarded to two grantees who will use the funds to assist very low-income families through rehabilitation and preservation of their existing housing.

Business-Cooperative Programs

Fiscal Year 2004 was a banner year for the Business-Cooperative Programs

BUSINESS AND INDUSTRY GUARANTEED LOAN PROGRAM

Kentucky approved 22 Business and Industry (B&I) Guaranteed loans totaling $52,857,400. Those guaranteed loans will create/save over 1000 jobs for rural Kentucky. For 2004, loan purposes included providing assistance to a restaurant, convenience stores, commercial greenhouse operation, hotels, battery manufacturer, coal mine, clay and sand mine facility, assisted living facility, lumber processor, corrugated box manufacturer, and building component manufacturer.



Georgetown Senior Living Partners, LLC received guaranteed assistance to construct a 34-unit assisted living facility in Georgetown, KY. The facility will provide a homelike environment where the resident furnishes and maintains their own furnishings and the staff functions as the resident's assistant. The staff provides 24-hour individual assistance such as housekeeping service, transportation to doctor appointments, and outings; the preparation of 3 meals per day, served in a central dining room; 24-hour emergency response assistance with self-administration of needed prescriptions; and care management when and if needed. The facility is designed to offer a more social environment that encourages greater human interaction and activities.

INTERMEDIARY RELENDING LOAN PROGRAM (IRP)

Kentucky received no funding this fiscal year for this Program.

The goal of the IRP Program is to alleviate poverty and increase economic activity and employment in rural communities. This is accomplished by enabling an intermediary to expand its capacity to administer a small business loan program.

RURAL COOPERATIVE DEVELOPMENT GRANT PROGRAM (RCDG)

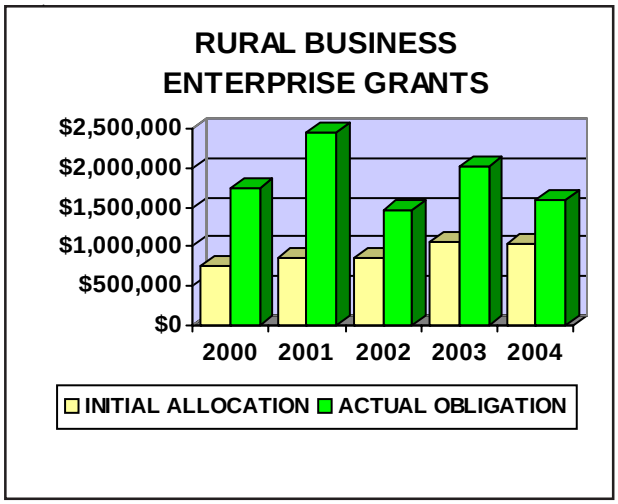
Kentucky received $184,150 to improve economic conditions of rural Kentucky by promoting new cooperatives and improving existing farmer cooperatives. The recipient coordinates, strengthens, expands existing activities and resources and provides expanded access to capital, technical support, education, and training linkages through direct interaction and modern technology to underserved and economically distressed rural areas.

The Kentucky Center for Agriculture and Rural Development, Inc. (KCCD) has recently assisted the following entities: Lexington Farmers Market Cooperative, Kentucky Shrimp Growers Cooperative, Appalachian Sweet Sorghum Cooperative, and Southeast Kentucky Vegetable Cooperative.

KCCD provided training on financing and record keeping, held meetings on establishing management and operating policies, assisted with obtaining product liability insurance for a poultry processing venture, assisted with the hiring of a marketing coordinator, conducted audit and analysis of business operations, hired an intern to do cooperative development tasks, and met with other officials (State and Local) on establishing programs to further enhance Kentucky's cooperative development.

RURAL BUSINESS ENTERPRISE GRANT PROGRAM (RBEG)

The RBEG Program was established to finance and aid in the development of small and emerging private business enterprises in rural areas.



This year Kentucky approved 9 grants totaling $1,593,000. Funds were committed for a variety of services including technical assistance, revolving loan funds, business incubator, and agri-tourism development. Pictured below is the Casey County Fiscal Court project where RBEG funds assisted in purchasing a 160-acre site for the Southern Kentucky Agricultural Education, Marketing, and Exposition Center. The Center has an outdoor arena for horse and cattle shows, sales and other events, concession stand, and other buildings/facilities which support the Center.

RURAL BUSINESS OPPORTUNITY GRANT PROGRAM (RBOG)

The purpose of the Program is to promote sustainable economic development in rural communities with exceptional needs. This is accomplished by providing assistance to organizations for economic development planning, technical assistance, or training.

Although Kentucky submitted the allotted two applications for funding consideration, with such a limited amount of available funding this Fiscal Year, no additional funds were received from this program.

RURAL ECONOMIC DEVELOPMENT LOAN AND GRANT PROGRAM (REDLG)

Although there was limited funding authority available for FY 2004, Kentucky was able to receive funding for three loans totaling $939,469 and one grant of $250,000. The funds will assist in financing a senior citizens center, cultured marble manufacturer, wood flour manufacturer, and a gates and livestock equipment manufacturer. The REDL/Grant Program promotes projects that will result in sustainable economic resources and thereby lead to a higher income level for rural citizens.

South Kentucky Rural Electric Cooperative Corporation will provide a pass-through loan to assist the Tarter Gate Company, LLC in acquiring 5 trucks in connection with the expansion of the manufacturing facility. Tarter Gate is the largest supplier of gates and livestock management equipment in the U.S.

VALUE-ADDED AGRICULTURAL PRODUCT MARKET DEVELOPMENT GRANT PROGRAM

Out of the 22 applications Kentucky submitted for consideration, ten projects totaling $574,600 were selected for approval. The selections included further development of business feasibility and/or marketing plans for biodiesel, ethanol, aquaculture, bison, mushrooms, wool products, beef, and soyfood.

The Program was established to assist agricultural producers interested in developing business plans to establish a viable marketing opportunity for their value-added product or in acquiring capital to establish a value-added business venture or alliance that will allow improved competition in domestic and international markets.

The Union County Biodiesel Company and the Hopkinsville Elevator Company both received approval for the completion of a Feasibility Study/Business Plan to investigate the potential of a value-added market for soy producers in the form of a biomass fuel alternative. Since Biomass is a part of President Bush's National Energy Policy established in 2001, these two applicants further enhance the ability of Kentucky producers to "develop natural resources and protect our environment."

Civil Rights and EEO

Training was provided during the Housing meeting on "how to file a program discrimination complaint" and "how to file an EEO complaint." This training counted as part of the required annual Civil Rights training. Offices were also trained on "Stopping Sexual Harassment Before It Starts" and "Handling Diversity in the Workplace" via on-line training.

The Annual Black History Luncheon was held at the State Office. The theme was "Brown vs Board of Education." Employees from all three USDA agencies which are collocated at the state level participated. School books denoting race categories during segregation were on display. Open discussion of the number of former segregated schools in Kentucky was held.

The State Civil Rights Manager participated in the Iowa Civil Rights review conducted by the Civil Rights Staff in Washington, DC. There were 219 Civil Rights compliance reviews conducted in FY 04 and 126 Affirmative Fair Housing Marketing Plans approved by the State Office.

New EEO Committee members were selected and officers elected. The Disability Employment Committee of Kentucky (DECK) continues to work to recruit persons with disabilities into the workforce. The Committee and Disability Employment Program Manager planned a "Mentoring Day," in which USDA opens the workplace to potential hires with disabilities. Employees would explain their job at USDA Rural Development. This initiative is under the USDA's goal of hiring 9000 persons with disabilities by the end of 2005.

Outreach Activities

* Participated in 17 National Homeownership events during the month of June. These events ranged from Outreach meetings, a local youth build, and Open Houses to a Housing Fair targeting the Hispanics in a five-county area.
* 33 Success stories were submitted to the Under Secretary of Agriculture, published in local newspapers, and are posted on our state website.
* Employees participated in "Career Day" with various elementary, middle, and high school programs.
* Participated in 7 Housing Fairs and Festivals, targeting Hispanic Communities throughout different regions of the state.
* Displayed an informational exhibit during the Kentucky State Fair. Informational pamphlets as well as pictures were available for the 637,327 attending the State Fair.
* Participated in the Small, Limited Resource Minority Farmer Conference sponsored by Kentucky State University.
* Donated excess computer equipment to Galilean Children's Home, Heritage Christian Academy, and Bourbon County Middle School for use by Special Education students.

Bourbon County School Teacher Monica Ballard accepting donated computers from State Director Kenneth Slone.

Notes

Service Areas as of

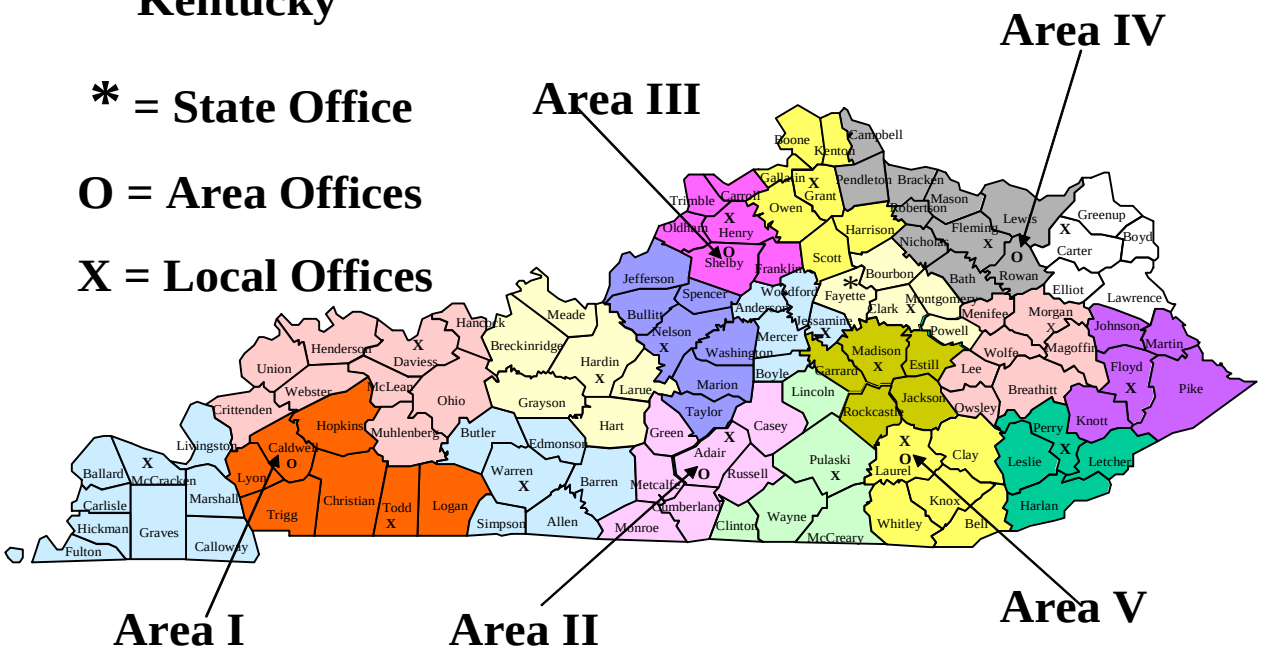
November 2, 2004

Kentucky

*** = State Office**

O = Area Offices

X = Local Offices



***State Office*:** **771 Corporate Dr., Suite 200, Lexington, KY 40503 (859) 224-7300**

Area & Local Offices:

I--Princeton—320B Traylor St., Princeton, KY 42445 (270) 365-6530

Elkton—101 Elk Fork Road, Elkton, KY 42220 (270) 265-5638 (COUNTIES SERVED -Todd, Logan, Christian, Hopkins, Trigg, Caldwell, Lyon)

Owensboro—3032 Alvey Park Dr West, Ste. 3, Owensboro, KY 42303 (270) 683-0927 (COUNTIES SERVED -Daviess, Hancock, Ohio, McLean, Henderson, Union, Webster, Muhlenberg, Crittenden)

Paducah—2715 Olivet Church Road, Paducah, KY 42001 (270) 554-7265 (COUNTIES SERVED -McCracken, Ballard, Graves, Carlisle, Hickman, Fulton, Livingston, Calloway, Marshall)

II-Columbia—957 Campbellsville Rd., Columbia, KY 42728 (270) 384-6431

Bardstown—512 E. Stephen Foster Ave., Bardstown, KY 40004 (502) 348-3024 (COUNTIES SERVED -Nelson, Marion, Washington, Spencer, Jefferson, Bullitt, Taylor)

Bowling Green—925 Lovers Lane, Bowling Green, KY 42103 (270) 842-1146 (COUNTIES SERVED -Warren, Allen, Barren, Edmonson, Simpson, Butler)

Columbia—969 Campbellsville Road, Columbia, KY 42728 (270) 384-6431 (COUNTIES SERVED – Adair,Casey, Green, Metcalfe, Monroe, Russell, Cumberland)

Elizabethtown—587 Westport Road, Elizabethtown, KY 42701 (270) 769-1555 (COUNTIES SERVED -Hardin, Hart, Larue, Meade, Grayson, Breckinridge)

III-Shelbyville—90 Howard Drive, Suite 3, Shelbyville, KY 40065 (502) 633-0891

New Castle—1125 Campbellsburg Rd., New Castle, KY 40050 (502) 845-4700 (COUNTIES SERVED- Henry, Franklin, Shelby, Oldham, Trimble, Carroll)

Nicholasville—800-A South Main, Nicholasville, KY 40356 (859) 887-2461 (COUNTIES SERVED -Jessamine, Anderson, Woodford, Mercer, Boyle)

Williamstown—486 Helton Street, Williamstown, KY 41097 (859) 824-7171 (COUNTIES SERVED -Grant, Owen, Gallatin, Boone, Kenton, Harrison, Scott)

Winchester—30 Taylor Ave., Winchester, KY 40391 (859) 744-5561 (COUNTIES SERVED – Clark, Montgomery, Bourbon, Fayette, Powell)

IV-Morehead—220 West First Street, Morehead, KY 40351 (606) 784-6447

Flemingsburg—Hwy 11 So., RT. 2 Box 27A, Flemingsburg, KY 41041 (606) 845-2851 (COUNTIES SERVED -Fleming, Nicholas, Rowan, Robertson, Bath, Mason, Lewis, Campbell, Pendleton, Bracken)

Grayson—526 East Main Street, Suite A, Grayson, KY 41143 (606) 474-5185 (COUNTIES SERVED -Carter, Greenup, Boyd, Elliott, Lawrence)

Prestonsburg—214 So Central Ave, Ste 101, Prestonsburg, KY 41653 (606) 886-9545 (COUNTIES SERVED -Floyd, Pike, Martin, Johnson, Knott)

West Liberty—955 Prestonsburg St., Suite #1, West Liberty, KY 41472 (606) 743-3193 (COUNTIES SERVED -Morgan, Magoffin, Menifee, Wolfe, Lee, Breathitt, Owsley)

V-London—95 S. Laurel Rd., Suite #A, London, KY 40744 (606) 864-2172

Hazard—625 Memorial Drive, Suite 101, Hazard, KY 41701 (606) 439-1378 (COUNTIES SERVED -Perry, Leslie, Letcher, Harlan)

London—95 S. Laurel Rd., Suite #B, London, KY 40744 (606) 864-2172 (COUNTIES SERVED - Laurel, Clay, Knox, Bell, Whitley)

Richmond—2150 Lexington Road, Suite C, Richmond, KY 40475 (859) 624-1982 (COUNTIES SERVED -Madison, Estill, Jackson, Garrard, Rockcastle)

Somerset—45 Eagle Creek Dr, Ste 105, Somerset, KY 42503 (606) 678-4842 (COUNTIES SERVED -Pulaski, McCreary, Clinton, Lincoln, Wayne)

602

CLINTON
COUNTY

POLICE

TOLLESBORO FAMILY
HEALTH CENTER
& CLINIC PHARMACY
(606)798-3151
A part of the Lewis County Primary Care System

Sheriff
OWSLEY COUNTY

BEATTYVILLE
POLICE

JAMES B. HAGGIN MEMORIAL HOSPITAL

GRAB
FIRE DEPARTMENT