USDA United States Department of Agriculture

Rural Development

Presented by Austin Kranz Multi-Family Housing Coordinator

USDA Rural Development Loan Programs

Where We Have Been: Section 515 & 521

Section 515, Housing Act of 1949, 42 U.S.C. 1485, 7 CFR Part 3560

- Authorized the Department of Agriculture (USDA) to make loans to construct, improve, repair or replaced rental dwellings and to provide decent, safe, and sanitary living conditions for very-low, low, and moderate income individuals and families.
- Achieved via 50 year direct loans from the Agency which included interest credit subsidies and project-based rental assistance (RA)

Where We Are Now

- Total 15,000 apartment complexes nationwide housing 500,000 people
  - 300 complexes in PA, housing 7,500 people
- Currently being repaired using MPR Demonstration Program utilizing debt deferral, soft second loans, and zero percent loan

  (only available to 515 complexes)
- 2008 – Present no funding for Section 515 new construction, MPR program is now under a 2 year backlog
- How do we build more affordable housing in rural communities?

Guaranteed Rural Rental Housing Program (GRRHP): Section 538

Section 538, Housing Act of 1949, 42 U.S.C. 1490p-2, July 1999

7 CFR Part 3565 GRRH Program

The purpose of the Guaranteed Rural Rental Housing Program (GRRHP) is to increase the supply of affordable rural rental housing, through the use of loan guarantees that encourage partnerships between the Rural Housing Service, private lenders and public agencies

Guaranteed Section 538: Continued

- Nearly all 538 loans closed have been in conjunction with tax credit (either 9% or 4% w/tax exempt bonds)
- Well over half have included secondary debt financing such as 515, HOME, FHLB, etc.
- Capable of a forward rate lock – locking the permanent loan interest rate 18 – 24 months in advance of closing
- Rate and terms negotiated between the Borrower & Lender

538 Program at a Glance

- USDA guarantees loans made by private, USDA approved lenders, in eligible rural areas (90% of the loan is guaranteed)
- No loan size restriction or cap
- Program allows for permanent only loans, construction/perm loans and rehab/perm loans ($6,500/unit minimum rehab)
- 538 Guarantee can be used to enhance tax-exempt bonds
- USDA Fees: 0.9% at closing; 0.5% annually
- Lender Origination Fee: varies by lender
- Finance projects up to 30% of 115% of AMI

Reasons for Developers to use the 538 program

- 538 loans can be used to rehab 515 properties
- Maximize Loan Dollars
- Maximum 90% LTV (97% for non-profits)
- Maximum LTC 70% - EXCEPT 515 Rehabs 90%
- Minimum 1.15 times DSCR on all serviceable debt
- 25 - 40 year term & amort or any combination thereof (25/40, 30/30, 30/40,40/40, etc.)
- Credit enhancement allows for very competitive rate
- 538 Loans qualify for CRA credit.

538 Program Usage

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Looking Ahead

Availability of Funding

- NOSA/NOFA 1 to 2 year window (published in Federal Register)
- Program is Budget Neutral – Authority vs Appropriations
- Historic annual authority averaged $150 million
- FY 2016 Obligated $188 million, closed $1 billion loans in total
- FY 2017 proposed Authority level at $200+ million
- Current NOSA/NOFA deadline is December 31, 2017
- Guaranteed 538 Program FY 2017 NOSA

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Questions?

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USDA Rural Development is committed to the future of rural communities.