



United States Department of Agriculture  
Rural Development  
Committed to the Future of Rural Communities

JUN 29 2015

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

Dear Borrower:

We are writing to advise you concerning the status of the Rental Assistance (RA) Agreement for [REDACTED] E located at [REDACTED]. On December 16, 2014, "The Consolidated and Further Continuing Appropriations Act, 2015" went into effect. The 2015 budget appropriations for the RA program included the following language:

"For Rental Assistance Agreements entered into or renewed pursuant to the authority under section 521(a)(2)...Provided further, That Rental Assistance contracts will not be renewed within the 12-month contract period..."

Your RA Agreement was last renewed after the effective date of the 2015 budget and therefore, is not eligible for a second renewal until 12 months after the date of the last renewal. However, your RA Agreement is expected to exhaust funding prior to that time.

Rural Development has several options to offer you to assist in managing the operations of your multifamily property during the time that RA will not be available. We urge you to discuss your options with the loan specialist assigned to your property or the Multi-Family Housing Program Director in the Rural Development State Office.

Options that may be available to you consist of:

- Deferral of the Rural Development mortgage payment
- Suspension of deposits to the replacement reserve account
- Use of the replacement reserve account funds for operating expenses

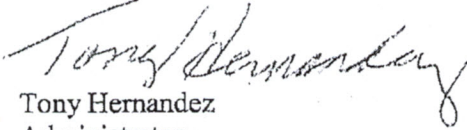
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We appreciate the position in which this places our Rural Development-financed Multi-Family Housing and Farm-Labor Housing properties. Rural Development intends to work closely with you during this time to comply with Congressional directives and maintain affordable housing for rural residents.

Sincerely,

A handwritten signature in cursive script, appearing to read "Tony Hernandez", written in dark ink.

Tony Hernandez  
Administrator  
Housing and Community Facilities Programs





Received  
8/22/14

United States Department of Agriculture  
Rural Development  
Committed to the Future of Rural Communities

Ms. Colleen Fisher  
Council for Affordable and Rural Housing  
1112 King Street  
Alexandria, Virginia 22314

AUG - 8 2014

Dear Ms. Fisher:

Thank you for your letter concerning the legislative proposal regarding the 12-month agreement provisions for the Rental Assistance (RA) program. You and other signers have expressed your concern that implementation of the proposal will cause a change in the rent structure at Rural Development-financed multi-family properties.

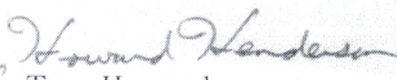
The methodology currently in use to estimate RA need at a property does not involve rents, as stated in the letter. However, we do review the historical use of RA in order to predict the potential need as accurately as possible. The amount of RA used at each individual property is averaged over the prior three years, including any second renewals within a 12-month period. Those averages are rolled up on a State level to create a State per-unit average. It is that figure that has been used to estimate the amount of RA a property will need for an upcoming renewal. Historically, about 97 percent of all properties have operated within that 12-month average. The properties that exceed that average and need a second renewal have created uncertainty in RA budgeting, by possibly as much as \$35 million.

In an effort to improve this forecasting ability, Rural Development is undertaking a substantive information technology effort that will identify the RA usage for each property over the prior 12 months, apply an inflation factor, and use that figure to determine the amount of RA to provide in the renewal agreement. The State-level per-unit average will no longer be used. We believe this methodology will enable us to provide specific budget figures and eliminate any uncertainty about use of appropriation funds.

We do want to correct a misconception in your letter about "...setting rents based on a State-wide average." Rents are established by the borrower, based on the cash-flow needs of the property. Rural Development reviews budgets annually to ensure that any proposed rent increase is justified; however, Rural Development does not establish property rents.

RA plays a vital role in maintaining the health of our portfolio across the country. We appreciate the interest of your many organizations in working with us to ensure RA is available to as many residents as possible in rural America.

Sincerely,

Acting for   
Tony Hernandez  
Administrator  
Housing and Community Facilities Programs

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