



# Council for Affordable and Rural Housing

*Serving the Affordable Housing Needs of Rural America*

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February 14, 2019

Mr. Joel Baxley  
Administrator  
USDA Rural Development  
Rural Housing Services  
1400 Independence Avenue, SW  
Room 5014, STOP 0701  
Washington, DC 20250-00701

**Re: Suggestions for Preparations in Anticipation of a Shutdown**

Dear Administrator Baxley:

Your partners in delivering housing services missed working with the Rural Housing Services and Rural Development staffs during the recent government shutdown. We certainly let our position be known and hope that was helpful in communicating to Congress and the Administration the need to end the shutdown.

Any shutdown is at the very least unsettling and can also be destructive to the Agency, its partners and the residents we all serve. The shutdown that began on December 22 and lasted until January 25 was unexpected and caught many people within and outside the government off guard, creating a large measure of uncertainty as to procedures that should be followed. CARH and our members learned some lessons and believe that there should be policies and procedures in writing that will allow program participants in the rural rental housing programs to better deal with a shutdown, at least temporarily.

Other than avoiding a shutdown entirely, we have the following suggestions:

1. Allow staff to renew Rental Assistance (RA) contracts or treat expiring contracts as automatically renewing during the shutdown. RD received permission to continue monthly funding with remaining RA on hand but certain contracts were not renewed before the shutdown. Clearly, RA contracts are continuing or revolving contracts as where appropriation funds are available, there is a strong legal and practical basis to treat the RA contracts as renewed for that funding period. If tenant certificates are rejected, borrowers should know procedure for correcting issue, be it faxing information normally discussed with officials at the National Financial and Accounting Operations Center or other remedy.
2. Issue a standing Un-numbered Letter (UL) that waives RD double signatures or other pre approvals during the shutdown period for releases from Reserve accounts. This UL should also include change orders on active construction sites and non-515 draw downs and payments to contractors for services rendered during the time of a shutdown. Such UL should

be clear to the Borrower so that they can provide a copy to the other approving parties, giving them assurance to release the funds without RD's approval during a shutdown (i.e., Trustee, Lender, etc.).

3. Rehabilitation and construction activities should continue or should commence in a timely manner, subject to a catch up meeting or review with RD after shutdown. This may be impractical for direct 515 loans where funds have not been appropriated or released but as most preservation activities are funded in whole or part by other funding sources, RD should be able to rely on its financing partners.
4. For Section 538 Guaranteed Loan program, we have several recommendations:
  - Automatically extend any approvals for the time period equal to the shutdown. During the shutdown, allow lenders to be the contract parties they in fact are and allow them to approve constructions starts and interim draws and any related steps, subject to RD's post shutdown review.
  - Allow staff to process the annual Interest Credit Subsidy payments to applicable projects while in shutdown. For some projects these payments are key for operations.
  - Give stated guidance on needed RHS Commitment extensions should shutdowns be prolonged and RHS Commitments expire. This guidance would be similar to what they issued once they came back for commitment extensions at no cost for the number of days they were shutdown.
  - Have staff available to issue Loan Note Guarantee's during shutdowns for closings as long delays can be very detrimental to the secondary market confidence with GNMA trade deliveries, and credit deliveries to investors and State Agencies if closings are delayed.

We appreciate your consideration of these matters. In no way will these policies and procedures make a shutdown better or acceptable, but will help avoid, temporarily, certain crises and some of the strain that a shutdown would cause, over the first several weeks.

Sincerely,



Colleen Fisher  
Executive Director

cc: Richard Davis - Acting Administrator, USDA – Rural Housing Service